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PRESS RELEASE

Clean audits, but \$150 million in corrections and widespread procurement breaches reveal significant weaknesses in financial management.

Today, Auditor General Patrick Smith published his annual general report on the state of financial reporting in the Cayman Islands: "*Financial Reporting of the Cayman Islands Government: General Report 31 December 2024*". This report summarises the financial results, audit opinions, key audit statuses, and matters raised for the 2024 financial year.

The report presents a mixed picture on the financial performance and audit quality of public bodies in 2024.

Auditor General Patrick Smith says, "My report shows that 36 out of the 46 audits were completed by the statutory deadline of 30 April 2025, and a further three had been completed by September 2025. However, I remain concerned about persistent weaknesses in internal control and regulatory compliance across the public sector." Mr. Smith adds, "While 38 of 39 completed audits received clean opinions, this was only achieved after extensive corrections were made during the audit process. Public bodies collectively made 336 adjustments valued at \$150 million to their financial statements after submission for audit, which raises serious questions about the reliability of financial information used for decision-making throughout the year."

The Auditor General states, "The financial performance of public bodies varied considerably. Statutory Authorities and Government Companies (SAGCs) achieved a combined operating surplus of \$3.8 million. However, this figure masks significant variations. For example, although the Health Services Authority recorded an overall surplus, its \$12.4 million operating deficit is particularly concerning, especially given that it received \$25.6 million in government funding and earned \$179 million from other sources." Mr. Smith continues, "Core government entities performed better, achieving a combined operating surplus of over \$31 million, with most entities performing better than budgeted."

The report identifies 163 significant findings across public bodies, with financial management representing the most critical area of concern, accounting for 44 per cent of all issues. Mr. Smith says, "Financial controls such as bank reconciliations and general ledger reviews are deficient across many public bodies. This indicates fundamental weaknesses in financial oversight that must be addressed urgently."

Non-compliance with acts and regulations emerged as the second most significant concern. The Auditor General states, "I am disappointed that violations of the Procurement Act occurred in 20 public bodies, accounting for 80 per cent of all compliance breaches. These violations persist several years after the Act came into force." Mr. Smith continues, "The most concerning violations included 20 instances of improper direct awards across 11 public bodies, 13 cases of missing procurement committee approvals across six bodies, and nine failures to publish contract awards. Additionally, the Ministry of Education spent \$2 million on 'emergency' campus refurbishment when the need had been known for years – a clear misuse of emergency procurement provisions."

The Auditor General adds, "I also note that two Statutory Authorities – the Cayman Islands Monetary Authority and the Civil Aviation Authority – have still not complied with Section 47 of the Public Authorities Act regarding staff remuneration, five years after this requirement came into force. I have highlighted this issue in the audit opinions of these two bodies."

The report states that, as at 10 September 2025, 20 audits remain backlogged across multiple years, including eight for 2024. This represents a worsening situation from last year. Mr. Smith says, "The audit backlog has increased, with 16 public body audits and four Entire Public Sector audits outstanding. The consolidated Entire Public Sector financial statements remain unreliable, with unaudited amounts including over \$1 billion in coercive revenue and \$2.3 billion in unrecorded post-retirement healthcare liabilities that would nearly eliminate the entire \$2.5 billion net worth if properly recorded."

The Auditor General expresses concern about parliamentary accountability. Mr. Smith states, "Only 10 of 36 annual reports with completed audits had been tabled in Parliament by mid-September 2025, despite audits being completed by 30 April 2025. Over the five years from 2020 to 2024, 52 annual reports remain untabled. This represents a fundamental breakdown in the accountability process." He adds, "Additionally, the Supplementary Appropriation Bill 2024 was not tabled by the required 31 March 2025 deadline, undermining Parliament's constitutional role in authorising government expenditure."

The report highlights serious long-term financial challenges. Mr. Smith says, "Post-retirement healthcare obligations for Statutory Authorities and Government Companies total \$394 million in 2024, representing a 10 per cent increase since 2020. These unfunded liabilities create extreme volatility and severely hamper effective financial planning. The fluctuations are dramatic – for example, the Health Services Authority's obligations varied from \$209 million in 2020 to \$150 million in 2022, then jumped to \$236 million in 2023 before declining to \$221 million in 2024."

The report does not include formal recommendations. The Auditor General says, "The Public Accounts Committee endorsed the recommendations in the 2023 General Report and made additional recommendations in its report tabled in Parliament in July 2024. I will follow up on the implementation of those recommendations in the year ahead. However, I urge public bodies to immediately strengthen financial controls, improve compliance frameworks, and enhance governance practices."

Mr. Smith concludes, "While individual public bodies may achieve clean audit opinions, the underlying significant weaknesses in financial management, regulatory compliance, and governance require immediate and comprehensive corrective action. The Ministry of Finance must implement measures to continually enhance the quality of financial statements, and public bodies must establish robust procurement compliance frameworks promptly. The current situation threatens the reliability of government-wide financial reporting and undermines effective governance and decision-making."

More information about the report can be obtained by contacting Patrick Smith at (345) 244-3204 or Winston Sobers, Deputy Auditor General (Financial Audit), at (345) 244-3207.

This report is attached and can also be found at www.auditorgeneral.gov.ky.

Notes to the editor:

1. The definition of unqualified and other types of audit opinions is included in the Glossary to the report.
2. 36 out of 46 public sector bodies' audits for 2024 were completed by the statutory deadline of 30 April 2025. An additional three audits (HSA, CAB, and MACI) were completed by 10 September 2025, bringing the total to 39 completed audits (85 per cent). Seven audits for 2024 remain outstanding.
3. Prior year audits completed since the last General Report (between 1 October 2024 and 10 September 2025) include: MHECH 2019, CTC 2022, MACI 2023, CAL 2023, CIAA 2020, and MPAHITD 2023. Exhibit 26 on page 39 displays the backlogged audits, complete with details of the adjustments made.
4. Exhibit 35 on page 57 summarises the 20 backlogged audits as at 10 September 2025. The 2024 audits outstanding are for MHW, CIAA, CTC, NHDT, MPAHITD, CAL, CINM, and the EPS.
5. Exhibit 34 on page 56 identifies the public bodies with 'emphasis of matter' or 'other matter' paragraphs in their 2024 audit opinions. Ten public bodies (CAB, MBCL, POCS, CAYS, OCP, MHA, MSCR, MTP, MYSH, and MFSC) had emphasis of matter paragraphs because the Supplementary Appropriation Bill 2024 was not tabled by 31 March 2025. Two SAGCs (CIMA and CAA) had emphasis of matter paragraphs for non-compliance with Section 47(1) of the PAA.
6. Exhibit 23 on page 36 shows the total audit adjustments made to the 2024 financial statements. A total of 336 adjustments were made, valued at \$150 million (gross value).
7. Exhibit 24 on page 38 shows the five SAGCs with the highest value of audit adjustments for 2024.
8. Exhibit 28 on page 43 identifies the 71 findings related to non-compliance with acts and regulations. Of these, 57 violations (80 per cent) were related to the Procurement Act and Procurement Regulations, affecting 20 public bodies.
9. Exhibit 22 on page 35 provides a breakdown of the 163 audit findings by category: 72 related to financial management, 71 to non-compliance with acts and regulations, nine to Information Technology, seven to governance (4 per cent), and four to value for money.
10. Exhibit 11 on page 23 shows the post-retirement healthcare obligations for 11 SAGCs totalling \$394 million in 2024, representing an eight per cent increase from \$364 million in 2020.
11. Exhibit 13 on page 25 shows that SAGCs held combined current assets of over \$1.9 billion (including \$1.4 billion in pension fund investments held by PSPB) against current liabilities of over \$270 million as at 31 December 2024.
12. Exhibit 20 on page 32 shows that the 18 audited core government entities held combined current assets of \$543 million (including \$334 million in cash) against current liabilities of almost \$138 million as at 31 December 2024.
13. Exhibit 5 on page 16 identifies eight SAGCs with significant operating surpluses (more than 10 per cent of operating expenditure) in 2024. One SAGC, PSPB, recorded a significant operating deficit of \$6.0 million (relating to administration costs only; pension plans reported positive performance).
14. Exhibit 15 on page 27 identifies three core government entities with significant surpluses (more than 10 per cent of expenditure) in 2024: MBCL (\$16.4 million), MIISD (\$6.6 million), and PoCS (\$4.4 million).
15. Exhibit 36 on page 61 shows that as at 10 September 2025, only 10 of 36 annual reports for public bodies with completed 2024 audits had been tabled in Parliament. A total of 52 annual reports, covering the period from 2020 to 2024, remain untabled in Parliament.