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PRESS RELEASE

Clean audits overshadowed by \$172.5 million in corrections, six qualified opinions and weaknesses that public bodies are not fixing.

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 2025"*. The report summarises the financial results, audit opinions, audit status and key matters arising from the 2025 financial audits.

The report presents a mixed picture. Mr Smith says, "Most public bodies remain financially sustainable in the short term, but the quality of their financial management is not improving. Healthy surpluses and unqualified opinions do not, by themselves, show strong financial management."

Auditor General Patrick Smith says, "My Office completed 35 of the 48 audits by the statutory deadline of 30 April 2026, and a further two by 10 September 2026. Through these 37 audits, we audited about \$1.9 billion of the \$4.1 billion of transactions recorded in 2025. However, only 39 per cent of the revenue and 61 per cent of expenditure reported for 2025 have been audited."

Mr Smith adds, "I issued 31 unqualified opinions and six qualified opinions. All the qualified opinions were on Statutory Authorities and Government Companies (SAGCs). This is up from one qualified opinion in 2024. Four of the six arose because public bodies did not properly apply two new accounting standards on heritage assets and leases. The Ministry of Finance prepared core government for the new lease standard, but SAGCs were not prepared in the same way. Stronger leadership is needed when new standards are introduced."

The Auditor General states, "Most clean opinions came only after substantial corrections. Public bodies made 315 adjustments worth \$172.5 million after submitting their financial statements to me for audit, up from \$150 million in 2024. Adjustments on this scale mean that public bodies and key stakeholders are probably making decisions during the year based on inaccurate financial information."

The report identifies 165 significant findings, two more than in 2024. Mr Smith says, "Almost half of these findings – 73 – had been reported before. In each case, management accepted the finding and agreed to act, but the weakness remains. Non-compliance with legislation and weak financial management account for more than 80 per cent of the findings."

Non-compliance with the Procurement Act remains the largest single weakness. The Auditor General states, “I am disappointed that 20 public bodies breached the Procurement Act and Procurement Regulations 54 times, almost 80 per cent of all compliance breaches. This has not changed for at least two years. More than \$9 million was spent without the required approvals.” Mr Smith continues, “For example, the Maritime Authority engaged 44 surveyors and contractors by direct award, for \$3.6 million, without the endorsement of the Public Procurement Committee. The National Roads Authority issued \$5.2 million in contracts without that Committee’s approval. Bypassing competition and approvals puts value for money at risk.”

The Auditor General adds, “The Cayman Islands Monetary Authority and the Civil Aviation Authority have still not complied with section 47 of the Public Authorities Act (PAA) on staff remuneration, seven years after it came into force. The Supplementary Appropriation Bill 2025 was also not introduced in Parliament by the 31 March 2026 deadline. I have highlighted these matters in the audit opinions of the bodies concerned.” The Auditor General acknowledges that PAA provisions are currently under review for potential revisions.

On financial performance, Mr Smith says, “20 of the audited SAGCs made a combined operating surplus of \$7.4 million, but all 26 SAGCs together reported a \$7.3 million operating deficit. The Health Services Authority made the largest deficit of any audited SAGC, almost \$8.7 million, despite \$26 million in government funding. Eight SAGCs budgeted for a deficit, although the law requires them to at least break even.” He adds, “Core government entities reported a combined surplus of \$28.1 million”.

The report highlights serious long-term financial challenges. Mr Smith says, “Post-retirement healthcare obligations for 11 SAGCs total almost \$447 million, up 21 per cent since 2021. They are largely unfunded, and their value swings sharply from year to year. The Health Services Authority alone carries 55 per cent of this obligation.”

The report states that, as at 10 September 2026, 20 audits remain backlogged – the same number as last year, despite the Office completing 12 backlogged audits in the past 12 months. Mr Smith says, “The Entire Public Sector (EPS) financial statements remain unreliable and have received adverse opinions for the last 10 years. The EPS omits about \$2.6 billion of post-retirement healthcare liabilities – enough to wipe out the reported net worth – and includes more than \$1 billion of coercive revenue that management has not verified for audit purposes. Progress on the Ministry of Finance & Economic Development’s action plan to address the condition of EPS reporting has been limited, and the two most significant issues driving the adverse audit opinion have no target date for resolution.

The Auditor General expresses concern about accountability to Parliament. Mr Smith states, “Only four public bodies sent their annual reports to the Cabinet by the 31 May deadline. By 10 September 2026, Parliament had tabled only 19 of the 35 annual reports with audits completed on time. This is an improvement on last year, but 33 annual reports covering 2020 to 2025 remain untabled.”

The report does not include formal recommendations. Mr Smith says, “Many of the weaknesses I report this year are ones that public bodies had already agreed to fix. I urge them to act on those commitments, and I urge the Ministry of Finance to set clear dates for producing reliable EPS financial statements.”

Mr Smith concludes, “Accountability depends on every step of the reporting chain working on time. Public bodies prepare their accounts and my Office audits them, but the chain is weakest at its final

steps. Until reliable information reaches Parliament and the public on time, the accountability that the Act requires is not being achieved.”

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 available at www.auditorgeneral.gov.ky.

Notes to the editor:

1. The definitions of unqualified, qualified and other types of audit opinion are included in the Glossary to the report.
2. 35 of 48 public bodies' audits for 2025 were completed by the statutory deadline of 30 April 2026. A further two audits (PSPB and CAB) were completed by 10 September 2026, bringing the total to 37 completed audits (77 per cent). Eleven 2025 audits remain outstanding: seven in progress (MPLAHI, MDAHA, MSCR, CAL, CTC, UCCI and SIAHDC) and four not started (CIAA, MHW, MHES and NHDT). Exhibit 31 on page 57 shows the completion of the 2025 audits.
3. Twelve prior-year audits were completed since the last General Report (between 10 September 2025 and 10 September 2026): MHECH 2020; MHW 2021, 2022 and 2023; MPLAHITD 2024; CINM 2024; CTC 2023 and 2024; CIAA 2021; and EPS 2021, 2022 and 2023. Paragraph 170 on page 63 and Exhibit 26 on page 42 show the backlogged public body audits completed, with details of the adjustments made.
4. Exhibit 36 on page 63 summarises the 20 backlogged audits as at 10 September 2026: 12 for 2025, five for 2024, two for 2023 and one for 2022.
5. Exhibit 34 on page 59 summarises the six qualified opinions issued on 2025 financial statements: HSA (inventory), MACI (revenue), CNCF (heritage assets), CINM (heritage assets and leases), NGCI (heritage assets) and CAYS (leases).
6. Exhibit 35 on page 62 identifies the 15 public bodies with emphasis of matter paragraphs in their 2025 audit opinions. Eleven (eight core government entities and three SAGCs) relate to the Supplementary Appropriation Bill 2025 not being introduced by 31 March 2026. Two SAGCs (CIMA and CAA) relate to non-compliance with section 47(1) of the PAA. Four (CIDB, AOA, MHA and MDAL) relate to going concern.
7. Exhibit 23 on page 39 shows the impact of the audit adjustments made to the 2025 financial statements. A total of 315 adjustments were made, valued at \$172.5 million (gross value). Of these, 21 adjustments worth \$55.1 million relate to pension and post-retirement healthcare revaluations.
8. Exhibits 24 and 25 on pages 40 and 41 show the five SAGCs and five core government entities with the highest value of audit adjustments for 2025.
9. Exhibit 21 on page 36 provides a breakdown of the 165 audit findings by category: 68 related to non-compliance with acts and regulations, 65 to financial management, 14 to governance, eight to value for money, six to information technology and four to the quality of financial statements. Exhibit 22 on page 37 shows that 73 findings were repeated from previous years.
10. Exhibit 28 on page 47 identifies the 68 findings related to non-compliance with acts and regulations. Of these, 54 (79 per cent) related to the Procurement Act and Procurement Regulations, affecting 20 public bodies. Exhibit 29 on page 48 summarises the types of procurement breaches.
11. Exhibit 13 on page 25 shows the post-retirement healthcare obligations for 11 SAGCs, totalling almost \$447 million in 2025, a 21 per cent increase from \$370 million in 2021.
12. Exhibit 5 on page 15 identifies eight SAGCs with significant operating results (10 per cent or more of operating expenditure) in 2025. Five recorded significant surpluses (SIF, CIMA, CAA, CISX and CINICO). Three recorded significant deficits: PSPB (\$7.5 million, relating to administration costs only), CNCF and CINM.
13. Exhibit 16 on page 30 identifies three core government entities with significant surpluses (10 per cent or more of expenditure) in 2025: MCEI (\$12.3 million), PoCS (\$3.7 million) and CAB (\$2.0 million).
14. Exhibit 37 on page 65 shows the Ministry of Finance & Economic Development's timeline for addressing the EPS qualification points. The two most significant points – revenue and retirement benefit liabilities – have no target date.
15. Exhibit 38 on page 67 shows that as at 10 September 2026, only 19 of the 35 annual reports for public bodies whose 2025 audits were completed by the statutory deadline had been tabled in Parliament. A further 11 were tabled between 30 September and 2 October 2026. At 10 September 2026, 33 annual reports covering 2020 to 2025 remained untabled.