



## UTILITY REGULATION AND COMPETITION OFFICE

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REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2024 AUDIT

AUGUST 2025

***To help the public service  
spend wisely***

## TABLE OF CONTENTS

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<b>Introduction .....</b>	<b>1</b>
<b>Auditor's responsibilities in relation to the audit .....</b>	<b>1</b>
Auditor's responsibility under International Standards on Auditing .....	1
Responsibilities of management and those charged with governance .....	2
<b>Other information in documents containing audited financial statements .....</b>	<b>2</b>
<b>Conduct, approach and overall scope of the audit .....</b>	<b>2</b>
<b>Audit report, adjustments and management representation .....</b>	<b>2</b>
<b>Significant findings from the audit .....</b>	<b>3</b>
Significant accounting practices .....	3
Management's judgments and accounting estimates .....	3
Going concern doubts .....	3
Significant deficiencies in internal control .....	3
Fraud or illegal acts .....	3
Significant difficulties encountered during the course of our audit .....	4
Disagreements with management .....	4
Any other significant matters .....	4
<b>Acknowledgements .....</b>	<b>5</b>
<b>Appendix 1 – Summary of adjusted misstatements .....</b>	<b>5</b>
<b>Appendix 2 – Summary of unadjusted misstatements .....</b>	<b>11</b>
<b>Appendix 3 – Internal control matters and significant findings .....</b>	<b>12</b>

## REPORT TO THOSE CHARGED WITH GOVERNANCE

### INTRODUCTION

1. We have completed our audit of the December 31, 2024 financial statements of the *Utility Regulation and Competition Office* (the “OfReg” or “Office”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the OfReg in sufficient time to enable appropriate action. The matters we are required to communicate under ISAs include:
  - Auditors’ responsibilities in relation to the audit
  - The overall scope and approach to the audit, including any expected limitations, or additional requirements
  - Relationships that may bear on our independence, and the integrity and objectivity of our staff
  - Expected modifications to the audit report
  - Significant findings from our audit.
2. This report sets out for the consideration of those charged with governance those matters arising from the audit of the 2024 financial statements that we consider worthy of drawing to your attention.
3. This report has been prepared for the sole use of those charged with governance, and we accept no responsibility for its use by a third party. Under the *Freedom of Information Act (2021 Revision)*, it is the policy of the Office of the Auditor General to release all final reports proactively through our website: [www.auditorgeneral.gov.ky](http://www.auditorgeneral.gov.ky).

### AUDITOR’S RESPONSIBILITIES IN RELATION TO THE AUDIT

#### AUDITOR’S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING

4. ISAs require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters, and this report includes only those matters of interest that came to our attention as a result of the performance of our audit.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter to which this engagement was subject. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

6. While we have no responsibility to perform any audit work on other information, including forward-looking statements containing audited financial statements, we will read the other information contained in OfReg's annual report to consider whether such information is materially inconsistent with information appearing in the financial statements or Knowledge of the operations of OfReg. We have not reviewed any other documents containing the OfReg's audited financial statements

## CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. Information on the integrity and objectivity of the Office of the Auditor General and audit staff and the nature and scope of the audit were outlined in the engagement letter presented to the Chief Executive Officer and signed on 13<sup>th</sup> September 2024, and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

## AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATION

8. We have issued an *unmodified* report on the 31 December 2024 financial statements.
9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. The total gross adjustments made amounted to \$583 thousand (comprising audit adjustments of \$32 thousand and client adjustments of \$551 thousand).
10. A summary of uncorrected audit adjustments identified is attached in Appendix 2. Management determined that the uncorrected audit adjustments are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
11. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts, judgments, and estimates made. These representations were provided to us on April 30, 2025 in respect of our financial statement audit.

## SIGNIFICANT FINDINGS FROM THE AUDIT

### SIGNIFICANT ACCOUNTING PRACTICES

12. We are responsible for providing our views about qualitative aspects of the Office's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Office to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are, however, not aware of any new or controversial accounting practices reflected in the Office's financial statements.

### MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. Management has made judgments and estimates with regard to the following financial statement items:

- Useful lives of Property, plant and equipment
- Amortization of intangible assets
- Expected Credit Losses
- Provisions and contingent liabilities
- Actuarial valuations including assumptions e.g. discount rates

### GOING CONCERN DOUBTS

14. As a result of our audit, we did not become aware of any material uncertainties related to events and conditions that may cast significant doubt on the Office's ability to continue as a going concern.

### SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

15. Significant deficiencies identified during our audit are noted in Appendix 3, along with management's response.

### FRAUD OR ILLEGAL ACTS

16. Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable laws and regulations rests with both those charged with governance of the entity and with management. It is important that management, with the oversight of those charged with governance; place a strong emphasis on fraud prevention, and fraud deterrence.

17. They are also responsible for establishing and maintaining controls pertaining to the Office's objective of preparing financial statements that are presented fairly, in all material respects, in accordance with the applicable financial reporting framework and managing risks that may give rise to material misstatements in those financial statements. In exercising oversight responsibility, those charged with governance should consider the potential for management override of controls or other inappropriate influence over the financial reporting process.
18. As auditors, in planning and performing the audit, we are required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud.
19. However, we cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.
20. No fraud or illegal acts came to our attention as a result of the 2024 audit.

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#### SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

21. No difficulties were encountered in the performance of our audit.

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#### DISAGREEMENTS WITH MANAGEMENT

22. We have had no disagreements with management resulting from our audit.

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#### ANY OTHER SIGNIFICANT MATTERS

23. There were no other significant matters noted during the audit.

## ACKNOWLEDGEMENTS

24. We would like to express our thanks to the staff of the *Utility Regulation and Competition Office* for their help and assistance during the audit of this year's financial statements. This enabled us to provide an audit report within the agreed timetable.

Yours Sincerely,



Patrick O. Smith, CPA, CFE  
Auditor General



## APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

Seven client adjustments with a gross amount of \$550,684.94

Number	Account description and adjustment details	Account No	Debit	Credit
1	Other Receivables	14800	12,965.43	
1	Ship Radio	40207		(12,965.43)
	Client adjustment to reflect the ship revenue outstanding as a comparison between Formstack and MACI's list			
2	Provision for Doubtful Accounts	14100		(4,347.21)
2	Doubtful Debt Expense	58505	4,347.21	
	Client adjustment for the increase in provision for doubtful debts			
3	Provision for Doubtful Accounts	14100		(12,965.43)
3	Doubtful Debt Expense	58505	12,965.43	
	Client provision against doubtful collections			
4	Accrued Expenses	20500		(20,641.45)

4	Consultant's Fees	50110	20,641.45	
	Accrual of 2024 invoice received in 2025 ICFOfREGCONReviTM			
5	DB Pension Liability	21750	275,000.03	
5	Post Ret. Health Care Liability	28000	47,182.97	
5	Acc. Other Comprehensive Income	35000		(324,000.00)
5	Post-Retirement Health Costs	50115	25,817.03	
5	Past Service DB Pension Expense	58102		(24,000.03)
	Client adjustment to post retirement pension and health liabilities			
6	BOB CI\$ Checking OFREG 1690020	13500		(98.00)
6	Spectrum Fees	40203		(825.00)
6	Radio	40204	244.99	
6	Ham/Amateur	40205		(4,157.05)
6	PM Radio	40206	1,424.50	
6	Ship Radio	40207		(150.03)
6	Aircraft Radio	40208	3.04	
6	Other Radio Income	40209	3,557.55	
	Client adjustment to post movement between the license fee accounts			

7	Provision for Doubtful Accounts	14100		(6,781.31)
7	Doubtful Debt Expense	58505	6,781.31	
	Re: provision for overpaid vacation receivable			
8	Accrued Expenses	20500		(28,000.00)
8	Legal Service Fee	54507	28,000.00	
	Re: Legal fees for application for leave			
9	Other Receivables	14800	6,781.00	
9	Vacation Pay-Out	50012		(6,781.00)
	Overpaid vacation			
10	Accrued Expenses	20500	2,258.26	
10	Insurance - Vehicle	57288		(2,258.26)
	To reduce vehicle insurance accrual to the actual amount			
11	Accounts Receivable	14000		(15,241.30)
11	ICT Regulatory Fee	40211	12,827.98	
11	Other Income	43000	2,413.32	

Being a reduction of regulatory fees to match the actual collected for  
ICT regulatory fees for 2024

12	Other Receivables	14800	3,600.00	
12	Other Receivables	14800	9,180.00	
12	Other Receivables	14800	16,650.00	
12	Motor Vehicles -Cost	15056		(12,446.42)
12	Motor Vehicles -Cost	15056		(9,950.96)
12	Motor Vehicles -Cost	15056		(35,645.16)
12	Motor Vehicles - Accumulated Depreciation	15057	12,446.42	
12	Motor Vehicles - Accumulated Depreciation	15057	9,950.96	
12	Motor Vehicles - Accumulated Depreciation	15057	35,645.16	
12	Disposal of fixed assets	51340		(3,600.00)
12	Disposal of fixed assets	51340		(9,180.00)
12	Disposal of fixed assets	51340		(16,650.00)

Client adjustment to reflect Disposal via DVES in November 2024 of the  
Ciaz, 167272, Hilux 150812, Tahoe 193772

**Subtotal**

**550,684.04 (550,684.04)**

**Four OAG Adjustments with a gross amount of \$32,149.63**

Number	Account description and adjustment details	Account No	Debit	Credit
1	Office Equipment & Furniture - Accumulated Depreciation	15032		-1,527.75
1	Depreciation Expense	60000	1,527.75	
	Additional 7 months depreciation for RICOH 86 in A8600 4K Android, Intel i7 500GB SSD 16GB Windows 10 Pro, Rally Bar Graphite, Rally Mic Pod			
2	Office Equipment & Furniture - Cost	15031	13,095.30	
2	Office Equipment & Furniture - Accumulated Depreciation	15032		-4,146.55
2	Disposal of fixed assets	51340		-8,948.75
	Reversal of erroneous write off-disposal of Old Ricoh printer.			
3	IT Equipment -Cost	15041		-4,772.48
3	IT Equipment - Accumulated Depreciation	15042	4,772.48	

To record correct disposal of RICOH printer			
6	Accrued Expenses	20500	12,754.10
6	Other Income	43000	-12,754.10
To adjust long outstanding liability: ERA accrued Director Fees for Charity.			
<b>Sub total</b>		<b>32,149.63</b>	<b>(32,149.63)</b>
<b>Grand total</b>		<b>582,833.67</b>	<b>(582,833.67)</b>

## APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
1	To record the invoice from Cullen for 2024 expenses not included in 2024 payables	0.00	(1,506.50)	0.00	0.00	1,506.50
	<b>Understated/ (Overstated)</b>	<b>0.00</b>	<b>(1,506.50)</b>	<b>0.00</b>	<b>0.00</b>	<b>1,506.50</b>

### APPENDIX 3 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
<p><b>1. <u>Non-compliance with section 52(1) of the Public Management and Finance Act (PMFA)</u></b></p> <p>Section 52(1) of the Public Management and Finance Act (2020 Revision) (“PMFA”) requires statutory authorities and government companies to prepare and submit annual reports for the Auditor General’s review within two months after the end of each financial year</p> <p>The Office did not submit its 2023 annual report by 29 February 2024 and</p>	<p><b><u>Risk/ Implication</u></b></p> <p>Non-compliance with the PMFA.</p> <p>Lack of transparency during the audit process, as relevant information in the annual report may be missed.</p> <p>Various stakeholders utilise information to inform their decisions. The late submission of the annual report may affect the timeliness of reporting to stakeholders, thereby impacting the timeliness of their decisions.</p>	Y	<p>We acknowledge the finding and concur that we are non-compliant with regards to the 2023 annual report. Regarding the 2024 annual report, while there was a delay in meeting the required timeline, this annual report is currently being worked on.</p>	Oct 31, 2025



Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
its 2024 annual report by 28 February 2025 as required by the PMFA.	<p><b><u>Recommendation</u></b></p> <p>Management should ensure that it submits its annual reports for review within the statutory deadline imposed by the PMFA.</p>			
<p><b><u>2. Non-compliance with section 41(1) of the Utility Regulation and Competition Act (URC Act)</u></b></p> <p>We noted that the annual plan for the 2025 financial year has not yet been published, contrary to Section 41(1) of the URC Act, which requires the Office to prepare and publish the plan at least one month before the end of the financial year.</p>	<p><b><u>Risk/ Implication</u></b></p> <p>Delays in finalising the annual plan hinder the effective implementation of regulatory strategies in the various sectors.</p> <p>Lack of accountability as stakeholders and the public cannot assess the Office's planned activities and priorities.</p>	Y	We acknowledge the finding, and while there was a delay in meeting this timeline, the 2025 annual plan has now been completed and is currently under review. We anticipate that the plan will be finalised and published by September 30, 2025. Going forward, we intend to implement improved internal planning and scheduling to ensure	Oct 31, 2025

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
	<p><u>Recommendation</u></p> <p>Management should compile and publish the annual plan by the required timeline to ensure effective oversight of all regulated areas.</p>		compliance with statutory publication deadlines.	
<p><b>3. Noncompliance with section 14 (2) of the Utility Regulation and Competition Act (URC Act)</b></p> <p>We noted that by the close of the financial year, the Board of Directors consisted of only eight members, including the Interim Chief Executive Officer (ICEO), contrary to the above-</p>	<p><u>Risk/ Implication</u></p> <p>There may be delays in board decisions in cases where there is an insufficient quorum to hold board meetings, which can result in governance shortcomings.</p> <p><u>Recommendation</u></p> <p>The Office should liaise with the relevant authorities, including the</p>	N	We acknowledge the non-compliance with the observation regarding the current composition of the Board. However, we wish to clarify that prior to the 2023 financial year end, OfReg had a fully constituted Board in accordance with the provisions of the Utility Regulation and Competition (URC) Act. Since that time, there have been	This is a matter for our Ministry. As such, we cannot on their behalf, set an implementation date.

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
mentioned law that requires the board to be constituted of eleven members.	Ministry of Finance, Planning and Economic Development (MFED)- their new ministry and the Cabinet, to ensure the board is fully constituted.		<p>three resignations which have impacted the Board's current makeup. However, the responsibility for appointing Board members lies not with OfReg but with Cabinet, as stipulated in section 14(2) of the URC Act, 2024. As such, this matter and any non-compliance falls outside the remit of OfReg and is appropriately directed to Cabinet.</p> <p>Additionally, all decisions made have been in compliance with quorum requirements. We have not experienced delays due to the unavailability of our board members.</p>	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
<p><b>4. <u>Noncompliance with the procurement policy</u></b></p> <p><b>i) No formal agreement for direct procurement for services above \$10,000 but less than \$100,000</b></p> <p>We noted that the office procured fuel analysis services from a supplier for \$21,843; however, there was no contract was in place for the services provided.</p> <p>Procurement records should be sufficient to justify actions taken.</p>	<p><b><u>Risk/ Implication</u></b></p> <p>i) In cases of any legal disputes, unmitigated risks may arise as a result of the absence of signed contracts.</p> <p>ii) Value for money may not be achieved and demonstrated by OfReg on competitive procurements engaged in by the entity due to the absence of the fully constituted EPC in the procurement process.</p> <p>iii) Lack of transparency in the procurement dealings of the Office contrary to the requirements of the procurement regulations.</p>	Y	<p>i) We acknowledge the observation and ask that you note this procurement arose under exceptional and urgent circumstances. The entire island of Cayman Brac experienced a power blackout, and the Office received an email from the power company indicating that the likely cause was a bad batch of fuel. Given the critical nature of this situation and its potential implications for public safety and utility reliability, it was imperative for the Office to act swiftly. In response, a request was submitted electronically to enlist the services of J&amp;R, and final approval to proceed was granted in writing by the ICEO</p>	NA

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
	<p><b><u>Recommendation</u></b></p> <p>The OfReg should:</p> <p>i) Ensure that contracts are signed with service providers to formalise the business engagement.</p> <p>ii) Liaise with the relevant authorities including Ministry of Finance, Planning and Economic Development- its new Ministry to ensure that the EPC is fully constituted as required in the Procurement policy.</p> <p>iii) Notify the public of direct awards on the website designated by CPO in accordance with the Procurement Regulations.</p>		<p>in light of the urgency. It is the professional assessment of our Fuels Team that J&amp;R is the nearest and most suitable vendor to perform the necessary work. Based on previous procurement efforts and knowledge of the market, it was highly unlikely that another vendor could have been identified, mobilized, and deployed in the timeframe required to respond effectively to the situation. We acknowledge that the final contract was not secured. However the procurement documentation was aligned with policy, and we emphasize that the urgency of the matter necessitated immediate action in the public interest.</p>	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
<p><b>ii) No fully constituted Entity Procurement Committee (EPC)</b></p> <p>We further noted that the entity's EPC was not fully constituted. The OfReg's procurement policy and procedures manual requires the Office to establish an EPC consisting of a chairman and at least two other members, including the respective Chief Officer's nominee, and the committee shall be responsible for handling procurement within the OfReg. However, the OfReg lacks a Chief Officer designate, preventing the EPC from being fully constituted.</p>		N	<p>ii) We acknowledge the observation regarding the functioning of Entity Procurement Committee (EPC). However, note that the appointment of the EPC was completed to consider all necessary matters and was so done to the extent possible in August 2024. Except for the nominee of the Chief Officer, the EPC was constituted as outlined in OfReg's procurement policy and procedures manual, which requires the appointment of at least three members, one of whom must be a nominee of the respective Chief Officer (CO). Note that we have made</p>	<p>Committee is officially functioning pending the addition of the Ministry nominee.</p>

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
			formal efforts to ensure full compliance by reaching out to the Ministry to request the nomination of a representative. Despite our follow-up, a nominee has not been provided. We therefore respectfully note that the delay in formal EPC operations in 2024 was not due to any inaction or noncompliance on the part of OfReg. Rather, it stemmed from factors outside our control, namely the absence of a Chief Officer nominee. As such, this matter is more appropriately addressed to the Ministry. We, however, remain committed to maintaining strong procurement governance and will continue to work with all	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
<p><b>iii) No public notification of direct awards is posted on the website designated by the CPO.</b></p> <p>We noted that the office did not notify the public of the contracts exceeding the \$10,000 threshold on Bonfire. Section 19(1) of the procurement regulations requires awards to be published within 30 days of the contract being awarded.</p>		Y	<p>relevant stakeholders to encourage compliance and accountability across our procurement activities. In the meantime, OfReg began EPC meetings in 2025.</p> <p>iii) We recognize the observation. The Office is committed to full compliance with the procurement policy moving forward. We confirm that all direct awards exceeding \$10,000 will be published on the Bonfire platform in accordance with the requirements set out by the CPO.</p>	Sep 30, 2025



Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
<p><b>5. <u>Delays in remitting coercive revenues collected on behalf of the Cayman Islands Government (CIG)</u></b></p> <p>During the year, the Government engaged the office to provide certain services, including collecting and verifying 6% royalty fees from ICT licensees. The royalty fees are collected and remitted quarterly.</p> <p>The collections payable to the Government as of the year-end total \$ 4.4 million. By the conclusion of the audit, fees collected for over nine months had not yet been remitted to CIG. These consist of coercive revenues (e.g royalties) collected by OfReg on behalf of CIG.</p>	<p><b><u>Risk/ Implication</u></b></p> <p>Utilisation of coercive revenue for operational activities at the entity level, thereby impacting the availability of funds at Core Government for allocation.</p> <p><b><u>Recommendation</u></b></p> <p>The Office should remit the revenues collected to CIG promptly, e.g. quarterly as the practice has been.</p>	Y	<p>We acknowledge the observation regarding the delay in remitting coercive revenues collected on behalf of the Government. We note that the Ministry currently owes the Office approximately CI\$2.8 million in relation to services provided under the current purchase agreement held with the Cayman Islands Government. We are actively and diligently engaging with the Ministry to reconcile both outstanding amounts and to establish a sustainable process for the timely remittance of all payments and timely collection of all revenues going forward.</p>	Dec 31, 2025

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
<p><b>6. Basis of budgeting for ICT regulatory fees</b></p> <p>The OfReg budgeted revenue should cover the budgeted expenses for the year. We noted that the OfReg has continued to budget to collect \$1.8M in ICT regulatory fees, and yet the entity has not met this target historically.</p>	<p><b><u>Risk/ Implication</u></b></p> <p>The regulation of the ICT sector is not self-funding, raising questions about its sustainability.</p> <p>OfReg could be making losses in the ICT sector due to the lack of robustness of the budgeting process.</p> <p><b><u>Recommendation</u></b></p> <p>The OfReg should establish mechanisms to collect all budgeted regulatory ICT revenue to fund the sector's regulation.</p>	<p>Y – with the exception noted under the management response section.</p>	<p>As in prior years - the majority of the shortfall is due to a stipulation in the license of a dominant licensee, which caps the maximum amount of regulatory fees to be charged during any given year at \$600k. This cap was reached during the year, and it is the Office's policy not to recover the amount in excess of the cap from other licensees. The Office believes that this is a fair practice. While the regulatory fee amount recovered from licensees is below the costs incurred by the ICT Sector, the sector was able to offset the shortfall with other revenue streams for the sector. During the year, the sector delivered a</p>	<p>2026 Financial Year</p>

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
			negligible loss primarily due to significant legal fees incurred on behalf of the Cayman Islands Government. The Office has sufficient reserves on hand and monitors expenses closely during the year to ensure that there is sufficient revenue on hand, therefore there was no need to place additional burden on the ICT sector for higher regulatory fees.	
<p><b>7. <u>Understaffing at the OfReg</u></b></p> <p>The Office adopted a new organisation chart in September 2024. By the end of the 2024 financial audit in April 2025, several key positions, including in the regulatory sectors, remained unoccupied. By 30<sup>th</sup> April 2025, the</p>	<p><b><u>Risk/ Implication</u></b></p> <p>Understaffing may lead to inadequate oversight over the regulatory sectors.</p>	<p>Y – with the exceptions noted in the Management Response section.</p>	<p>We acknowledge the observation regarding unfilled positions. Note that the recruitment for the Director of Finance (Head of Finance) commenced shortly after the post became vacant. However, the process was delayed due to</p>	<p>Dec 31, 2025</p>

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
Director of Finance, Director of Water, Regulatory Counsel, General Counsel, Chief Fuels Inspector, and Director of Operations positions had not yet been filled.	<p>An increased workload on existing staff can lead to reduced staff morale, burnout, or errors.</p> <p>Reputational risk if the office fails to meet its mandate or stakeholder expectations.</p> <p><b><u>Recommendation</u></b></p> <p>Management should expedite the recruitment of staff in key positions to ensure effective oversight of regulated areas.</p>		the resignations of the Chief Operating Officer (COO), a role that was seconded from and funded by Central Government, and Interim Chief Executive Officer (ICEO). When efforts resumed, the Office was advised by WORC that the process would need to be re-initiated. The General Counsel position was made redundant as part of an internal restructuring. To support the legal and regulatory functions in the interim, the Office entered into a one-year contract with an external regulatory consultant. This consultant is working closely with the Assistant General Counsel on complex regulatory matters, effectively bridging	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
			the current gap created by the vacancy in the Regulatory Counsel position. The positions of Director of Water, Chief Fuels Inspector (CFI), and Director of Operations were newly created in September 2024. As such, these roles did not previously exist and would not have impacted the 2024 URCO (Utility Regulatory and Competition Office) structure. The CFI role, in particular, was previously encompassed within the broader Executive Director, Energy, Fuels, & Utilities portfolio. Following the departure of the former Executive, the CFI role was recruited for in late 2024, an offer letter was issued in early 2025. Due to work permit	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
			delays, the CFI commenced in the role in May 2025. The Executive Director of Energy (EDE) was also recruited during 2024, with the successful candidate officially commencing the role in January 2025. Additionally, as of 1 April 2025, the Office appointed an Acting Director of Operations to ensure the continued delivery of strategic and operational oversight during this transitional period.	
<b>8. Billing of outputs at budgeted cost</b>  During the year under review, the Office recognised output revenue of CI	<b><u>Risk/ Implication</u></b>  There is a risk that output revenue is overstated, as outputs delivered by the	N	With respect to the statement that... "there is a risk that output revenue is overstated...", we acknowledge	2026 reporting year

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
<p>\$1,678,424.50 as a result of delivering outputs in accordance with the Purchase Agreement.</p> <p>Review of the costing of the Outputs delivered for URC 10 and URC 11 revealed that the budgeted amounts, as per the Purchase agreement, are allocated to the actual count of performance, i.e. the cost per the budget is used to determine the cost to bill the Government for the delivery of outputs.</p>	<p>entity are charged at a budget rate, without considering the actual costs incurred in their delivery.</p> <p><b>Recommendation</b></p> <p>Management should determine the actual unit cost for delivering each output measure and use this to determine the amount to be billed.</p>		<p>the observation. However, we would like to clarify that this characterization may not fully reflect the basis on which the output revenue is determined.</p> <p>Output revenue is not arbitrarily set; rather when the budget is developed, the cost of delivering these outputs are considered. That said, we acknowledge that, in the absence of the actual calculations used to determine the output costs for the 2024 and 2025 budget year, some of the inputs may have been based on expected costs that had not yet been realized.</p>	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
			<p>It is also important to highlight that the methodology used has been consistently applied, understood, and accepted by both auditors and stakeholders over multiple years.</p> <p>However, we are willing to continue to work towards an acceptable calculation of the re-charge to the government.</p>	