



**MINISTRY OF EDUCATION**

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**Report to those charged with governance on the 2023 audit**

**May 2024**

*To help the public  
service spend  
wisely*

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# REPORT TO THOSE CHARGED WITH GOVERNANCE

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## INTRODUCTION

1. We have completed our audit of the financial statements of the Ministry of Education (the “Ministry”) for the year ended 31 December 2023. International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Ministry 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 audits of the Ministry’s financial statements that we consider are worthy of drawing to your attention, so that you can consider them before the financial statements are approved and signed.
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) (“FOI Act”) 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).

## AUDITORS RESPONSIBILITIES IN RELATION TO THE AUDIT

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### 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 which came to our attention as a result of the performance of our audit.

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**RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE:**

5. Management's responsibilities are detailed in the engagement letters to which the engagements were subject. The audits of the financial statements do not relieve management or those charged with governance of their responsibilities.

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**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 read the other information contained in the Ministry's annual report to consider whether such information is materially consistent with information appearing in the financial statements or our knowledge of the operations of the Ministry. Management has submitted to us its annual report by the statutory deadline, and we reviewed them in accordance with our responsibilities under ISA 720.

**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 Officer on 13 September 2023 and follows the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

**AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS**

8. We have issued an unqualified opinion in the Auditor General's reports on the 2023 financial statements.
9. Appendix 1 summarizes the error identified during the audit that were corrected by management. The total value of corrected error amounted to \$20 million.
10. Appendix 2 summarizes the uncorrected errors identified by us during the audit that management determined to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The total value of these was about \$382 thousand.
11. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. Management has provided us with written representations dated 27 March 2024 in respect of our financial statement audit.

## SIGNIFICANT FINDINGS FROM THE AUDIT

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### SIGNIFICANT ACCOUNTING PRACTICES

12. We are responsible for providing our views about qualitative aspects of the Ministry's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Ministry to make accounting estimates and judgments about accounting policies and financial statement disclosures.

We are not aware of any areas where the significant accounting practices are not consistent with general industry practice. In addition, we are not aware of any new or controversial accounting practices reflected in the Ministry's financial statements.

13. Details of any significant findings from the audit are included in Appendix 1 along with management's response.

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### MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

14. There were matters which required management to make significant judgments or which required significant estimates such as; provision for bad debt, revaluation, impairment and depreciation of property, plant and equipment and amortization of intangible assets.

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### GOING CONCERN DOUBTS

15. 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 Ministry's ability to continue as a going concern.

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### SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

16. We identified certain matters relating to the system of internal control we have deemed significant to the Ministry's operations and are submitting for your consideration related observations and recommendations designed to help the Ministry improve its system of internal control. Details are included in Appendix 3.

17. There were no other control matters communicated separately to management.

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### FRAUD OR ILLEGAL ACTS

18. Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable acts 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. They are also responsible for establishing and maintaining controls pertaining to the entity'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.

19. 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. 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 our audit.

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SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

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DISAGREEMENTS WITH MANAGEMENT

22. There were no disagreements with management that were noted during the audit.

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ANY OTHER SIGNIFICANT MATTERS

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



## ACKNOWLEDGEMENTS

24. We would like to express our thanks to the staff of the Ministry for their help and assistance during the audit of this year's financial statements.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sue Winspear', written in a cursive style.

**Sue Winspear**  
Auditor General



APPENDIX 1 – SUMMARY OF CORRECTED ERRORS

Number	Date	Name	Account No	Debit	Credit
1	12/31/2023	Treasury Internal Deposits	10801		(20,000,000.00)
1	12/31/2023	Fixed Deposits (180 days)	11101	20,000,000.00	
		Being entry to reclassify 180 days Treasury Deposit as a short-term investment.			
				20,000,000.00	(20,000,000.00)

## APPENDIX 2 – SUMMARY OF UNCORRECTED ERRORS

Number	Date	Name	Account No	Debit	Credit
2	12/31/2023	Accrued - Salary & Wages	22107	100,000.00	
2	12/31/2023	Severance Pay	50062		100,000.00
Being entry to reverse amount booked for provision in staff related litigation - AGC No. 8124 of 2022 - severance.					
3	12/31/2023	Expense AP Accrual (System Only)	20160	93,437.50	
3	12/31/2023	Software Licensing Fees	54352		93,437.50
Being entry to reverse amounts booked for expense AP accrual.					
4	12/31/2023	Accrued Prepayments	12009		109,595.12
4	12/31/2023	Fixed Assets Mass Additions Clearing a/c	17020	4,300.00	
4	12/31/2023	CIP Clearing A/c	17021	105,295.12	
Being entry to book adjustment for prepayments that should have been moved to fixed assets.					
5	12/31/2023	Accrued Prepayments	12009		179,328.00
5	12/31/2023	Educational Supplies	51057	179,328.00	
Being entry to book amount to clear up prepayments.					
				<b>482,360.62</b>	<b>482,360.62</b>

APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
<p><b>1. <u>Non-compliance with Procurement Regulations</u></b></p> <p>During the audit, we noted a \$417 thousand janitorial contract was awarded without following the procurement regulations and obtaining the Public Procurement Committee’s (PPC) approval.</p> <p>In addition, management was not able to provide a formal janitorial contract for the New John Gray High School, except for an addendum to the original contract, which was originally procured in 2021 for \$506 thousand.</p> <p>The Procurement Regulations, 2018 (the “Regulations”) stipulate that entities are required to undertake a competitive process when procuring any goods, services or works unless it can be demonstrated that the procurement meets the criteria of the direct award process.</p>	<p><b>Risks/Implications</b></p> <p>In the absence of a valid contract and competitive bidding process, the Ministry may not achieve value for money.</p> <p><b>Recommendations</b></p> <p>Management should ensure that procurement regulations are followed for all goods and services procured to achieve value for money.</p>	<p>COVID-19 significantly affected the completion of the New John Gray High School. Major construction items were in short supply for an extended period.</p> <p>Due to uncertainties regarding the new school's commission date, it was impossible to commence the tender process for the services related to the NJGHS, as this process normally takes up to three months. Amidst the delay, the project manager handed over portions of the new school for use. This meant that the school was operating on two sites. As such, the janitorial services were extended to the currently contracted providers of the existing George Hick Campus, where the old John Gray High</p>	<p>The tender for the Janitorial Services for John Gray High School is on bonfire and presently being evaluated. New contracts will be in place for the 2024-2025 academic year.</p>

		<p>School was housed. The final portions of the New John Gray High School were commissioned towards the end of the first quarter of 2023.</p> <p>The original tender in March 2021 intended to include the deliverables listed in Appendix D for the new site. However, as the new sectors were unavailable then, all contractors were required to bid for the existing site (Old JGHS).</p> <p>The new sectors were part of the tender with the expectation that they would be completed by the beginning of the 2021 school year. Due to project delays, bidders couldn't provide pricing for these sectors, necessitating a potential contract variation when they became available. The DES acknowledges that variations for each sector should have been completed in a more timely fashion. However, as the sectors gradually became available, the awarded contractor was well-equipped</p>	
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		<p>with specialized tools, staff, and expertise, making them a suitable choice. Some areas of the school still required the building contractor's attention, and construction staff remained on-site. The janitorial company possessed the necessary equipment and proficiency in maintaining specific flooring and overall building upkeep.</p> <p>The present contractor has signed the acceptance letter for an extension of the contract, which originally expired on August 31, 2023, under the same terms and conditions. The contract is valid until August 31, 2024, and has received minor adjustments after review by the Legal Department. In previous years, Audit accepted acceptance letters for renewals, but this year, we completed a full contract for the additional year. To ensure compliance with the Cayman Islands Government Laws, including Trade &amp; Business License, Pension, Health, and Public Liability Insurance, we</p>	
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		<p>have requested updated documents from all vendors. Signed Acceptance Letters were presented to the Auditors during the interim Audit, final contracts are being completed and will be submitted to the Auditors as well.</p> <p>The Ministry/DES acknowledges that there were better actions to be taken than using the Addendum, such as an extension of the contract as allowed by the contract. We are currently under an extension of the contract (see above).</p>	
<p><b>2. <u>Transfer Payment 93 Public School Grants</u></b></p> <p>It was noted that executive transactions relating to transfer payments for 93 public school grants were being recorded in the Ministry's entity accounts.</p> <p>However, there was no agreement or terms and conditions between the Ministry and the Executive to inform the Entity's role as a custodian of Public School Grants.</p>	<p><b>Risks/Implications</b></p> <p>Without an agreement, the Ministry's roles and responsibilities as custodians are unclear, which may result in unmanaged risks should legal disputes arise.</p> <p><b>Recommendations</b></p>	<p>Funds are paid from the Executive books into the Entity books, as public schools cannot maintain bank accounts. This payment has all the necessary Ministerial sign-off.</p> <p>Funds are maintained as a liability until projects are approved for each school. They are dispersed up to the maximum approved project amount.</p>	<p><b>30 September 2024</b></p>

	<p>Management should also ensure that a signed agreement between the Entity and Executive is in place to regularize the Ministry Entity's role as a custodian of the Public-School Grants. The agreement should clearly define the roles, responsibilities, and controls for managing the funds.</p>	<p>The recommendation of an agreement to address custodianship will be implemented.</p>	
<p><b>3. Chief Officer Acting</b></p> <p>According to section 15(2)(f) of the Public Service Management Act (2020 Revision), the Deputy Governor is responsible for appointing Chief Officers.</p> <p>However, we noted that the Ministry's Chief Officer has been acting for 15 months as of 31 December 2023. This contradicts to the requirements of section 31(1) of the Personnel Regulations, which imposes a 12-month limit.</p>	<p><b>Risks/Implications</b></p> <p>Non-compliance with the Personnel Regulations. Appointing key management personnel in an acting capacity beyond the 12-month limit denies potential applicants the opportunity to compete and fill the position on a long-term basis.</p> <p>Key management personnel in acting capacity may be unable to make long-term decisions due to uncertain service duration.</p> <p><b>Recommendations</b></p> <p>The Ministry should liaise with the Office of the Deputy Governor to ensure the position is advertised and filled as soon as possible.</p>	<p>This is outside the remit of the Ministry. The Deputy Governor will be advised of this audit point raised under the Ministry of Education.</p>	