



UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

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

INTRODUCTION

1. We have completed our audit of the 31 December 2023 financial statements of the University College of the Cayman Islands (the “University College”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the University College 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 financial statements for 2023 that we consider are 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.

AUDITORS 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 which 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 dated 3 January 2024 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 the University College'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 University College. We have not reviewed any other documents containing the University College'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 President 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 audit opinion with an emphasis of matter paragraph on the 2023 financial statements. We have included details about the emphasis of matter paragraph in the **Any Other Significant Matters** section below.
9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. The total gross adjustments made amounted to \$2.6 million comprised of audit adjustments of \$0.9 million and client adjustments of \$1.7 million. The adjustments impacted equity and total comprehensive loss by \$196,000 and \$943,931 respectively. Appendix 2 summarises those 2023 uncorrected misstatements identified by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

10. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. These representations were provided to us on 29 April 2024.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the University College's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the University College 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 University College's financial statements.

12. Details of any significant findings from the audit are included in Appendix 3 along with management's response.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

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

- Depreciation of property, plant and equipment.
- Provision for expected credit losses.
- Pension liability and post-retirement healthcare liability

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 University College's ability to continue as a going concern.

SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

15. We identified a number of significant and other matters relating to internal controls as part of our audit. Details are included in Appendix 3 along with management's response

FRAUD OR ILLEGAL ACTS

16. Applicable auditing standards recognise 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 University College'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.

17. 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.

18. No fraud or illegal acts came to our attention as a result of our audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

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21. The Cabinet authorised supplementary appropriations of \$199,236 for the University College to fund Board-related expenses. The Cabinet also authorised reallocations of \$3,175,000 from the University College's equity funding budget to its outputs funding budget to meet unbudgeted operational expenditure. The Cabinet approved the additional funding and reallocations under section 11(5) of the Public Management and Finance Act (2020 Revision) (PMFA). A Supplementary Appropriations Bill for the funding and reallocations was not introduced in Parliament by March 31, 2024, as required by section 11 (6)(b) of the PMFA.
22. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

23. We would like to express our thanks to the staff of the University College of the Cayman Islands for their help and assistance during the audit of this year's financial statements. This has enabled us to provide an audit report within the agreed timetable.

Yours sincerely,



Sue Winspear, CPFA
Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Audit Adjustments

Number	Name	Account No	Debit	Credit
1	Provision for Bad debts (Tuition fees)	10106	943,931	
	Bad debt	72000		(943,931)
To record additional expected loss provision				
Total			943,931	(943,931)

Client Audit Adjustments

Number	Name	Account No	Debit	Credit
1	Pension Liability	20220	196,000	
	Other Comprehensive Income	78600		(196,000)
To record year-end actuarial valuation entries.				
2	Buildings original cost	10020	1,283,727	
	Buildings Accumulated Depreciation	10025		(1,283,727)
To align the fixed asset register with the GL				
3	Accounts receivable - Tuition	10100	176,070	
	Accounts receivable – Other Gov Min & SAGCS	10101		(176,070)
To reclassify AR balances.				
Total			1,655,797	(1,655,797)

APPENDIX 2 – SUMMARY OF UNCORRECTED MISSTATEMENTS

Number	Name	Account No	Debit	Credit
1	Construction in progress	10023	7,125	
	Maintenance Buildings/Grounds	63055		(7,125)
To capitalise assets erroneously expensed				
2	Student interns	43000	9,251	
	Tuition fees	61014		(9,251)
To correct student intern allowances offset against tuition fees				
Total			16,376	(16,376)

APPENDIX 3 – INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. The University College has yet to fully implement findings from a 2022 internal audit report.</p> <p>In September 2022, the Government’s Internal Audit Service released a report concerning several aspects of the University College’s human resources management. The report raised issues around staff overpayment and underpayment, inconsistent allocation of staff on the University College’s salary scale, and erroneous cost-of-living adjustments calculation, among other findings.</p> <p>The University College has yet to fully implement the recommendations from the report.</p>	<p>Risk/Implication:</p> <p>Staff costs in the financial statements may be misstated.</p> <p>The University College could face legal challenges resulting in unnecessary financial loss.</p> <p>Recommendation:</p> <p>Management should fully investigate and address the findings of this report as soon as possible.</p>	<p>Management will fully investigate and address the findings of this report as in 2024 Financial Year.</p>	<p>2024 Financial Year.</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>2. The University College’s accounting system cannot track accounts receivable outstanding between 90 and 180 days.</p> <p>The University College’s accounting system, Blackbaud, cannot track accounts receivable outstanding between 90 and 180 days. It currently tracks current, 31 - 60, 61 - 180, 181 - 360 and > 360 days ageing buckets.</p>	<p>Risk/Implication:</p> <p>The inability to track accounts receivable outstanding between 90 and 180 days limits the University College’s ability to perform a robust impairment analysis as required by IFRS 9, <i>Financial Instruments</i>. Therefore, the provision for expected credit losses in the financial statements may be misstated.</p> <p>Recommendation:</p> <p>The University College should configure its accounting system to age accounts receivable in the appropriate ageing buckets, including the 90-day bucket.</p>	<p>Management will seek to adjust the configuration in the new accounting system (Jenzabar J1) to age accounts receivable in the appropriate ageing buckets, including the 90-day bucket</p>	<p>2024 Financial Year.</p>
<p>3. Inadequate follow-up of accounts receivables balances.</p> <p>During the audit, we noted that the University College does not have a robust collection policy to address its long outstanding receivables. As of 31 December 2023, accounts receivables outstanding for more than 180 days amounted to \$1.3 million, comprising 74 per cent of the total accounts receivable balance as of that date.</p>	<p>Risk/Implication:</p> <p>Inadequate follow-up of accounts receivables balances could result in the outstanding debts becoming uncollectable, and the University College could suffer financial loss.</p> <p>Recommendation:</p> <p>The University College should improve its debt collection efforts to minimise financial loss from delinquent debts.</p>	<p>Management is working towards the resolutions to improve its debt collection efforts to minimise financial loss from delinquent debts.</p>	<p>2024-2025 Financial Year.</p>