



UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

Report to those charged with governance on the 2024 audit

July 2025

*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 2024 financial statements of the University College of the Cayman Islands (the “University College” or “University”). 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 2024 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 13 September 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 issued an unmodified audit opinion 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 amounted to \$13.6 million, comprised of audit adjustments of \$2.1 million and client adjustments of \$11.6 million. The adjustments impacted equity and total comprehensive loss by \$717,078.15 and \$207,252.14, respectively. Appendix 2 summarizes those 2024 unadjusted 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 30 April 2025.

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. Other significant but sensitive matters are included in a separate letter to management.

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 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 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

21. The Cabinet approved reallocations of \$480,000 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 reallocations was not introduced in Parliament by March 31, 2025, 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,



Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

Audit Adjustments

Number	Name	Account No	Debit	Credit
1	Buildings Accumulated Depreciation	10025	1,283,726.95	
	Buildings Original Cost	10020		1,283,726.95
	Retained Earnings	30000	120,000.55	
	Revaluation Reserve	30050	385,735.36	
	Buildings Accumulated Depreciation	10025		505,735.91
<i>Being correction of building cost and accumulated depreciation from 2021 revaluation</i>				
2	Electricity	66000	7,392.82	
	Other Current Liabilities	20035		7,392.82
<i>To accrue for additional power bills for October, November & December 2024- Cayman Brac Power & Lighting</i>				
3	Security Services	63045	13,073.98	
	Other Current Liabilities	20035		13,073.98
<i>To accrue for National Security charges for security services, Dec 2024</i>				
4	\$CI Current A/C RBC 1130293	10200	5,955.79	
	Uncleared Disbursements - Cheques	20030		5,955.79
<i>To reclass long outstanding issued cheques from bank to payables</i>				
5	Bad Debt	72000	62,518.14	
	Provision for bad debts (other)	10107		62,518.14
	Uncleared Disbursements - Cheques	20030	1,744	
	Accounts Receivable - Rental & Other	10103		1,744
<i>To record expected credit losses (ECL) on other receivables</i>				
6	Inventory - Provision for Obsolescence	10095		24,939
	Obsolete Books	72011	24,939	
<i>To record provision for obsolete inventory</i>				
7	Construction in Progress	10023		185,843.51
	Prepaid Expenses	10125	185,843.51	
<i>Reclassification of deposits towards windows and doors to prepayments</i>				
Total			2,090,930.10	2,090,930.10

Client Audit Adjustments

Number	Name	Account No	Debit	Credit
1	Uncleared Disbursements - Cheques	20030	14,142.64	
	Unearned Income	20125		14,142.02
	Foreign Exchange Adjustments	73000		0.62
	Unearned Income	20125	35,725.67	
	Unused Phil. Income - Performing Arts	20138	9,479	
	Donations	44200		45,204.67
<i>To record recognition of donation income</i>				
2	Unused Phil. Inc-Student scholarships	20136	27,940.00	
	Unused Phil. Inc- Unspecified Donatio	20139	2,000.00	
	Unused Phil. Income - RESEMBID Grant2	20150	101,432.31	
	Donation Phil- Student Work Readiness	44205		101,432.31
	Donation Phil-Student scholarships	44212		29,940.00
<i>Recognition of grant income</i>				
3	Other Current Liabilities	20035	47,662	
	Audit Fees	63080		47,662
<i>Reversal of audit Fee over accrual</i>				
4	Accounts Receivable - Rental & Other	10103	60,679.42	
	Donation Phil- Student Work Readiness	44205		60,679.42
	Accounts Receivable - Rental & Other	10103		6,539.18
	Prior Period Adjustments	32006	34,342.24	
	Tuition Fees (Other Non Degree Courses)	43000		61,335
	Donation Phil- Student Work Readiness	44205	38,511.94	
	Student Activity Funds	49000		105
	Student Scholarships	63090		4,875
<i>To record RESEMBID 1 additional expenses and Reclass of overspend RESEMBID 1</i>				
5	Furniture & Fixtures Org Cost	10040		1,328,239.70
	Furniture & Fixtures Accumulated Depreciation	10045	1,328,239.70	
	Computers Original Cost	10050		1,729,265.45
	Computers Accum Depreciation	10055	1,729,265.45	
	Software at Original Cost	10056		317,435.97

Number	Name	Account No	Debit	Credit
	Software Accumulated Depreciation	10057	317,435.97	
<i>To derecognize retired assets</i>				
6	Construction in Progress	10023		2,760
	Furniture & Fixtures Cost	10040	11,712	
	Computers Original Cost	10050	22,948	
	Other Current Liabilities	20035		14,179
	Printing & Stationery (Other)	63005	2,483	
	Computer and Communications Supplies	63008		6,719
	Attractive Assets	75000		13,485
<i>To record fixed assets and consumables purchased during the year</i>				
7	Past Service Liability (Defined Benefit)	20220		258,000
	Pension Expense Adjustment to past Service Liability	61022	81,000	
	Re-Measurement of defined benefit pension	78600	177,000	
<i>To record year-end actuarial valuation entries.</i>				
9	Provision for Bad Debts (Tuition Fees)	10106	65,733	
	Bad Debt	72000		65,733
<i>To record year-end expected credit losses (ECL) on tuition receivables</i>				
10	Accounts Receivable - Tuition	10100		190,484.76
	Provision for Bad Debts (Tuition Fees)	10106	190,484.76	
<i>To record bad debt write off</i>				
11	Accounts Receivable - Tuition	10100		106,239.21
	Accounts Receivable - Tuition	10100		2,533,934.48
	Accounts Rec (Other Government Ministries)	10101		200,767.84
	Accounts Rec (Other Gov Ministries)	10101	2,813,591.69	
	Provision for Bad Debts (Tuition Fees)	10106	11,388.40	
	Provision for Bad Debts (Tuition Fees)	10106		279,657.21
	Other Current Liabilities A/R Credit	20032	295,618.65	
	Accounts Receivable - Tuition	10100	3,745,087.63	
	Accounts Rec (Other Gov Ministries)	10101		3,745,087.63
<i>To reclassify AR balances</i>				

Number	Name	Account No	Debit	Credit
12	Accounts Receivable - Tuition	10100	391,368.86	
	Accounts Rec (Other Gov Ministries)	10101	701	
	Other Current Liabilities A/R Credit	20032		391,368.86
	Other Current Liabilities A/R Credit	20032		701
<i>To reclassify credit entries in receivables to payables</i>				
Total			11,555,973.33	11,555,973.33
Grand Total			13,646,903.43	13,646,903.43

APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

Number	Name	Account No	Debit	Credit
1	Accounts Payable (Local)	20000		5,849
	Foreign Exchange adjustments	73000	5,849	
<i>Being difference between accounts payable schedule and the trial balance amount</i>				
2	Unused Phil.Income-Student Work	20129		22,089.50
	Donation Phil-Student Work Readiness	44205	22,089.50	
<i>To record difference in recognized student scholarship revenue vs scholarship expense amount</i>				
Total			27,938.50	27,938.50

APPENDIX 3 – INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. University College's Financial Management and Long-term Sustainability</p> <p>The University College continues to report deficits, with the current year deficit being \$597,404 (2023: \$936,318). Despite this, there has been an increase in the university's expenditure compared to 2023. For example, the University spent a total of \$203,024 on travel and subsistence in 2024 (2023: \$84,999), and its expenditure on training and staff development, which includes internal conferences and seminars, registration and materials, awards, etc., increased from \$22,638 in 2023 to \$101,635 in 2024.</p>	<p>Risk/Implication:</p> <p>Any decline in Government funding will adversely impact the University College's operations, and its ability to provide the necessary services may be severely impaired. This may threaten the University College's going concern in the long run.</p> <p>Recommendation:</p> <p>The University College should develop a strategy to turn its finances around, such as exploring opportunities for revenue enhancement to improve financial sustainability if Government funding does not increase.</p>	<p>Management will pursue additional government funding to ensure adequate coverage of operational expenditure. Management will also develop a long-term strategy to diversify revenue streams, leveraging research income, industry partnerships, and philanthropic contributions to enhance financial sustainability.</p>	2025-2026
<p>2. Non-compliance with procurement regulations</p> <p>During our review of Property, Plant, and Equipment (PPE), the University College did not provide evidence that it complied with the Procurement Act and Regulations for the acquisition of the following items:</p>	<p>Risk/Implication:</p> <p>The University College is at risk of not getting value for money as funds may not be used economically, efficiently or transparently. Without adherence to Procurement Regulations, there is an increased likelihood of:</p> <ul style="list-style-type: none"> - Overpayment or non-competitive pricing - Awarding contracts to unsuitable vendors 	<p>UCCI operates a decentralized procurement system, ensuring efficiency and flexibility. To uphold compliance with the Procurement Act, management has implemented internal</p>	2025

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. Solar System Installation – project for a total contract amount \$103,500. Only quotes from vendors were shared with audit team. Key procurement documentation including the EPC and President approved business case, bid advertisement, evaluation summary, public notice of award and President’s bid acceptance—was not provided for audit review.</p> <p>2. Purchase of Windows – awarded to one vendor for a total cost of \$41,993. No vendor quotations or President bid acceptance were provided for audit review</p>	<p>- Undetected fraud, favoritism or conflicts of interest.</p> <p>Recommendation: The University College should establish proper procurement procedures by following the guidelines provided by the Cayman Islands Government’s Central Procurement Office.</p> <p>Additionally, the University College should also establish an adequate audit trail of all procurement documents to ensure they are readily available whenever required.</p>	<p>training programs for individuals with procurement authority, strengthening their understanding of regulatory requirements and best practices.</p>	

<p>3. Lack of proper audit trail for RESEMBID I grants</p> <p>During the audit, the OAG noted that several adjustments were made to correct errors in the recording of expenses related to RESEMBID I grants from the European Union as part of the Resilience, Sustainable Energy, and Marine Biodiversity funded by the European Union and implemented by Expertise Finance (the development agency of the Government of France).</p> <p>The total gross adjustments related to RESEMBID I grants amounted to \$222,821, comprising all the adjustments made to reconcile the schedules after initial submission of the trial balance for audit.</p>	<p>Risk/Implication</p> <p>There is a risk that expenses and/or income recorded from the RESEMBID I grant is materially misstated.</p> <p>Recommendation</p> <p>We recommend that all RESEMBID-related expenses and revenue be accounted for and reported accurately in the financial statements.</p>	<p>During RESEMBID I, the absence of a dedicated finance officer resulted in challenges with expense tracking and reconciliation. For the second grant (RESEMBID II), a qualified bookkeeping consultant was engaged to oversee financial management specific to the project. Monthly reconciliations are now performed to ensure consistency between UCCI's internal accounting records and grant statements.</p>	<p>2025</p>
<p>4. Blue Bison HR Application</p> <p>The University College relies on the Blue Bison application for its HR administration. However, Management has not obtained SOC Reports for the Blue Bison Application.</p>	<p>Risk/implication:</p> <p>Failing to obtain a SOC report for a critical system, such as the Blue Bison HR Application, exposes the company to a number of risks, including but not limited to data security and privacy risks.</p> <p>Recommendation:</p>	<p>Blue Bison is a small company and does not currently comply with SOC reporting. We have requested a SOC report and have been promised by end of June. Longer term we may consider moving to a larger company for HR services -</p>	<p>June 2025</p> <p>In the long term, we will consider moving to a new HR system.</p>

	Management should ensure that the vendor provides a SOC Report to mitigate the risks of data breaches and potential operational disruptions.	for example, Vista.	
<p>5. Lack of documentation for the change management process</p> <p>Documentation regarding IT changes are required by the University College's Change Management Process. However, the University College did not maintain a master list of the changes (change log) it has managed during the year.</p>	<p>Risk/Implication:</p> <p>Unintended adverse consequences after changes are implemented that turn out to be inappropriate under the circumstances.</p> <p>Recommendation:</p> <p>Management should ensure that all system and application changes are registered in a change log. Furthermore, it should ensure that all IT-related changes are supported by required documentation, including written requests, approval of all IT-related changes, and user acceptance of the implemented change.</p>	<p>Our 3 main systems are externally managed so system changes are managed by the system owners. A change Log has now been implemented for the remaining systems.</p>	<p>June 2025</p>