



UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

**Report to those charged with governance on the audit for the year
ended 31 December 2022**

April 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 2022 financial statements of the University College of the Cayman Islands (“UCCI”). In rendering my audit opinion on the financial statements, I have relied on the work carried out on my behalf by a public accounting firm that performed their work in accordance with International Standards on Auditing (ISAs). ISAs require that we communicate certain matters to those charged with the governance of UCCI. The matters we are required to communicate under ISAs include:
 - auditor’s 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;
 - modifications to the audit report; and
 - significant findings from our audit.
2. This report sets out those matters arising from the audit of the financial statements that we consider necessary to draw 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.

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 responsibilities to perform any audit work on other information, including forward-looking statements, in documents containing audited financial statements, once provided to us, we will read the other information contained in UCCI's annual report to consider whether such information is materially inconsistent with information appearing in the financial statements or our knowledge of the operations of UCCI.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. Information on the integrity and objectivity of the Office of the Auditor General and audit firm's staff and the nature and scope of the audit were outlined in the Engagement Letter presented to Dr. Robert Robertson, President of the University College of the Cayman Islands dated November 8, 2022, and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, AUDIT ADJUSTMENTS AND REPRESENTATIONS FROM MANAGEMENT

8. We issued an unmodified auditor's report on the financial statements.
9. A summary of adjustments made to the financial statements that had arisen from the audit is attached in Appendix 1. There were no uncorrected misstatements at the conclusion of the audit.
10. As part of the completion of our audit, we sought written representations from management relevant to the financial statements, including aspects of the accounts, judgments, and estimates made. Management provided these representations in a letter dated 13 December 2023, which formed part of our audit evidence.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the UCCI's significant accounting practices, including accounting policies, accounting estimates and financial statement

disclosures. International Financial Reporting Standards (IFRS) allow UCCI 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 or of any controversial accounting practices reflected in UCCI's financial statements. UCCI implemented specific IFRS 9 requirements on measuring losses from financial assets using the expected credit loss methodology.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. Management was required to make significant judgments and estimates, such as the net realisable value of accounts receivable, the forward-looking information for inflation and unemployment rates available, defined benefit pension obligations, short-term lease exemption and carrying value of property, plant, and equipment, including the fair value of land and buildings, and the useful lives of all asset classifications.

GOING CONCERN

13. 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 UCCI's ability to continue as a going concern.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

14. We identified several significant matters relating to internal controls as part of our audit, including:

1. System-generated error relating to the trial balance (Recurring)
2. Large volumes of reversing entries (Recurring)
3. Blackbaud support expired in 2022
4. Instances where provisions of the Procurement Act and Regulations were not observed
5. PAL 47(1) funding received in 2020 was in excess of estimates
6. Opening balances not correctly rolled forward in the general ledger
7. Incorrect recording of revenue receivable from the Department of Tourism
8. Significant delays in obtaining bank confirmation
9. Significant delays in providing audit support and schedules, as a result of which the audit issuance deadline of 30 April 2023 was missed
10. Significant delays in obtaining signed declarations of interest from board members and key management personnel.

Further details are included in Appendix 2, along with management's response. We have directly reported other internal control deficiencies to management that we did not view as significant.

FRAUD AND ILLEGAL ACTS

15. Applicable auditing standards recognise 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. 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.
16. 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 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.
17. No fraud or illegal acts came to our attention as a result of our audit for the year ended 31 December 2022.

OTHER MATTERS

18. We faced significant delays in obtaining the audit support and schedules during the 2022 audit. UCCI therefore missed the statutory issuance deadline of 30 April 2023. We have included the significant matters related to this difficulty in Appendix 2.
19. We have had no disagreements with management resulting from our audit.

ACKNOWLEDGEMENT

20. We would like to thank the University College of the Cayman Islands staff for their help and assistance during this year's financial statement audit.



Patrick Smith, CFE, CPA
Deputy Auditor General

29 April 2024

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

The corrections below arose from misstatements detected during the audit:

Date	Name	Debit	Credit
12/31/2022	Prepaid Expense	6,110	
12/31/2022	Inventory		6,110
<i>Being the adjustment to write off books returned</i>			
12/31/2022	Bad Debt	182,641	
12/31/2022	Increase in provision for bad debt		182,641
<i>Being adjustment to bad debts for the year</i>			
12/31/2022	Other Current Liabilities A/R Credit		278,843
12/31/2022	Accounts Receivable - Rental & Other	278,843	
<i>Being the adjustment relating to classification of payables from receivables</i>			
12/31/2022	PAL 47(1) Cost Compliance Estimate		182,139
12/31/2022	Basic Salary	182,139	
<i>Being the adjustment to PAL 47(1) Compliance Accrual for payments made</i>			
12/31/2022	UCCI/DOT School of Hospitality Studies (Revenue)	284,464	
12/31/2022	Accounts Receivable - Tuition		284,464
<i>Being the adjustment relating to AR based on DOT confirmation</i>			
12/31/2022	Expense	225,388	
12/31/2022	Construction in Progress		225,388
12/31/2022	Accounts Receivable – SAGC		225,388
12/31/2022	Contributed Capital	225,388	
<i>Being the adjustment relating to reversal of software capitalised</i>			

On the other hand, this correction arose from the routine provision of the pension report by the University College's professional actuary, which was not submitted to UCCI management in time for the preparation of their financial statement submission by 28 February 2023.

Date	Name	Debit	Credit
12/31/2022	Past Service Liability (Defined Benefit Pension)	505,000	
12/31/2022	Re-measurement of defined benefit pension		505,000
<i>Being the adjustment to agree the unfunded pension liability to the final actuary report.</i>			

APPENDIX 2 –SIGNIFICANT CONTROL DEFICIENCIES

	Observations	Risks and Recommendations	Management Response and Planned date of implementation
1.	<p>Recurring from the prior year: System-generated error relating to the trial balance</p> <p>As reported in the prior year, the Finance team’s final trial balance did not balance by a trivial amount, but per discussion, management has yet to investigate the matter.</p>	<p>Risk: Such issues have the potential to be systemic, and therefore, future errors could be material.</p> <p>Recommendation: Discrepancies arising from the accounting software must be investigated and resolved timeously.</p>	<p>Discrepancies arising from the accounting has been investigated and, this was a result a prior period G/I Account 10100 Accounts Receivable - Tuition system glitch of the of \$ 7,950. There was no other such glitch in the system for more than 3 years subsequently.</p> <p>The amount remains unchanged.</p> <p>As we migrate to Jenzabar system this out of balance amount related to G/I Account 10100 Accounts Receivable - Tuition of \$7,950 will be corrected.</p> <p>Implementation Date : June 2024</p>
2.	<p>Recurring from prior year: Large volumes of reversing entries</p> <p>In the 2022 audit, similar to prior years, several adjustments were posted to the year-end trial balance throughout the audit which were reversal entries due to errors in the original entries.</p>	<p>Risk: Undetected errors in journal entries could lead to material misstatements in the financial statements.</p> <p>Recommendations: Management should enhance its review of all proposed journal entries and supporting documentation. Also, journal entries should be reviewed subsequently to ensure that they have been processed accurately.</p>	<p>These are not classified as undetected errors, but in fact, detected errors, hence the reversals.</p> <p>UCCI Management has also enhanced its review of all proposed journal entries and supporting documentation.</p> <p>Implementation Date: 2024 Financial Year</p>
3.	<p>Blackbaud support expired in 2022</p> <p>The Blackbaud support services expired and are no longer available from the provider, effective August 2022.</p>	<p>Risk: Significant (or catastrophic) disruption to UCCI business because of the criticality of the system to the operations</p>	<p>Use of Blackbaud is still being retained by the University. In response to the loss of support services, Chris Sanders, a Blackbaud IT specialist was hired in 2022 to provide support. His contract retains him to the University until July 2024.</p>

	Observations	Risks and Recommendations	Management Response and Planned date of implementation
		<p>Recommendation:</p> <p>Management should continue to monitor the risks and mitigations arising from its risk assessment about the end of Blackbaud support.</p>	<p>UCCI still has contractual agreements and support for the Financial Edge.</p> <p>The contract was renewed up to August 2025.</p>
4.	<p><i>Instances where provisions of the Procurement Act and Regulations were not observed</i></p> <p>There is no Entity Procurement Committee as required by the Procurement Act and so the procurement of the Student Information System (SIS) did not comply with the Procurement Act. Additionally, Management obtained a former employee's services to support the finance team in 2022 but did not comply with the requirements of Procurement Regulation 5 on direct awards. In particular, Management did not provide justification according to the list in Regulation 5.</p>	<p>Risk:</p> <p>Non-compliance with Acts and Regulations does not set the right tone at the top. Non-compliance with the Procurement Act may well impair the ability to obtain value for money in spending.</p> <p>Recommendation:</p> <p>The President should ensure that an Entity Procurement Committee is in place following the requirements of the Procurement Act and that in future the University College complies with Regulation 5 on direct awards.</p>	<p>There was an EPC Committee in 2022.</p> <p>The EPC committee was not structured properly in 2022. The EPC committee has now been designed properly to operate in accordance with the Procurement Act and meets periodically to table matters of significant procurement.</p>
5.	<p><i>Public Authorities Act (PAA) 47(1) funding received in 2020 were more than actual payouts</i></p> <p>Per a review of the latest accounts, the 2019 PAA 47 (1) estimate was higher, and additional funding was received, which was not accounted for correctly. Additionally, the analysis was not performed promptly. As a result, the 2022 financial statements included a significant adjustment to decrease expenses.</p>	<p>Risk:</p> <p>Inaccurate accounting practices lead to significant control deficiencies and incorrect financials.</p> <p>Recommendations:</p> <p>Management should review the estimates to ensure they align with the requirement and whether they continue to be relevant for financial reporting at least every year-end.</p>	<p>Management has started to review the estimates to ensure they align with the requirement and whether they continue to be relevant for financial reporting at least every year-end.</p> <p>Implementation Date: 2024 Financial Year</p>

	Observations	Risks and Recommendations	Management Response and Planned date of implementation
6.	<p><i>Opening balances not correctly rolled forward in the general ledger</i></p> <p>We found the equity opening balance in the general ledger was not updated for adjustments made directly to the financial statements. The 2021 and 2022 financial statements were fairly stated. During our audit, we found the discrepancy between the general ledger and the financial statements and was corrected by management in their accounting records.</p> <p>As such, it was not incorporated in Appendix 1 (Summary of Corrected Misstatements) as it did not affect the draft financial statements.</p>	<p>Risk:</p> <p>Undetected errors lead to material misstatements in the final financial statement balances for accounts.</p> <p>Recommendations:</p> <p>Management should review opening balances in detail before finalising the accounts against the prior year's financial statements and uncorrected adjustments to ensure those are accurately captured.</p>	<p>Management has improved its financial statement close processes to ensure that the balances as at each period end are carried forward to the next period.</p> <p>Implementation Date: 2024 Financial Year</p>
7.	<p><i>Incorrect recording of revenue receivable from the Department of Tourism (DOT)</i></p> <p>Revenue receivable was inaccurately recorded and was corrected upon receipt of the audit confirmation from the DOT.</p>	<p>Risk:</p> <p>Receivables and revenue could be over/understated, leading to material misstatements in the financial statements.</p> <p>Recommendations:</p> <p>Management should record revenues and receivables based on agreement with counterparties. In addition, balances should be confirmed as part of the financial closing process.</p>	<p>Management has made significant improvements in the management of DOT and other counterparties.</p> <p>Management now records revenues and receivables based on agreement with counterparties. In addition, balances are confirmed as part of the financial closing process.</p> <p>Implementation Date: 2023 Financial Year</p>
8.	<p><i>Significant delays in bank confirmation</i></p> <p>For nine months, the Cayman National Bank (CNB) could not provide bank confirmations because the existing signatories had not been authorised. Additionally, this has been a part of the</p>	<p>Risk:</p> <p>It could lead to modification in the audit opinion. Other financial and operational issues could arise from this deficiency.</p> <p>Recommendations:</p>	<p>Relationships with banking personnel have improved. Significant turnover in Finance and leadership disrupted these relationships, and now that retention has improved.</p> <p>Implementation Date: 2023 Financial Year</p>

	Observations	Risks and Recommendations	Management Response and Planned date of implementation
	agenda for Board of Directors (BOD) meetings since mid-year 2022 but was resolved about a year later.	Management should put a process in place to change the authorised signatories if a member of the board/authorised individual resigns from the University College and to monitor and update the financial institutions for the changes, ensuring its prompt completion.	
9.	<p><i>Significant delays in providing audit support and schedules, resulting in a missed audit deadline of 30 April 2023</i></p> <p>The audit experienced significant delays in receiving the requirements during fieldwork. The primary account schedules were not submitted within a reasonable time.</p>	<p>Risk:</p> <p>Risk of future missed deadlines. Non-compliance sets the wrong tone at the top.</p> <p>Recommendations:</p> <p>Management should ensure timely submission to the auditors and address any queries to meet the timelines.</p>	<p>There were significant turnovers in Finance during the audit in 2023, resulting in significant delays in providing audit support, and thereby resulted in audit delays. Moving forward, the Finance department has sought to improve the Internal control over Financial Reporting (ICOFR), which has expedited its audit procedures to ensure a timely sign-off of the audit.</p> <p>Implementation Date: 2023 Financial Year</p>
10.	<p><i>Significant delays in obtaining signed declarations of interest from board members and key management personnel</i></p> <p>Declaration of interests are not signed in a timely way and the ones received were signed in June and December 2023 at the latest.</p>	<p>Risk:</p> <p>These disclosures help UCCI manage their business risks should there be any related party transactions which they cannot be doing in a timely way. It also risks incomplete note disclosures in the financial statements.</p> <p>Recommendations:</p> <p>Management should receive and review the declarations promptly and act to mitigate any conflicts of interest.</p>	<p>Management is seeking to improve the turnaround times on the submission of these declarations.</p> <p>Implementation Date: 2024 Financial Year</p>