



CHILDREN AND YOUTH SERVICES (CAYS) FOUNDATION

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 December 31, 2023 financial statements of the Children and Youth Services (CAYS) Foundation (the “Foundation” or “CAYS”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Foundation in sufficient time to enable appropriate action. 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
 - 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 signed by management on 26 September 2023 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, in documents containing audited financial statements, we have read the other information contained in the Foundation'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 the Foundation. We have not reviewed any other documents containing the Foundation'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 Chairman of the Board and follow 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 auditor's report with emphasis of matters on the financial statements. As outlined in note 14 of the financial statements, The Public Authorities Act (2020 Revision), Section 47 - Terms and conditions and remuneration of staff came into effect at 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardize salaries and benefits. At the date of this report, standardization process has not yet been implemented, therefore the potential impact of this requirement was not reflected in these financial statements. My opinion is not modified in respect of this matter.
9. A summary of adjustments made to the financial statements is attached in Appendix 1. There were six corrected audit adjustments made to the financial statements. There were no uncorrected misstatements arising from the audit.
10. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts and judgements and estimates made. These representations were provided to us on 30 April 2024.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Foundation's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Foundation 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 Foundation's financial statements.
12. Details of any significant findings from the audit are included in Appendix 2 along with management's response.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES:

13. Management was required to make significant judgments and estimates in respect of allowance for credit losses and depreciation.

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 Foundation's ability to continue as a going concern.

MATERIAL WEAKNESSES IN INTERNAL CONTROL:

15. We identified a number of significant matters relating to internal controls as part of our audit. Details are included in Appendix 2 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 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.

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

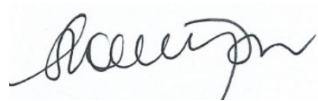
21. Significant reliance on government funding.

The Foundation's ability to meet its mandate and capacity to sustain its operational expenditures are significantly reliant on continued Government support from services provided to the Government.

ACKNOWLEDGEMENTS

22. We thank the management and staff of the Foundation for their cooperation and assistance during the audit of this year's financial statements.

Yours sincerely,



Sue Winspear, CPFA
Auditor General

May 31, 2024
Cayman Islands

APPENDIX 1: SUMMARY OF AUDIT MISSTATEMENTS

Account description	Debit (\$)	Credit (\$)
2100 Accounts Payable		1,075.00
5006 MAINTENANCE:5008 Building Maintenance	1,075.00	
To accrue additional Building maintenance costs		
1850 Accumulated Depreciation:1851 Equipment -		9,641.67
5900 DEPRECIATION:5920 Equipment -Depreciation	9,641.67	
Depreciation charge on Propane Generator		
1206 Defined Benefit Asset	14,000.00	
4200 Defined Benefit Income		3,000.00
5996 Other Comp Income/Expenses:5997 Remeasurements-define		11,000.00
To adjust pension surplus based on actuarial valuation		
2105 Accruals	2,850.00	
Audit fee Exp-Professional (9200)		2,850.00
To adjust for 2022 audit fees paid in 2023		
2300 Insurance Payable		5,933.00
5300 SALARIES, WAGES AND ALLOWANCES:5320 Health	7,718.00	
5300 SALARIES, WAGES AND ALLOWANCES:5320 Health	443.00	
5300 SALARIES, WAGES AND ALLOWANCES:5320 Health		2,228.00
Audit adjustment Dec 2023 - Health insurance understated & Owed to CAYS from CINICO		
1280 Accrued Income	5,335.00	
2300 Insurance Payable		5,335.00
Insurance Payable		
Total	41,062.67	41,062.67

APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>i. Lack of adequate acknowledgement for donations received</p> <p>During our review, we noted several instances where we were unable to determine the point at which a donation was received.</p>	<p>Risk/Implication</p> <p>Without donation acknowledgement letters and prompt donation receipts, donors may not have the correct information about the timing and amount of their donations. Donors may be disinclined to donate in future if their generosity is not acknowledged in a timely way.</p> <p>Recommendation</p> <p>We recommend that management immediately acknowledge donations.</p>	<p>A new process for the recording and responding to Donations was implemented in October 2023. The responsibility was passed to Admin Assistant at that time. The person in this role changed in January which has impacted on the efficiency with which the donations are recorded and responded to, along with an abnormal amount of donations to support upgrades to facilities. We will evaluate the process and refine it where necessary.</p>	<p><i>April 1st 2024, Ongoing</i></p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>ii. Insufficient monitoring of starters and leavers' healthcare insurance</p> <p>The financial statements were adjusted by \$9 thousand due to discrepancies between the GL and CINICO payments arising from timing issues with starters and leavers.</p>	<p>Risk/Implication</p> <p>Payroll expenses could be materially misstated. Inaccuracies with staff health benefits could likely negatively impact staff morale, staff productivity, and the Foundation's reputation.</p> <p>Recommendation</p> <p>We recommend that the Foundation improve its monitoring of starters and leavers to confirm accurate reporting between the GL and CINICO payments.</p>	<p>The absence of consistent admin support since October 2022 has been a challenge with regards to the processing of information at Head Office. The position was filled which helped support some of the backlog but the candidate quickly moved on to a better paid role in Government. We seconded a member of staff into the role who has now started maternity leave. CAYS will look at the possibility of having maternity cover in the role until November 2024 when the staff member is projected to return.</p>	<p>July 2024</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date																																																																														
<p>iii. Delays in reviewing and authorizing bank reconciliations</p> <p>There were delays of over a month in reviewing and authorizing the bank reconciliations:</p> <table border="1" data-bbox="205 456 968 976"> <thead> <tr> <th>Month</th> <th>Date last prepared</th> <th>Date last reviewed</th> <th>Date last authorized</th> <th>Days delayed reviewed</th> <th>Days delayed authorized</th> </tr> </thead> <tbody> <tr><td>Jan-23</td><td>21-Feb-23</td><td>27-Feb-23</td><td>25-Apr-23</td><td>27</td><td>84</td></tr> <tr><td>Feb-23</td><td>23-Mar-23</td><td>23-Mar-23</td><td>28-Sep-23</td><td>23</td><td>212</td></tr> <tr><td>Mar-23</td><td>3-May-23</td><td>5-May-23</td><td>29-Sep-23</td><td>35</td><td>182</td></tr> <tr><td>Apr-23</td><td>3-May-23</td><td>7-Jun-23</td><td>29-Sep-23</td><td>38</td><td>152</td></tr> <tr><td>May-23</td><td>28-Jun-23</td><td>29-Jun-23</td><td>29-Sep-23</td><td>29</td><td>121</td></tr> <tr><td>Jun-23</td><td>24-Jul-23</td><td>9-Aug-23</td><td>29-Sep-23</td><td>40</td><td>91</td></tr> <tr><td>Jul-23</td><td>31-Aug-23</td><td>11-Sep-23</td><td>29-Sep-23</td><td>42</td><td>60</td></tr> <tr><td>Aug-23</td><td>25-Sep-23</td><td>2-Oct-23</td><td>7-Nov-23</td><td>32</td><td>68</td></tr> <tr><td>Sep-23</td><td>25-Oct-23</td><td>25-Oct-23</td><td>7-Nov-23</td><td>25</td><td>38</td></tr> <tr><td>Oct-23</td><td>6-Dec-23</td><td>6-Dec-23</td><td>18-Dec-23</td><td>36</td><td>48</td></tr> <tr><td>Nov-23</td><td>6-Jan-24</td><td>6-Jan-24</td><td>20-Jan-24</td><td>37</td><td>51</td></tr> <tr><td>Dec-23</td><td>23-Jan-24</td><td>29-Jan-24</td><td>16-Feb-24</td><td>29</td><td>47</td></tr> </tbody> </table>	Month	Date last prepared	Date last reviewed	Date last authorized	Days delayed reviewed	Days delayed authorized	Jan-23	21-Feb-23	27-Feb-23	25-Apr-23	27	84	Feb-23	23-Mar-23	23-Mar-23	28-Sep-23	23	212	Mar-23	3-May-23	5-May-23	29-Sep-23	35	182	Apr-23	3-May-23	7-Jun-23	29-Sep-23	38	152	May-23	28-Jun-23	29-Jun-23	29-Sep-23	29	121	Jun-23	24-Jul-23	9-Aug-23	29-Sep-23	40	91	Jul-23	31-Aug-23	11-Sep-23	29-Sep-23	42	60	Aug-23	25-Sep-23	2-Oct-23	7-Nov-23	32	68	Sep-23	25-Oct-23	25-Oct-23	7-Nov-23	25	38	Oct-23	6-Dec-23	6-Dec-23	18-Dec-23	36	48	Nov-23	6-Jan-24	6-Jan-24	20-Jan-24	37	51	Dec-23	23-Jan-24	29-Jan-24	16-Feb-24	29	47	<p>Risk/Implication</p> <p>Errors in the cash cycle may not be promptly identified if there were delays in reviewing and authorizing bank reconciliations, resulting in inaccurate or misstated financial statements.</p> <p>Recommendation</p> <p>We recommended that the bank reconciliations be completed within the following month, reviewed by Berman Fisher, and authorized by a senior member of CAYS.</p>	<p>Again, challenges with Admin support have meant that there has been a burden on the Business Manager to process the reconciliations. Coupled with this, the organizational restructure has meant that there are staff in new positions managing cash for the first time. Geographical challenges often mean there is a lag in processing information because of the distance between Head Office and some of the homes. We will review the cash reconciliation process.</p>	<p>July 2024</p>
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Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>iv. Non-compliance with the Public Authorities Act (2020 Revision), Section 47</p> <p>During our review, not all CAYS employees were on the correct CIG band. CAYS undertook a restructure in 2022; the new positions have been placed on the most up-to-date CIG salary structure (Business Manager, Senior Manager, Policies Partnerships and Programmes, Senior Manager Operations and the 5 Service Lead positions). However, the General Manager and the Youth Support Workers (YSW) are not aligned with the CIG pay scale. The decision not to keep CAYS in line with the CIG pay scale as it increased is based on the fact that when CAYS has a full staffing complement, they cannot afford the staff expenses within their budget, which hasn't been increased in 4 years. CAYS is aware of the issue and has requested an additional \$87,840 (over the 2-year budget cycle). If CAYS were to pay retrospectively to these employees who have not been on the CIG pay scale, they would require an additional \$13,528.</p>	<p>Risk/Implication</p> <p>Terms and conditions and remuneration are not consistent with the requirements of section 47 of the Public Authorities Act. As a result, the Foundation's salaries continue to be out of line with those of the public sector, as most statutory authorities and government companies have adopted the civil service pay scale.</p> <p>Recommendation</p> <p>We recommend that management consult with the Ministry and take appropriate measures to standardize the salaries and benefits of the staff as soon as possible to align them with the CIG pay scale so as to comply with PAA Section 47.</p>	<p>The gap in remuneration between our staff and their government counterparts has been highlighted to the Ministry. Unfortunately, our budget has not been increased. Despite this, because of savings from unfilled positions, we have been able to bring everyone in line for the duration of this 2-year contract. Beyond this though, with a full compliment of staff, there will be no such savings come 2025 to offer the same salary. This also poses a challenge for recruitment as we are unable to advertise a post which is not on the CIG pay scale. We are hopeful of Ministry support at this stage.</p>	<p>Actioned as of March 2024 (backdated to January 2024)</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>v. Notice of Interest declarations made after the year-end</p> <p>The Public Authorities Act (2020 Revision) deals with the appointment of board members. Section 9 (4) states that the Cabinet shall require a person it proposes to appoint to give a full disclosure of that person’s interests to establish that no conflict of interest exists as required by the Standards in Public Life Act (2021 Revision) and the Anti-Corruption Act (2019 Revision).</p> <p>We observed that many 2023 notice of interests’ declarations were submitted after the end of the financial year between January and April 2024. The Foundation does not have any other system in place to verify related party relationships or track potential conflict of interests that may exist during the period.</p>	<p>Risk/Implication</p> <p>Failure to recognize a conflict of interest on a timely basis can give the impression that the organization or individual is not acting in the public interest. More seriously, if left unresolved, some conflicts may result in criminal action, for example, fraud, bribery or corruption through abuse of position.</p> <p>Failure to capture and identify conflicts on related party transactions by key management personnel or board members who may leave before the end of the year. There is also a chance for partial disclosure of transactions resulting in non-compliance with International Public Sector Accounting Standards.</p> <p>Recommendation</p> <p>We recommended that the notice of interest be completed on a timely basis. In addition, management should establish a system to manage related party risk effectively and in a timely manner.</p>	<p>Notice of Interest will be completed in a timely basis going forward. CAYS will explore options to guard against potential conflict of interests at Board and Senior Management level.</p>	<p>July 2024</p>