



## **CHILDREN AND YOUTH SERVICES (CAYS) FOUNDATION**

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**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

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## INTRODUCTION

1. We have completed our audit of the December 31, 2024 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 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](http://www.auditorgeneral.gov.ky).

## AUDITOR’S 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.

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## 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.

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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, 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 signed by the 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 matter on the financial statements. As outlined in Note 1(m) of the financial statements, the Cabinet of Ministers authorized supplementary appropriations for the Foundation under section 11(5) of the Public Management and Finance Act (PMFA) in 2024. The impact of this was an increase of \$116,500 in the operational budget of the Foundation. A Supplementary Appropriations Bill for the reallocation was not introduced in Parliament by 31 March 2025 as required by section 11(5) of the PMFA.
9. A summary of adjustments made to the financial statements is attached in Appendix 1. Ten corrected audit adjustments were made to the financial statements, with a gross impact of \$ 84,365. 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 25 April 2025.

## 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, depreciation and pension plans and other post-retirement benefits.

### 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 two significant matter 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.

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#### SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

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#### DISAGREEMENTS WITH MANAGEMENT

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

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#### 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.

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#### 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,



**Patrick Smith, CPA, CFE**  
Auditor General

## APPENDIX 1 – SUMMARY OF AUDIT MISSTATEMENTS

Account description	Debit (\$)	Credit (\$)
9200 Audit fee Exp-Professional	19,575	
2105 Accruals		19,575
To adjust 2024 audit fees payable.		
2300 Insurance Payable	5,335	
1280 Accrued Income		5,335
To write off accrued income amount.		
4111 Donations:4112 General	19,587	
1200 Accounts Receivable		19,587
To reverse revenue recognized in current year that relates to 2025.		
1206 Defined Benefit Asset	16,000	
4200 Defined Benefit Income		4,000
5996 Other Comp Income/Expenses:5997 Remsrmts-define		12,000
To adjust pension surplus based on 2024 actuarial valuation.		
1800 Fixed Assets:1810 Equipment	2,453	
1800 Fixed Assets:1810 Equipment		3270
1800 Fixed Assets:1811 Furniture	741	
1800 Fixed Assets:1811 Furniture		989
1850 Accumulated Depreciation:1851 Equipment -	818	
1850 Accumulated Depreciation:1856 Furniture -	247	
5245 Gain/Loss on Disposal of Assets		3,194
5245 Gain/Loss on Disposal of Assets	3,194	
To correctly record assets disposed of from damage.		
2300 Insurance Payable	5,933	
3000 Retained Earnings		5,933



To write off insurance liability for 2023.		
4111 Donations:4128 Donations in Kind	9,000	
1800 Fixed Assets:1833 Vehicles		9,000
To adjust the value of motor vehicle donation received by CAYS.		
5295 Staff Liability Insurance	304	
5800 VEHICLES:5810 Vehicles Insurance & License	213	
2105 Accruals		517
To adjust correctly accrued RMU liability for 2024.		
5900 DEPRECIATION:5920 Equipment -Depreciation	592	
1850 Accumulated Depreciation:1851 Equipment -		592
Depreciation charge for reclassified items to be capitalized.		
1850 Accumulated Depreciation:1854 Vehicles- A	375	
5900 DEPRECIATION:5930 Vehicles- Depreciation		375
To correct depreciation on motor vehicle.		
<b>Total</b>	<b>84,365</b>	<b>84,365</b>

## APPENDIX 2 – INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p><b>1. Lack of procurement procedures and supporting documentation for the BBH project.</b></p> <p>OAG noted that the Foundation did not have a documented procurement procedure for the BBH renovation project. Although the procurement threshold is below \$100,000, CAYS selected vendors based on previous relationships and close ties between CAYS' Chairman and these vendors. Management told us that it also considers the discounts received from suppliers while tendering for services.</p> <p>OAG also noted during the audit that there was no evidence to support the procurement for the BBH project.</p> <p>Section 5 of the Procurement Regulations (2022 Revision) sets criteria for direct awards. This includes where the products or services are only available from a single supplier, or where the goods or services are required to match an existing brand of equipment for compatibility, or to meet physical design or quality specifications. A business case must be prepared and approved prior to making a direct award to justify that this is the most appropriate procurement route.</p>	<p><b>Risk/Implication</b></p> <p>Lack of an approved procurement process creates a risk of inconsistency and non-compliance with Procurement Regulations and good practice for procurement. It also creates the possibility of not receiving value for money.</p> <p>Lack of proper documentation to support procurement and justify the procurement route used makes it difficult to determine value for money.</p> <p><b>Recommendation</b></p> <p>Management should:</p> <ul style="list-style-type: none"> <li>Establish procurement procedures and guidelines that ensure compliance with the Procurement Regulations and other CIG Central Procurement Office guidance.</li> </ul>	<p><i>This is a fair reflection of the procurement process at Bonaventure Cottage. As discussed, the vendors were all selected based on their sterling reputation for good quality work and reliable engagement in projects, known to be the case through the Chairman's experience of them in his own professional capacity. More importantly, there was a charitable element to each of the vendors quotations for the work, all documented. As a not-for-profit, these gestures are essential to us, and the balance between procurement and relationships with</i></p>	<p><i>CAYS procurement Policy by August '25 to include the mention of the use of a Business Case to support procurement processes that fully align with standard CIG procedures.</i></p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
	<ul style="list-style-type: none"> <li>• Ensure that appropriate documentation is retained to support all procurements.</li> <li>• Prepare business cases to support direct awards.</li> </ul>	<p><i>community partners is a delicate one.</i></p> <p><i>For smaller pieces of work, like damage to property, it is impractical to have a procurement process each time. Work was completed by a reliable and responsive vendor.</i></p> <p><i>Having said this, this feedback highlights the need for a Procurement procedure for CAYS Foundation, guided by consultation with the CPO to develop a solution on how to approach it.</i></p>	