

CAYMAN NATIONAL CULTURAL FOUNDATION

Report to those charged with governance on the 2023 audit

June 2024

*To help the public
service spend
wisely*

TABLE OF CONTENTS

Introduction	1
Auditor’s responsibility under International Standards on Auditing	1
Responsibilities of Management and those charged with governance	2
Other information in documents containing audited financial statements.....	2
Conduct, approach and overall scope of the audit	2
Audit report, adjustments and management representations	2
Significant findings from the audit.....	3
Significant accounting practices	3
Management’s judgments and accounting estimates.....	3
Going concern	3
Significant deficiencies in internal control.....	3
Fraud or illegal acts.....	3
Significant difficulties encountered during the course of our audit.....	4
Disagreements with management.....	4
Any other significant matters	4
Acknowledgements	4
Appendix 1 – Summary of adjusted differences	6
Appendix 2 – Internal control matters & significant findings	7

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2023 financial statements of the Cayman National Cultural Foundation (“the Foundation”). 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:
 - 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; and
 - 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.

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 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 Foundation'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 Foundation. We are currently reviewing the annual report 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 presented to the Board Chairperson on 13 September 2023, 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 issued an unmodified auditor's report with an emphasis of matter on the financial statements. We have included details about the emphasis of matter paragraph in the Any Other Significant Matters section below.
9. A summary of adjustments made to the financial statements totaling \$409,814 is included in Appendix 1. There were no uncorrected audit misstatements.
10. As part of the completion of our audit we sought written representations from management on aspects of the accounts and judgments and estimates made. Management provided us with representations in respect of our financial statement audit on 22 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 not aware of any areas where the significant accounting practices are not consistent with general industry practice. In addition, we are not aware of any new or controversial accounting practices reflected in the Foundation's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

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

- The useful lives of items of property & equipment.
- Provisions for expected credit losses.

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 the Foundation's ability to continue as a going concern.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

14. Significant deficiencies in internal control and other significant findings are included in Appendix 2.

FRAUD OR ILLEGAL ACTS

15. Applicable auditing standards recognize 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 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.

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

18. No significant difficulties were encountered during the course of our audit.

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

20. As outlined in Note 12 of the financial statements, the Cabinet authorised supplementary appropriations of \$100,000 in output funding and \$84,000 in equity funding for the Foundation under section 11(5) of the Public Management and Finance Act ("PMFA"). The Ministry of Finance did not introduce a supplementary appropriations bill for the funding in Parliament by 31 March 2024 as required by section 11(6) of the PMFA. An emphasis of matter paragraph was included to the audit opinion in respect of this matter, but the audit opinion was not qualified.


21. There were no other significant matters noted during audit.

ACKNOWLEDGEMENTS

22. We would like to express our thanks to the staff of the Foundation for their help and assistance during the audit of this year's financial statements.



Yours sincerely,



Sue Winspear, CPFA
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES

Date	Name	Account No	Debit CI\$	Credit CI\$
12/31/ 2023	Bad Debt Expense	82-00-0	150.00	
12/31/ 2023	Accounts Receivable	20-00-0		150.00
	To adjust for a \$150.00 difference in the draft trial balance			
12/31/ 2023	Maint/Upkeep:Repairs:Equipment Repairs	89-00-5	3,549.00	
12/31/ 2023	Accumulated Depreciation & F Accum Dep	33-00-0		3,549.00
	To correct depreciation on furniture, fittings and equipment			
12/31/ 2023	Depreciation Expense	99-00-1	3,490.77	
12/31/ 2023	Accumulated Depreciation:Property Improvements	25-00-1		1,270.70
12/31/ 2023	Accumulated Depreciation:Land & Building Accum Dep	35-00-0		2,220.07
	To correct errors in the depreciation expense for the year.			
12/31/ 2023	Bad Debt Expense	82-00-0	14,619.00	
12/31/ 2023	Provision for Bad Debt	20-00-1		14,619.00
	Being 2023 provision for expected credit losses			
12/31/ 2023	Program Expense:Artistic Grants	95-00-1	3,000.00	
12/31/ 2023	Accruals	51-00-0		3,000.00
	To record grants awarded in 2023 but not accrued at year end			
12/31/ 2023	Accounts Payable	50-00-0	46,097.63	
12/31/ 2023	Work In Progress	26-00-1		46,097.63
	To reverse accruals for construction that had not occurred by year end			
12/31/ 2023	Unearned Revenue	52-00-2	61,800.00	
12/31/ 2023	Fundr Income	71-00-0		61,800.00
	To recognise revenue relating to the 2022 donation for the Strategic Planning Exercise based on costs incurred to date			
12/31/ 2023	Retained Earnings	61-00-0	77,107.52	
12/31/ 2023	Restricted Funds	52-00-0		77,107.52
	To reclassify income and unrealised gains on the investments from the Harquail bequest funds to restricted funds			
12/31/ 2023	Restricted Funds	52-00-0	200,000.00	
12/31/ 2023	Retained Earnings	61-00-0		200,000.00
	To reflect Restricted Funds used for capital projects in 2023			
			409,813.92	409,813.92

APPENDIX 2 – INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response and implementation date
<p>1. <u>Outstanding debt owed to the Cayman Islands Government for insurance premiums (re-iteration from prior year)</u></p> <p>The Foundation continues to accumulate debt with respect to insurance premiums paid on their behalf by the Government. The total owed as at 31 December 2023 was approximately \$457,000 (2022: \$403,000).</p>	<p>Risk/ Implication:</p> <p>The Foundation continues to accumulate debt, which has a negative impact on its solvency.</p> <p>Recommendation:</p> <p>Management should devise a payment plan for the debt or negotiate with the Government to have the debt converted to equity.</p>	<p>Management was in discussion with the Ministry of Youth, Sports, Culture and Heritage and the Ministry of Finance throughout 2022 and 2023 to resolve this historic issue. We were advised that the debt would be removed in during the 2023 audit cycle, but the change in Ministry has delayed this. We are assured that this will be resolved in early 2024. CNCF has been allocated insurance funds in the 2024 and 2025 budget cycle to cover future payments.</p>
<p>2. <u>The fixed assets register can be improved</u></p> <p>The Foundation’s fixed assets register does not clearly identify all assets held or how much they cost when acquired. In addition, it is unclear whether some of the older assets in the register are still in use because some assets do not have a descriptions or unique identifiers.</p>	<p>Risk/ Implication:</p> <p>Property and equipment in the financial statements may be misstated.</p> <p>Recommendation:</p> <p>Management should perform a physical verification of all assets held by the Foundation. Management should then use physical verification results to update</p>	<p>Administration completes physical verification checks on FAR assets in advance of each audit cycle each year.</p> <p>We agree that the historic FAR needs to be reviewed and commit</p>

Observation	Risk/Implication and Recommendation	Management Response and implementation date
	the asset register, clearly showing a unique identifier, description, acquisition date, cost, useful life and accumulated depreciation for each asset.	to revising this in advance of the 2024 audit cycle.