



CAYMAN NATIONAL CULTURAL FOUNDATION

Report to those charged with governance on the 2024 audit

June 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 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 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.

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 16 September 2024, 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 unqualified opinion on the 2024 financial statements.
9. A total of 5 adjustments were identified and corrected during the audit totaling \$168,816. A summary of audit adjustments made to the financial statements is attached in Appendix 1.
10. There were no uncorrected audit misstatements.
11. 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 April 28, 2025.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

12. 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

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

- The useful lives of items of property & equipment.
- Expected credit losses.

GOING CONCERN

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.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

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

FRAUD OR ILLEGAL ACTS

16. 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.

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 significant difficulties were encountered during the course of our audit.

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

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,



Patrick Smith, CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES

Adjustment Number	Account Name	Account No	Debit	Credit
1	Land & Buildings:Buildings Accumulated Depreciation:Land & Building Accum Dep Maint/Upkeep Depreciation Expense <i>Reverse expense capitalised in error</i>	34-00-0 35-00-0 89-00-0 99-00-1	 244 10,963 	10,963 244
2	Provision for Bad Debt Bad Debt Expense <i>Additional ECL provision</i>	20-00-1 82-00-0	 2,601	2,601
3	Unrealized Gain / Loss - CNS Unrealized Gain / Loss - RBC Realized Gain / Loss - CNS Realized Gain / Loss - RBC <i>To reclassify 2024 grealised gains from the unrealises gains and losses account</i>	76-10-3 76-10-4 76-10-5 76-10-6	67,598 67,840 	 67,598 67,840
4	Undeposited Funds Undeposited Funds Prod Income:Wha Happening Sales:Bar Sales <i>To record bar sales and production income that was not yet banked at year end</i>	24-00-0 24-00-0 74-00-8 77-00-10	5,263 5,307 	 5,307 5,263
5	Work In Prograss Advert/Mktg <i>To expense new brand asset development costs.</i>	26-00-1 81-00-0	 9,000	9,000
			168,816	168,816

APPENDIX 2 – INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Accepted by Management	Management Response and implementation date
<p>1. <u>Fixed asset records can be improved upon for better record keeping and tracking of assets</u></p> <p>The Foundation's fixed asset register lacks clarity in identifying all assets and their original acquisition costs. Additionally, it is uncertain whether some older assets are still in use, as several entries lack descriptions or unique identifiers</p>	<p>Risk/ Implication:</p> <p>There is the risk that property and equipment could be recorded incorrectly in the financial statements.</p> <p>Recommendation:</p> <p>Management should revise the template of the fixed asset register, so that it illustrates information such as the cost, description of asset, asset number, useful life and other key information.</p> <p>An asset verification exercise should also be performed, to confirm the existence of the assets on the register.</p>	<p>Accepted</p>	<p>Management will complete an asset verification exercise to confirm the existence and verify the completeness and accuracy of the assets on the register.</p> <p>Management will then revise the template of the fixed asset register, so that it illustrates the cost, description of asset, asset number, useful life and other key information.</p> <p><i>Management commits to complete this exercise by 30 September 2025.</i></p>

Observation	Risk/Implication and Recommendation	Accepted by Management	Management Response and implementation date
<p>2. <u>Cash receipts not deposited in the bank timely manner</u></p> <p>In April 2025, the Managing Director informed us that \$10,705 in cash collected from ticket and bar sales for the 'Wha Happening' production in October 2024 was not deposited. Although the cash count was witnessed and signed off by the Office Administrator and another staff member, the corresponding bank deposits were neither made nor co-signed</p>	<p>Risk/ Implication:</p> <p>There is an increased risk of misappropriation if the cash is not deposited timeously. In addition, the lack of proper documentation and bank deposit records hinders accurate financial reconciliation.</p> <p>Recommendation:</p> <p>Cash collected should be deposited in the bank in a timely manner. Furthermore, cash collected should reconcile to the receipts, and any differences noted should be immediately addressed.</p>	<p>Agreed and understood</p>	<p>Please see Appendix 3</p>
<p>3. <u>Lack of an updated contract</u></p> <p>During the audit, it was observed that the Foundation did not have a current signed agreement in place with its outsourced accounting service provider.</p>	<p>Risk/ Implication:</p> <p>Without a formal agreement, there may be ambiguity around the scope of services, deliverables, timelines, and accountability, leading to misunderstandings or service gaps.</p> <p>In addition, without a contract specifying confidentiality clauses and data handling procedures, sensitive financial and organizational data may be at risk.</p>	<p>Agreed and understood</p>	<p>Management has been in discussions with Link, the outsourced accounting service provider and a draft contract. <i>This is due to be reviewed and signed by June 30, 2025.</i></p>

Observation	Risk/Implication and Recommendation	Accepted by Management	Management Response and implementation date
	<p>Furthermore, In the absence of agreed-upon terms, there may be disputes over fees or billing practices, which could result in unanticipated costs or payment issues.</p> <p>Recommendation:</p> <p>Management should ensure that it obtains a signed contractual agreement with the accounting service providing that clearly outlines the terms and conditions of the services provided, including the fee.</p>		

APPENDIX 3 - CNCF MANAGEMENT RESPONSE TO OAG FINDING 2

OAG Finding details: In April 2025, the Managing Director informed us that \$10,705 in cash collected from ticket and bar sales for the 'Wha Happening' production in October 2024 was not deposited. Although the cash count was witnessed and signed off by the Office Administrator and another staff member, the corresponding bank deposits were neither made nor co-signed.

Management accepts and understands the risk implications.

Management would like to note that at no time was the cash not secured as required by the Accounting Policy and Procedures Manual (the manual).

OAG Recommendation: Cash collected should be deposited in the bank in a timely manner. Furthermore, cash collected should be reconciled to the receipts, and any differences noted should be immediately addressed.

Management action taken: When this breach came to the attention of the MD, she assisted the Office Administrator to recount the cash takings. The office administrator's notes on amounts and dates of the cash takings were reconciled with the undeposited cash in hand. Deposits for the Wha' Happening tickets and other box office and bar sales were made on March 24th, 26th and April 1st.

A further review of the cash collection and reconciliation procedural process with theatre and administrative staff was done to determine why this departure from process occurred.

It is noted that the following support mechanisms are not in place:

- 1) A paperwork structure, in the form of a checklist, which demands sign-off at each critical step in the cash collection and reconciliation process;
- 2) A POS system for bar sales that has a working reporting feature;
- 3) No training on the bar POS system which leads to inefficient use of its features;
- 4) Lack of adequate training in the procedures for all staff on the requirements as per the manual which disallowed for questioning the process for deficiencies while they were occurring.

It is important that updated processes are introduced to ensure that cash assets are accounted for accurately to facilitate their measurement with respect to the revenue recognition process and that always ensures they are secured by being deposited in a timely manner.

To prevent this lapse from happening again the following will be put in place:

- 1) Cash will be counted and signed off by two individuals the same day/night or next day and deposited as soon as possible to avoid any misappropriation. Another layer of control in the form of a diarized note to the Office Administrator from the MD weekly as a prompt to ensure cash is counted and deposited in a timely manner.
- 2) Establishment of a numbered and dated daily reconciliation sheet for cash takings of any kind (sometimes there are sales for books from the CNCF office). A robust process will be authored and put in place by the Theatre and Festivals Special Project Manager who was brought on board specifically to update and document all appropriate Theatre and Festival operations procedures, including, as a priority, the handling and safeguarding cash collections.
- 3) Investigation, installation and training in automated systems to book box office and bar sales which is connected to the accounting system and is reconcilable to the related cash/card deposits. *This solution has been found in the existing bar POS system and full implementation and training will be complete by*

June 30, 2025. Investigations into an appropriate box office solution are ongoing. This will be installed and operating, with staff fully trained by September 30, 2025.