



## **CAYMAN NATIONAL CULTURAL FOUNDATION**

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**Report to those charged with governance on the 2022 audit**

**May 2023**

*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 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 2022 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 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 Chairman on 25 August 2022, 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 unmodified auditor's report with an emphasis of matter on the financial statements. The emphasis of matter related to the Ministry of Finance not introducing a supplementary appropriation bill in Parliament as of March 31, 2023 as required by section 11(6) of the Public Management and Finance Act, for a additional funding of \$150,000.
9. A summary of adjustments made to the financial statements totaling \$432,580 is attached 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 28 April 2023.

## 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:

- Depreciation and useful life of property & equipment.

### 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 are noted below 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.

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

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

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#### DISAGREEMENTS WITH MANAGEMENT

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

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#### ANY OTHER SIGNIFICANT MATTERS

20. As outlined in Note 12 of the financial statements, in 2022, the Cabinet of Ministers authorised supplementary appropriations of \$150,000 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 2023 as required by section 11(6) of the PMFA.
21. There were no other significant matters noted during audit.

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#### 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,

A handwritten signature in black ink, appearing to read 'Angela Cullen', written in a cursive style.

**Angela Cullen**  
Acting Auditor General



## APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES

Date	Name	Account No	Adjustment identified by:	Debit	Credit
12/31/2022	Accumulated Depreciation:Land & Building Accum Dep	35-00-0	OAG		-59,049.53
12/31/2022	Depreciation Expense	99-00-1		59,049.53	
	To correct error on buildings depreciation				
12/31/2022	Accounts Receivable	20-00-0	OAG	7,010.70	
12/31/2022	FCIB Visa	50-00-1			-7,010.70
	To adjust for credit card overpayment at year end				
12/31/2022	Unearned Revenue	52-00-2	OAG		-88,998.77
12/31/2022	Other Income:Donations	75-00-4		88,998.77	
	To reclassify donations from revenue to liability				
12/31/2022	Accruals	51-00-0	CNCF		-10,000.00
12/31/2022	Program Expense: cayman Makers Series	95-00-65		10,000.00	
	To adjust program expense for Caymn Marker Series 2022				
12/31/2022	C.I. Fixed Deposit	11-00-0	OAG	467.21	
12/31/2022	U.S. Fixed Deposit	13-00-0		6,637.68	
12/31/2022	Interest Income	76-10-0			-7,104.89
	To adjust for interest on US and CI Fixed deposits				
12/31/2022	Computers & Office Equipment	30-00-0	OAG		-7,708.74
12/31/2022	Maint/Upkeep:Repairs:Computer				
12/31/2022	Repairs	89-00-2		4,620.75	
12/31/2022	Maint/Upkeep:Tech Equip	89-00-3		3,087.99	
	To correct difference between				

asset movement schedule and TB

12/31/2022	Furniture, Fixtures & Equipment	32-00-0	OAG		-1,866.01
12/31/2022	Admin:Office Equip	80-00-3		1,498.42	
12/31/2022	Admin:Postage and Delivery	80-00-9		367.59	
	To correct difference between asset movement schedule and TB				
12/31/2022	Accumulated Depreciation:Computers Accum Dep	31-00-0	CNCF	645.70	
12/31/2022	Accumulated Depreciation:F & F Accum Dep	33-00-0		144.35	
12/31/2022	Depreciation Expense	99-00-1			-645.70
12/31/2022	Depreciation Expense	99-00-1			-144.35
	To correct difference between asset movement schedule and TB				
12/31/2022	Land & Buildings:Buildings	34-00-0	CNCF		-33,950.50
12/31/2022	Maint/Upkeep	89-00-0		33,950.50	
	To correct difference between asset movement schedule and TB				
12/31/2022	Other Deposits	22-00-0	OAG	3,321.29	
12/31/2022	Interest Income	76-10-0			-3,321.29
	To accrue interest income on fixed deposits				
12/31/2022	Provision for Bad Debt	20-00-1	OAG		-11,060.00
12/31/2022	Bad Debt Expense	82-00-0		11,060.00	
	Being provision for long outstanding receivables				
12/31/2022	Work in progress	26-00-1	OAG	3,376.24	
12/31/2022	Intangible Assets:Intangible Assets - Cost	41-00-3			-3,376.24
	To reclassify trademark acquisition costs to WIP since the trade marks were not issued prior to year end				
12/31/2022	Accumulated Depreciation:Land & Building Accum Dep	35-00-0	OAG		-2,150.18
12/31/2022	Depreciation Expense	99-00-1		2,150.18	

To record depreciation on  
renovations completed during the year

12/31/2022	Work in progress	26-00-1	OAG	185,221.20	
12/31/2022	Land & Buildings:Buildings	34-00-0			-185,221.20

To reclassify renovations not  
completed at year end to WIP

12/31/2022	Undeposited Funds	24-00-0	CNCF	3,031.21	
12/31/2022	Other Income:Donations	75-00-4			-3,031.21

To record donation received in  
2022 but not booked in the GL

12/31/2022	Accruals	51-00-0	CNCF		-3,643.41
12/31/2022	Admin:Office Equip	80-00-3		12.95	
12/31/2022	Admin:Supplies	80-00-4		44.85	
12/31/2022	Maint/Upkeep	89-00-0		3,585.61	

To record 2022 invoices received  
post year end

12/31/2022	Provision for Bad Debt	20-00-1	CNCF	2,724.21	
12/31/2022	Accounts Receivable	20-10-0			-2,724.21

Client proposed adjustment to  
write off long outstanding trade receivables against  
the AR provision

12/31/2022	Pre-Paid Expenses	23-00-0	CNCF	73.32	
12/31/2022	Maint/Upkeep:Automobile Expense	89-00-1			-73.32

Client provided adjustment  
subsequent to draft TB

12/31/2022	Furniture, Fixtures & Equipment	32-00-0	CNCF	1,500.00	
12/31/2022	Maint/Upkeep	89-00-0			-1,500.00

To adjust for maint/Upkeep

**432,580.25    -432,580.25**

APPENDIX 2 – INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response and implementation date
<p>1. <u>Long 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 2022 was approximately \$403 thousand (2021: \$362,505).</p>	<p><b>Risk/ Implication:</b></p> <p>The Foundation continues to accumulate debt, which has a negative impact on its solvency.</p> <p><b>Recommendation:</b></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>CNCF has been advised by the MYSCH that the MoF has agreed to assume responsibility for this historic debt, which the incoming Board and Management have inherited. We were awaiting formal instruction at the close of the 2022 audit and anticipate this being resolved in full in advance of the 2023 year-end.</p>
<p>2. <u>Non-compliance with the Public Authorities Act (2020 Revision) (PAA)</u></p> <p>Section 47 (1) of the PAA states that “All public authorities shall use the same salary scale as determined by Cabinet and all jobs shall be evaluated by the same job evaluation methodology.”</p> <p>CNCF implemented section 47(1) of the PAA with effect from January 2020. On 1 September 2022, the Government awarded a 2 percent cost of living adjustment</p>	<p><b>Risk/ Implication:</b></p> <p>The Foundation is not complying with the Public Authorities Act. Not using the same salary scale as determined by Cabinet could have an negative impact on staff performance and morale. , In addition, the salary expense in the financial statements being misstated.</p>	<p>A COLA increase has been under consideration for staff members currently on the 2020 CIG salary grade. However, having sought advice from the MYSCH on this matter we were instructed that we are not in a position to award COLA directly as according to PAA:</p>



Observation	Risk/Implication and Recommendation	Management Response and implementation date
<p>to all civil servants, and published a new salary scale. However, the Foundation did not adjust salaries for some employees for consistency with the new civil service salary scale.</p>	<p><b>Recommendation:</b> Management should ensure that there is strict compliance with all applicable laws and regulations.</p> <p>Management should identify employees that did not receive the cost of living adjustment and adjust their salaries, in accordance with the law, as soon as possible.</p>	<p>48. (1) A public authority shall not award cost of living adjustments for staff of a public authority unless permitted to do so by the Cabinet.</p> <p>To date, no permission has been received from Cabinet to enable us to extend the COLA increase.</p> <p>All CNCF salaries will be reviewed at the July appraisal period to ensure compliance.</p>
<p><b>3. <u>Non-Compliance with the Procurement Regulations (2022 Revision) (the “Regulations”)</u></b></p> <p>In 2022, the Foundation awarded a contract for renovations to the “Mind’s Eye Centre” through a direct award . As of 31 December 2022, the Foundation had paid approximately \$185 thousand dollars to the vendor.</p> <p>The Foundation did not provide us with evidence that management made the request for the direct award in a business case approved by the Interim Director and the</p>	<p><b>Risk/ Implication:</b></p> <p>The Foundation did not comply with the Procurement Regulations.</p> <p>The Foundation is not able to demonstrate value-for-money from procurement because it did not prepare a business case as required by the Procurement Act (2023 Revision) and the Regulations.</p>	<p>This Management point relates to a specific project that began as a small interior renovation for which CNCF went out to tender. CNCF engaged PMW to undertake the ‘soft’ interior renovation of the subject property based on our assessment of the competitive bids provided. Due to the ‘emergency’ that arose following the discovery of</p>

Observation	Risk/Implication and Recommendation	Management Response and Implementation date
<p>Entity Procurement Committee as required by section 5(3)(b) of the Regulations.</p>	<p><u>Recommendation</u></p> <p>Management should ensure that the Foundation follows all applicable laws and regulations while procuring goods and services. In addition, the Foundation should develop business cases to justify value for money in line with the Procurement Act and Regulations.</p>	<p>significant structural damage as a result of historical termite damage (and fully outlined in the related BCQS Project Management report provided), CNCF instructed PMW to make the necessary structural repairs and subsequent additional renovations to the building in accordance with the recommendations by AMR Consulting Engineers and the Conservator Greg Howarth. No formal business case was developed and the project was carried as a urgent response project to mitigate the extensive structural damage found on site (ie this was not a 'planned' construction project).</p> <p>While these renovations exceeded the initial tender project as outlined above, it is the opinion of Project Manager BCQS, the final amount represents market value for works completed</p>

Observation	Risk/Implication and Recommendation	Management Response and implementation date
		under the conditions found in our report.
<p><b>4. <u>No evidence of an inventory valuation schedule</u></b>            Management did not provide us with an inventory valuation schedule to support the inventory balance of \$8 thousand in the financial statements as of 31 December 2022.</p>	<p><b>Risk/Implication</b>            The inventory balance in the financial statements may be misstated.</p>	<p>This inventory balance relates to specific historic inventory dating back to 2006: 'The Journal' publication. The incoming Board and Management have agreed to right off this inventory. CNCF has</p>

Observation	Risk/Implication and Recommendation	Management Response and implementation date
	<p>Errors and omissions between the physical and system inventory records would not be detected and corrected on a timely basis.</p> <p><b>Recommendation:</b></p> <p>Management should prepare an inventory valuation schedule to support the year-end inventory balance. In preparing the schedule, any differences between the physical and system inventory balances should be investigated and resolved on a timely basis.</p>	<p>implemented procedures for managing future inventory per the recommendation.</p>