CAYMAN ISLANDS NATIONAL MUSEUM

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2024 AUDIT

JULY 2026

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 Islands National Museum (the Museum). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Museum in sufficient time to enable them to take 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 2024 financial statements that we consider 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 proactively release all final reports through our website: www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING (ISAs)

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 that came to our attention during the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter dated 7 November 2024. 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 read the other information contained in the Museum's annual report and noted that it is materially consistent with information appearing in the financial statements and our knowledge of the operations of the Museum. We have not reviewed other documents containing the Museum'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 and the Director 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 audit report on the Museum's 31 December 2024 financial statements.

9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. There were no unadjusted misstatements.

10. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts, judgments, and estimates made. These representations were provided to us on 13 January 2026.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Museum's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

12. Generally accepted accounting principles provide for the Museum 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 Museum's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

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

- Useful lives of property and equipment – See Note 2g of the financial statements
- Expected Credit Losses – $22,789
- Impairment of property and equipment - $67,545

GOING CONCERN DOUBTS

14. The Museum is owned and primarily funded by an annual grant from the Government through the Ministry of Youth, Sports & Heritage. The Museum would not be able to continue as a going concern without ongoing support from the Government. There are no indications that the Government plans to stop funding the Museum or discontinue it. Therefore, we are not aware of any events and conditions that may cast significant doubt on the Museum's ability to continue as a going concern.

INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

15. Internal control matters and significant findings are noted 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, under the oversight of those charged with governance, places a strong emphasis on fraud prevention and deterrence.

17. They are also responsible for establishing and maintaining controls pertaining to the Museum'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. When exercising oversight responsibility,

those charged with governance should consider the potential for management to override controls or exert other inappropriate influences over the financial reporting process.

18. 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.

19. 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.

20. No fraud or illegal acts came to our attention during the 2024 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

21. No difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

23. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

24. We would like to express our thanks to the Museum's staff for their help and assistance during the audit of this year's financial statements. This enabled us to provide an audit report within the agreed timetable.

Yours sincerely,

Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

Number	Name	Account No	Debit ($)	Credit ($)	Identified by:
1	Inventory Asset Cost of Goods Sold *To account for inventory movement from 19 to 31 December 2024.*	1012 1087	 2,367.46	(2,367.46)	OAG
2	Inventory Asset Provision for Slow Moving Stock *Reversal of provision slow moving inventory that is no longer required*	1012 1013	 1,005.73	(1,005.73)	OAG
3	Prepaid Expenses Health Insurance *To reclassify one month of overcharged health insurance expense as prepaid expense*	1017 1096	1,798.00	 (1,798.00)	OAG
4	Accounts Receivable Prepaid Expenses *To reclassify refund due from a vendor to receivables*	1009 1017	1,347.87	 (1,347.87)	OAG
5	Prepaid Insurance Accounts Payable	1018 1036	 8,066.63	(8,066.63)	OAG

Number	Name	Account No	Debit ($)	Credit ($)	Identified by:
	To reverse incorrect prepayment posting for Q1 2025 Risk Management Unit Insurance costs.				
6	Furniture & Fixtures Leasehold Improvements Office Equipment *To reclassify additions of air conditioning units from Office Equipment to Leasehold Improvements*	1021 1022 1023	 9,010.00 	(2,392.00) (6,618.00)	OAG
7	Accounts Payable IT expenses *To remove payable for a voided vendor invoice*	1036 1126	5,073.75 	 (5,073.75)	OAG
8	Leasehold Improvements Repairs & maintenance *To capitalize camera installation as Leasehold Improvements*	1022 1108	2,635.00 	 (2,635.00)	OAG
9	Prepaid Expenses	1017	2,875.00		OAG

Number	Name	Account No	Debit ($)	Credit ($)	Identified by:
	IT expenses	1126	4,025.00		
	IT expenses	1126		(6,900.00)	
	To correctly record a vendor invoice for 2024 and the prepaid portion of the invoice for 2025				
10	FCIB KYD	1002	18,905.67		Museum
	FCIB USD	1003		(357.09)	
	Accounts Receivable	1009		(1,674.35)	
	Due from Employees	1011	7,583.33		
	Undeposited Funds	1016		(5,155.14)	
	Office Equipment	1023	2,465.00		
	Photocopier	1027		(2,465.00)	
	Machinery & Equipment - AD	1028		(3,910.00)	
	Furniture & Fixtures - AD	1030	7,989.41		
	Photgraphic & Audio Visual - AD	1034		(4,079.41)	
	Accounts Payable	1036		(5,340.13)	
	FCIB Credit Card	1038		(71.99)	
	Accrued Expenses	1044	925.55		
	Pension withholding	1051	1,226.38		
	Contingency Reserve	1068		(50,000.00)	
	Retained Earnings	1069	50,000.00		
	Service Sales	1072		(3,955.00)	
	Admissions	1077		(10,434.63)	
	Donations	1078		(2,947.52)	

Number	Name	Account No	Debit ($)	Credit ($)	Identified by:
	Gift shop sales	1080	7,356.51		
	Membership	1081		(76.69)	
	Sponsorship	1085		(4,514.00)	
	Cost of Goods Sold	1087	4,279.04		
	Salary	1094		(7,583.33)	
	Pension	1095		(36.00)	
	Pest control	1107		(175.00)	
	Security services	1109	195.00		
	Telephone	1110		(1,322.52)	
	Advertising	1114	254.70		
	Bank service charges	1117	174.72		
	IT expenses	1126	591.14		
	Office supplies	1130		(75.80)	
	Programme Expenses	1135		(97.74)	
	Cash (Over)/Short	1143	1,412.74		
	Gains/Losses on forex trans	1144	509.52		
	Web hosting	1146	254.60		
	Doubtful Debt Expense	1150	9,073.07		
	Provision for doubtful debt	1160		(9,073.07)	
	Cash Drawer Payouts	1162		(1.20)	
	Reconciliation Discrepancies	1163	102.90		
	Bank Revaluations	1164		(482.89)	
	Visa/Master Clearing KYD	1002.1	20.00		

Number	Name	Account No	Debit ($)	Credit ($)	Identified by:
	Deposit Cash Clearing KYD	1002.2		(547.36)	
	Visa/Master Clearing USD	1003.1	275.20		
	Deposit Cash Clearing USD *Client adjustments based on the revised draft TB provided after the submission deadline of 28 February 2025.*	1003.2	781.38		
		Gross impact	**152,580.30**	**(152,580.30)**	

APPENDIX 2 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
Quality of financial statements and submissions					
1. The Museum's revenue recognition method is inconsistent with IPSAS 9 IPSAS 9, *Revenue from Exchange Transactions,* requires entities to recognise revenue from rendering services based on: • Services performed to date as a percentage of total services to be performed.	**Risk/implication:** The Museum does not have a reliable basis to measure the stage of completion required for revenue recognition under IPSAS 9. Therefore, output revenue in the financial statements may be misstated.	Y	Y	CINM has billed and reported to MYSCH as per the instructions received from the Ministry, which previously called for qualitative reporting only. At their request, we introduced output-based reporting for Q4 2025, in addition to the qualitative quarterly reporting. Billing will be	Q4 2025

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
• Recoverable costs if the percentage of completion of services cannot be reliably estimated. The Museum bills its Purchase Agreement revenue in equal quarterly instalments, irrespective of the actual outputs delivered during each quarter. This approach is inconsistent with IPSAS 9 because it does not reflect the stage of completion of the Museum's output delivery. In addition, the Museum does not clearly track actual outputs delivered against the budgeted	Without tracking actual against budgeted outputs, the Museum cannot demonstrate that it provides value for money for the funding it receives from the Cabinet. **Recommendation:** Management should align its billing and output revenue recognition with the requirements of IPSAS 9, recognising revenue by reference to the stage of completion of output delivery.			adjusted if needed, going forward.	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
outputs set out in its Purchase Agreement.	To support this, management should establish a formal process to track actual outputs delivered against the budgeted outputs set out in its Purchase Agreement. Tracking should be performed regularly, documented and used as the basis for measuring and recognising revenue.				
2. There are deficiencies in record keeping	**Risk/implication:** Revenue and expenses in the financial statements may be misstated. In	N	Y	Recommendations accepted	Q4 2024

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
Our audit identified several deficiencies in the Museum's record keeping, including: • The Museum could not provide minutes of a Board meeting held on 5 April 2024. • The Museum did not provide supporting documentation such as invoices for four out of 96 items (four per cent) selected for audit testing. Because audit testing is performed on a sample basis, errors identified in the sample are projected across the population from which the sample was	addition, the Museum may be unable to provide evidence to support its transactions when required. **Recommendation:** Management should strengthen its record-keeping practices to ensure that all financial transactions are supported by appropriate documentation, system sub-ledgers are reconciled to the general ledger on a				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
drawn. The projected misstatements arising from the missing documentation are $1,059 for *Administration and Other Expenses*, $1,265 for *Product Sales Revenue*, and $6,590 *for Cost of Goods Sold*. • The Museum changed its Point-of-Sale system from QuickBooks to Shopify on 1 June 2024. There was an unresolved difference of $3,108 between gift shop sales in the QuickBooks and Shopify sub-ledgers ($111,821) and the trial balance extracted from	timely basis, and Board minutes are retained as a complete and accessible record of Board meetings.				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
the Museum's accounting system, Xero ($108,713). • Shopify sales of $820 recorded between 1 and 3 June 2024 were not included in the Shopify sales report provided to us for audit.					
3. There are gaps in the Museum's inventory costing The Museum's 2024 inventory valuation report contains 709 items. Of these, 114 items (16 per cent) have no cost (Nil) and 12 (two per cent) do not have a cost assigned, with the cost showing as "Not found" in the report.	**Risk/implication:** The Museum cannot demonstrate that the carrying amount of inventory in the financial statements is complete and accurate. Therefore, inventory and costs of sales in the financial	Y	Y	Recommendations Accepted	Q3 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
	statements may be understated. **Recommendation:** Management should: • investigate the reasons for items recorded at "Not found" or "Nil" and determine the correct cost for each affected item, with reference to original purchase documentation,				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
	supplier records, or where appropriate, fair value at the date of acquisition; • update the inventory valuation report and the financial records to reflect the corrected costs; and • implement controls to ensure that cost is captured and recorded at the				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
	point each new inventory item is received, to prevent similar gaps arising in the future.				
Information Technology					
4. There are deficiencies in the Museum's IT governance and oversight The Museum could not demonstrate that it effectively oversees its IT environment and processes, for example:	**Risk/implication:** Without a formal contract or a competitive procurement process, the Museum has limited recourse if the service provider fails to perform. In addition, the Museum	Y	Y	CINM switched to Managed Services contract in 2025, after this concern was noted during the 2024 audit process. New IT policy has been drafted and is under review	September 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
• The Museum does not have a written contract with its IT service provider, and the engagement was not subject to a competitive procurement process. During the year, the Museum incurred $23,000 in costs to the service provider. • The Museum does not have written procedures for access controls, backups and other key IT processes. • There is no evidence that the Board provides governance-level oversight of the Museum's IT function — specifically,	cannot demonstrate that it has obtained value for money for the IT services it has procured. In the absence of written IT procedures, key controls over access, data integrity, and continuity may operate inconsistently or not at all, increasing the risk of unauthorised access, data loss, or service disruption. Without Board oversight of IT, the Museum has limited assurance that its			by Board for final adoption in September 2026	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
that it approves IT policies, considers IT-related risks, or reviews the performance of the third-party IT service provider.	IT arrangements support strategic objectives and remain aligned with the Museum's broader governance framework. **Recommendation:** Management should: • enter into a formal written contract with the IT service provider, setting out the scope of services, service levels, fees, responsibilities, and security and				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
	data protection obligations. The engagement should be subject to a competitive procurement process as required by the Procurement Act (2023 Revision) and the Procurement Regulations (2022 Revision); • develop and implement written IT policies and				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
	procedures covering, at a minimum, user access controls, password management, backups and disaster recovery, change management, and incident response; and • establish a mechanism for the Board to receive regular reporting on the Museum's				

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
	IT policies, IT risks and the performance of the third-party service provider.				
Governance and risk management					
5. The Museum has several vacant positions The Museum has several vacant positions. The Office of the Auditor General's review of the Museum's organisational chart as at 31 December 2024 showed that of the 10 positions in the chart,	**Risk/implication:** The high vacancy rate may hinder the Museum's ability to deliver its services and discharge its obligations effectively. **Recommendation:**	N	Y	The current Board and Management recognize that CINM has been operating below its required HR capacity (with 10 as the minimum, and 15 as the ideal staff complement) but note that only 6 positions were supported under the	2025 - ongoing

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
four (40 per cent) are vacant. Therefore, the Museum is currently operating at 60 per cent staff capacity.	Management should review the Museum's organisational structure to confirm that the positions on the organisational chart remain appropriate to the Museum's current needs and priorities, before deciding which vacant positions should be filled, redefined, or removed.			budget in 2024-2025, and 8 in 2026-2027. Staff structure and positions are under review, with adjustments and new recruitments in progress since 2025.	
6. The Museum does not have a fire suppression system In December 2021, the Museum prepared a business case identifying an urgent need for a	**Risk/implication:** The Museum's artefacts, exhibits, and premises remain exposed to the risk	N	Y	CINM has monitored smoke alarms, extinguishers and 24/7 security presence which adequately mitigates fire risk at the present time.	Q4 2026-Q1 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
fire suppression system, with an estimated value of $325,000. The Government allocated the funding to the Museum in the 2022-2023 budget period. The Museum spent approximately $67,000 on consultancy services in 2023 to design the fire suppression system and retained the remainder of the funding, approximately $258,000, for the system's implementation. However, in November 2024, the Museum's Board approved management's recommendation to write off the $67,000 design costs and restart the process, because management deemed the consultant's proposed approach as not fit for purpose. As	of damage or loss from fire. Management has not effectively used the funding the Government provided for a fire suppression system. received from the Government. **Recommendation:** Management should restart the procurement and design process for the fire suppression system, with a clear timeline and accountable owner, and			A capital allocation is now available to support redesigned automated fire suppression system (pressurized mist) for implementation to start in 2026. The Board has been regularly updated on this matter.	

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
at the date of this letter, more than four years after first identifying the need, the Museum has not implemented a fire suppression system.	ensure that the retained funding is applied promptly to deliver a fit-for-purpose system. Progress should be reported regularly to the Board until the system is in place.				