



CAYMAN ISLANDS NATIONAL MUSEUM

**Report to those charged with governance on the 2021 Financial
Statements audit**

June 2022

*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 2021 financial statements for the Cayman Islands National Museum (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 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 2021 that we consider are worthy of drawing to your attention, so that you can consider them before the financial statements are approved and signed.
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 (2020 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 RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR’S RESPONSIBILITY UNDER THE 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 Museum'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 Museum. Management has submitted to us its annual report by the statutory deadline, and we will review them in accordance with our responsibilities under ISA 720.

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 dated 30 August 2021 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 in the Auditor General's report on the 2021 financial statements.
9. Appendix 1 summarizes those uncorrected misstatements identified by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Appendix 2 summarizes the misstatements identified during the audit that were corrected by management.
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 has provided us with written representations dated 6 April 2022 in respect of our financial statement audit.

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. Generally accepted accounting principles provide for the Museum 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 have changed from previous year or are not consistent with general industry practice. In addition we are not aware of any new or controversial accounting practices reflected in the Museum's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. There were no matters which required management to make significant judgments or which required significant estimates, except for the estimated useful lives of fixed assets.

GOING CONCERN DOUBTS

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 Museum's ability to continue as a going concern.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

14. We identified a number of significant and other matters relating to internal controls as part of our audit. Details are included in Appendices 3 and 4 along with management's responses.

FRAUD OR ILLEGAL ACTS

15. 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.

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 serious difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

19. There were no disagreements with management that were noted during the audit.

ACKNOWLEDGEMENTS

20. We would like to express our thanks to the staff of the Cayman Islands National Museum for their help and assistance during the audit of this period's financial statements.

Yours sincerely,



Sue Winspear, CPFA
Auditor General

APPENDIX 1 – UNCORRECTED MISSTATEMENT

Ref no.	Description	Assets	Liabilities	Equity	Profit and loss
		DR/ (CR)			
Unrecorded - factual					
	Being entry to record donations used during the year in the income statement.	-	-	(9,000)	9,000
	Net	-	-	(9,000)	9,000

APPENDIX 2 – CORRECTED MISSTATEMENTS

Number	Date	Name	Account No	Debit	Credit
1	12/31/2021	FCIB KYD	1002		(7,866)
1	12/31/2021	Prepaid Expenses	1017	15,118	
1	12/31/2021	Accounts Payable	1036		(7,252)
		Being entry to book additional amounts for prepayments and accounts payable.			
2	12/31/2021	Accrued Expenses	1044		(2,493)
2	12/31/2021	Supplies and consumables: Supply of goods & service	1115	2,493	
		Being entry to adjust audit fees accrual.			
3	12/31/2021	Prepaid Expenses	1017		(2,160)
3	12/31/2021	Supplies and consumables: Supply of goods & service	1114	2,160	
		Being entry to expense amount paid for adverting for 2021.			
4	12/31/2021	Petty Cash - MSF	1007		(100)
4	12/31/2021	Other expenses: Cash (Over)/Short	1143	100	
		Being entry to write off petty cash refund MSF.			
5	12/31/2021	Fixed Assets - Cost: Permanent Exhibits	1024	3,124	
5	12/31/2021	Supplies and consumables: Supply of goods & service	1135		(3,124)

Number	Date	Name	Account No	Debit	Credit
		Being entry to adjust amount booked as Ms. Annie Vision Marketing is not yet installed.			
6	12/31/2021	Fixed Assets - Accumulated Depreciation: Permanent Exhibits	1033		(416)
6	12/31/2021	Depreciation Being entry to adjust depreciation expense.	1139	416	
7	12/31/2021	Prepaid Expenses	1017		(308)
7	12/31/2021	Supplies and consumables: Supply of goods & service Being entry to expense 2021 portion of subscription for constant contract.	1114	308	
8	12/31/2021	Prepaid Expenses	1017		(575)
8	12/31/2021	Motor Vehicle Operations Being entry to expense 2021 portion for motor vehicle licensing.	1152	575	
				24,293	(24,293)

APPENDIX 3 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS – NEW ISSUES RAISED IN 2021

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. Accession register physical verification</p> <p>As of 31 December 2021, the Museum held over 12,000 artefacts that were donated, transferred, purchased or found. We noted that the Museum does not perform regular physical verifications/ asset counts of these artefacts.</p>	<p>Risk/Implications</p> <p>There is a risk that artefacts may be misappropriated or that errors and omissions in the accession register are not detected and corrected.</p> <p>In addition, the disclosure in the financial statements about the accession register may be misstated.</p> <p>Recommendations</p> <p>The Museum should perform regular physical verification counts of the artefacts in the accession register. The verification should be performed at least annually for high value artefacts.</p>	<p>Management notes the recommendation and will endeavor to work with the Collections & Curations Manager to implement a rolling verification programme.</p> <p>The Museum’s artefacts are securely housed in the Museum Support Facility. Many items are small and fragile in nature which would make it risky to access them for counting every year.</p> <p>Management also notes that the artefacts carry no financial value (for the purposes of reporting in the Financial Statements). The OAG can test this area by sample; however, the auditors have not traditionally done any testing work in this area.</p>	<p>December 2022</p>

<p>2. Maintenance of perpetual inventory records</p> <p>During our observation, we noted that there was a difference of 2,700 items valued at approximately \$23,000 between the point of sale system and quick books.</p>	<p>Risk/Implications</p> <p>Errors and omissions in the Museum’s inventory records may not be detected and corrected on a timely basis.</p> <p>Recommendations</p> <p>Management should ensure that its inventory records are updated for any inventory write-offs on a regular basis (at least quarterly).</p>	<p>The issue reported stems from items which became obsolete (Quincentennial items, dead stock, damaged products, etc.) which accrued over time, were written off in the Financial Statement, but not formally removed from the QuickBooks system. That formal exercise will take place in the current fiscal year.</p>	<p>June 2022</p>
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APPENDIX 4 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS – UNRESOLVED PRIOR YEAR ISSUES

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. No established procedures for the use of contingency reserves</p> <p>It was noted in the prior year’s audit that there were no formal policies and procedures for the use of the contingency reserve in place.</p> <p>We note that there is still no formal policy or procedure in place making it unclear as to under what circumstances the Museum’s contingency reserves can be used. The Museum held contingency reserves of \$250,000 at 31 December 2021.</p>	<p>Risk/Implications</p> <p>A risk arises that the contingency reserve may be inappropriately used or withheld unreasonably.</p> <p>Recommendation</p> <p>Management and the Board should establish formal policies and procedures for the use of the contingency reserve.</p>	<p>A draft policy specific to the Museum’s contingency reserve was submitted for Board review during the first quarter of 2022. Management is awaiting formal Board approval, and hopes to obtain same before end of year 2022. The Museum maintains the contingency reserve as an emergency source of funds in the event of interruption to the Museum’s operations caused by calamitous events (major hurricanes, the government falling into fiscal jeopardy, major economic contractions etc).</p>	<p>July 2022</p>
<p>2. Non-compliance with Public Authority Act (PAA), 2020 Revision – Meetings of the Board.</p> <p>As per section 17 (1) (a) of the PAA, 2020 Revision, the Board is supposed to meet at least once every three months and at such other times as may be necessary or expedient for the governance of the public authority.</p> <p>We noted that the Board only met twice in 2021, going contrary to the requirements of the PAA.</p>	<p>Risk/Implications</p> <p>Lack of proper governance and oversight role.</p> <p>Recommendations</p> <p>The Board should meet at least quarterly as required by law.</p>	<p>The General Elections took place in May of 2021 and resulted in changes to the Museum’s Board. The new Board was not formally appointed until November 2nd, 2021. This prevented the Board from meeting quarterly as statutorily stipulated as there was no Board in place for more than 5 months of the year. Notwithstanding, Management notes the recommendation and will endeavor to organize</p>	<p>January 2022</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
		Board Meetings at least once per quarter going forward.	