



## **TOURISM ATTRACTION BOARD**

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**Report to those charged with governance on the 2018 audit**

**October 2019**

*To help the public service  
spend wisely*

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# REPORT TO THOSE CHARGED WITH GOVERNANCE

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## INTRODUCTION

1. We have completed our audit of the December 31, 2018 financial statements of the Tourism Attraction Board (the “Board”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Board 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
  - 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 2018 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 Law (2018) 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 RESPONSIBILITIES IN RELATION TO THE AUDIT

### 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.

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## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter signed by management on November 28, 2018. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

6. 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 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 REPRESENTATION

7. We have issued an unmodified auditor's report on the 2018 financial statements.
8. A summary of audit adjustments made to the financial statements is attached in Appendix 1. There are no uncorrected misstatements during the 2018 financial year.
9. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. These representations were provided to us on April 18, 2019.

## SIGNIFICANT FINDINGS FROM THE AUDIT

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### SIGNIFICANT ACCOUNTING PRACTICES

10. We are responsible for providing our views about qualitative aspects of the Board's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Board 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 Board's financial statements.
11. Details of significant findings from the audit are included in Appendix 2 along with management's response.

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## MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. There were no matters which required management to make significant judgments or which required significant estimates.

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## 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 Board's ability to continue as a going concern.

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## SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

14. We identified a number of significant matters relating to internal controls as part of our audit. These include:
- i) Lack of formal risk assessment
  - ii) Lack of fixed assets impairment review
  - iii) Non-compliance to the Public Authorities Law, 2017 section (6) (a) – “the membership of a board shall not be comprised of more than forty percent public or civil servants.”

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## 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 Board'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 the 2018 audit.

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

18. No serious difficulties were encountered in the performance 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. There were no other significant matters noted during the audit.

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**ACKNOWLEDGEMENTS**

21. We would like to express our thanks to the management and staff of the Tourism Attraction Board for their help and assistance during the 2018 audit.

Yours sincerely,



Sue Winspear, CPFA  
**Auditor General**

## APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES

Journal #	Name	Account	Debit (\$)	Credit (\$)
1	Royal Bank of Canada:1001 RBC CI\$ C/A	1001		1,165.71
1	Cayman National Bank:1074 CNB CI\$ CA	1074		10,000.00
1	Administrative Expenses:6051 Bank Service Charge	6051	11,165.71	
	Being entry to correct posting errors.			
2	Buildings:1532 Buildings - Depreciation	1532	30,937.74	
2	Furniture, Fixtures & Fittings:1542 Furniture & Fixture	1542	1,992.79	
2	Computer Equipment:1555 Computer Equipment - Depreciation	1555		3,362.35
2	External Works:1568 External Works - Depreciation	1568	6,913.06	
2	Motor Vehicle:1642 Motor Vehicle - Accumulated Depreciation	1642		19,395.46
2	Depreciation Expense	6200	19,395.46	
2	Depreciation Expense:6200-01 Buildings	6200-01		30,937.74
2	Depreciation Expense:6200-03 Computer Equipment	6200-03	3,362.35	
2	Depreciation Expense:6200-06 Furniture & Fixture	6200-06		1,992.79
2	Depreciation Expense:6200-13 External Works	6200-13		6,913.06
	Being entry to reconcile depreciation per fixed asset register to general ledger			
3	Motor Vehicle:1641 Original Cost	1641		17,940.00
3	Motor Vehicle: 1642 Motor Vehicle -Accumulated Depreciation	1642	17,940.00	
	To record sale of fully depreciated vehicle in the prior year			
4	Audit Fee Accrual	2020		51,690.17
4	Output Funding	4910		44,190.17
4	Output Funding	4910	44,190.17	
4	Administrative Expenses:6061 Administrative Expenses	6061	51,690.17	
	To record audit fee accrual that was understated			
5	Payroll Liabilities:2010 Health Insurance Payable	2010	39,690.93	
5	Administrative Expenses:6061 Administrative Expenses	6061		39,690.93
	To correct health insurance paid during the year included in payables			
	<b>Total</b>		<b>227,278.38</b>	<b>227,278.38</b>



## APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p><b><u>i. Property, Plant &amp; Equipment</u></b></p> <p><b><u>Lack of formal impairment review</u></b></p> <p>No formal impairment review was conducted to determine whether any asset was impaired, requiring the remaining useful life, the depreciation method or the residual value for the asset to be reviewed and adjusted in accordance with the IPSAS 21 - Impairment of non-cash generating assets.</p>	<p><b><u>Risk/Implication:</u></b></p> <p>The financial statements may be materially misstated due to the carrying amounts of property, plant and equipment being overstated and impairment losses not being recognized.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the carrying amounts of property, plant &amp; equipment be reviewed for impairment annually in accordance with IPSAS 21 - Impairment of non-cash generating assets.</p>	<p>Recommendation accepted. Per discussion with the Director &amp; Managers, impairment review will be conducted.</p>	<p>Pedro St. James Site – November 2019</p> <p>Botanic Park Site – November 2019</p> <p>Pirate’s Week Office Site – September 2019</p> <p>Cayman Craft Market Site – September 2019</p> <p>Hell Site – September 2019</p> <p>TAB – October 2019</p>
<p><b><u>ii. Risk Management</u></b></p> <p><b><u>Lack of formal fraud risk assessment</u></b></p> <p>No formal risk assessment (including a fraud risk</p>	<p><b><u>Risk/Implication:</u></b></p> <p>Without an annual formal risk assessment the Board is unaware and therefore unable to protect itself from risks that will harm the business</p>	<p>We accept recommendation.</p>	<p>December 2019</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
assessment) is being done annually to document and address the most important risks that face the Board so that these can be ranked and appropriate resources allocated to mitigate them.	<p>financially, reputationally and security-wise.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommended that the Board oversee the performance of a formal risk assessment at least annually. This formal risk assessment should have a well-documented report that ranks risks and tracks remediation items.</p>		
<p><b><u>iii. Governance</u></b></p> <p><b><u>Non-compliance - Board composition</u></b></p> <p>Section (6) (a) of the <i>Public Authorities Law, 2017</i> stipulates that “the membership of a board shall not be comprised of more than forty percent public or civil servants.” A review of the board of directors revealed that 60% of its members are public or civil servants.</p>	<p><b><u>Risk/Implication:</u></b></p> <p>Non-compliance regarding the rules and principles guiding board composition. Breach of guidelines governing board composition so that board members can exercise independent and objective judgment and the board can effectively guide the entity toward fulfilling its mandate.</p> <p><b><u>Recommendation:</u></b></p> <p>We recommend that the Board comply with the requirements of the <i>Public Authorities Law, 2017</i> for the composition of the Board.</p>	The Board is aware of this issue and has initiated amendments to the TAB law. When these amendments are approved the composition of The Board will change.	July 1, 2020