

Chapter 10

Western Development Museum

1.0 MAIN POINTS

Other than the following concerns, the Western Development Museum had effective rules and procedures to safeguard public resources for the year ended March 31, 2023. The Museum did not:

- Adequately review and approve financial information (e.g., journal entries, bank reconciliations, admission records) once prepared.
- Adequately prepare and review financial statements for the 2022–23 audit. The financial statements presented for audit contained significant errors. Management corrected these errors; the Western Development Museum 2022–23 financial statements are reliable.

The Museum complied with its legislative authorities, apart from providing its 2022-23 annual report to the Legislative Assembly after the date required by law.

Effective financial controls help to ensure management has quality and accurate financial information to make decisions.

2.0 INTRODUCTION

2.1 Background

The Western Development Museum Act contains the authority for the Western Development Museum. The Museum is a corporate body that operates exhibit branches in North Battleford, Saskatoon, Moose Jaw, and Yorkton.

The Museum's main objectives are:

- To procure artifacts by gift, donation, bequest or loan wherever possible; and by purchase, where necessary and desirable, tools, machinery, implements, engines, devices, and other goods and chattels of historical value and importance connected with the economic and cultural development of western Canada
- To collect, arrange, catalogue, recondition, preserve and exhibit to the public the artifacts listed above
- To stimulate interest in the history of the economic and cultural development of western Canada
- To cooperate with organizations having similar objectives¹

¹ Western Development Museum, *2021–22 Annual Report*, p. 3.



2.2 Financial Overview

As shown in **Figure 1**, the Western Development Museum had a deficit of \$0.9 million for the year ended March 31, 2023 (2022: \$0.5 million surplus). The Museum's *Annual Report for 2022–23* will provide information about its revenues and expenses including reasons for differences between actual and planned.

Figure 1—Financial Overview

	Actual 2022–23	Actual 2021–22 restated ^A
	(in thousands)	
Rentals, concessions, souvenir sales	\$ 1,810	\$ 889
Less: Cost of Sales	<u>1,775</u>	<u>1,143</u>
Gross Profit (Loss)	35	(254)
Admissions	649	486
Donations	193	188
Interest	84	10
Other income	320	143
Province of Saskatchewan grant – operating	4,181	4,291
Other grants	<u>423</u>	<u>1,766</u>
Total Revenue	<u>5,885</u>	<u>6,630</u>
Curatorial Programs	1,942	1,806
Visitor Services	1,084	1,052
Support Programs and Services	<u>3,732</u>	<u>3,305</u>
Total Expense	<u>6,758</u>	<u>6,163</u>
Annual (Deficit) Surplus	<u>\$ (873)</u>	<u>\$ 467</u>
Total Financial Assets (e.g., cash, accounts receivable, inventory)	\$ 3,755	\$ 4,614
Total Non-Financial Assets (e.g., tangible capital assets)	\$ 7,440	\$ 7,213
Total Liabilities	\$ 4,028	\$ 3,787

Source: Adapted from the Western Development Museum audited financial statements for the year ended March 31, 2023.

^A Restated prior year due to implementation of a new account standard on asset retirement obligation in 2022–23 that required restating comparative values.

3.0 AUDIT CONCLUSIONS

In our opinion, for the year ended March 31, 2023, we found, in all material respects:

- The Western Development Museum had effective rules and procedures to safeguard public resources except for the matters described in this chapter
- The Western Development Museum complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:

The Western Development Museum Act
The Financial Administration Act, 1993
The Executive Government Administration Act
 Orders in Council issued pursuant to the above legislation

- The Western Development Museum had reliable financial statements

We used standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (including CSAE 3001 and 3531) to conduct our audit. We used the control framework included in COSO's *Internal Control—Integrated Framework* to make our judgments about the effectiveness of the Western Development Museum's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We carried out audit procedures to address the significant audit areas identified throughout the audit. Significant audit areas pose a higher risk and are areas where we focused our audit efforts. The audit included assessing internal controls for properly recording revenue (e.g., admissions, donations, and self-generated revenue) and inventory, and evaluating the Museum's estimate of its asset retirement obligations in accordance with Canadian public sector accounting standards.

4.0 KEY FINDINGS AND RECOMMENDATIONS

4.1 Proper Review of Financial Information Needed

The Western Development Museum did not adequately review and approve financial information once prepared.

We found management neither consistently reviews and approves financial reporting information in a timely manner nor formally documents their approval. Adequate segregation of duties requires timely and independent review and approval of key transactions and entries. We found several instances where staff did not approve financial information, including:

- For seven of the 12 months, staff did not prepare a bank reconciliation. Staff prepared the remaining five reconciliations, however management did not approve three reconciliations timely (i.e., up to 4 months after staff prepared the reconciliation). Not reviewing bank reconciliations timely increases the risk of errors going undetected.
- All six journal entries tested did not have evidence of review and approval before staff entered the journal entry into the financial system. Recording entries in the financial system before staff review and approve them increases the risk of not identifying errors in the financial information.
- For 19 of the 30 catering revenue entries tested, we did not find evidence of review and approval. For example, the catering event documents were missing evidence of review (e.g., confirming revenue recorded correctly). Untimely review increases the risk of errors occurring when recording catering revenue in the financial system.
- Two monthly museum admission records tested had no evidence of review. Lack of review of the admission records could result in recording admission revenue incorrectly.



Not having an independent review of financial information increases the risk of inaccuracies. Consistent review of the financial information (e.g., journal entries, bank reconciliations) identifies potential issues and allows for corrective actions in a timely manner. Without adequate review, errors in the Museum's financial information may occur without detection.

We found numerous errors in the financial information presented for audit. See details of errors found in **Section 4.2**.

1. **We recommend the Western Development Museum require management to conduct a detailed review of financial information (e.g., financial reports, journal entries, bank reconciliations) prepared by staff.**

4.2 Detailed Review of Financial Statements Needed

The Western Development Museum did not prepare adequate financial statements for audit; our 2022–23 audit identified significant errors. Management did not review the financial statements and information presented for audit in sufficient detail to identify issues.

The financial statements initially presented for the audit contained numerous errors and were incomplete. The Museum eventually corrected all significant errors.

We found:

- The financial statements did not include the correct amount for various accounts. The Museum understated its annual deficit by a significant amount, about \$0.19 million. The most significant error was the financial statements did not include the required information for asset retirement obligations. The Museum understated the asset retirement obligation liability by \$3.2 million. Because of this, and other errors, the Museum understated total liabilities by \$3.5 million and understated tangible capital assets by \$0.8 million.
- The notes to the financial statements required revisions to provide appropriate and complete note disclosure. Examples include:
 - The notes did not include the required disclosure for asset retirement obligations
 - Certain prior year amounts did not align with the amounts in the 2021–22 audited financial statements
 - The designated asset disclosure was overstated by about \$0.9 million
 - The budget amount of tangible capital asset acquisitions was understated by about \$0.5 million
- Management was unable to provide timely and accurate support (listings, reports) for the amounts recorded in the financial statements. This required us to perform further testing. Based on our work, management made significant adjustments to the financial statements and support.

Having a full review of the financial statements and supporting materials helps to identify potential errors, as well as confirms the financial statements are appropriate and align with Canadian public sector accounting standards.

Because of the numerous changes required to its financial statements during the audit, the Museum did not table its 2022–23 annual report and financial statements within 120 days from year-end (i.e., by the end of July 2023) as required by *The Executive Government Administration Act*.

- 2. We recommend the Western Development Museum require management complete a full review of its year-end financial statements.**

