



NATIONAL GALLERY OF THE CAYMAN ISLANDS

Report to those charged with governance on the 2024 audit

May 2025

*To help the public
service spend
wisely*

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REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audits of the financial statements of the National Gallery of the Cayman Islands (the “Gallery”) for the year ended 31 December 2024. International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Gallery 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 audits of the Gallery’s financial statements 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 (2021 Revision) (“FOI Act”) it is the policy of the Office of the Auditor General to release all final reports proactively through our website: www.auditorgeneral.gov.ky.

AUDITORS 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.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE:

5. Management's responsibilities are detailed in the engagement letters to which the engagements were subject. The audits of the financial statements do 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 have read the other information contained in the Gallery'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 Gallery. Management has submitted to us its annual report by the statutory deadline, and we reviewed 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 presented to the Managing Director on 13 September 2024 and follows 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 opinion in the Auditor General's reports on the 2024 financial statements. However, our opinion was accompanied by the following other information:

Management is responsible for the other information. The other information comprises the Statement of Responsibility for the Financial Statements and the Schedule of Collections and Exhibits from page 29 to 41.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

9. Appendix 1 summarizes the misstatements identified during the audit that were corrected by management. The total value of corrected misstatements amounted to \$54 thousand.
10. Appendix 2 summarizes the uncorrected misstatements identified by us during the audit that management determined to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The total value of these was about \$22 thousand.
11. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. Management provided us with written representations dated 30 April 2025 in respect of our financial statement audit.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

12. We are responsible for providing our views about qualitative aspects of the Gallery's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Gallery 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 Gallery's financial statements.

13. Details of any significant findings from the audit are included in Appendix 1 along with management's response.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

14. Management have made significant judgments and estimates with regard to the following financial statement items:

- provision for expected credit loss
- revaluation, impairment and depreciation of property, plant and equipment
- amortization of intangible assets.

GOING CONCERN DOUBTS

15. 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 Gallery's ability to continue as a going concern.

SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

16. We identified a number of significant deficiencies relating to internal control as part of our audit. These include:

- The system being used for inventory is outdated and needs to be replaced.
- Contracts for the provision of janitorial services and general maintenance.
- The Gallery entered into a contract with the accounting service provider and website hosting & maintenance service provider, these contracts have no end date and no cost ceiling.
- The process for the procurement of IT services commenced in August 2023 and had not been finalized by the end of December 2024. The IT services provider has been providing services without a finalized contract in place.
- NGCI does not have IT-related policies to govern vendor oversight, access controls, and computer operations.

Details are included in Appendix 3 along with management's response. There were no other control deficiencies reported separately to management.

FRAUD OR ILLEGAL ACTS

17. 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.
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. 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.



19. No fraud or illegal acts came to our attention as a result of our audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

20. No serious difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

22. There were no other significant matters noted during audit.

ACKNOWLEDGEMENTS

23. We would like to express our thanks to the staff of the Gallery for their help and assistance during the audit of this period's financial statements.

Yours sincerely,

Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Number	Date	Name	Account No	Debit	Credit
1	12/31/2024	Retained Earnings	960	30,211	
1	12/31/2024	Artisan's Fair	40120		(125)
1	12/31/2024	Exhibitions	40129		(12,024)
1	12/31/2024	Facility Rental – Costs	40130		(13,353)
1	12/31/2024	COS – Gala	40600		(2,698)
1	12/31/2024	INSURANCE: Public Liability	63042		(1,269)
1	12/31/2024	Office Supplies	63046		(38)
1	12/31/2024	VEHICLES: Fuel	63107		(706)
Being a prior year audit adjustment of expenses incurred in 2023 incorrectly recorded in 2024.					
2	12/31/2024	Accumulated Dep.: Furn, Fixtures & Equip	15260	6,229	
2	12/31/2024	DEPRECIATION: Computer Hardware	1520	1,116	
2	12/31/2024	Accumulated Dep.: Computer Hardware	15250		(1,116)
2	12/31/2024	DEPRECIATION: Furniture, Fixtures and Equipment	63015		(6,229)
Being an adjustment to correct current year depreciation.					
3	12/31/2024	ACCOUNTS RECEIVABLE: A/R Customers	11002	16,303	
3	12/31/2024	HR: Salaries	63060		(14,750)
3	12/31/2024	HR: Pension	63061		(1,553)
Being entry to book a receivable to payroll receivable.					
4	12/31/2024	Inventory Asset	12100	94	
4	12/31/2024	Gallery Shop - COS	40712		(94)
Being and adjustment for inventory not included in the listing.					
				53,953	(53,953)

APPENDIX 2 – SUMMARY OF UNCORRECTED MISSTATEMENTS

Number	Date	Name	Account No	Debit	Credit
1	12/31/2024	Retained Earnings	960		(6,733.82)
1	12/31/2024	Restricted interest on FTD	39998	6,733.82	
		Being write-down of interest income to derecognize the portion that relates to 2022 prior periods.			
2	12/31/2024	Retained Earnings	960	2,527.00	
2	12/31/2024	Audit	63112		(2,527.00)
		Being write-down of Audit fees relating to Prior period.			
3	12/31/2024	Retained Earnings	960		(2,224.53)
3	12/31/2024	Facility Rental.	40106	2,224.53	
		Being write-down of Facility rental revenue for amounts relating to 2022.			
4	12/31/2024	Inventory Asset	12100		(1,432.63)
4	12/31/2024	Gallery Shop - COS	40712	1,432.63	
		Being entry to adjust inventory balance based on inventory rollforward.			
5	12/31/2024	Retained Earnings	960		(8,051.00)
5	12/31/2024	Accumulated Dep.: Building	15290	8,051.00	
		PY SUD entry - Building depreciation impact on revised useful life in 2021.			
6	12/31/2024	Retained Earnings	960	1,373.00	
6	12/31/2024	Accruals & Liabilities	120001		(1,373.00)
		PY SUD: To recorded 2021 insurance invoice in the correct period.			
				22,341.98	(22,341.98)

APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observations	Risks/Implications & Recommendations	Management Response (Please indicate whether management 'accepts' or 'reject' the observation)	Implementation Date
<p>1. <u>Inventory System</u></p> <p>During the audit and IT controls D&I testing, we noted that the system being used to record inventory is outdated and needs to be replaced.</p>	<p>Risks/Implications</p> <p>There is a risk that inventory can be misstated due to the inefficiencies identified with the current system. This also poses a risk to inventory controls and the completeness of inventory.</p> <p>Recommendations</p> <p>It is recommended that the Gallery should review its inventory system and make the necessary improvements.</p>	<p>We accept this observation. NGCI fully recognizes the outdated nature of the current POS system and the associated risks concerning the inventory controls and capabilities of the inventory management system. This was communicated during the audit process. NGCI has been actively working to acquire a new system with the necessary capabilities to ensure accuracy for cash and transactions, and inventory & report management.</p>	<p>The procurement for a suitable replacement system has been in progress since November, 2024.</p> <p>Following a thorough review of 10+ system options, three suitable candidates have been identified and are currently being reviewed by the</p>

Observations	Risks/Implications & Recommendations	Management Response (Please indicate whether management 'accepts' or 'reject' the observation)	Implementation Date
			IT service provider for compatibility. The intended implementation date is 30 September, 2025 following purchase of the system, completion of data transfer, and thorough testing.
<p>2. <u>Janitorial Services and General Maintenance Contracts</u></p> <p>During the audit, we noted that contracts for the provision of janitorial services and general maintenance were signed in January 2020 and February 2020, respectively, with no specific end date. Both contracts provide an option to</p>	<p>Risks/Implications</p> <p>Continuing services on contracts entered into more than three years ago expose the gallery to a risk of lack of competition and fairness as envisioned in the procurement act, thus failing to</p>	<p>We accept this observation; however we feel that it has been partly remedied. In 2024, the contracts for janitorial and general maintenance services were procured, awarded, and took effect as of 01 January 2025. This following the completion of a procurement process for the threshold of under CI\$100k in 2024,</p>	<p>As noted in the management response, both the contracts for maintenance and janitorial</p>

Observations	Risks/Implications & Recommendations	Management Response (Please indicate whether management 'accepts' or 'reject' the observation)	Implementation Date
terminate the contracts at any time. Services based on these contracts continued to be provided for over three years after contract signing. The total costs in 2024 were \$19.8k and \$15K, respectively.	<p>demonstrate value for money in the use of public funds.</p> <p>Recommendations</p> <p>It is recommended that the Gallery should go ensure that all contracts signed have a specific duration period.</p>	<p>and in accordance with the Procurement Act. The selected company was awarded the contract on the basis of having provided the best value using public funds.</p> <p>NGCI has established a two-year procurement review timeline to enforce an end date to contracts. Projects will continue to be reviewed throughout the budget cycle, including projections to account for potential inflation over the period.</p>	services were awarded in December 2024, and implemented as of 1 January, 2025.
<p>3. <u>Non-compliance with the Procurement Act and the Procurement Regulations</u></p> <p><i>The Procurement Regulations, 2018 section 4, states that entities are required to undertake a competitive process when procuring any goods, services or works except where it can be demonstrated that the procurement meets the criteria for a direct award process.</i></p> <p>During the audit, we noted that the process for the procurement of Information Technology (IT) services commenced in August 2023 and was not yet finalised. The vendor has been providing</p>	<p>Risks/Implications</p> <p>The Gallery is not in compliance with the <i>Procurement Regulations</i>. It is incurring costs without the appropriate approval, as per the Procurement Act and Regulations. This could result in the ability of the Gallery to demonstrate value for money in the use of public funds.</p> <p>Recommendations</p>	<p>We accept, however we feel this has been partly remedied. NGCI procured for IT services in accordance with the CI Procurement Law in 2024. Cyber Joe's was the selected winning bid and an award letter and contract was sent to them in early 2025. Since this point, the contract has gone under review by Cyber Joe's legal team and NGCI, with changes requested by both parties. The contract is now in its final stage of revision, with the intention that a final sign-off by both parties will be complete within the coming weeks.</p>	<p>Following the required procurement process, Cyber Joe's was awarded the IT service contract in February, 2025. The full contract was present to Cyber Joe's in February, which then went</p>

<p>services without a contract in place. The total value of the services for 2024 was \$12K.</p>	<p>Management should ensure the National Gallery adheres to the Procurement Act and Regulations.</p>	<p>During this time CyberJoes continued to perform work for NGCI to ensure uninterrupted business operations security measures.</p>	<p>under review by their legal representation. Since that point, there have been numerous updates required by both parties. The final draft is currently with Cyber Joe's. The intended implementation date is 30 August.</p>
<p>4. <u>Non-compliance with procurement regulations – Contract with Accounting services provider and website hosting & maintenance service provider has no end date and no cost ceiling.</u></p> <p>During the audit we observed a contract with the supplier of accounting services and a contract with the website hosting & maintenance without a defined contract term (i.e. start date and end date) or defined cost ceiling, the total value cannot be determined. The total cost in 2024 was \$39k and \$2.5K, respectively.</p>	<p>Risks/Implications</p> <p>Risk that the contract is not appropriately valued. There is a risk that the appropriate approvals may not be incurred. It is the value that determines the major components of compliance such as the required approval authorities, templates, etc. The Procurement Act, Section 14(1) requires for an accurate estimate of the total value of a procurement project.</p> <p>Recommendations</p>	<p>We accept with the following explanation: The accounting services contract is currently being tendered in accordance with procurement requirements and includes the estimated annual contract value. Once submissions have been formally reviewed and awarded by the EPC, the newly awarded contract will include an end date.</p> <p>The website management contract is a two year contract with an end date. It is based on a fixed hourly rate, and used on a 'needs basis'.</p>	<p>Being that the first round of tender for this project was rejected, this project is currently in the final days of open procurement. It will then be reviewed by the EPC and the winning</p>

	Management should put in place an end date in order to determine the value of the contract and ensure appropriate procurement approval were obtained.	The maintenance services contract was tendered in 2024 in accordance with procurement requirements and awarded. It included hourly rate for service. The current contract will be revised to will include an end date.	candidate awarded. The intended date for implementation is 30 September, 2025 with a 3-month transition period with the current service provider and the new service provider. The website host service will go to tender in July 2025 with an intended contract implementation date of 30 September, 2025.
<p>5. <u>No IT policies</u></p> <p>NGCI does not have IT-related policies to govern vendor oversight, access controls, and computer</p>	<p>Risk/Implication Execution of the IT procedures might fail in some aspects of the controls when they are not laid out.</p>	<p>We accept however feel that this was partially remediated as whilst there was no formal policy for third party IT service providers other guidance and policies were issued. NGCI has an established</p>	<p>The current IT process documents will be further</p>

<p>operations (backup and security operations and monitoring), among other things.</p>	<p>Recommendation Management should consider developing an IT policy, beginning with those already being conducted.</p>	<p>Cyber Security guideline document for staff and an IT Audit review checklist which is reviewed regularly and includes a review of all IT related security measures including review of passwords and password protection, security management, performance management, back status, etc.</p> <p>NGCI does acknowledge that a formal policy has not yet been developed for third party IT service providers. In response to the OAG's recommendation, this will be developed and disbursed within the 2025 audit year.</p>	<p>developed into an overall policy. Intended implementation date of 30 September, 2025</p>
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