

21 June 2022

The Directors

National Gallery of the Cayman Islands
P.O. Box 10197
Grand Cayman, KY1-1002
CAYMAN ISLANDS

Dear Sirs:

RE: Audit of 31 December 2021 financial statements – National Gallery of the Cayman Islands

Purpose and use: We have completed our audit of the 31 December 2021 financial statements of the National Gallery of the Cayman Islands (the “Gallery”) and have issued an unmodified opinion. In rendering my audit opinion on the financial statements, I have relied on the work carried out on my behalf by a public accounting firm who performed their work in accordance with International Standards on Auditing.

Professional standards require that we communicate certain matters to those charged with governance of the Gallery. 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. 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 International Standards on Auditing: International Standards on Auditing 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 a governance interest which came to our attention as a result of the performance of our audit.

Responsibilities of management and those charged with governance: 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: As in the past, we will review the Annual Report of the Gallery for the 2021 financial reporting period and will provide feedback on the contents of this report to the Director of the Gallery.

GENERAL APPROACH AND OVERALL SCOPE OF THE AUDIT

The accounting firm applied a top-down, risk-based approach to planning and conducting the audit, through the application of well-reasoned professional judgment. They obtained an understanding of Gallery's operations and the related risks, which drove our assessment of materiality and identification of audit risks, including significant risks, which are audit risks that require special audit considerations. They also obtained an understanding of how management controls these risks, by considering management's approach to internal controls, and determined how they will test significant account balances and classes of transactions.

The accounting firm's audit approach was a substantive audit approach, whereby they conducted substantive testing, on sample basis, of significant transactions and balances.

AUDIT REPORT, SIGNIFICANT IDENTIFIED MISSTATEMENTS (BOTH CORRECTED AND UNCORRECTED) AND MANAGEMENT REPRESENTATIONS

Auditor General's Report

I have issued an unmodified audit opinion on the financial statements

The Auditor General's Report likewise explains that the Schedule of Collections and Exhibits has not been audited, and other details of responsibilities of the auditor.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements for the year ended December 31, 2021.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatement that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Government capital grant	Dr	\$210,000
Restricted fund	Cr	\$210,000

[To reclassify government capital grant as equity from liabilities]

Management Representations

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 in respect of our financial statement audit in a letter dated 29 April 2022.

SIGNIFICANT FINDINGS FROM THE AUDIT

Significant accounting practices: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Gallery is included in Note 2 to the financial statements. 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 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 Gallery's financial statements, except as discussed under *Management judgments and accounting estimates*.

Significant risks and exposures: Significant risks and exposures are disclosed in the financial statement footnotes.

Management's judgments and accounting estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the useful lives of property, plant and equipment. Management's estimate of the useful lives of property, plant, and equipment is based on how long the assets are expected to be used for based on the normal period of use of assets of a similar nature, as well as past experience. We evaluated the key factors and assumptions used to develop the useful lives of property, plant, and equipment and determined that it is reasonable in relation to the basic financial statements taken as a whole. This includes the evaluation of the depreciation of the National Gallery building in terms of its material components that are expected to have significantly different estimated useful lives. The depreciation of the building was not based on the useful lives of material components, however, the difference between management's approach and our recalculation is insignificant.

Deficiencies in internal control: We have not identified any significant deficiencies to internal control.

Fraud or illegal acts: 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.

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.

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

Disagreements with management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Gallery's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Other miscellaneous matters: We are not aware of any consultations between management and other auditors about audit and accounting matters, other than with Berman Fisher, the Gallery's accountants. We have discussed with management the reasons for not tendering the accounting support contract in accordance with newly-implemented policies for renewing contracts. We found it reasonable that management's plan is to tender the contract in the coming year after Berman Fisher's assistance was needed when the Gallery decided to move its accounting system to a cloud-based service.

We have no questions regarding management integrity. No serious difficulties were encountered in the performance of our audit. We are not aware of any impairment to our independence as auditors.

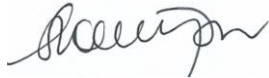
Other engagement commitments: There were no other specific matters agreed upon in the terms of our engagement.

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If you would like to discuss the results of our audit or any other matters in further detail please feel free to call Mr. Julius Aurelio (345) 244-3202 or me at (345) 244-3201.

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.

Yours sincerely,



Sue Winspear, CPFA
Auditor General