

27 September 2023

**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 2022 financial statements – National Gallery of the Cayman Islands**

**Purpose and use:** We have completed our audit of the 31 December 2022 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](http://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 2022 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. Uncorrected misstatements for the year ended December 31, 2022 were noted on Appendix 1.

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. Corrected misstatements for the year ended December 31, 2022 were noted on Appendix 2.

### *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 30 April 2023.

## **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, differences between management's approach is insignificant.

**Significant deficiencies in internal control:** We have identified any significant deficiencies to internal controls relating to non-compliance with the Procurement Act and Regulations. The details of these

observations are found in Appendix 3. We have also reported directly to management control deficiencies we found but deemed not significant.

**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 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.

\* \* \* \*

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,



**Patrick Smith, CPA, CFE**  
Acting Auditor General

**APPENDIX 1**

**LIST OF UNCORRECTED MISSTATEMENTS**

	<b>Dr</b>	<b>Cr</b>
	<b>CI\$</b>	<b>CI\$</b>
Accumulated depreciation: Building	8,051	
Accumulated surplus [Building depreciation impact on revised useful life in 2021]		8,051
Accumulated surplus Insurance: Liability [To record 2021 insurance invoice in the correct period]	1,373	1,373
Interest receivables Interest income - donor restricted [Accrued interest income for December 2022]	4,197	4,197
Interest income Interest income - donor restricted [Reclassify interest income from bequest]	1,462	1,462
Accumulated surplus Restricted fund [Reclassify interest income from bequest]	2,055	2,055

## APPENDIX 2

### LIST OF CORRECTED MISSTATEMENTS

	<b>Dr CI\$</b>	<b>Cr CI\$</b>
Depreciation	2,796	
Accumulated Dep. Furniture, Fixtures & Equipment [To record depreciation of air conditioner added in the 2022]		2,796
Education: Art Classes	32,857	
Education: Donations/Sponsorship [To reclassify sponsorships received to donations: sponsorship account correctly, from art classes account]		32,857
Events: Tickets - Tea Party	2,587	
Facility Rental [To reclassify the facility rental from tea party tickets GL account]		2,587
Payables	5,791	
Prepayments [To removed nonpaid amount from the prepayment account]		5,791
Exhibition Co-Ordinator Sponsorship	12,500	
Deferred revenue [To recorded unused funds as deferred revenue]		12,500
Capital work in progress	9,175	
Maintenance - General [To record cost of boards/signs as CWIP]		9,175
Income - Other Fundraising Events	15,450	
Gala - Tickets [Reclassifying Gala ticket income from other fundraising GL]		15,450
Payables	1,710	
Operations: Utilities:63102 · Internet [To write-off excess payables as of year-end]		1,710
Accumulated surplus	25,000	
Restricted Fund	210,000	
Contributed capital [Reclassifying the equity injections to contributed capital.]		235,000
Provision for slow moving inventory	4,712	
Allowance for slow moving inventories [To adjust the allowance for slow moving inventories]		4,712
HR:63060 · Salaries	5,734	
Receivables [To record the accurate extra hours worked for CNCF in Nov and Dec 2022]		5,734
Other Receivables	1,793	
Accounts Payables [To reclassify debit balances in accounts payable aging to receivables]		1,793

Accumulated Dep.: Building	8,051	
Depreciation:63002 · Building		8,051
[Recording the building depreciation according to revised useful life]		
Unrestricted cash	65,692	
Restricted Bank Accounts: CNB Restricted - KYD		65,692
[Reclassifying Susan Olde remaining funds from restricted to unrestricted account for presentation purpose]		



**APPENDIX 3: SIGNIFICANT CONTROL DEFICIENCIES**

	Observations	Risks/Implication & Recommendations	Management's Responses
1.	<p><b>Non-compliance with Procurement Act and Regulation in respect of a continuing contract</b></p> <p>The Gallery entered into a contract with its accounting services provider in 2015 that included a per-hour rate for its services but which does not have a specific term (or expiration date).</p> <p>The Procurement Act and Regulations went into effect in May 2018, however up to completion date of the audit, this contract, which is still ongoing, has not been reviewed to ensure compliance with the requirements of the Procurement Act and Regulations.</p>	<p><i>Risk/Implication</i></p> <p>An entity that fails to comply with the procurement framework:</p> <ul style="list-style-type: none"> <li>- Does not set the right tone of good governance</li> <li>- Is unable to demonstrate whether it has achieved value for money for its spend on goods or services</li> </ul> <p><i>Recommendation</i></p> <p>The Gallery should ensure that it conducts the processes required by the Procurement Act and Regulations in respect of obtaining and paying for its accounting service needs.</p>	<p>NGCI fully understands the importance of following procurement guidelines both outlined in the CI Procurement Act and further reflected in NGCI Tender Policy, as it supports the transparency and due diligence of the Gallery's operations. However, it is also necessary as a Public Authority to ensure that the crucial bookkeeping and financial reporting of the organisation remain thorough and intact. While NGCI had the full intention of tendering the accounting services in 2022, there were number of key factors that resulted in this tender being delayed until 2023. They are as follows 1) Finalizing comprehensive Request for Proposal (RfP)/ tender document with specific criteria; 2) Ensuring continuity during key Berman Fisher contact's maternity leave and key NGCI staff maternity leave; 3) Evaluating smooth transition to new cloud-based accounting software (Xero); and 4) Carefully managing timing of RfP to minimize disruption to operations and ongoing audit preparations.</p>

	Observations	Risks/Implication & Recommendations	Management's Responses
			The Request for Proposal (RfP) document inviting tendering accounting services via the CIG Procurement Portal is finalised and scheduled to go to direct tender for September 2023.
2.	<p><b>No business cases and requisitions for more recent contracts</b></p> <p>Regulation 3 of the Procurement Regulations requires that:</p> <ul style="list-style-type: none"> <li>A business case for procurement valued above \$100,000, or a purchase requisition for those valued less than \$100,000</li> </ul> <p>In our review of five procurement transactions related to 2022 expenditures, we found:</p> <ul style="list-style-type: none"> <li>The Gallery did not have a business case for a project valued above \$100,000.</li> <li>The Gallery also did not have requisitions for projects below \$100,000 in the other five procurement projects.</li> </ul>	<p><i>Risk/Implication</i></p> <p>Could lead to achieving less than optimal value for money</p> <p><i>Recommendation</i></p> <p>The Gallery should ensure that it goes through a business case or requisition process (depending on the value) before starting any procurement project.</p>	<p>NGCI acknowledges that a formal pre-procurement business case was not established for one (1) procurement project that exceeds the cost requirement, although all other procurement steps were followed. This project is for the Clean Air Fire Suppression System that is required to protect the National Art Collection.</p> <p>In response, NGCI commits to the implementation of pre-procurement business cases for all acquisitions exceeding 100K, and requisitions for projects below 100K.</p>
3.	<p><b>Insufficient documentation on bid evaluation</b></p> <p>Procurement Regulation 14(f) requires that all records of the evaluation process be kept, including individual evaluator notes and scores.</p>	<p><i>Risk/Implication</i></p> <p>Renders the Gallery unable to demonstrate whether it has conducted the bid evaluation and awarded to the appropriate vendor.</p>	<p>NGCI maintains that all available and necessary documentation associated with each tender is accurately and thoroughly stored within NGCI business files. These documents were provided to the audit</p>

	Observations	Risks/Implication & Recommendations	Management's Responses
	<p>The Gallery did not maintain these documents relating to the bid evaluation of the five recent contracts. We have however obtained the bid evaluation summary for one of the five contracts.</p>	<p><i>Recommendation</i></p> <p>The Gallery should ensure that documentation showing bid evaluation are kept and retained according to the relevant Acts and Regulations.</p>	<p>team via Dropbox and/or directly, throughout the audit process. However, additional support information is logged within the CIG Procurement Portal (Bonfire) where the full details of each procurement project are directly logged, including scoring summaries, criteria, etc. All projects were fully executed and details of each stage of the processes are thoroughly documented within the portal, thus negating the necessity for NGCI to generate additional internal documents of the same nature. A screenshot example of the FSS project scoring summary is attached. NGCI readily has access to this information via the portal and screenshots of the bid/scoring summary could have been provided at an early stage, had it been requested.</p> <p>NGCI does acknowledge that during each bids review process, the Operations Advisory Committees' final assessments and decisions were detailed and formally minuted, rather than each individual members score cards and response details. This process will be amended moving forward to ensure that each member will be given the grading points</p>

	Observations	Risks/Implication & Recommendations	Management's Responses
			<p>and requirements established via Bonfire (CIG procurement portal) to respond to and those details will be minuted and logged within the Bonfire portal. Furthermore, three members of the EPC committee (including the NGCI and Ministry Rep, and excluding NGCI Director and Board Members) will be designated to be 'Reviewers' on the Bonfire portal and be required to enter their feedback directly into the site using their personalised login credentials.</p>
4.	<p><b>Requirements for an Entity Procurement Committee under the Procurement Act and Regulations not followed</b></p> <p>The Procurement Act requires an Entity Procurement Committee (EPC) to be established and operated according to paragraph 11. The requirements include who may or may not be appointed to the EPC and a Schedule to the Act outlines the functions of the Committee. This Schedule says that the EPC should evaluate bids, and later on review the draft of the contract.</p> <p>The Gallery has not established an Entity Procurement Committee and therefore its functions were mostly not carried out in the</p>	<p><i>Risk/Implication</i></p> <p>An entity that fails to comply with the procurement framework:</p> <ul style="list-style-type: none"> <li>- Does not set the right tone of good governance</li> <li>- Is unable to demonstrate whether it has achieved value for money for its spend on goods or services</li> </ul> <p><i>Recommendation</i></p> <p>The Gallery, specifically the Director, should establish an EPC according to the requirements of the Procurement Act and Regulations.</p>	<p>NGCI feels that a sufficient amount of supporting evidence was provided in the previous response provided regarding this query and to illustrate that NGCI is following the guidelines appropriately.</p> <p>As advised to EisnerAmper in 4/26/2023 correspondence, the NGCI Operations Advisory Committee, which was established by the Managing Director, serves as the NGCI EPC. This Committee reviews all procurement activities (based on three quotes) to ensure NGCI receives best value for goods and services and that</p>

	Observations	Risks/Implication & Recommendations	Management's Responses
	<p>procuring of goods and services.</p> <p>In the absence of an EPC, the Operations Committee evaluated bids and recommended awards of three of the five more recent contract.</p> <p>In addition, the Act's paragraph 11 (3) and (4) establishes important requirements on who may or may not be included in the EPC. The Gallery failed to observe these requirements when the Operations Committee was tasked with the EPC's function of evaluating the bids, specifically:</p> <ul style="list-style-type: none"> <li>a) The Managing Director and a Board member participated in the Operations Committee</li> <li>b) The Operation Committee did not have a member appointed by the Gallery's Ministry.</li> </ul> <p>The Procurement Act also requires the EPC to review the draft contract. Since the EPC was not in place, this was also not performed.</p>	<p>Furthermore, the Director should ensure that the EPC has performed its functions before proceeding with procurement steps, including but not limited to:</p> <ul style="list-style-type: none"> <li>- Approving a business case</li> <li>- Publishing a request for tenders</li> <li>- Finalising a contract award</li> <li>- Signing a contract</li> </ul>	<p>is follows the procurement guidelines and award processes.</p> <p>As evident in the Operations Committee minutes provided, the Managing Director was not present during meetings where procurement reviews took place in, accordance with the Procurement Act. NGCI notes the oversight of having a Board Member participating in the EPC and has taken steps to ensure said member recuses themselves from future meetings.</p> <p>NGCI notes the oversight of appointing a member of the Ministry which has subsequently been rectified. Meegan Ebanks currently serves as the Ministry-appointed representative on the NGCI EPC.</p> <p>NGCI notes that the procurement review committee named the NGCI Operations Advisory Committee should have been additionally named the Entity Procurement Committee (EPC). This has been formally amended. NGCI ensures that a sufficient number of members</p>

	Observations	Risks/Implication & Recommendations	Management's Responses
			<p>(min. 3) will be present for all procurement bid review processes.</p> <p>The Managing Director will continue to ensure that the EPC has performed its functions before proceeding with procurement steps.</p>