



Financial Report

Of

Portfolio of Internal & External Affairs

For the 2008/09 Financial Year

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Part B

Ownership Performance Achieved During the Year

3 Nature and Scope of Activities

Approved Nature and Scope of Activities

General Nature of Activities

Providing for the accommodation and operation of the Legislative Assembly and for the functioning of democratic and effective governance of a well-informed populace; providing policy advice to the Cabinet on immigration, public safety and law enforcement matters; providing advice and facilities for the preservation of Government records and culturally significant media; contributing to the safety and well-being of the community through effective immigration controls, detention and rehabilitation of prisoners, policing, fires services, and disaster preparedness.

Scope of Activities

- Providing support for the duties and responsibilities of the Governor as set out in the Constitution and the Royal Instructions
- Providing for the formation and operation of governing institutions of Parliament
- Providing for the maintenance and enforcement of the Cayman Island's immigration laws and regulations.
- Providing for the maintenance and enforcement of law and order, the preservation of the peace, the protection of life and property, the prevention and detection of crime and the apprehension of offenders
- Providing a range of services relating to naturalisation, the electoral register, the issuance of passports and the legalisation of documents
- Providing 24-hour emergency response to the people of the Cayman Islands and its visitors.
- Providing a structured programme, through the Cadet Corp, for young people including drill training; civic and citizenship activities; music and band training; social behavioural adjustment programmes; and community service
- Promoting disaster preparedness as it relates to Government records and historical archives, providing public access to archives and historical information of all kinds relating to the Cayman Islands
- Providing a rapid response to fires, aircrafts accidents and any other emergencies, and providing activities promoting prevention of such incidents
- Providing for the detention and rehabilitation of offenders

Customers and Location of Activities

Customers of the Portfolio include the general public, visitors, public and private organisations, Members of the Legislative Assembly, and public servants.

The Portfolio provides services on Grand Cayman, Cayman Brac and Little Cayman. as well as in overseas offices.

Compliance during the Year

During the fiscal year 2008/09 the Portfolio operated with the agreed scope and nature of its mandate.

The Portfolio satisfactorily performed all functions and delivered the outputs necessary and agreed with the Legislative Assembly.

4 Strategic Ownership Goals

Approved Strategic Ownership Goals

The key strategic ownership goals for the Portfolio of Internal and External Affairs in 2006/7 and the subsequent two years are as follows:

- Facilitate the completion of any further constitutional review exercises in accordance with the timetable set by the Government.
- Complete construction of the new National Archive Building.
- Significantly expand the offshore capability of the RCIP's marine section
- Significantly increase the operational capabilities of the RCIP in terms of equipment and manpower
- Implement the Regulations for the Public Management and Finance Law and other guidelines to enable agencies to comply with best practices in record keeping
- Establish the National Emergency Management Agency and its activities following the lessons learnt from Hurricane Ivan.
- Redevelop the building for the Cadet Corp after Ivan
- To construct a Fire Sub Station in Bodden Town, providing additional fire coverage for the Eastern district.
- To strengthen and improve the overall control of our borders by increased efficiency through co-operation with other enforcement agencies, the use of joint intelligence and the use of the latest technology including biometric checks of passengers.
- To construct an internal business framework for which will establish a coherent and effective linkage between organizational objectives, individual objectives, job descriptions, targets, and performance.

Achievement during Year

The Constitutional review exercises were completed as required by the Government and expansion of the offshore capability of the RCIPS was enhanced with the acquisition of the new boats.

The Bodden Town Emergency Response Centre was progressed according to plans, however, the project was subsequently suspended due to financial constraints of the government.

5 Ownership Performance Targets

5.1 Financial Performance

Financial Performance Measures	2008/9 Actual 000	2008/9 Budget 000	Annual Variance 000
Revenue from Cabinet	74,240	81,448	(7,208)
Revenue from ministries, portfolios, statutory authorities, government companies	6,562	5,439	1,123
Revenue from others	6,350	6,608	(258)
Surplus/deficit from outputs	(5,576)	1,198	(6,774)
Ownership expenses	2,469		2,469
Operating Surplus/Deficit	(8,045)	1,198	(9,243)
Net Worth	33,766	75,603	(41,837)
Cash flows from operating activities	1,447	1,398	49
Cash flows from investing activities	(10,148)	(19,656)	9,508
Cash flows from financing activities	7,075	18,458	(11,383)
Change in cash balances	(1,627)	200	(1,827)

Financial Performance Ratios	2008/9 Actual %	2008/9 Budget %	Annual Variance
Current Assets: Current Liabilities (Working Capital)	72%	171%	(99%)
Total Assets: Total Liabilities	232%	1693%	(1461%)

Physical Capital Measures	2008/9 Actual \$'000	2008/9 Budget \$'000	Annual Variance \$'000
Value of total assets	40,932	72,233	(31,301)
Depreciation: cash flow on asset purchases	18%	13%	(5)%
Changes to asset management policies	None	None	None

5.2

Major <u>New</u> Entity Capital Expenditures for the Year	2008/9 Actual \$'000	2008/9 Budget \$'000	Annual Variance \$
		19,656	
Royal Cayman Islands Police – Marine Base (\$1.6M); Marine Vessels (\$1.1M); Equipment and Computers (\$995K)	2,503	3,695	(1,192)
Bodden Town Emergency Response Facility	61	5,500	5,439
Fire - Vehicles (\$2.15M); Cayman Brac Relocation (\$550K); Equipment and Computers (\$200K); Bodden Town Equipment (\$500K)	1,313	3,400	(2,087)
National Emergency Management Agency Headquarters (\$1.5M) Equipment and Computers (\$600K)	433	2,100	(1,667)
National Archive - Equipment and Computers	77	195	(118)
Immigration - Building Renovation (\$300K); Vehicles (\$80K); Equipment and Computers (\$175K)	304	555	(251)
Prison - Building Renovations (\$2.0M); Equipment and Computers (\$500K)	1,361	2,500	(1,139)
Passport - Equipment and Computers		250	(250)
Legislative Assembly - Building Renovations (\$100K); Equipment and Computers (\$25K)	59	125	(66)
Speed Radar Equipment		750	(750)
Chief Secretary Office - Equipment and Computers	3	10	(7)
Cadet Corp – Vehicles (\$116K); Equipment and Computers (\$15K)	13	131	(118)
Deputy Chief Secretary - Equipment and Computers	36	165	(129)
MESH	50	150	(100)
911 Emergency – Renovation (\$75K); Equipment and Computers (\$55K)	89	130	(41)
Relocation of Governors Office	208		208

Explanation of Variances:

BTERC was suspended by the Government due to financial constraints

Major Entity Capital Expenditure Commenced but not completed in previous years	Anticipated Project Status at July 2008/9
DTF Marine Base	In Progress
RCIPS Helicopter	In progress
Bodden Town Emergency Response Centre	Suspended pending Funding

5.3 Risk Management

Key risks faced by the Portfolio	Change in status from 2007/8	Actions to manage risk	Financial value of risk
Natural Disaster – Loss of Vital Information	Unchanged	Employees transfer vital information on a regular basis to the Archives Department for proper storage. Example of vital information transferred are Personnel Records, Cabinet Papers, etc.	
Natural Disaster – Loss of Communications	Unchanged	Ensure contingency plans are in place	
Loss of Vital Human Resources	Unchanged	Cross training of staff ensuring staff are well versed in all areas of operation to facilitate continued smooth operations in the event of loss of vital staff. Succession planning	
Equipment Failure or Loss	Unchanged	Ensuring that IT systems in the Portfolio of Internal and External Affairs are properly maintained and backed up on a regular basis to minimize data loss. Ensuring contingency manual systems are in place should an equipment failure occur.	
Security of Confidential Documents	Unchanged	All confidential documents are kept locked away and are only accessed by authorized personnel	
Inappropriate use of Coercive Power by Law Enforcement Officers	Unchanged	Ensure staff is properly trained in their respective areas. Close supervision and regular developmental meetings	

6 Equity Investments and Withdrawals

Equity Movement	2008/9 Actual \$000	2008/9 Budget \$000	Annual Variance \$000
Equity Investment from Cabinet into the Portfolio of Internal Affairs	7,075	19,656	12,581
Capital (Equity) Withdrawal by Cabinet from the Portfolio of Internal and External Affairs	-	1,198	1,198

Explanation of Variances:

Projects were slowed or suspended in response to the downturn in the economy.

Appendix: Financial Statements for the Year

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PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
For the year ended June 2009

These financial statements have been prepared by *Portfolio of Internal & External Affairs* in accordance with the provisions of the Public Management and Finance Law (2005 Revision)

I accept responsibility for the reasonable accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2005 Revision) within the constraints of the available information and resources.

To the best of my knowledge the financial statements:

- (a) are complete and reliable except in relation to opening balances and entries transferred to the Portfolio without proper support and documentation and net book value of the fixed asset inventory;
- (b) fairly reflect the financial position as at the end of 30 June 2009; and
- (c) partially comply with most generally accepted accounting practice.



Kathryn Dinspel-Powell
Acting Chief Officer
PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
May 22nd, 2012

AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly of the Cayman Islands

Report on Financial Statements:

I have audited the accompanying financial statements of the Portfolio of Internal and External Affairs which comprise the balance sheet as at 30 June 2009, and the operating statement, statement of changes in net worth, statement of cash flows, statement of commitments, and the statement of contingent liabilities for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 23 to 30 in accordance with the provisions of Section 44(3) of the *Public Management and Finance Law (2005 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Financial Statements

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

AUDITOR GENERAL'S REPORT (continued)

Basis for Qualified Opinion on the Financial Statements:

Operating Statement

Outputs to Others

I was not provided with statistics for approximately \$1,558,900 of the outputs to others revenue balance of \$6,350,000 in a timely manner to allow for the verification of the completeness of these balances. Additionally outputs to others is overstated by at least \$258,000.

Supplies and Consumables:

Of the total supplies and consumables balance of \$24,005,000, I was unable to verify the accuracy of the lease of sites and building expense totalling \$2,800,661 due to lack of supporting documentation. Additionally, we noted misclassifications of at least \$400,000 in transactions within the \$2,800,661 of lease of sites and building expense. There are also expenses incurred of at least \$255,000 during 2008-2009 not recorded in the supplies and consumables balance.

Depreciation Expense

I was unable to determine the validity, and accuracy of property, plant and equipment which is used as the basis for the calculation of depreciation. As a result, I am unable to determine whether the depreciation expense of \$3,717,000 is fairly stated in all material respects for the year ending 30 June 2009.

Capital Charge

I am unable to determine if the capital charge balance of \$2,469,000 is fairly stated at 30 June 2009 in all material respects as a result of several significant differences noted which affect net worth both in the current and prior periods and thereby impacts the calculation of capital charge for the Portfolio.

Balance Sheet

Accounts Receivable

I could not verify the completeness and accuracy of the inter-entity due receivable balance of approximately \$323,000 which is included in the overall receivables balance of \$7,938,000. Additionally, in note 6 to the financial statements the outputs to cabinet balance is overstated by \$3,024,000 as a result of a classification error with outputs to other government agencies and other receivables that are understated in total by this amount.

Property, Plant & Equipment:

I was unable to determine the ownership, existence, accuracy, valuation and completeness of property, plant and equipment due to the following:

- No fixed asset disposal listing was provided
- We were unable to match items on the fixed asset counts to the fixed asset register provided by the Portfolio due to lack of tag numbers or a clear identification of assets
- There is a credit balance of \$2,600,000 brought forward from 2005-2006 which the Portfolio could not substantiate and has not been adjusted
- We were unable to verify the valuation of fixed assets.

As a result, the balance of \$40,932,000 is not fairly stated at 30 June 2009.

Accounts Payable

I was unable to verify the accuracy of the accrued capital charge amount of \$5,532,000, the creditor owed to other ministries balance of \$438,515 and the inter-entity balance of \$523,726 included in the overall accounts payable balance of \$21,614,000. We also note a difference of \$460,000 between the subledger schedules and the general ledger. In addition there were payables not recorded of at least \$255,000.

AUDITOR GENERAL'S REPORT (continued)

Employee Entitlements

The schedule provided to support annual leave was incomplete and did not reconcile to the general ledger amount. Additionally, lack of control over adequate recording keeping of accrued annual leave has resulted in variances between the amounts recorded in accrued annual leave schedule provided and the actual supporting documentation. I was unable to determine the accuracy of the employee entitlements balance of \$3,988,000 reflected in the financial statements at 30 June 2009.

Net Worth:

Due to the above issues which impact the accuracy of the net worth amount as well as qualifications on the prior year net worth amounts, I was unable to determine whether the Net Worth balance of \$33,762,000 is fairly stated at 30 June 2009.

Statement of Cash Flows

I was unable to determine the accuracy of the net cash inflows/outflows of the operating, investing and financing activities reflected on the statement of cash flows.

Statement of Commitments – Scope Limitation

I was not provided with the supporting schedule in a timely manner to allow for adequate verification of the amounts reflected in the statement of commitments; as a result, I am unable to determine whether the amounts presented are complete, accurate and in compliance with IPSAS 13 disclosure requirements (total contingent rents recognized; and a general description of the lessor's leasing arrangements).

Non-compliance with significant presentation and disclosure requirements of IPSAS and other authoritative pronouncements

The financial statements are required by the *Public Management and Finance Law* to be prepared under IPSAS. However, we have noted a number of departures from IPSAS requirements regarding presentation and disclosure requirements. Therefore, I have concluded that the financial statements lack critical information that would otherwise be presented if these statements had been prepared in accordance with by IPSAS.

Standards which were not complied with/fully complied with include:

- IPSAS 1 – Presentation of Financial Statements (several items are not appropriately disclosed in the notes to the financial statements)
- IPSAS 17 – Property, Plant & Equipment (additions & disposals not clearly disclosed)
- IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets (full disclosure of provisions & contingent liabilities were not made)
- IPSAS 20 – Related Party Disclosures (no register of interest was maintained; therefore, we were unable to verify the completeness of related party transactions disclosed).

Qualified Opinion on the Financial Statements

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy and completeness of outputs to others and accounts receivable as well as the validity and accuracy of supplies and consumables, capital charge, depreciation, property, plant & equipment, accounts payable, employee entitlements, net worth and the net cash inflows/outflows of the operating, investing and financing activities of the statement of cash flows; the financial statements present fairly the financial position of the Portfolio of Internal and External Affairs as of 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

AUDITOR GENERAL'S REPORT (continued)

Other Matters:

Prior Year Audit Opinion

An adverse opinion was issued on the 2007-2008 financial statement figures.

Non-Compliance with Police Regulations- RCIP Allowances

The housing and laundry allowance paid to the RCIP officers by the Portfolio during 2008-09 was twice the amount set out in the Police Regulations. Although some form of evidence was produced to support approval for an increase in allowances for RCIP officers, the evidence presented was not specific enough and the Police Regulations were never amended resulting in an illegal payment of allowances being made. This excess payment of housing and laundry allowance combined 'based on the Police Regulations' is in the range of \$1,800,000 to \$2,100,000.

Non-Compliance with Personnel Regulations – payment Criminal Investigations

At least one instance was noted where payment was made to an employee under a criminal investigation based on a memo sent out by the Portfolio of Civil Service in October 2008. However, the Personnel Regulations were not amended until 13 October 2009 and came into force the same time as the constitution order in November 2009. As a result, the payment of \$26,690 was not in compliance with the Personnel Regulations at the time.

Non- Compliance with Public Management Finance Law

I draw attention to the fact that the Portfolio did not report the following as required under subsection 44(2) of the *Public Management and Finance Law (2005 Revision)*:

- Explanation of variances for actual versus budgeted ownership performance targets. In addition, there was no actual human capital measures reported and some of the physical capital measures.
- In addition, the Portfolio did not submit its Statement of Outputs Delivered and financial statements to the Auditor General for audit in the timeframe required under subsections 44(3) and (5) of the *Public Management and Finance Law (2005 Revision)* (1st draft submitted 30 July 2010) nor present its annual report to the Legislative Assembly within the required timeframe.



Alastair Swarbrick MA (Hons), CPFA
Auditor General

Cayman Islands
22 May 2012

**PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009
(Expressed in Cayman Islands Dollars)**

	Note	2008/9 Actual 000	2008/9 Budget 000	2007/8 Actual 000
Revenue				
Outputs to Cabinet		74,240	81,448	72,637
Outputs to other government agencies		6,108	5,439	6,195
Outputs to others		6,350	6,608	5,384
Donations	13	162	-	
Other operating Revenue		133	-	1,409
Interest Revenue		98	-	356
Total Operating Revenue		87,091	93,495	85,981
Operating Expenses				
Personnel costs	1	61,760	64,294	57,229
Supplies and consumables	2	24,005	23,322	24,300
Depreciation	3	3,717	2,209	2,988
Capital charge		2,469	2,472	2,070
Other operating expenses	4	3,185	-	210
Total Operating Expenses		95,135	92,297	86,796
Surplus from operating activities		(8,045)	1,198	(815)
Gains/losses on foreign exchange transactions		31	-	18
Surplus before extraordinary items		(8,013)	1,198	(797)
Extraordinary items		0	-	0
Net (Deficit) / Surplus		(8,013)	1,198	(797)

The accounting policies and notes on pages 23 to 30 form part of these financial statements.

PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2009
(Expressed in Cayman Islands Dollars)

	Note	2008/9 Actual 000	2008/9 Budget 000	2007/8 Actual 000
Opening balance net worth		35,076	55,947	26,029
Net adjustment to opening net worth		(375)		2,385
Adjusted opening net worth		34,701	55,947	28,414
Net deficit		(8,013)	1,198	(797)
Net (Deficit)/Surplus		(8,013)	1,198	(797)
Equity investment from Cabinet		7,075	19,656	7,459
Repayment of surplus to Cabinet		-	(1,198)	-
Capital withdrawal by Cabinet		0	-	-
Closing balance net worth		33,762	75,603	35,075

The accounting policies and notes on pages 23 to 30 form part of these financial statements.

**PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
BALANCE SHEET
AS AT 30 JUNE 2009
(Expressed in Cayman Islands Dollars)**

Actual	Note	2008/9 Actual 000	2008/9 Budget 000	2007/8 Actual 000
Current Assets				
Cash and cash equivalents	5	10,327	1,881	11,954
Accounts receivable	6	7,938	6,236	15,635
Inventories	7	132	-	132
Other Current Assets		36	-	49
Total Current Assets		18,432	8,117	27,769
Non-Current Assets				
Property, plant and equipment	8	40,932	72,233	33,024
Total Non-Current Assets		40,932	72,233	33,024
Total Assets		59,364	80,350	60,793
Current Liabilities				
Accounts payable	9	21,614	3,599	23,101
Employee entitlements	11	3,988	1,148	2,549
Other current liabilities		-	-	67
Total Current Liabilities		25,602	4,747	25,717
Non-Current Liabilities				
Employee entitlements		-	-	-
Total Non-Current Liabilities		-	-	-
Total Liabilities		25,602	4,747	25,717
TOTAL ASSETS LESS TOTAL LIABILITIES		33,762	75,603	35,076
NET WORTH				
Contributed capital		43,168	74,405	36,093
Accumulated surpluses / (Deficits)		(9,406)	1,198	(1,017)
Total Net Worth		33,762	75,603	35,076

The accounting policies and notes on pages 23 to 30 form part of these financial statements.

**PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009
(Expressed in Cayman Islands Dollars)**

	Note	2008/9 Actual 000	2008/9 Budget 000	2007/8 Actual 000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Coercive receipts				
Outputs to Cabinet		65,997	80,198	70,117
Outputs to other government agencies		18,021	5,661	2,788
Outputs to others		8,138	6,608	5,033
Interest received		0	-	0
Other receipts		797	-	(23)
Payments				
Personnel costs		(60,321)	(64,255)	(57,737)
Suppliers		(25,491)	(24,342)	(14,554)
Other payments		(5,690)	(2,472)	(2,489)
Net cash flows from operating activities	12	1,450	1,398	3,135
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of non-current assets		(10,148)	(19,656)	(9,876)
Purchase of investments		-	-	0
Proceeds from sale of non-current assets		-	-	0
Net cash flows from investing activities		(10,148)	(19,656)	(9,876)
CASH FLOWS FROM FINANCING ACTIVITIES				
Equity investment		7,075	19,656	7,459
Repayment of surplus		-	(1,198)	0
Capital withdrawal		-	-	0
Net cash flows from financing activities		7,075	18,458	7,459
Net increase/(decrease) in cash and cash equivalents		(1,623)	200	718
Cash and cash equivalents at beginning of period		11,954	1,681	11,236
Cash and cash equivalents at end of period	5	10,331	1,881	11,954

The accounting policies and notes on pages 23 to 30 form part of these financial statements.

PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
STATEMENT OF COMMITMENTS
AS AT 30 JUNE 2009
(Expressed in Cayman Islands Dollars)

Type	One year or less	One to five years	Over five years	Total
	\$000	\$000	\$000	\$000
Capital Commitments				
Land and buildings				
Other fixed assets				
Other commitments [list separately if material]	None			
Total Capital Commitments	<hr/>			
Operating Commitments				
Non-cancellable accommodation leases	615	346		961
Other non-cancellable leases				
Non-cancellable contracts for the supply of goods and services				
Other operating commitments				
Total Operating Commitments	615	346		961
Total Commitments	<hr/> <hr/>			

The accounting policies and notes on pages 23 to 30 form part of these financial statements.

**PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
STATEMENT OF CONTINGENT LIABILITIES
AS AT 30 JUNE 2009
(Expressed in Cayman Islands Dollars)**

Summary of Quantifiable Contingent Liabilities

	\$000
Legal Proceedings and Disputes	3,540
Potential Legal Claims against the Portfolio	
Total Legal Proceedings and Disputes	<u><u>3,540</u></u>
Other Contingent Liabilities	
None	
Total Other Contingent Liabilities	<u><u> </u></u>

There were several legal disputes against the Portfolio potentially costing \$3.2m. The Portfolio made provisions in its income statement to cover settlement of a reasonable number of claims to that extent.

The accounting policies and notes on pages 23 to 30 form part of these financial statements.

**PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009**

General Accounting Policies

Reporting entity

These financial statements are for the Portfolio of Internal & External Affairs

Basis of preparation

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Accounting Standards and United Kingdom reporting standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently.

Reporting Period

The annual reporting period is for the twelve months ended 30 June 2009.

Specific Accounting Policies

Revenue

Output revenue

Output revenue, including entity revenue resulting from user charges or fees, is recognised when it is earned.

Interest revenue

Interest revenue is recognised in the period in which it is earned.

Expenses

General

Expenses are recognised when incurred.

Depreciation

Depreciation of non-financial physical assets is provided on a straight-line basis at rates based on the expected useful lives of those assets.

Assets

Cash and cash equivalents

Cash and cash equivalents include cash held in the portfolio of internal & external affairs bank account and any money held on deposit with the Portfolio of Finance and Economics (Treasury).

Receivables and advances

Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

Inventory

Inventories are recorded at the lower of cost and net current value. Where inventories are valued at cost, specific identification or the FIFO method has been used. Appropriate allowance has been made for obsolescence.

Property, Plant and Equipment (including Infrastructure Assets)

Buildings are recorded at historical cost (or fair value as at time of first recognition) or valuation.

Other plant and equipment, which includes motor vehicles and office equipment, is recorded at cost (or fair value if acquired prior to 2005) less accumulated depreciation.

Computer Hardware and Software

Computer hardware and software are recorded at cost, and depreciated in accordance with the policy on depreciation.

Liabilities

Accounts Payable

Accounts payable are recorded at the amount owing after allowing for credit notes and other adjustments.

Provisions

Provisions are recognised in accordance with IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.

Employee entitlements

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability.

Long service leave liabilities are measured as the present value of estimated leave service entitlements.

PORTFOLIO OF INTERNAL & EXTERNAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Cayman Islands Dollars)

NOTE 1: PERSONNEL COSTS

	2008/9	2008/9	2007/8
	Actual	Budget	Actual
	\$000	\$000	\$000
Salaries and wages (including employee pension contributions)	45,994	59,127	44,578
Employer pension expense	2,426	5,167	2,234
Other personnel costs	13,286	-	10,993
Movement in leave provision expense	53	-	(577)
Total Personnel Costs	61,760	64,294	57,229

NOTE 2: SUPPLIES AND CONSUMABLES

	2008/9	2008/9	2007/8
	Actual	Budget	Actual
	\$000	\$000	\$000
Purchase of goods and services	20,774	21,230	20,379
Operating lease rentals	2,885	2,058	3,041
Provision for Doubtful Debts	346		
Other	0	34	879
Total Supplies and Consumables	24,005	23,322	24,300

NOTE 3: DEPRECIATION

	2008/9	2008/9	2007/8
	Actual	Budget	Actual
	\$000	\$000	\$000
Buildings-	441	507	342
Vehicles-	833	957	707
Aeroplanes-	0	80	0
Boats-	121	158	20
Furniture and fittings -	183	68	163
Computer hardware and software-	391	147	353
Office equipment-	48	44	47
Other plant and equipment-	1,699	74	1,354
Other assets -	2	174	1
Total Depreciation	3,717	2,209	2,988

Assets are depreciated on a straight-line basis as follows:

	Years
Buildings	15 – 50
Vehicles	5 - 10
Aeroplanes	N/A
Boats	9 - 20
Furniture and fittings	10 - 20
Computer hardware and software	3 - 10
Office equipment	4 - 25
Other plant and equipment	5 - 20

NOTE 4: OTHER OPERATING EXPENSES

	2008/9 Actual	2008/9 Budget	2007/8 Actual
	\$000	\$000	\$000
Hurricane relief assistance	0	-	140
Provisions for Contingent expenses	3,185	-	
Insurance refunds	0	-	70
Total	3,185	0	210

NOTE 5: CASH AND CASH EQUIVALENTS

	2008/9 Actual	2008/9 Budget	2007/8 Actual
	\$000	\$000	\$000
Cash on hand	56	-	14
Bank accounts	4,709	1,881	6,406
Deposits with Portfolio of Finance and Economic (Treasury)	5,561	-	5,534
Total Cash and Cash Equivalents	10,327	1,881	11,954

NOTE 6: ACCOUNTS RECEIVABLE

	2008/9 Actual	2008/9 Budget	2007/8 Actual
	\$000	\$000	\$000
Sale of goods and services	0	4,889	0
Outputs to Cabinet	8,071	148	12,454
Outputs to other government agencies	326	-	1,645
Outputs to others	0	-	0
Prepayments	26	486	669
Interest Receivable	0	-	0
Other Receivables	740	713	1,745
Total Gross Accounts Receivable	9,163	6,236	16,514
Less provision for doubt. Debt	(1,225)		(879)
Total Net Accounts Receivable	7,938	6,236	15,635

NOTE 7: INVENTORIES

	\$000	\$000	\$000
Raw Materials (including Consumable Stores)	46	-	46
Work in Progress	0	-	0
Finished Goods	0	-	0
Other inventories for use within one year	86	-	86
Total Inventories	132	0	132

NOTE 8: PROPERTY, PLANT AND EQUIPMENT**NOTE 8.1: Cost**

	2008/9 Actual	2008/9 Budget	2007/8 Actual
	\$000	\$000	\$000
Land	1,801	3,219	1,801
Buildings	26,906	51,571	24,359
Vehicles	4,979	25,625	4,208
Aeroplanes	0	2,045	0
Boats	3,918	5,721	441
Furniture and fittings	1,647	3,201	1,519
Computer hardware and software	2,460	7,029	2,231
Office equipment	1,412	1,125	1,344
Other plant and equipment	27,599	6,188	22,796
Other assets	0	6,881	0
	70,722	112,605	58,700

NOTE 8.2: Accumulated Depreciation

	2008/9 Actual	2008/9 Budget	2007/8 Actual
	\$000	\$000	\$000
Buildings	(16,357)	(21,548)	(15,428)
Vehicles	(2,948)	(12,196)	(2,119)
Aeroplanes	0	(80)	0
Boats	(297)	(1,653)	(176)
Furniture and fittings	(649)	(666)	(531)
Computer hardware and software	(1,636)	(1,612)	(1,050)
Office equipment	(1,083)	(1,009)	(886)
Other plant and equipment	(6,820)	(853)	(5,485)
Other assets	0	(755)	0
Total Accumulated Depreciation	(29,790)	(40,372)	(25,676)

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (continued)**NOTE 8.3: Net Book Value**

	2008/9 Actual	2008/9 Budget	2007/8 Actual
	\$000	\$000	\$000
Land	1,801	3,219	1,801
Buildings	10,549	30,023	8,931
Vehicles	2,031	13,429	2,089
Aeroplanes	0	1,965	0
Boats	3,621	4,068	264
Furniture and fittings	998	2,535	988
Computer hardware and software	823	5,417	1,181
Office equipment	329	116	458
Other plant and equipment	20,779	5,335	17,311
Other assets	0	6,126	0
Total Depreciation	40,932	72,233	33,024

NOTE 9: ACCOUNTS PAYABLE

	2008/9 Actual	2008/9 Budget	2007/8 Actual
	\$000	\$000	\$000
Trade Creditors	6,089	3,599	9,146
Operating lease rental	0	-	0
Accrued Expenses	14,303	-	13,955
Other Payables	1,221		
Total	21,614	3,599	23,101

NOTE 11: EMPLOYEE ENTITLEMENTS (CURRENT)

	2008/9 Actual	2008/9 Budget	2007/8 Actual
	\$000	\$000	\$000
Long service leave and other leave entitlements	1,148	1,148	1,122
Other salary related entitlements	2,839	-	1,428
Total Employee Entitlements	3,988	1,148	2,549

NOTE 12: RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES

	2008/9 Actual	2008/9 Budget	2007/8 Actual
	\$000	\$000	\$000
Operating surplus/(deficit)	(8,013)	1,198	(797)
Non-cash movements			
Depreciation	3,717	2,209	2,988
Increase in provision for doubtful debts	346		879
(Decrease)/increase in payables/accruals	(115)	(1,020)	8,149
Net gain/loss from sale of fixed assets			
Increase in other current assets			
Increase in receivables	5,515	(989)	(8,084)
Net cash flows from operating activities	1,450	1,398	3,134

NOTE 13: Donations

Donations received from the Ministry of District Admin, Planning, Agriculture and Housing towards the rebuilding of the Cayman Brac Police Station which was destroyed by hurricane Paloma in November 2008.

NOTE 14: EVENTS OCCURRING AFTER BALANCE DATE (30 June 2009)

1. Conditions existing at balance date

(a) The Portfolio is not aware of any events occurring after balance date which provide additional evidence of conditions that existed at balance date or reveal for the first time a condition that existed at balance date and where the financial effect of that event was brought to account.

2. Conditions after balance date

After the General Elections of 2009 a reorganisation of government departments resulted in the Fire Department and Archive Department being transferred to other Ministries while the Department of Community Rehabilitation was transferred to the Portfolio. The total impact on net worth was a reduction of approximately \$11M.

3. Having adopted the revaluation method for the valuation of fixed assets, the government is required under IPSAS standards to periodically revalue the fixed assets. The Government is not in compliance with this requirement and there are currently plans to revalue the assets of the government in 2012-13 to bring the government into compliance.

NOTE 15: RELATED PARTY DISCLOSURES

During the period of reporting, the portfolio did not have in place a register of interest for senior managers. A register of interest was put in place for the 2009/10 and 2010/11 fiscal years.