



GOVERNMENT OF THE CAYMAN ISLANDS

Ministry of Home Affairs

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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Ministry of Home Affairs

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STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Ministry of Home Affairs in accordance with the provisions of the *Public Management and Finance Law (2013 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2013 Revision)*.

As Chief Officer I am responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Ministry of Home Affairs.

As Chief Officer and Chief Financial Officer we are responsible for the preparation of the Ministry of Home Affairs financial statements, representation and judgements made in these statements.

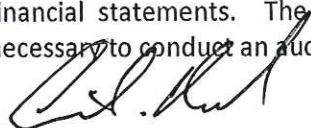
The Ministry does not make any assertion in regards to the non-exchange transactions. The Ministry is unable to obtain reliable costing information from the relevant government departments for services provided.

With exception to the issue raised in the preceding paragraph, the financial statements fairly present the financial position, financial performance and cash flows of the Ministry of Home Affairs for the financial year ended 30 June 2014.

To the best of our knowledge we represent that these financial statements:

- (a) Completely and reliably reflect the financial transactions of Ministry of Home Affairs for the year ended 30 June 2014;
- (b) fairly reflect the financial position as at 30 June 2014 and performance for the year ended 30 June 2014;
- (c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.


Eric Bush
Chief Officer


Vinton Chinsee
Chief Financial Officer

June 30, 2015

June 30, 2015

AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly and the Chief Officer of Ministry of Home Affairs

I have audited the accompanying financial statements of the Ministry of Home Affairs, which comprise the statement of financial position as at 30 June 2014 and the statement of financial performance, statement of changes in net worth and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 29 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities 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, 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

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 about 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 on 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 qualified audit opinion.

Basis for Qualified Opinion

Liabilities

I was unable to determine the completeness, accuracy and existence of the Employee Entitlement amounting to \$2.9million due to the absence of well-maintained annual leave records.

Net worth

I was unable to satisfy myself that the accumulated surplus of \$1million as recorded in the statement of financial position is fairly stated due to the issue noted above.

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion the financial statements present fairly, in all material respects, the financial position of the Ministry of Home Affairs as at 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

A handwritten signature in blue ink, appearing to read 'A S W', with a stylized flourish at the end.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

30 June 2015
Cayman Islands

MINISTRY OF HOME AFFAIRS
STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2014
(Expressed in Cayman Islands Dollars)

Prior Year Actual \$'000		Note	Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
	Current Assets					
31,263	Cash and cash equivalents	2	25,562	34,958	34,958	9,396
6,350	Trade receivables	3	18,842	8,714	8,714	(10,128)
300	Other receivables	3	115	40	40	(75)
226	Inventories	4	122	226	226	104
54	Prepayments	5	284	764	764	480
38,193	Total Current Assets		44,925	44,702	44,702	(223)
	Non-Current Assets					
36,207	Property, plant and equipment	6	49,787	40,168	40,168	(9,619)
558	Intangible Assets	7	614	962	962	348
36,765	Total Non-Current Assets		50,401	41,130	41,130	(9,271)
74,958	Total Assets		95,326	85,832	85,832	(9,493)
	Current Liabilities					
1,267	Trade payables	8	1,121	535	535	(586)
10,911	Other payables and accruals	8	11,970	9,809	9,809	(2,160)
239	Bank Overdraft	2	6	239	239	233
	Unearned revenue	10	1			(1)
2,912	Employee entitlements	9	2,949	2,647	2,647	(302)
6,078	Repayment of surplus	29	8,848	2,862	2,862	(5,986)
21,407	Total Current Liabilities		24,894	16,092	16,092	(8,801)
21,407	Total Liabilities		24,894	16,092	16,092	(8,801)
53,551	Net Assets		70,432	69,740	69,740	(692)
	NET WORTH					
44,419	Contributed capital		58,310	54,262	54,262	(4,048)
7,541	Revaluation reserve		11,098	1,370	1,370	(9,728)
1,591	Accumulated surpluses/(deficits)		1,025	14,108	14,108	13,083
53,551	Total Net Worth		70,433	69,740	69,740	(693)

The Notes to the Financial Statements on pages 8 to 29 form part of these financial statements.

MINISTRY OF HOME AFFAIRS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 June 2014
(Expressed in Cayman Islands Dollars)

Prior Year Actual \$'000		Notes	Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
Revenue						
76,846	Sale of goods and services	11	90,290	91,489	91,489	1,199
32	Investment revenue	12	62			(62)
32	Donations	13	18	-	-	(18)
99	Other revenue		101	-	-	(101)
77,009	Total Revenue		90,471	91,489	91,489	1,018
Expenses						
54,909	Personnel costs	14	65,536	66,195	66,195	659
14,521	Supplies and consumables	15	16,923	16,807	16,807	(116)
2,871	Depreciation	6	4,751	5,065	5,561	314
422	Amortisation of Intangible Assets		427	496	-	69
678	Impairment of property, plant and	6	-	-	-	-
511	Impairment of Intangibles		-	-	-	-
(147)	Litigation costs		101	50	50	(51)
(29)	(Gains)/losses on foreign exchange transactions	18	(45)	17	17	62
41	(Gains)/losses on disposal of property, plant and equipment	18	8	-	-	(8)
624	Loss on Revaluation of Property	6	-	-	-	-
74,401	Total Expenses		87,701	88,630	88,630	929
2,608	Surplus or (Deficit) for the period		2,770	2,859	2,859	88

The Notes to the Financial Statements on pages 8 to 29 form part of these financial statements.

MINISTRY OF HOME AFFAIRS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 June 2014
(Expressed in Cayman Islands Dollars)

	Contributed Capital \$'000	Reserves \$'000	Revaluation n Reserve \$'000	Accumulated Surplus/(deficits) \$'000	Total Net worth \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
Balance at 30 June 2012	42,419	-	-	2,002	44,421	46,558	46,558	2,137
Prior Year Adjustments	-	-	-	(411)	(411)	173	173	584
Restated balance	42,419	-	-	1,591	44,010	46,731	46,731	2,721
Changes in net worth for 2012/13								
Gain/(loss) on property revaluation	-	-	7,541	-	7,541	-	-	(7,541)
Equity Investment from Cabinet	2,000	-	-	-	2,000	2,000	2,000	-
Repayment of surplus to Cabinet	-	-	-	(2,608)	(2,608)	-	-	2,608
Net revenue / expenses recognised directly in net worth	2,000	-	7,541	(2,608)	6,933	2,000	2,000	(4,933)
Surplus/(deficit) for the period 2012/13	-	-	-	2,608	2,608	3,915	3,915	1,307
Total recognised revenues and expenses for the period	2,000	-	7,541	-	9,541	5,915	5,915	(3,626)
Balance at 30 June 2013 carried forward	44,419	-	7,541	1,591	53,551	52,646	52,646	(905)
Balance at 30 June 2013 brought forward	44,419	-	7,541	1,591	53,551	52,646	52,646	(905)
Changes in net worth for 2012/13								-
Reorganisation of Ministries	11,046	-	1,329	-	12,375	14,225	14,225	1,850
Prior Year Adjustments	-	-	-	(566)	(566)	-	-	566
Restated balance	55,465	-	8,870	1,025	65,360	66,871	66,871	1,511
Changes in net worth for 2013/14								
Gain/(loss) on property revaluation	-	-	2,228	-	2,228	-	-	(2,228)
Equity Investment from Cabinet	2,845	-	-	-	2,845	2,868	2,868	23
Repayment of surplus/Dividends to Cabinet	-	-	-	(2,770)	(2,770)	(2,861)	(2,861)	(91)
Net revenue / expenses recognised directly in net worth	2,845	-	2,228	(2,770)	2,303	7	7	(2,296)
Surplus/(deficit) for the period 2013/14	-	-	-	2,770	2,770	2,862	2,862	92
Total recognised revenues and expenses for the period	2,845	-	2,228	-	5,073	2,869	2,869	(2,204)
Balance at 30 June 2014	58,310	-	11,098	1,025	70,433	69,740	69,740	(693)

The Notes to the Financial Statements on pages 8 to 29 form part of these financial statements.

MINISTRY OF HOME AFFAIRS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 June 2014
(Expressed in Cayman Islands Dollars)

Prior Year Actual \$'000		Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES				
	<i>Receipts</i>				
71,284	Outputs to Cabinet	68,027	81,248	81,248	13,221
(65)	Outputs to other government agencies	576	-	-	(576)
8,722	Sale of goods and services - third party	9,224	9,267	9,267	43
18	Interest received	71	-	-	(71)
32	Donations / Grants	18	-	-	(18)
99	Other receipts	101	145	145	44
(56,122)	Personnel costs	(65,949)	(67,148)	(67,148)	(1,199)
(17,310)	Supplies and consumables	(16,116)	(17,002)	(17,002)	(886)
(427)	Other payments	(180)	(481)	(481)	(301)
6,231	Net cash flows from operating activities	(4,228)	6,029	6,029	10,257
	CASH FLOWS FROM INVESTING ACTIVITIES				
(1,015)	Purchase of property, plant and equipment	(4,105)	(5,201)	(5,201)	(1,096)
(1,015)	Net cash flows from investing activities	(4,105)	(5,201)	(5,201)	(1,096)
	CASH FLOWS FROM FINANCING ACTIVITIES				
2,271	Equity Investment	2,818	2,868	2,868	50
-	Ministry Reorganisation	47	-	-	-
-	Repayment of Surplus	-	-	-	-
2,271	Net cash flows from financing activities	2,865	2,868	2,868	50
7,487	Net increase/(decrease) in cash and cash equivalents	(5,468)	3,696	3,696	9,164
23,537	Cash and cash equivalents at beginning of period	31,024	31,024	31,024	-
31,024	Cash and cash equivalents at end of period	25,556	34,720	34,720	9,164

The Notes to the Financial Statements on pages 8 to 29 form part of these financial statements.

MINISTRY OF HOME AFFAIRS
Notes to the Financial Statements
Year Ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Description and principal activities

The Ministry of Home Affairs is a Government owned entity as defined by section 2 of the *Public Management and Finance Law (2013 Revision)* and it is domiciled in the Cayman Islands.

Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Deputy Governor as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the financial year ending 30 June 2014.

Note 1: Significant Accounting Policies

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting. Where additional guidance is required, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board are used.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of preparation

The financial statements are presented in Cayman Islands dollars and are prepared on the accrual basis of accounting, unless otherwise stated. The measurement base applied to these financial statements is the historical cost basis.

Changes in Accounting Policies

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget as required by IPSAS 24 including explanations of material difference between original budget and actual amounts.

The details and presentation of the Statement of Changes in Net Worth has been changed to show greater detail and to reflect changes in accounting policies and corrections of errors and omissions.

Segment reporting has been included in accordance with IPSAS 18.

MINISTRY OF HOME AFFAIRS
Notes to the Financial Statements
Year Ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 1: Significant Accounting Policies (continued)

(b) Budget amounts

The original budget amounts for the financial year are as presented in the 2013/14 Annual Budget Statement and approved by the Legislative Assembly. The exact presentation of few items has been improved to supply more information and conform to future presentation.

(c) Judgments and estimates

The preparation of financial statements is in conformity with International Public Sector Accounting Standards that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

(d) Revenue

Revenue is recognised in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is recognised as a liability (unearned revenue).

The Ministry derives its revenue through the provision of services to Cabinet, to other agencies in government and to third parties. Revenue is recognised at fair value of services provided.

(e) Expenses

Expenses are recognised in the accounting period in which they are incurred. Non-coercive Interagency costs are not recognised in the expenses of the accounts.

(f) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, where this is representative of the pattern of benefits to be derived from the leased property. Lease payments under operating lease, net of lease incentives received, are recognised as expenses on a straight-line basis over the lease term. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in-transit and bank accounts with a maturity of no more than three months from the date of acquisition.

(h) Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment and is classified as accounts receivable in these financial statements.

MINISTRY OF HOME AFFAIRS
Notes to the Financial Statements
Year Ended 30 June 2014
 (Expressed in Cayman Islands Dollars)

Note 1: Significant Accounting Policies (continued)

(i) Inventories

Inventories held for distribution, or consumption in the provision of services, that are not issued on a commercial basis are measured at the lower of cost and net realisable value. Where inventories are acquired at no cost, or for nominal consideration, the amount reported is the current replacement cost at the date of acquisition.

The amount reported for inventory held for distribution reflects management's estimates for obsolescence or other impairments.

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

Costs are assigned to inventories using first in first out method.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance in the period when the write-down occurs.

(j) Property, plant and equipment

Property, plant and equipment, is stated at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset is recognized initially at fair value, where fair value can be reliably determined, and as revenue in the Statement of Financial Performance in the year in which the asset is acquired.

Effective July 1, 2012 the Government revalued its lands and buildings. The impact of this revaluation has been incorporated in the accounts.

In accordance with IPSAS 17, when an item of property, plant, and equipment is revalued, any accumulated depreciation at the date of the revaluation was eliminated against the gross carrying amount of the asset.

Depreciation is expensed on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment (other than land); less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated either over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Asset Type

Estimated Useful life

• Buildings and structures	10 – 60 years
• Building fit-out (when accounted for separately)	5 – 25 years
• Leasehold Improvement	Over the unexpired period of lease or the useful life of the improvement
• Computer Equipment	3 – 10 years
• Developed software	4 – 10 years
• Office equipment and furniture	3 – 25 years

MINISTRY OF HOME AFFAIRS
Notes to the Financial Statements
Year Ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 1: Significant Accounting Policies (continued)

<u><i>Asset Type</i></u>	<u><i>Estimated Useful life</i></u>
• Motor vehicles	3 – 20 years
• Boats and marine equipment	3 – 25 years
• Cleaning, refuse and recycling equipment	3 – 15 years
• Construction and other equipment	3 – 25 years
• Telecommunications	5 - 50 years
• Books, Music, manuscripts and works of art	2 – 10 years
• Clothing	0 - 4 years
• Aeroplanes and airport/aviation equipment	5 years
• Firefighting plant and equipment	10 – 12 years
• Other equipment	5 – 20 years
• Medical and medical laboratory equipment	1 – 25 years
• Library assets	5 – 10 years
• Scientific and laboratory equipment	4 – 25 years
• Canine	6 – 8 years

Disposals

Gains and losses on disposals of property, plant and equipment are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals during the year are included in the Statement of Financial Performance.

(k) Intangible assets

IPSAS 31 (Intangible Assets) has been adopted for use and will impact the statement of financial position for a reclassification between property plant and equipment and intangible assets.

Acquired computer software licenses lasting over a year are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

The carrying value of an intangible asset with a finite life is amortized on a straight line basis over its useful life. Amortization begins when the asset is available for use and ceases at the date that the asset is derecognized. Amortization charge for each period is recognized in the statement of financial performance.

(l) Employee benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year-end are reported as current liabilities at the amount expected to be paid.

MINISTRY OF HOME AFFAIRS
Notes to the Financial Statements
Year Ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 1: Significant Accounting Policies (continued)

Pension contributions for employees of the Ministry are paid to the Public Service Pension Fund and administered by the Public Service Pension Board (the "Board"). Contributions of 12.384% - employer 6.192% and employee 6.192% are made to the fund by the Ministry.

Prior to 1 January 2000 the Board operated a defined benefit scheme. With effect from 1 January 2000 the Board continued to operate a defined benefit scheme for existing employees and a defined contribution scheme for all new employees. Obligations for contribution to defined contribution retirement plans are recognised in the Statement of Financial Performance as they are earned by employees. Obligations for defined benefit retirement plans are reported in the Consolidated Financial Statements for the Entire Public Sector of the Cayman Islands Government.

(m) Financial instruments

The Ministry is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, trade and accounts receivables and trade and accounts payable, all of which are recognised in the Statement of Financial Position.

When there is objective evidence that a financial asset or group of financial assets is impaired the losses are recognised as an expense in the Statement of Financial Performance.

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable. Financial assets comprise of cash and cash equivalents, trade and other receivables and prepayments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise of trade and other payables, accrued expenses and employee entitlements.

Recognition

The Ministry recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets and liabilities are recognised in the statements of financial performance.

Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

Financial liabilities are subsequently measured at amortised cost, being the amount at which the liability was initially recognised less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

Note 1: Significant Accounting Policies (continued)

De-recognition

A financial asset is de-recognition when the Ministry realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

(n) Contingent liabilities and assets (including guarantees)

Contingent liabilities and assets are reported at the point the contingency becomes evident. Contingent liabilities are disclosed when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are disclosed if it is probable that the benefits will be realised.

(o) Foreign currency

Foreign currency transactions are recorded in Cayman Islands dollars using the exchange rate in effect at the date of the transaction. Foreign currency gains or losses resulting from settlement of such transactions are recognised in the Statement of Financial Performance.

At the end of the reporting period the following exchange rates are to be used to translate foreign currency balances:

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate;
- Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported in Cayman Islands dollars using the exchange rate at the date of the transaction; and
- Non-monetary items that are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the fair values were determined.

(p) Comparative figures

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget. Comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

(q) Revenue from non-exchange transactions

The Ministry receives various services from other government entities for which payment is made by the Cayman Islands Government. These services include but are not limited to accommodations in the central government building, maintenance and project management by the Public Works Department, fuel and vehicle maintenance from the Department of Vehicles and supplies, exemption of duties and charges from Customs and human resource management from the Portfolio of the Civil Service. The Ministry has designated these non-exchange transactions as services in kind as defined under IPSAS 23 – Revenue from Non-Exchange Transactions. When fair values of such services can be readily estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in kind. Where services in kind offered are directly related to construction of fixed assets, such service in kind is recognised in the cost of the asset.

MINISTRY OF HOME AFFAIRS
Notes to the Financial Statements
Year Ended 30 June 2014
(Expressed in Cayman Islands Dollars)

Note 2: Cash and cash equivalents

Cash and cash equivalents include cash on hand; bank accounts in the name Ministry of Home Affairs are maintained at Royal Bank of Canada Crown Agents; and short term deposits invested with the Cayman Islands Government Treasury. The Ministry's unrestricted cash balances as at 30 June 2013 and 30 June 2014 are presented below. No restricted cash balances were held by the Ministry at 30 June 2014.

Actual Prior Year \$'000	Description	Foreign Currency \$'000	Exchange Rate	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual)
8	Cash on hand (IRIS Confirmation Account/Petty Cash)	5	1.00	5	56	56	51
414	Cash in transit (IRIS Remittance Account)	207	1.00	207	414	414	207
14,165	CI\$ Operational Current Account held at Royal Bank	9,155	1.00	9,155	17,812	17,812	8,657
961	US\$ Operational Current Account held at Royal Bank	310	0.84	259	961	961	702
	Payroll Current Account held at Royal Bank of Canada						
108	Bank Accounts held at other financial institutions	259	1.00	259	108	108	(151)
	Fixed Deposits held with Treasury (less than 90 days)		1.00				
	KYD- Executive Bank Ac		1.00				
	Other Short Term Investments		1.00				
	US Deposit call accounts		0.84				
	Bank Overdrafts		1.00				
15,607	Treasury Internal Deposits	15,677	1.00	15,677	15,607	15,607	(70)
31,263	TOTAL	25,613		25,562	34,958	34,958	9,396
(239)	Payroll Current Account held at Royal Bank of Canada	(6)	1.00	(6)	(239)	(239)	(233)
31,024	NET	25,607		25,556	34,719	34,719	9,163

Note 3: Trade receivables and other receivables

At year end all overdue receivables have been assessed and appropriate provisions made. The provision for doubtful debts has been calculated based on expected losses for the Ministry and review of specific debtors. Expected losses have been determined based on an analysis of the Ministry losses in previous periods.

Actual Prior Year \$'000	Description	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual)
	Trade Receivables				
2,423	Sale of goods and services	2,630	4,053	4,053	1,423
5,876	Outputs to Cabinet	18,321	6,704	6,704	(11,617)
204	Outputs to other government agencies	44	145	145	101
(2,153)	Less: provision for doubtful debts	(2,153)	(2,188)	(2,188)	(35)
6,350	Total trade receivables	18,842	8,714	8,714	(10,128)

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Note 3: Trade receivables and other receivables (continued)

Actual Prior Year \$'000	Other Receivables	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual)
2	Advances (salary, Official Travel, etc)	3	6	6	3
4	Dishonoured cheques	(4)	(49)	(49)	(45)
19	Interest receivable	10	19	19	9
275	Other Receivable	106	49	49	(57)
-	Loans	-	-	-	-
-	Interentity Due from	-	15	15	15
300	Total other receivables	115	40	40	(75)

Actual Prior Year \$'000	Receivables	Trade Receivable \$'000	Other Receivable \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual)
4,295	Current	18,843	114	8,714	8,714	8,600
13	Past due 31-60 days	-	-	-	-	-
3	Past due 61-90 days	-	-	-	-	-
2,339	Past due 90 and above	-	-	-	-	-
	Non-Current	-	-	-	-	-
	Past due 1 year and above	-	-	-	-	-
6,650	Total	18,843	114	8,714	8,714	8,600

Changes in the provision of doubtful debts:

Actual Prior Year \$'000	Description	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual)
(2,153)	Balance at 1 July	(2,153)	(2,188)	(2,188)	(35)
-	- Additional provisions made during	-	-	-	-
-	- Receivables written off during the period	-	-	-	-
(2,153)		(2,153)	(2,188)	(2,188)	(35)

Of the provision for doubtful debt \$2m relates to old interagency receivables from other government departments to be written off across government as instructed by the Ministry of Finance.

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Note 4: Inventories

The carrying amount of inventories held for distribution as at 30 June 2014 was \$122k.

There was no write down to net realisable value at the year end.

No inventories are pledged as security for liabilities.

Actual Prior Year \$'000	Description	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual)
226	Inventory held for use in the provision of goods and services	122	226	226	104
	Inventory held for sale				
	Impairment of Inventory				
226	TOTAL INVENTORIES	122	226	226	104

Note 5: Prepayments

Actual Prior Year \$'000	Description	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual)
54	Accrued Prepayments	284	764	764	480
	Prepaid Insurance				
54	Total Prepayments	284	764	764	480

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Note 6: Property, plant and equipment

COST or OPENING VALUATION	Land	Plant & Equipment	Buildings & Leasehold	Furniture & Office Equipment	Computers Hardware	Other Assets	Infrastructure	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction/ development	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at July 1, 2012	2,906	2,835	20,790	2,573	1,969	88	2,138	4,955	3,543	3,224	11,971	56,992
Revaluation	1,064	-	6,455	-	-	-	-	-	-	-	-	7,519
Additions	-	454	7,003	109	693	-	2,106	74	-	-	(10,237)	202
Disposals / Transfers	-	(8)	(284)	(80)	(159)	-	-	(413)	-	-	-	(944)
At June 30, 2013	3,970	3,281	33,964	2,602	2,503	88	4,244	4,616	3,543	3,224	1,734	63,769
Balance at July 1, 2013	3,970	3,281	33,964	2,602	2,503	88	4,244	4,616	3,543	3,224	1,734	63,769
Ministry Reorganisation	-	13,027	7,906	(396)	5,155	41	2,834	703	586	-	482	30,338
Revaluation	2,345	-	510	-	-	-	-	-	-	-	-	2,855
Additions	-	50	405	205	456	-	37	881	-	-	2,255	4,289
Disposals/Transfers	-	(3)	-	(57)	(284)	(16)	(387)	(537)	(22)	-	-	(1,306)
At June 30, 2014	6,315	16,355	42,785	2,354	7,830	113	6,728	5,663	4,107	3,224	4,471	99,945

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ACCUMULATED DEPRECIATION	Land	Plant & Equipment	Buildings & Leasehold	Furniture & Office Equipment	Computers Hardware	Other Assets	Infrastructure	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction/ development	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at July 1, 2012	-	1,015	12,542	1,918	1,609	15	1,388	3,762	635	1,426	-	24,310
Revaluation Accumulated	-	-	602	-	-	-	-	-	-	-	-	602
Impairment Reserve	-	-	678	-	-	-	-	-	-	-	-	678
Depreciation expense	-	282	691	125	376	15	475	371	177	370	-	2,882
Disposals / Transfers	-	(7)	(272)	(77)	(170)	-	-	(384)	-	-	-	(910)
At June 30, 2013	-	1,290	14,241	1,966	1,815	30	1,863	3,749	812	1,796	-	27,562
Balance at July 1, 2013	-	1,290	14,241	1,966	1,815	30	1,863	3,749	812	1,796	-	27,562
Ministry Reorganisation	-	7,627	3,573	(318)	4,887	22	1,549	535	422	-	-	18,297
Revaluation Accumulated	-	-	703	-	-	-	-	-	-	-	-	703
Impairment Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	-	1,304	929	118	709	47	700	381	193	370	-	4,751
Disposals / Transfers	-	(1)	53	(21)	(282)	(8)	(373)	(501)	(22)	-	-	(1,155)
At June 30, 2014	-	10,220	19,499	1,745	7,129	91	3,739	4,164	1,405	2,166	-	50,158
Net book value 30 June 13	3,970	1,991	19,723	636	688	58	2,381	867	2,731	1,428	1,734	36,207
Net book value 30 June 14	6,315	6,135	23,286	609	701	22	2,989	1,499	2,702	1,058	4,471	49,787

Land properties belonging to the Ministry were revalued in the fiscal year to the tune of \$2.4m. This was factored in the current year accounts.

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Note 7: Intangible assets

COST or OPENING VALUATION	Computer Software	Assets under construction/ development	Total	Original Budget	Final Budget	Variance (Orig vs Actual)
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at July 1, 2012	1,735	-	1,735	1,072	1,072	(663)
Additions	457	108	565	1,204	1,204	639
Disposals / Transfers	-	-	-	-	-	-
At June 30, 2013	2,192	108	2,300	2,276	2,276	(24)
Balance at July 1, 2013	2,192	108	2,300	2,276	2,276	(24)
Ministry Reorganisation	3,862	-	3,862	3,860	3,860	(2)
Additions	272	141	413	254	254	(159)
Disposals/Transfers	-	-	-	-	-	-
At June 30, 2014	6,326	249	6,575	6,390	6,390	(185)

ACCUMULATED DEPRECIATION	Computer Software	Assets under construction/ development	Total	Original Budget	Final Budget	Variance (Orig vs Actual)
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at July 1, 2012	809	-	809	658	658	(151)
Impairment Reserve	511	-	511	-	-	(511)
Amortisation	422	-	422	624	624	202
Disposals / Transfers	-	-	-	-	-	-
At June 30, 2013	1,742	-	1,742	1,282	1,282	(460)
Balance at July 1, 2013	1,742	-	1,742	1,282	1,282	(460)
Ministry Reorganisation	3,672	-	3,672	3,650	3,650	(22)
Impairment Reserve	-	-	-	-	-	-
Amortisation	427	-	427	496	496	69
Disposals / Transfers	120	-	120	-	-	(120)
At June 30, 2014	5,961	-	5,961	5,428	5,428	(533)
Net book value 30 June 13	450	108	558	994	994	436
Net book value 30 June 14	365	249	614	962	962	348

Software for the biometric project costing \$663k for immigration purposes was impaired. The asset has not been used since its procurement and there are currently no documented plans to commission the software.

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Note 8: Trade payables, other payables and accruals

Prior Year Actual \$'000	Description	Total Current Year \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual)
739	Creditors	1,368	535	535	(833)
477	Creditors Ministries/Portfolios	(282)	-	-	282
45	Creditors other government agencies	35	-	-	(35)
6	Operating Lease	-	-	-	-
9,559	Accrued Expenses	9,818	8,787	8,787	(1,031)
395	Accrued Expenses Ministries/Portfolios	26	-	-	(26)
2	Accrued Expenses other government agencies	1,127	-	-	(1,127)
555	Other payables	554	447	447	(107)
400	Payroll Deductions	444	575	575	131
12,178	Total trade payables, other payables & accruals	13,090	10,344	10,344	(2,746)

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

Note 9: Employee entitlements

Actual Prior Year \$'000	Description	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual)
<i>Current employee entitlements are represented by:</i>					
1,601	Annual Leave	1,569	2,350	2,350	781
1,010	Comp Time	1,077	-	-	(1,077)
301	Accrued Salaries and Wages	253	297	297	44
-	Pension	50	-	-	(50)
2,912	Total employee entitlements	2,949	2,647	2,647	(302)

The retirement and long-service leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit.

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Note 10: Unearned revenue

Actual Prior Year \$'000	Details	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual) \$'000
	<i>Current Portion</i>				
-	Other unearned revenue	1	-	-	(1)
-	Total unearned revenue	1	-	-	(1)

Note 11: Revenue

Prior Year Actual \$'000	Revenue type	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Orig vs Actual)
68,144	Outputs to Cabinet	80,763	82,224	82,224	1,461
58	Outputs to other Ministries and Portfolios	72			(72)
6	Outputs to other Statutory Authorities and Government Companies	235	499	499	264
8,638	Outputs to other 3rd Parties	9,220	8,706	8,706	(514)
	Other		60	60	60
76,846	Total sales of goods and services	90,290	91,489	91,489	1,199

Outputs to Cabinet comprise goods delivered to and services performed on behalf of the Cayman Islands Government. During the financial years ended 30 June 2013 and 2014 there are no revenue concessions that were granted and off-set against the relevant revenue type.

Note12: Investment revenue

Prior Year Actual \$'000	Source	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Orig vs Actual)
32	Interest on deposits held with cabinet	62	-	-	(62)
32	Total Investment Revenues	62	-	-	(62)

Note13: Donations

Actual Prior Year \$'000	Source	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual) \$'000
	<i>Description</i>				
32	Other	18	-	-	(18)
32	Total Investments at the lower of cost or market value	18	-	-	(18)

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Note 14: Personnel costs

Prior Year	Description	Actual	Original	Revised	Variance
Actual		Current Year	Budget	Budget	(Orig vs
\$'000		\$'000	\$'000	\$'000	Actual)
43,953	Salaries, wages and allowances	51,963	52,488	52,488	525
8,329	Health care	10,185	10,774	10,774	589
2,230	Pension	2,751	2,732	2,732	(19)
185	Leave	85	8	8	(77)
212	Other personnel related costs	552	193	193	(359)
<u>54,909</u>	Total Personnel Costs	<u>65,536</u>	<u>66,195</u>	<u>66,195</u>	<u>659</u>

In 2005 post Ivan the Cabinet awarded an increase in housing allowances to the Officers of the RCIPS by \$500 per month. This has become an integral part of their salary package. Although the current Police Regulations in force restricts the amount the Commissioner of Police can give to officers for allowances, it does not place similar restrictions on the Cabinet or the Legislative Assembly. The amount is budgeted each year and passed into the Appropriation Act of each year.

Note 15: Supplies and consumables

Prior Year	Description	Actual	Original	Revised	Variance
Actual		Current Year	Budget	Budget	(Orig vs
\$'000		\$'000	\$'000	\$'000	Actual)
2,107	Supplies and Materials	2,229	2,064	2,064	(165)
5,033	Purchase of services	7,282	7,361	7,361	79
2,056	Lease of Property and Equipment	1,573	1,585	1,585	12
2,919	Utilities	3,030	2,954	2,954	(76)
1,766	General Insurance	1,918	1,916	1,916	(2)
113	Interdepartmental expenses	181	150	150	(31)
174	Travel and Subsistence	102	146	146	44
276	Recruitment and Training	525	541	541	16
77	Other	83	90	90	7
<u>14,521</u>	Total Supplies & consumables	<u>16,923</u>	<u>16,807</u>	<u>16,807</u>	<u>(116)</u>

Note 16: Finance costs (Bank overdraft)

During the year the Ministry had no finance cost on the overdraft balance charged to the accounts.

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Note 17: Litigation costs

The Attorney General's Office provides litigation services to The Ministry of Home Affairs of Home Affairs. However during the year ended 30 June 2014 the use of legal services from outside of the Government were authorised by the Attorney General's Office. The costs of these services were \$54k in 2014 (2012/13: \$168k). Provisions for legal cost and settlements are evaluated periodically based on the latest information. This resulted in a net overall increase in the provision.

Prior Year \$'000	Description	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Original vs Actual) \$'000
(147)	Provision for Legal costs	101	50	50	(51)
(147)	Total litigation costs	101	50	50	(51)

Note 18: Gains / (Losses)

During the period the Ministry disposed of derelict motor vehicles, property and equipment.

Prior Year Actual \$'000	Description	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Orig vs Actual)
41	Net (gain) / loss on disposal of property, plant and equipment	8	-	-	(8)
624	Loss on Revaluation of Asset	-	-	-	-
(29)	Net (gain) / loss on foreign exchange Transactions	(45)	17	17	62
636	Total gain/ (losses)	(37)	17	17	54

Note 19: Revenue from non-exchange transactions

During the year ended 30 June 2014, the entity received services in-kind in the form of accommodation in the central government building. The fair value of these services cannot be determined and therefore no expense has been recognized in these financial statements.

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Note 20: Reconciliation of net cash flows from operating activities to surplus

Prior Year Actual \$'000	Description	Actual Current Year \$'000	Original Budget \$'000	Revised Budget \$'000	Variance (Orig vs Actual)
2,608	Surplus/(deficit) from ordinary activities	2,770	2,862	2,862	92
	<i>Non-cash movements</i>				
2,871	Depreciation expense	4,751	5,065	5,065	314
422	Amortisation of Intangible Assets	427	496	496	69
624	Loss on Revaluation of Property				
678	Impairment of property, plant and Equipment				
511	Impairment of Intangibles				
(29)	Exchange (Gain)/Loss	(45)			45
41	(Gain)/losses on sale of property plant and equipment	8			(8)
	<i>Changes in current assets and liabilities:</i>				
7	(Increase)/decrease trade receivables	(12,445)	(976)	(976)	11,469
(272)	(Increase)/decrease in other current assets	619	47	47	(572)
(364)	Increase/(decrease) trade payables	770			
162	Increase/(decrease) other payables and accruals	(448)	(356)	(356)	92
(1,028)	Increase/(decrease) in provisions relating to employee costs	(635)	(1,109)	(1,109)	(474)
<u>6,231</u>	Net cash flows from operating activities	<u>(4,228)</u>	<u>6,029</u>	<u>6,029</u>	<u>11,027</u>

Note 21: Contingent liabilities and assets

	Beginning Balance \$'000	Additions \$'000	Disbursements \$'000	Adjustments \$'000	Ending Balance \$'000
Legal Proceedings and Disputes					
Potential Claims and Causes		144			144
Total Legal Proceedings and Disputes	-	144	-	-	144
Total contingent liabilities		144			144

While the Ministry has several potential legal disputes pending, it is unreasonable to estimate what if any provisions are necessary for these claims. These will be reviewed on a continuous basis to establish if provisions are necessary. In 2014, the Ministry of Home Affairs of Home Affairs settled several significant lawsuits pending against the Ministry.

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NOTE 22: Commitments

Prior Year Actual \$'000	Type	One year or less \$'000	One to five Years \$'000	Over five Years \$'000	Total \$'000
Operating Commitments					
977	Non-cancellable accommodation leases	989	3,687	-	4,676
977	Total Operating Commitments	989	3,687	-	4,676
977	Total Commitments	989	3,687	-	4,676

NOTE 23: Related party and key management personnel disclosures

Related party disclosure

The Ministry is a wholly owned entity of the government from which it derives a major source of its revenue. The Ministry and its key management personnel transact with other government entities on a regular basis. These transactions were provided free of cost during the financial year ended 30 June 2014 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

Key management personnel

Key management personnel, defined as Ministers of the Government, are also considered to be related parties.

Prior Year Actual \$'000	Number of persons	Description	Actual Current Year \$'000	Number of persons
1,892	15	Salaries & other short-term employee benefits	1,826	15
		Past employee benefits	51	
116		Other long-term benefits		
2,008		Total	1,877	

There were no loans granted to key management personnel and or their close relatives. Janitorial services totalling \$7k for the year (2012/13: \$7k) was procured from Affordable assistance and \$20k from A & G Janitorial Services. Both organisations were declared as owned by relatives of two different employees in the contracting department.

NOTE 24: Events occurring after reporting date

The UK London Office was transferred as a going concern to the Cabinet Office effective July 2015.

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NOTE 25: Financial instrument risks

The Ministry is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash and bank balances, advances, accounts receivable, debtor-Cabinet and creditors and other payables. The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Credit risk

In the normal course of its business the Ministry is subject to credit risk from debtors other than the Cabinet. The Ministry does not have significant concentrations of credit risk for its other financial instruments.

Currency and interest rate risk

The Ministry has no significant exposure to currency exchange loss risk and interest rate risk.

Liquidity risk

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from Cabinet and receipts from third parties. The Ministry maintains a target level of available cash to meet liquidity requirements.

All of the Ministry's financial liabilities (creditors and payables) will be settled in less than six months from the date of these financial statements.

Note 26: Financial instruments – fair values

As at 30 June 2014 and 2013, the carrying values of cash and cash equivalents, accounts receivable, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities.

Fair values are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

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NOTE 27: Segment reporting

2012/2013 National Security	2012/2013 Good Governance	Total		2013/2014 National Security	2013/2014 Good Governance	Total
\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
			Revenue			
61,850	6,294	68,145	Outputs from Cabinet	71,206	9,557	80,763
6,901	1,963	8,864	Sale of goods and services & other revenue	9,212	496	9,708
68,752	8,257	77,009	Total Revenue	80,418	10,053	90,471
			Expenses			
51,137	3,772	54,909	Salaries and Wages	59,700	5,836	65,536
12,490	2,031	14,521	Supplies and Consumables	14,172	2,751	16,923
3,087	206	3,293	Depreciation/Amortisation	4,460	718	5,178
511	678	1,189	Impairment of PPE/Intangibles	-	-	-
577	47	624	Loss on revaluation	-	-	-
(176)	29	(147)	Litigation Costs	101	-	101
(11)	(18)	(29)	Gains and Losses on FX	(12)	(33)	(45)
-	41	41	Gains and losses on disposal of assets	4	4	8
67,615	6,786	74,401	Total Expenses	78,425	9,276	87,701
1,136	1,472	2,608	Surplus/ (Deficit) from Operating Activities	1,993	777	2,770
1,136	1,472	2,608	Net Surplus/ (Deficit)	1,993	777	2,770
			Assets			
4,779	33,414	38,193	Current Assets	14,547	30,379	44,926
17,581	19,184	36,765	Fixed Assets	46,881	3,520	50,401
22,360	52,598	74,958	Total Assets	61,428	33,899	95,327
			Liabilities			
21,196	211	21,407	Current Liabilities	20,646	4,248	24,894
-	-	-	Non-current liabilities	-	-	-
21,196	211	21,407	Total Liabilities	20,646	4,248	24,894
1,164	52,387	53,551	Net Worth	40,782	29,651	70,433

The Ministry reports on two segments of business. The National and Public Safety segment includes all the components in the Ministry relating to national security and public safety. This segment includes the Royal Cayman Islands Police Service, the Immigration Department, Hazard Management Emergency Service Communications, the Her Majesty's Prison Service, the Fire Department and the Department for Community Rehabilitation. The Good Governance segment includes those components supporting good governance and supporting administration. These include the UK Office, the Chief Officer's Office and the Computer Services Department. The Computer Services Department and the Fire Department were transferred to the Ministry of Home Affairs July 1, 2013.

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NOTE 28: Explanation of variances to budget

Statement of financial position

Cash balances at the end of the fiscal year was below budget by \$9m due primarily to a delay in collecting Cabinet revenues totalling \$18.3m which was \$11.6m above anticipated cash flows on personnel \$1.2m, cash flow on supplies and consumables \$1.4m and delays in disbursement on capital totalling \$1m.

Trade receivable from external parties due to the Ministry of Home Affairs was down by \$1.8m. Prepayments were below budget by \$0.5m due mostly to insurance billing being accrued rather than prepaid.

Property plant and equipment was \$9.6m above budgeted mostly due to net book value of assets from Fire and CSD being transferred to the Ministry of \$12m and revaluation of lands totalling \$2.8m.

Accounts payables and accrued liabilities was \$2.7m higher than budgeted due to increased credit and an increase in legal liabilities.

Employee liability was \$0.3m more than budgeted due to increased comp time outstanding to employees.

Net worth improvements above budget was as a result of the transfer of large departments such as Computer Services Department and the Fire Department totalling \$12.4m when netted off against the smaller departments such as the Legislative Assembly, Commissions Secretariat and Deputy Governor's Office being transferred out.

Statement of financial performance

Revenues

Lower Cabinet billing from reduced outputs of \$1.5m was partially offset by \$0.5m in third party revenues over budget. The lower cabinet billing was primarily due to vacancies in personnel which resulted in lower production targets.

Expenses

Reduction in personnel costs resulted from delays in employing staff in various departments as well a decision of management not to employ for some vacancies. Personnel costs were \$0.7m below budget due to vacancies.

Supplies and consumables was \$116k over the budget for the year. The main variance resulted in supplies and materials from increased cost and usage of sanitary supplies totalling \$80k, the replenishment firefighting supplies used in the dump fires of \$62k over budget and excess fuel costs of \$42k. Utilities were the next major item with water charges being \$62k over the budget and communications of \$40k over. Excess utility charges at the Airport passed on by the CIAA to the Immigration Department were \$31k over the budgeted amount.

MINISTRY OF HOME AFFAIRS
Notes to the Financial Statements
Year Ended 30 June 2014
(Expressed in Cayman Islands Dollars)

NOTE 28: Explanation of variances to budget (continued)

Unbudgeted legal fees above budget of \$0.1m was as a result of legal bills relating to current investigations as well as adjustments to the provisions for estimates of liabilities related to legal suits across the Ministry.

Depreciation and amortisation of intangibles was \$0.4m below budget due primarily to the delay in implementing capital projects such as the custody suite and delivery of vehicles.

Cash flow statement

Cash was below anticipated by \$9.2m due mostly to two additional months of outstanding Cabinet Billings totalling \$12m. This was partially offset by delays in the payment on capital items of \$1m and the reduction in personnel cash flows of \$1.2m and Supplies and consumables \$1.4m.

NOTE 29: Surplus repayment

Pursuant to Section 39 (3) (f) of the *Public Management and Finance Law (2013 Revision)* any net surplus is transferred to surplus repayable. Surplus payable represents accumulated surplus of \$8.8m as at 30 June 2014 (2012/13: \$6.1m).