

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT



CAYMAN ISLANDS
GOVERNMENT

ANNUAL REPORT FOR THE YEAR ENDED
30 JUNE 2016



MINISTRY OF
FINANCE & ECONOMIC
DEVELOPMENT
CAYMAN ISLANDS GOVERNMENT

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FOREWORD BY THE MINISTER



Hon. Marco Archer

I am pleased to present the Annual Report of the Ministry of Finance and Economic Development for the 2015-16 financial year from 1 July 2015 to 30 June 2016.

This Report has been prepared in accordance with Section 44 of the Public Management and Finance Law and it was submitted to the Auditor General's Office for review to ensure that it is consistent with the 2015-16 financial statements. The Report including the audited 2015-16 financial statements will be tabled in the Legislative Assembly.

For the first time since the implementation of the Public Management and Finance Law, detailed Annual Reports have been compiled by all Ministries, Portfolios and Offices. I'm pleased that the Ministry of Finance and Economic Development took the initiative to provide guidelines and advice to expand management's analysis and discussion in preparation of Annual Reports across Government.

This Report reflects the significant progress made against the Ministry's objectives.

We have achieved our objective to fully comply with the principles of the Framework for Fiscal Responsibility (the FFR), for the first time since 2012 when it was enshrined in the Public Management and Finance Law (the PMFL). Our prudent fiscal management strategies to reduce public debt, build cash reserves, increase annual surpluses, and restrain public sector spending was crucial to this major achievement.

In 2018, we will transition from single-year budgets to a two-year budget cycle. This will implement one of the recommendations from the PMFL Review Committee.

The PMFL Review Committee also recommended a change to the Government's year-end from 30 June to 31 December, which was approved by the Legislative Assembly, in October 2015. This change in year-end resulted in the production of an 18-month budget which was guided by targets detailed in the 2016-17 Strategic Policy Statement. The 18-month budget for the Entire Public Sector was compiled within the timelines set by the Ministry and was tabled in the Legislative Assembly on 30 May 2016.

To facilitate economic growth, we acknowledge the dual role of Government along with domestic private consumption and investment spending. During the year, incentives by Government such as reduction of import-duty rates on diesel fuel and consumer goods imported by merchants, continuation of import-duty reduction on importation of building materials, and selective concessions with respect to capital works by the private sector, have positively impacted economic growth and GDP, decreased unemployment and, helped to reduce the cost of doing business and the cost of living.

We have also facilitated the objective assessment of the Islands' economic health by providing comprehensive statistical reports that are relevant to the state of the economy.

In addition, we have prudently managed Government's finances - producing a surplus which enabled us to honour our commitment to not increase taxes or add new revenue measures.

I would like to thank the Ministry's staff for their invaluable work over the 2015-16 financial year, to make it such a successful year.

15 September 2016

FOREWORD FROM FINANCIAL SECRETARY AND CHIEF OFFICER



Mr. Kenneth Jefferson

The 2015-16 financial year saw significant achievements being made by the Ministry of Finance & Economic Development.

Chief amongst these achievements was the Ministry's pivotal role in facilitating the Government's compliance with all the ratios required by the Framework for Fiscal Responsibility. This achievement has been substantiated by correspondence from the UK Government's Foreign & Commonwealth Office.

With respect to human resource matters, in 2015-16 there were two particularly important appointments: the Collector of Customs (Mr. Charles Clifford) and the Accountant General (Mr. Matthew Tibbetts), posts were filled in August 2015 and September 2015, respectively.

It is also significant that the Honourable Deputy Governor, on 19 February 2016, wrote to the Civil Service pronouncing that the Financial Secretary and the Ministry of Finance "is the overall leader of the finance function in Government and will champion improved financial performance across the entire Government."

Following this pronouncement, I am pleased that there is greater cohesiveness amongst the 16 Central Government agencies – even though each has their own independent accounting and reporting responsibilities to the Legislative Assembly. In particular, the Treasury Department has played an important role in achieving greater cohesion in the accounting and reporting function across Central Government.

The Ministry fully understands the important role it has in steadily improving the quality of public accountability reporting to the Legislative Assembly and the public: it is a role that is challenging but rewarding when achieved.

Finally, I wish to thank all the 211 staff of the Ministry of Finance & Economic Development for their hard work during 2015-16 and I look forward to future successes by the Ministry.

16 September 2016

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INTRODUCTION

The Ministry of Finance and Economic Development's primary focus is to ensure that the Cayman Islands Government's stewardship of public finances is well planned, utilised and accounted for in a prudent manner.

The Ministry, led by the Honourable Marco Archer since 2013, is responsible for:

- Restoring public finances in a sustainable manner;
- Providing prudent fiscal management of the finances of Government; and,
- Facilitating economic growth.

The Ministry recognises that the critical resource required to carry out these responsibilities is its employees and therefore, it endeavours to recruit skilled and professional staff and to provide training to maintain the skills of its valued employees.

The Ministry is organised into four main agencies:

- Finance Administration.
- Customs Department;
- Economics and Statistics Office (ESO);and,
- Treasury Department.

The Ministry is responsible for the Cayman Islands National Insurance Company (CINICO) and, it has administrative responsibility for the Central Tenders Committee.

ABOUT THIS ANNUAL REPORT

The Ministry's responsibilities include the direct management of its agencies as well as advisory management of Central Government's financial affairs (for all Ministries/Portfolios/Offices) but, not direct management of Statutory Authorities and Government Companies (SAGCs). The Ministry provides accounting and financial advice to SAGCs; it collates and consolidates the budgets and financial statements of SAGCs, into the budget and financial statements for the Entire Public Sector (EPS).

The Ministry's financial statements (see Appendix 1) reflect the results of operations of its Departments. The Ministry's revenue consists mainly of entity revenue which originates from the production of outputs to Cabinet. Two of its departments (Customs and Treasury) do collect "executive revenue" – which is not shown within the Ministry's books because such "executive revenue" belongs to Cabinet or the "whole of Government".

In the Cayman Islands Government, there are two different types of revenue:

- Entity revenue: In relation to a Ministry/Portfolio/Office means revenue earned by the entity from the production of outputs (including those purchased by Cabinet) and, revenue from the sale of goods and services to non-governmental parties; and,
- Executive or coercive revenue: revenues collected by Government under its coercive powers authorised under various laws passed by the Legislative Assembly (e.g. import duties, work permit fees, bank license fees, etc.) and for which there is no direct exchange of any goods or services. Coercive revenue is accounted for in the financial statements of the EPS.
- The Performance Overview on page 34 represents the financial results of the operations of the Ministry only, and does not include coercive revenue collected by its departments; coercive revenue is included in the financial statements of the EPS.

The Ministry's role regarding the Central Government and the EPS is included in the Highlights of Achievements on page 28.

GOVERNANCE

The following Laws and Regulations govern the activities of the Ministry of Finance and its underlying agencies:

Laws and Regulations	Departments
<i>Public Management and Finance Law (as amended) and the Financial Regulations (as amended).</i>	All Departments
<i>Statistics Law (2016 Revision)</i>	ESO
<i>Customs Law (2012 Revision);</i> ▪ Customs Tariff Law (2015 Revision); ▪ Customs Regulations (2011 Revision); ▪ Customs (Bonded Warehouses) Regulations (2015 Revision); ▪ Customs (Money Declarations and Disclosures) (Amendment) Regulations, 2009; ▪ Customs (Prohibited Goods) Order (2003 Revision) ▪ Customs (Prohibited Goods) (Amendment) Order, 2012 ▪ Customs (Prohibited Goods) (Amendment) Order, 2015; ▪ Copyright (Cayman Islands) Order, 2015 (SI 2015 No 795); ▪ Copyright (Cayman Islands) (Amendment) Order, 2016 (SI 2016 No 370); ▪ Copyright (Customs) Regulations, 2016 ▪ Misuse of Drugs Law (2014 Revision); ▪ Endangered Species (Trade and Transport) Law (as amended) ▪ Endangered Species (Trade and Transport) Regulations, 2015; and ▪ Export Duty Law (1998 Revision).	Customs

NATURE AND SCOPE OF ACTIVITIES

The diagram below depicts the agencies within the Ministry and their primary scope of activities:

- Responsible for collecting and protecting Government's revenue; and
- Facilitates legitimate trade and controlling prohibited and restricted goods in a cost effective manner while preserving a safe environment for all. This includes: processing and inspecting of vessels and aircrafts; collection of duties; providing policy advice on Customs related matters; and border control and enforcement.

Customs

- Monitors the economy, develops economic policies and plans, and advises the Government on a range of economic issues to sustain growth of the Islands;
- Conducts and analyses social and economic surveys and compiles and publishes statistical data on the Cayman Islands; and
- Provides other Government Departments with technical advice on data collection and dissemination, and survey design and methodology.

Economics & Statistics



MINISTRY
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DEVELOPMENT
CAYMAN ISLANDS



MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT GOVERNMENT

Administration

- Provides policy advice, governance and administrative services on all financial, budgeting and reporting matters of the Government.
- Processes applications for fees and customs duty waivers, stamp duty abatements and assessments, government loans to civil servants,
- Provides administrative support to and monitor the performance of Departments under the Ministry.
- Monitors the Risk Management Unit's (RSK) which develops, implements and coordinates comprehensive property and liability insurance programmes along with safety and loss control activities to minimize the negative financial impact of natural hazards, accidents and other unexpected events to the Government.
- Administrates the Cayman Islands National Insurance Company and the Central Tenders Committee

Treasury

- Responsible for the preparation and the consolidation of the forecast and annual financial statements for central Government and the Entire Public Sector (EPS) as required by sections 28(2) (b) and 29(2)(c) of the PMFL, using IPSAS;
- Oversight of the management and forecasting of central government cash flows, negotiation, evaluation and administration of central Government borrowings;
- Responsible for the design, quality assurance and management of the budget and reporting processes for the EPS - this includes coordinating and preparing an annual timeline, strategic policy statement, plan and estimates, budget statements, ownership and purchase agreements and revenue forecast; and
- Provides financial management services to Ministries/Portfolios and the Cabinet.

Other services performed by the Ministry include administration of healthcare insurance programme for Seamen and Veterans and their dependants; management of Trust assets on behalf of Central Government; administration of Loans to Civil Servants and loans made for overseas medical care to persons not /insufficiently, covered by health insurance.

OUR PEOPLE

As of 30 June 2016 there were 211 full-time staff employed within the Ministry; this represents 6% of the Civil Service.

The Ministry is proud of the professionalism, qualifications, diversity and community spirit of its employees.

Approximately 25% of staff (54 staff members) have achieved Bachelor degrees or higher; included are professional qualifications such as seven MBAs, six CPAs, three ACCAs, one CMA, one CFA, one FCA, one FCCA, and two Attorneys at Law.

Our staff continue to develop themselves through attendance of relevant training sessions as well as conferences and seminars.

Senior management of Customs attended a conference (to discuss and agree new and improved Customs- specific strategies) of the Caribbean Customs Law Enforcement Counsel (CCLEC) held in Jamaica during the year.

Senior staff in the Ministry attended a leadership conference held by the Civil Service College in partnership with Cayman Islands Institute of Public Accountants (CIIPA) in February 2016.

Some staff members of ESO undertook subject training overseas which was funded by their respective sponsoring organizations:

BOP Senior Statistician on Balance of Payments Manual by CARTAC;
Deputy Director and Social Statistics Senior Statistician on Consumer Price Index Development, by CARTAC;

- Statistician 1 (Statistical IT) on Demography by United Nations Population Fund (UNFPA);
- Director and SNA Senior Statistician on System of National Accounts Management, by CARTAC;
- Statistician 1 (Statistical IT) and Statistical Officer 1 (Social Statistics) on REDATAM by the UN-ECLAC and Economist I on Property Tax Administration, by CARTAC; and,
- Field Supervisor on Labor Force Survey, by the International Labor Organization.

The Director of ESO attended the World Statistics Congress in July 2015, while the Social Statistics Senior Statistician represented the ESO in the CARICOM-Standing Committee of Caribbean Statisticians Meeting in October 2015.

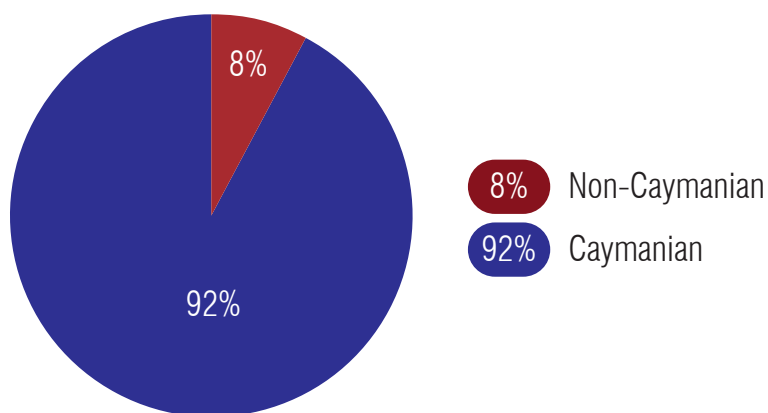
Our senior staff continue to demonstrate their professionalism in their appointment on many statutory Boards and Committees such as:

- University College of the Cayman Islands;
- Public Service Pensions Board;
- Cayman Airways Board;
- Port Authority;
- Cayman Turtle Centre;
- Cayman Islands National Insurance Company;
- Cayman Islands Stock Exchange;
- Water Authority;
- National Drug Council;
- Cayman Islands Development Bank;
- Civil Aviation Authority;
- Auditors Oversight Authority;
- Central Tenders Committee;
- National Pensions Board;
- National Risk Assessment Committee;
- National Housing Development Trust;
- Cayman Islands Civil Service Association Credit Union;and,
- Comprehensive Solid Waste Disposal Management System Steering Committee.

Staff is diverse in their nationality, gender and age as shown below and on the following pages:

■ Nationality

Nationality	Customs Department	Treasury Department	ESO	Core Ministry	Total
■ Caymanian	139	31	13	12	195
■ Canadian	0	2	0	2	4
■ Jamaican	0	1	3	1	5
■ Filipino	0	0	1	0	1
■ St. Vincentian	0	0	1	0	1
■ Trinidadian	1	1	0	0	2
■ Dominican	0	0	1	0	1
■ Barbadian	0	0	1	0	1
■ British	0	1	0	0	1
Total	140	36	20	15	211



TREASURY



ESO

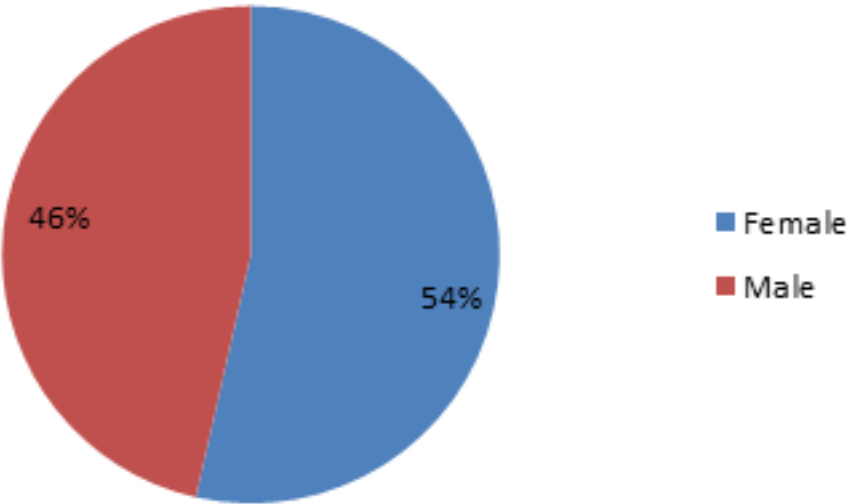


CUSTOMS

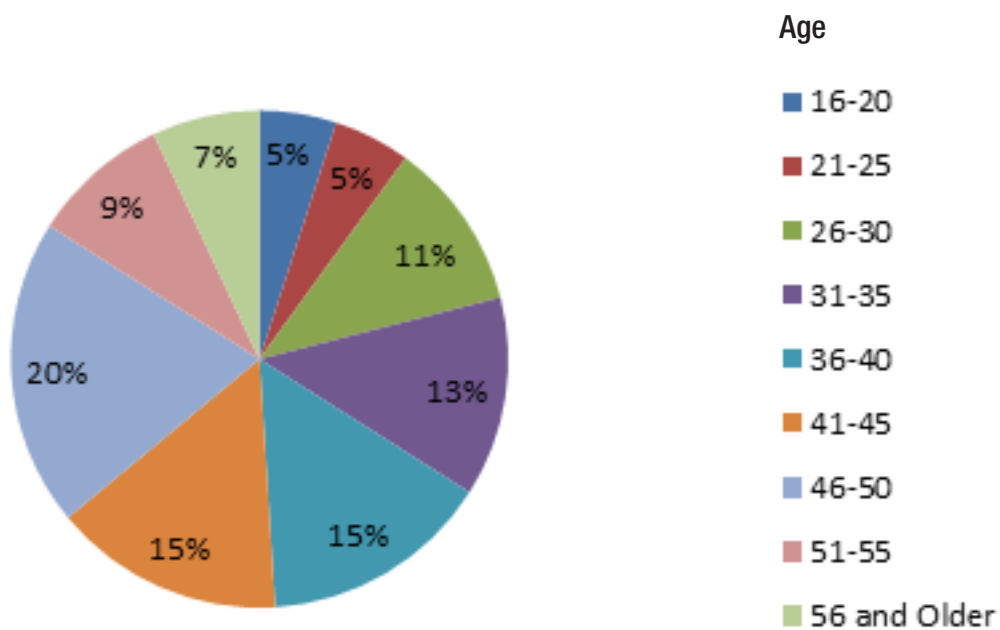
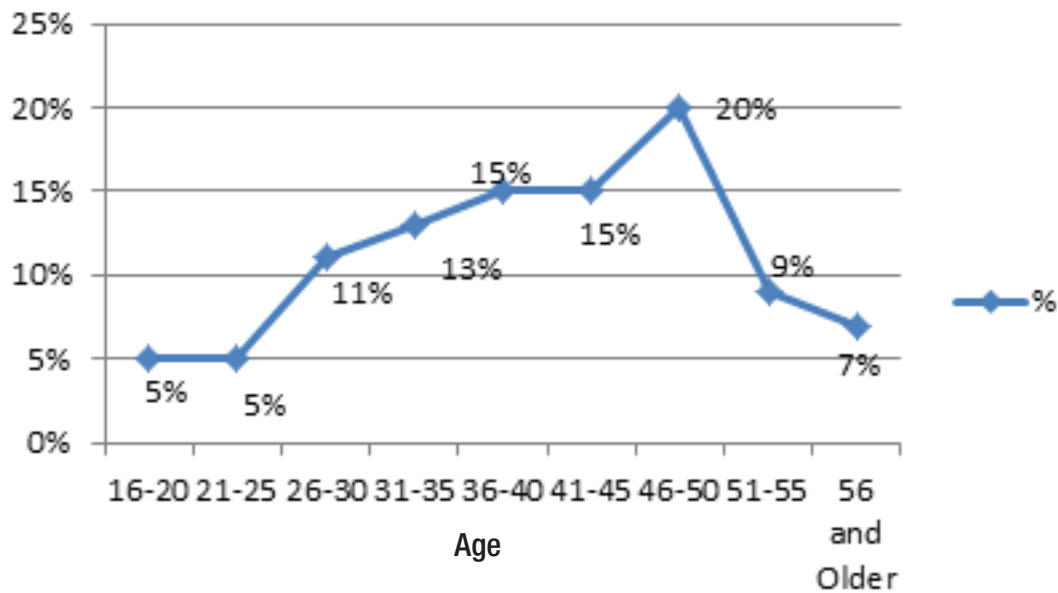


■ Gender Diversity

Gender	Customs Department	Treasury Department	ESO	Core Ministry	Total	Percentage
■ Female	64	27	12	10	113	54%
■ Male	76	9	8	5	98	46%
Total	140	36	20	15	211	100%



■ Age of staff-entire Ministry



Staff participated in a number of community events during the past financial year:

The Customs Department is committed to health and wellness of staff and connecting to our community:

- Staff raised funds to assist charities in the fight against cancer, to help prevent domestic violence, and Downs Syndrome;
- Over 20 persons participated in DGs 5K Run/Walk to raise funds for a new ambulance;
- Initiated “Biggest Looser” 6 weeks program to encourage healthy living and create opportunity for team unity by working out as a team;
- Participated in Civil Service pedometer challenge; and in
- Government Football League – **CHAMPIONS!!!**



RECOGNITION FOR EXCELLENCE

Since the Deputy Governor's Employee of the Month (EOM) Award was launched in 2013, ESO has had a total of four staff members who were nominated for the EOM Award, two of whom received the DG's EOM Award while all four nominees were awarded with the Chief Officer's EOM. In the financial year 2015-16, two more staff members received the Chief Officer's EOM Award.

Travis Walters was the Deputy Governor's and the Ministry of Finance Chief Officer's Employee of the Month for October 2015. This is due to his exemplary use of IT skills in improving not only his own efficiency, but all of his colleagues' at ESO. Travis is the in-house "help desk" for the customized data processing software at ESO as well as almost everything related to ESO's equipment. Travis is also the "go to" person for data needs of clients outside of ESO, which include students, churches, law firms, banks, regulatory authorities and other community members in addition to requests of other government departments.



PROVIDING OPPORTUNITIES

Every year, ESO provides training for non-ESO Civil Servants as well as qualified unemployed residents (Caymanians and Permanent Residents) for opportunities to work as survey enumerators in the Labor Force Survey, in view of the limited number of ESO staff enumerators. In financial year 2015-16, there were 24 Caymanian non-ESO staff members who were part of the survey team (field and/or post-field work), six of whom were unemployed at the time of their temporary service.

The Ministry employed 24 summer interns during the year

OUR EXECUTIVE MANAGEMENT TEAM

Ministry of Finance Senior Management Remuneration

Remuneration includes salary, allowances, and any additional payments made during a financial year, including gratuitous payments. Allowances paid during the year were duty and motor car upkeep allowances. Benefits include pension, and health care insurance. The remuneration and benefits of the Ministry of Finance's senior management during 2015-16 and 2014-15 are disclosed below in bands of CI\$5,000:

POST	REMUNERATION CI\$000		BENEFITS CI\$000	
	2015-16	2014-15	2015-16	2014-15
Financial Secretary & Chief Officer	\$160 - \$165	\$150 - \$155	\$25 - \$30	\$25 - \$30
Two (2) Senior Assistant Financial Secretaries	\$240 - \$245	\$225 - \$230	\$45 - \$50	\$45 - \$50
Accountant General	\$95 - \$100	\$105 - \$110	\$20 - \$25	\$25 - \$30
Collector of Customs	\$105 - \$110	\$105 - \$110	\$20 - \$25	\$25 - \$30
Director, ESO	\$100 - \$105	\$ 95 - \$100	\$15 - \$20	\$15 - \$20



Mr. Marco Archer, Minister of Finance and Economic Development was a respected economic statistician and project manager with the Cayman Islands Government before he became a successful Attorney-at-law with a leading offshore law firm.

Mr. Archer holds a Bachelor of Science Degree in Economics and Finance from Barry University, a Master of Business Administration Degree from the University of Miami, a Bachelor of Laws (Honours) Degree from the University of Liverpool and

a Postgraduate Diploma in Legal Practice from the College of Law in England.

In addition to economic matters, an important focus for him is building a brighter future for the Islands' youth. This led him to become a founding director of Generation NOW, a mentoring group and think tank that has hosted several debates on issues of national importance.

He is married with two daughters and one son.



Mr. Jefferson is currently Financial Secretary and Chief Officer within the Ministry of Finance & Economic Development of the Cayman Islands Government whose principal responsibility is to advise the Minister for Finance & Economic Development on all aspects of the Government's fiscal and budget management operations. He assumed his duties as Financial Secretary on 1 November, 2004. In September 2014 his

role expanded to include the financial and human resource operations of the entire Ministry, including oversight of the Customs Department and the Economics and Statistics Office.

A Fellow of the Institute of Chartered Accountants in England and Wales, he holds a Bachelor of Science degree in Economics and Accounting from the University of Hull in England.



Ms. Anne Owens
Senior Assistant Financial Secretary

As a Senior Assistant Financial Secretary since 2005, Ms. Owens provides policy advice and technical guidance on fiscal related matters, financial management and accounting policy issues. Prior to her current position, Ms. Owens was the Director of the Internal Audit Unit with responsibilities for providing an internal

audit service to government agencies, statutory authorities and government companies. She joined the civil service in 1995 as a Senior Internal Auditor.

Ms. Owens also serves as the Financial Secretary's representative on the Water Authority and CINICO's Board of Directors.

Ms. Owens is a member of the American Institute of Certified Public Accountants.



Mr. Michael Nixon
Senior Assistant Financial Secretary

Mr. Nixon is the Senior Assistant Financial Secretary in the Ministry of Finance and Economic Development. A career civil servant with just over 22 years of experience in various aspects of public sector financial management, he has a Bachelor of Business Administration degree from the University of Miami.

Mr. Nixon currently has management responsibility within the Ministry for: the

preparation of the Government's Annual Budget; Economics and Statistics Office; Corporate Unit; and the Risk Management Unit. In addition he serves as the Ministry of Finance representative on the Board of Directors of the Port Authority of the Cayman Islands and Cayman Turtle Farm (1983) Limited.

Mr. Nixon is the current President of the Cayman Islands Civil Service Association Credit Union. He is married and has one son.



Mr. Matthew Tibbetts is Accountant
General with the Treasury Department

In this role Mr. Tibbetts contributes to the overall success of the Government by effectively managing various financial tasks including consolidated financial planning, forecasting and reporting for the Entire Public Sector and the administration of Government's financial information systems. Matthew oversees the development, direction, and maintenance of the centralized financial accounting

systems and policies, the centralized banking system and establishes guidelines for financial activities and practices to be performed by the public service and monitors compliance with required standards. Mr. Tibbetts also oversees the forecasting of revenue and provides advice to Government on the level of anticipated revenue. Mr. Tibbetts is a member of the American Institute of Certified Public Accountants.



Mr. Charles Clifford, Collector of Customs, has a Bachelor of Laws (Honours Degree) from the University of Liverpool through the Cayman Islands Law School. He is an Attorney-at-Law, Justice of the Peace, former Minister of Tourism, Environment, Investment and Commerce, former Permanent Secretary, former Deputy Permanent Secretary and former Chief Inspector of Police. He is a graduate of the FBI National Academy.



Ms. Maria Zingapan is Director of the Economics and Statistics Office.

She provides overall strategic leadership, operational management, and technical peer reviews for all statutory outputs. Maria has been with ESO from April 2006 and is an economist with macroeconomics as her field of specialization. She has

a Master of Arts (Economics) from the University of the Philippines, with post-graduate fellowships and training on macroeconomic management at the International Monetary Fund Institute (Washington, DC.) and Brandeis University (Waltham, Massachusetts) and was a Hubert Humphrey Fellowship grantee at the American University (Washington, DC).



Mrs. Gloria Myles, Deputy Accountant General joined the Cayman Islands Government Treasury Department in March 2003 as the Funds and Cash Flow Manager, and was promoted to Deputy Accountant General in April 2010. As Deputy Accountant General her role is to provide financial, managerial and technical support to the Accountant General. Mrs. Myles is directly responsible for the cash management, debt recovery, payroll/ payment, reconciliation, administration and trust sections of the Treasury Department. During the span of a 30+ year career in the private and public sector Gloria received many awards, including graduating Magna Cum Laude from the International College of the Cayman Islands, with a Bachelor of Science, in accounting. She holds certifications

from The Chartered Institute of Bankers, American Hotel & Motel Association, first class passes in business communications, and obtained her CPA in 2004.

Gloria's zest for life, philosophy in personal development and advancement are the motivating factors that propel her to get involved in seminars and workshops geared to understanding and managing human resources, as well as trust, anti-money laundering and public sector reform. Her spare time is spent encouraging and preparing her grandchildren for a climate of change, challenges and opportunities, to build bridges and connect with the universe; in addition to her love for interior designing, decorating and gardening.



Ms. Theresa Walters is Deputy Accountant General

Treasury Department and is responsible for managing the preparation of the Central Government's budget and consolidated reports for the Entire Public Sector which includes Statutory Authorities and Government Owned Companies. Additionally, Mrs. Walters is the senior technical advisor on the Government's budgeting and reporting systems.

Theresa is an accounting professional with over 10 years' experience in the public and private sectors spanning finance, regulatory, business controls and internal audit. She is a member of the American Institute of Certified Public Accountants and holds a Bachelor of Arts degree in Accounting from the University of South Florida, graduating Magna Cum Laude in 2003.



Mr. Craig Milley, Director of Procurement took up this new post in the Cayman Islands Government in February 2015. Previously, Mr. Milley was the head of procurement for a mid-sized city in western Canada for almost a decade overseeing \$150 million in annual spend. He has two (2) internationally recognized professional designations in supply chain and procurement. He holds a Bachelor's degree with a double major in Political Science and History and a minor in Business Administration.

Mr. Milley has served on the Boards of several professional associations and was Vice-President of the Canadian Public Procurement Council which represented over 100 public agencies from all levels of government across Canada. He is an experienced conference speaker, university lecturer and is also on the adjunct faculty at Osgoode Hall Law School of York University's professional development program for government lawyers and procurement professionals.



Ms. Nina Vandine, Chief Financial Officer (CFO), commenced her tenure with the Portfolio of Finance & Economic Development as Deputy CFO in 2010 and took over as the CFO shortly thereafter. She has over 15 years of accounting experience in both the public and private sector. Nina earned her CPA and CMA designations in 2002. As CFO she advises on financial matters pertaining to the Ministry and ensures that the requirements of the Public Management and Finance Law are adhered to.

KEY EVENTS July 2015 – June 2016

JULY 2015

World Statistics Congress

Overdraft facility for Central Government no longer required from July 2014 and continues to be unnecessary in 2015-16

AUGUST 2015

Tabling of 2013-14 Audited Financial Statements of the Ministry

Charles Clifford joined as Collector of Customs

SEPTEMBER 2015

Matthew Tibbetts joined as Accountant General

OCTOBER 2015

Amendment of PMFL – to inter alia, change Government's financial year

CARICOM- Standing Committee of Caribbean Statisticians Meeting.

Travis Walters was the Deputy Governor's and the Ministry's Chief Officer's Employee of the Month

World Statistics Day

NOVEMBER 2015

Professional Development Week (partnered with CIIPA)

Tabling of 2014-15 Audited Financial Statements for the Ministry unqualified or "clean" Audit opinion

Tabled the 2016-17 Strategic Policy Statement

DECEMBER 2015

Concessions continued on building materials and for development on the Brac

System of National Accounts Survey for 2015 (regular survey and a special survey for the National Accounts Supply and Use Table);

Balance of Payments Reports 2014 released

System of National Accounts Report 2014 released

Release of the first International Investment Position Report

Maintained Moody's Aa3 credit Rating

JANUARY 2016

Budget memo, Circular issued- re preparation of 2016-17 Budget
Concession continued on diesel duty for CUC

FEBRUARY 2016

2015 Fall Labour Force Survey Report released
Average CPI for 2015 falls by 2.3%
Budget deadline for submissions
DG pronounced that Financial Secretary and the Ministry of Finance
“is the overall leader of the finance function in Government and
will champion improved financial performance across the entire
Government.”

MARCH 2016

Theresa Christian promoted to Deputy Accountant General

APRIL 2016

Tabled EPS 2015 Financial Statements in Legislative Assembly
Tabled the audited Financial Statements of the Ministry –for the year
ended 30 June 2013

MAY 2016

Budget 2016-2017 Tabled in Legislative Assembly
2015 Foreign Trade Report released
Annual Economic Report 2015 released
Presentation to SAGCs re Government's Financial Performance, 2015-16
Reporting, 2016-17 Budget Update, Impact of SAGCs' borrowing and
repayment of debt on FFR Ratios, Change in Financial Year-End Matters,
SAGC Dividend Formula, Bank Fees
Economics & Statistics Office Business Surveys

JUNE 2016

Finance Committee held on 2016-17 Budget
Household Budget Survey Report 2015 released

MANAGEMENT ANALYSIS AND DISCUSSION

HIGHLIGHTS OF ACHIEVEMENTS

Ministry Administration:

The Ministry enables the successful implementation of Government's fiscal policy; during the financial year 2015-2016 the Ministry's oversight and monitoring of the budgetary process; its preparation and analysis of monthly financial statements for the EPS; and its timely advice to Cabinet, enabled the Government to be fully compliant with the FFR for the 2015-16 year. This ranks among the Ministry's and Government's major achievements during the year. See letter below:



THE MINISTRY IS REQUIRED TO PROVIDE ADVICE TO CABINET ON THE FINANCIAL IMPLICATIONS OF ALL POLICY DECISIONS. DURING THE FINANCIAL YEAR, THE MINISTRY PREPARED OR CONTRIBUTED TO 45 PAPERS TO CABINET WHICH INCLUDED:

- 6 papers on acquisition of land/compulsory acquisition of property;
- 6 papers on lease of office spaces (Needs Assessment Unit, Breakers Licensing facility, Air Operations Base for RCIPS, relocation of Visa Office in Honduras, renewal of lease for Sunrise Adult Training Centre, and Family Support Unit for RCIPS);
- 4 papers on lease of crown land;
- 14 papers on Supplementary Funding/Reallocation of funding;
- 10 papers on Concessions/waivers of Coercive Revenue;
- 1 paper on amendment of legislation; and,
- 4 papers on other items such as action-plan for cyber security, survey on community attitudes towards older persons, the Ready2Work KY project, and third amendment of the NRA Agreement.

THE MINISTRY ALSO PREPARED 46 CABINET PAPERS AND NOTES RELATING TO:

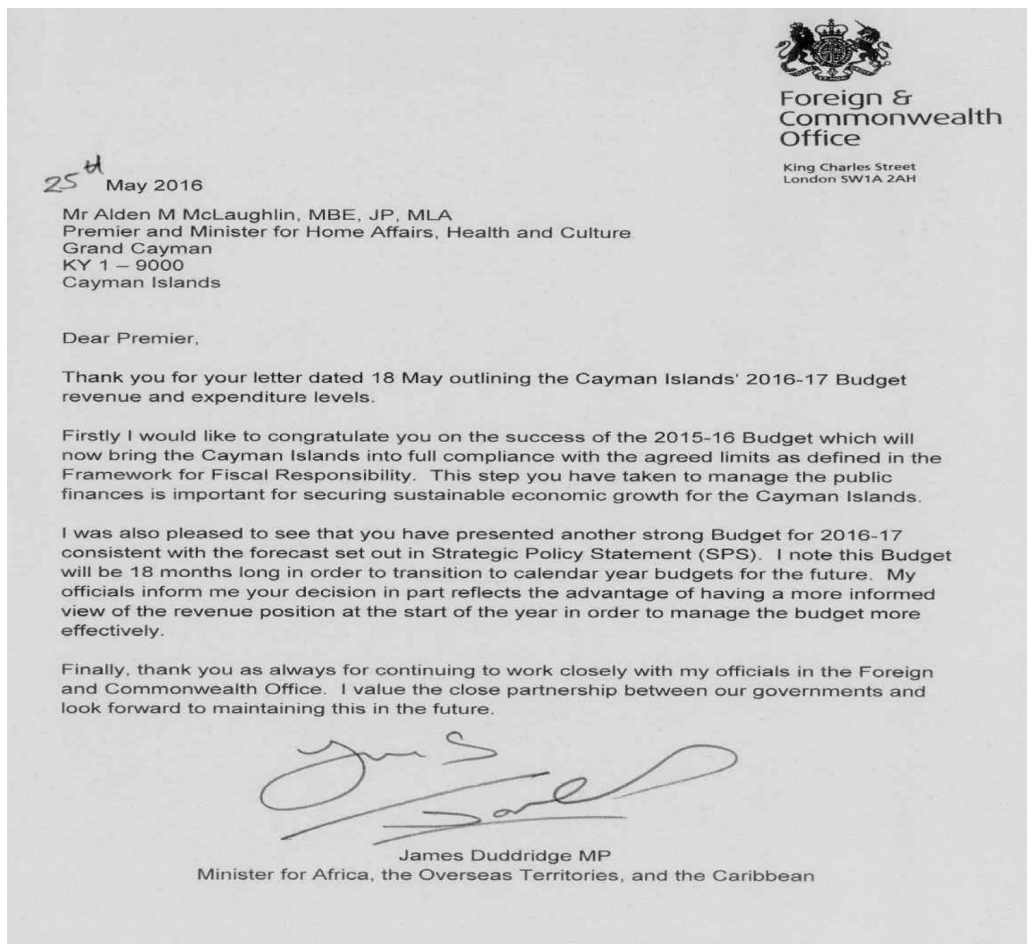
- 14 presentations of work performed by the ESO such as the Consumer Price Index, Household Budget Survey, Labour Force Survey, Balance of Payments and International Investment Position Report, Quarterly Trade Report, Quarterly economic reports, and Compendium of Statistics Reports;
- 5 papers seeking Cabinet approval to authorize the Honourable Minister of Finance to table in the Legislative Assembly audited financial statements for the Ministry and CINICO, as well as, analysis and commentary on unaudited management accounts;
- 6 papers seeking Cabinet's approval on amendment to legislation relating to Government fee laws and the PMFL;
- 3 papers on seeking approval of and tabling of the 2016-2017 Budget and Strategic Policy Statement (SPS);
- 10 papers on the requests for waiver of import duties/concessions;
- 3 papers on governance of Statutory Authorities, requesting approval for changes in Directors on CINICO and CIIPA Board, requesting approval to issue Deed of Indemnification of new directors of CINICO, and approval of a formula for calculating dividends to be paid by SAGCs to Government; and,
- Other papers sought approval relating to reduction of Government's healthcare costs, approval of pensions actuarial valuation reports, approval of write-off of overseas medical loan as well as removal of lien on a property.

IN ADDITION, THE MINISTRY PROCESSED REQUESTS FOR DUTY WAIVERS AS FOLLOWS:

APPLICATIONS PROCESSED FOR THE PERIOD OF: 1 July 2015 to 30 June 2016		
Type of Application	No.	Waived CI\$
Stamp Duty Waivers for First-Time Caymanian Property Buyers (Item 10(a)(i), Item 10(a)(ii), Item 10(b)(i) and Item 10(b)(ii) under the heading 'Conveyance or Transfer' in the Schedule to the Stamp Duty Law (2013 Revision) Ref: FIN/SD/FTC	259	3,318,649.50
Cayman Brac Stamp Duty Waivers (Section 20(6)(a) of the Stamp Duty Law (2015 Revision) Ref: FIN/SD/CB	11	84,356.75
Waiver/Refund of Import Duty (Section 50 of the Customs Law (2012 Revision) Ref: FIN/CUS/4	321	883,015.83
Stamp Duty Waivers under the Discretion of the Minister of Finance and Economic Development (Section 20(6)(a) of the Stamp Duty Law (2013 Revision) Ref: FIN/SD/20(6) (a) The Minister of Finance takes any request for a waiver exceeding \$20K to Cabinet for a decision	30	5,441,021.50
TOTAL APPLICATIONS PROCESSED	621	9,727,043.58

TREASURY

- **Preparation of an 18-month budget of approximately \$1.2 billion (for EPS) with minimal discrepancies facilitating timely review and approval by the Legislative Assembly within statutory timelines (see letter below from Minister for Overseas Territories);**



- Produced Financial Statements for 2014-15 within statutory deadline;
- Coordinated valuation EPS Real Property and Roads Network lead by the Ministry;
- Reduced unreconciled inter-agency transactions by 99.4% from the 2014-15 financial year (i.e. \$160 million to less than \$1 million) by designing and disseminating EPS consolidation template;
- Developed a draft Chief Financial Officer Handbook to provide further guidance to Government's Chief Financial Officers on roles and responsibilities as mandated by the PMFL and Financial Regulations;
- Successful implementation of workable solution of Calendar Year Switch in Oracle IRIS and consequently making the 18-month financial year feasible-including facilitation of User Acceptance Testing and sign-off;
- Prudent management of operational and reserve funds (for largest cash balances ever held by Government) to maximize returns on cash balances, earned \$2.1 million on short term fixed deposits;
- Commenced the development of a foreign currency policy and procedures manual which is projected to save up to \$150K annually; and,
- Developed policy to govern the granting and management of loans made by the Government.

ESO

To accomplish ESO's primary objective of providing relevant, timely, credible and user-friendly information for economic monitoring and decision-making, several improvements were accomplished in the financial year 2015-16:

- **Released the first International Investment Position Report; for the first time ever, data on total foreign assets and foreign liabilities of Cayman Islands residents are compiled in the Report for 2014, which was released in December 2015;**
- *Released the Labor Force Survey (LFS, Spring Edition).* The LFS has been conducted annually since 2005 through the LFS Fall edition. The semi-annual LFS provided the Cabinet and general public with more accurate assessments of the labour market, particularly on the unemployment rate;
- Completed the Household Budget Survey (HBS) 2015. A key activity towards improving the accuracy of the CPI is the HBS 2015, which provides a comprehensive set of data on the consumption expenditure of households. The expenditures will be used in reviewing and updating the detailed components of the goods and services that make up the CPI;
- Included a new data set from the System of National Accounts (SNA); this SNA Report provides the most basic data set for measuring the overall health of the economy (the gross domestic product or GDP) and all the contributing sectors. Its details allow policy-analysts to identify sectors that weakened or strengthened during the year. In the Report released in December 2015, a new data set was included, that detailed the cost structure of industries which can be a very useful benchmark or planning tool for the private sector;
- Conducted a full update of the Household Register. The Household Register is a listing of all household dwelling addresses in the Cayman Islands, and is the main sampling frame for all household addresses including the Labour Force Survey. In view of the relatively high growth rate of the country's population, a full update of the Register was undertaken during the year. An updated Register is critical in drawing more representative samples for the LFS and other household surveys; and,
- Strengthened the legal framework. In 2016, the Statistics (Amendment) Law sought to further strengthen the ESO in carrying out its mandate as follows:
 - It explicitly excludes individual data collected by ESO from the application of the Freedom of Information (FOI) Law;
 - It authorizes the conduct of voluntary surveys among exempt companies with on-shore business operations, to facilitate their inclusion in the estimation of gross domestic product;
 - It specifies administrative requirements that the ESO should undertake in order to facilitate an unambiguous, transparent and easier enforcement of the Law.
 - It grants ESO the authority to determine and collect charges for customized statistical services provided to the private sector; and,
 - It increases the penalties faced by ESO employees if they commit an offence of unlawful disclosure of information under section 18 of the principal Law to that prescribed for respondents in section 19 of the principal Law.

CUSTOMS

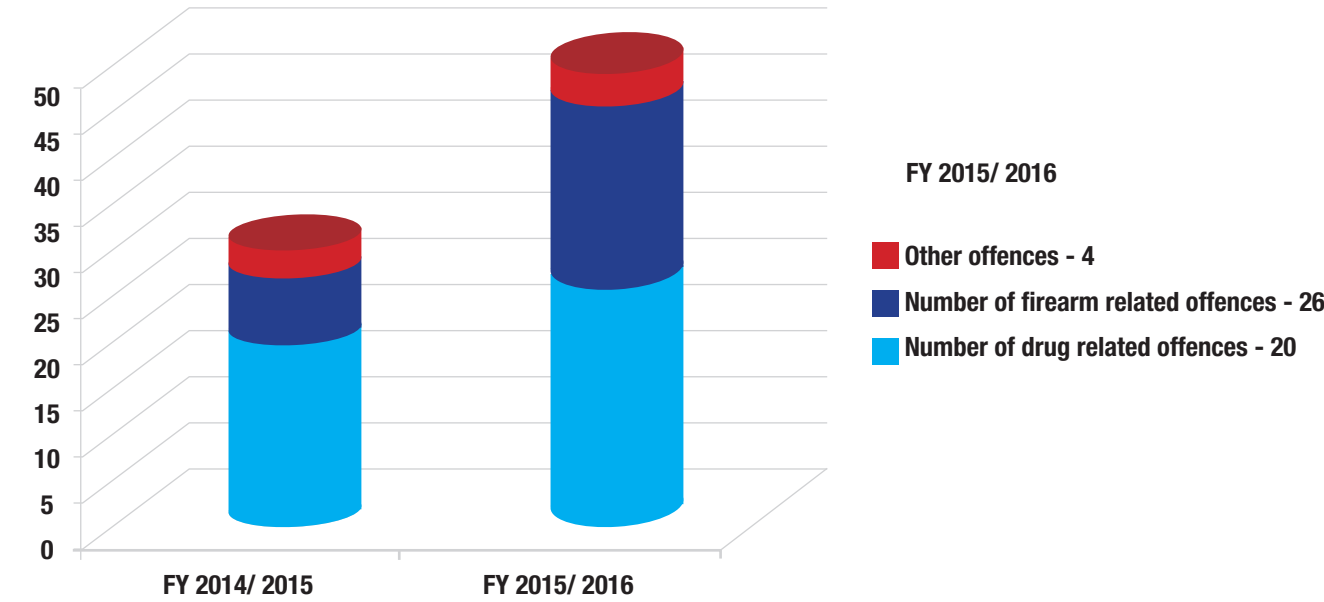
Exceeded projected revenue collection from an estimated \$151.006 million to an actual collection of \$161.603 million.

With renewed focus on the security of our Islands’ borders, Customs played an integral role in achieving its collective border protection mission by intercepting regulated, restricted and prohibited goods at the airports, seaports and mail centres. Customs continue to employ an intelligence-led approach to its border protection mission. The number of firearms seized in the current year represents a 73% increase over the previous year.

IN 2015-16, WE DETECTED OR SEIZED

PROHIBITED ITEMS	INCLUDING WEAPONS, REPLICA FIREARMS, AND OTHER DANGEROUS GOODS.	
26	FIREARMS	INCLUDING AMMUNITION, AIR-GUNS, FIREARM PARTS AND ACCESSORIES
20	DRUG IMPORTS	INCLUDING VARIOUS DRUG OFFENCES

CUSTOMS DRUG AND FIREARM OFFENCES DETECTED:



PERFORMANCE OVERVIEW

The information with respect to the years ended 30 June 2016 and 30 June 2015 is consistent with the figures in the financial statements at Appendix 1

MINISTRY STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2016 (30 JUNE 2015)

CI\$(000)	CI\$(000)	CI\$(000)
CASH AND CASH EQUIVALENTS \$11,424 (\$12,322)	MINISTRY NET ASSETS \$14,423 (\$13,816)	ACCOUNTS PAYABLE & OTHER ACCRUALS \$2,198 (\$1,872)
ACCOUNTS RECEIVABLE \$3,588 (\$4,278)		EMPLOYEE ENTITLEMENTS \$474 (\$469)
PROPERTY PLANT & EQUIPMENT & INTANGIBLES \$5,564 (\$5,310)		REPAYMENT OF SURPLUS \$3,481 (\$5,753)
TOTAL ASSETS \$20,576(\$21,910)		TOTAL LIABILITIES \$6,153(\$8,094)

MINISTRY'S STATEMENT OF FINANCIAL PERFORMANCE: COMPARISON TO PRIOR YEAR

Statement of Financial Performance	FY 2015	FY 2016	Variance
Actual CI\$000s			
Revenue			
Sale of goods and services	19,995	22,411	2,416
Investment revenue	2	1	(1)
Total Revenue	19,997	22,412	2,415
Expenses			
Personnel costs	13,439	15,634	2,195
Supplies and consumables	2,560	2,986	426
Depreciation/Amortization	748	735	(13)
Other operating expenses	2	(424)	(426)
Total Expenses	16,749	18,931	2,182
Surplus for the period	3,248	3,481	233

Total revenues increased by \$2.4 million due mainly to increased entity revenue from Cabinet to fund projected increases in expenses.

Total expenses for the financial year 2015-16 increased over the same period last year due to additional expenses in personnel and supplies and consumables as follows:

- Personnel Costs: payment of honorarium \$230K; payout of salary & pension to two Senior Customs officers \$620K; increase in Customs Officers salary \$450K; and vacancies filled \$685K; and,
- Supplies and consumables: payment with respect to Asset Revaluation \$200K; increase cost re Procurement Unit \$158K; and, increase census and surveys cost due to field work on the full update of the Household Register, \$58K.

Offsetting the increase in total expenses was a gain of \$426K on revaluation of assets.

Statement of Financial Performance	Current Year	Final	Variance
	Actual	Budget	
CI\$000s			
Revenue			
Sale of goods and services	22,411	23,518	1,107
Investment revenue	1	1	-
Total Revenue	22,412	23,519	1,107
Expenses			
Personnel costs	15,634	16,247	613
Supplies and consumables	2,986	3,331	345
Depreciation/Amortization	735	828	93
Other operating expenses	(424)	-	424
Total Expenses	18,931	20,406	1,475
Surplus for the period	3,481	3,113	(368)

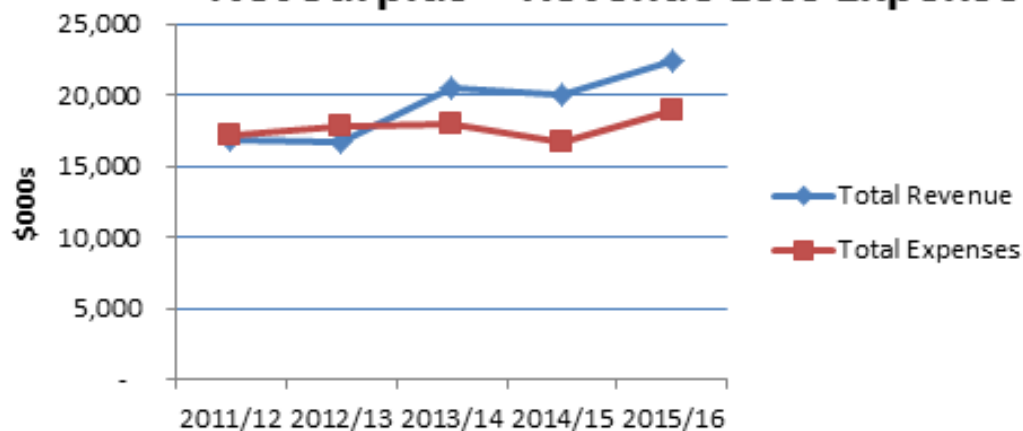
The intended increase in required entity revenue from Cabinet was not fully utilized by \$1.1 million due to the decline in total expenses as a result of the following:

- Timing of vacancies reduced actual personnel costs by \$613K compared to budget;
- Software support agreement not entered into as anticipated; and,
- Gain realized on revaluation of assets.

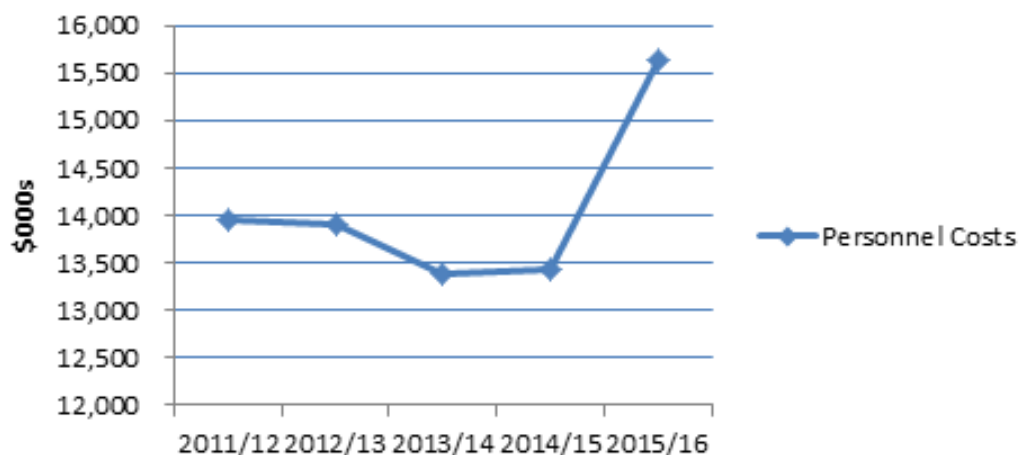
MINISTRY'S STATEMENT OF PERFORMANCE-FIVE YEARS

Statement of Financial Performance	2015-16	2014-15	2013-14	2012-13	2011-12
C\$000s					
Revenue					
Sale of goods and services	22,411	19,995	20,535	16,700	16,768
Investment revenue	1	2	1	1	1
Total Revenue	22,412	19,997	20,536	16,701	16,769
Expenses					
Personnel costs	15,634	13,439	13,388	13,913	13,958
Supplies and consumables	2,986	2,560	3,882	2,555	2,847
Depreciation/Amortization	735	748	687	526	321
Other operating expenses	(424)	2	1	767	(12)
Total Expenses	18,931	16,749	17,958	17,761	17,114
Surplus for the period	3,481	3,248	2,578	(1,060)	(345)

Net Surplus = Revenue Less Expenses



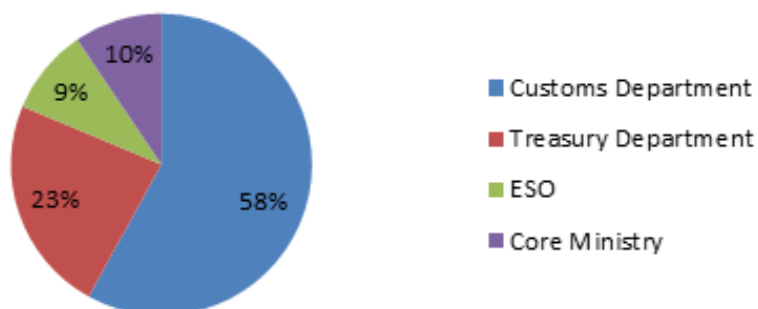
Personnel Costs



The increase in total expenditures during the financial year was due to an increase in personnel expenses relating to the 2016 honorarium, filled vacancies, redundancies, and salary increase for Customs Officers.

Statement of Financial Performance	2015-16				
Actual C\$000s					
	Customs	Treasury	ESO	Core Ministry	Total
Revenue					
Sale of goods and services	14,469	4,403	1,748	1,791	22,411
Investment revenue	1	-	-	-	1
Total Revenue	14,470	4,403	1,748	1,791	22,412
Expenses					
Personnel Costs	9,535	3,184	1,332	1,583	15,634
Supplies and consumables	1,171	1,199	414	202	2,986
Depreciation/Amortization	707	20	2	6	735
Other operating expenses	(424)	-	-	-	(424)
Total Expenses	10,989	4,403	1,748	1,791	18,931
Net Surplus for the period	3,481	-	-	-	3,481

Composition of Expenditure by Department



COERCIVE REVENUE

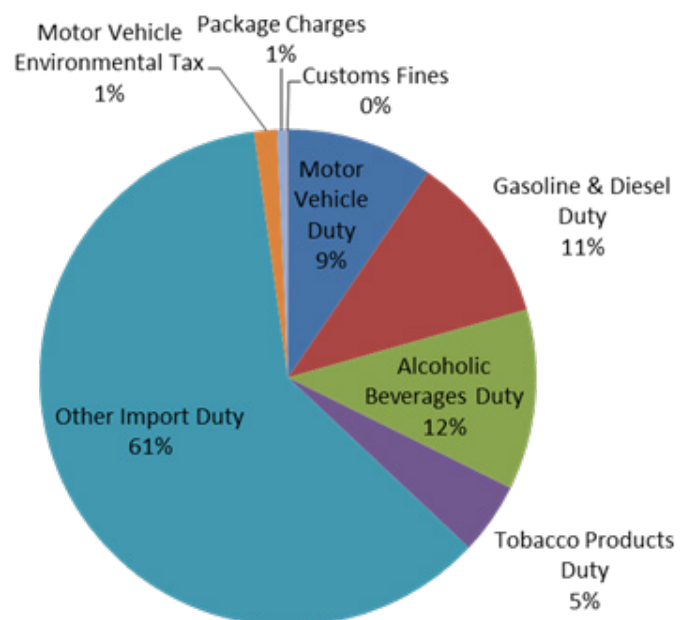
During the year, the Ministry collected coercive revenue of \$200.796 million (2015: \$177.225 million) of which \$161.404 million collected by Customs and another \$39.392 million by Treasury. See the table below with coercive revenue collected by the Ministry:

Description	CI\$ Actual	CI\$ Actual
	2014-15	2015-16
Motor Vehicle Duty	12,405,414	15,391,244
Gasoline & Diesel Duty	25,031,317	17,822,618
Alcoholic Beverages Duty	17,915,684	18,974,451
Tobacco Products Duty	8,121,559	7,557,282
Other Import Duty	91,013,632	98,119,029
Cruise Ship Departure Tax	9,927,342	10,647,688
Environment Protection Fund Fees	5,434,027	5,771,925
Motor Vehicle Environmental Tax	1,444,060	2,427,606
Proceeds of Liquidated Entities	-	16,651,730
Package Charges	998,240	1,011,194
Land Holding Companies Share Transfer Charge	279,986	1,284,412
Property Insurance Stamp Duty	1,361,605	1,414,190
Debit Transaction Fees	2,581,682	2,824,649
Other Fees, Taxes & Fines	710,388	898,448
Total	177,224,936	200,796,466

The total coercive revenue collected by the Customs Department forms an average 24% of total Coercive Revenue for Central Government. Below is a chart that further breaks down the percentage of revenue collected by Customs by revenue stream:

Coercive revenue does not form part of the Ministry's financial statements as explained previously.

Composition of Customs Coercive Revenue 2015-16



PERFORMANCE ANALYSIS

Objective 1: Restoring public finances in a sustainable manner

The 2015-16 SPS outlined the Government's fiscal mandate. The purpose of the 2015-16 SPS was to outline the Government's medium term fiscal plans and policy priorities, and also to establish the framework that guided the development of the 2015-16 budget. The SPS highlighted Government's continued commitment to ensure that compliance with all Principles of Responsible Financial Management was achieved by 30 June, 2016 in accordance with the FFR.

Strategies employed in achieving this objective included controlling expenditures, improving revenue collection (despite duty rate cuts on fuel and other goods), managing debt, and managing cash flows. Targets were detailed in the 2015-16 SPS for revenue and expenditures. The Ministry's role in coordinating and collating the annual budget ensured that budget submissions fell within those targets. Achieving an annual Surplus is the main underlying target for the budget.

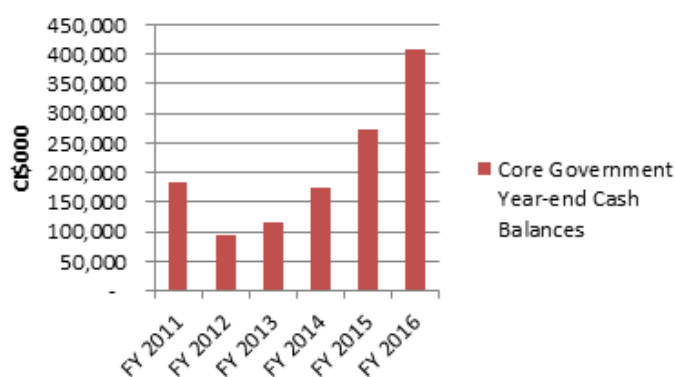
The Ministry also advised Cabinet on the financial impact of requests for supplementary expenditure from Ministries/Portfolios/Offices to ensure that the additional spending would not negatively impact the objective to comply with the FFR. During the year 14 Cabinet papers were prepared on Supplementary Funding and Reallocation of funding.

Management of debt was critical to ensuring compliance with the debt service ratio outlined in the FFR. The key component of debt management strategy was to fully extinguish bonds as they mature or refinance them as amortizing loans over a period of time. During the year the Ministry made, on behalf of Central Government, CI\$19.97 million in principal payments, CI\$27.7 million in interest payments, and US\$12 million payment for retirement of debt.

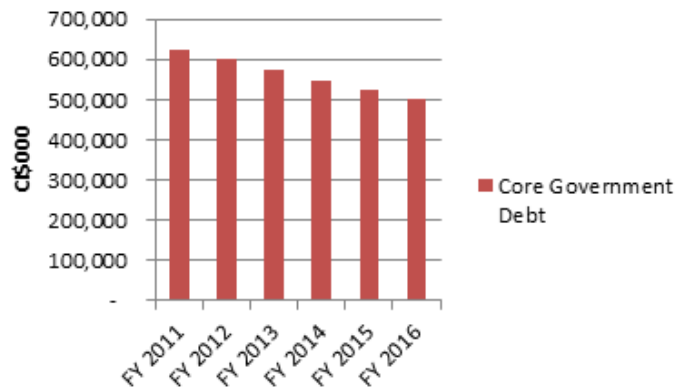
The Ministry's cash management strategies contributed to the achievement of the Government's commitment to no new borrowings, including no requirement for overdrafts. See charts below on Central Government debt and cash balances:

	CI\$000s					
Indicator	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Central Government Year-end Cash Balances	184,708	95,222	117,045	173,901	271,384	407,996
Central Government Year-end Debt Balances	625,215	599,285	573,850	548,933	523,322	503,318

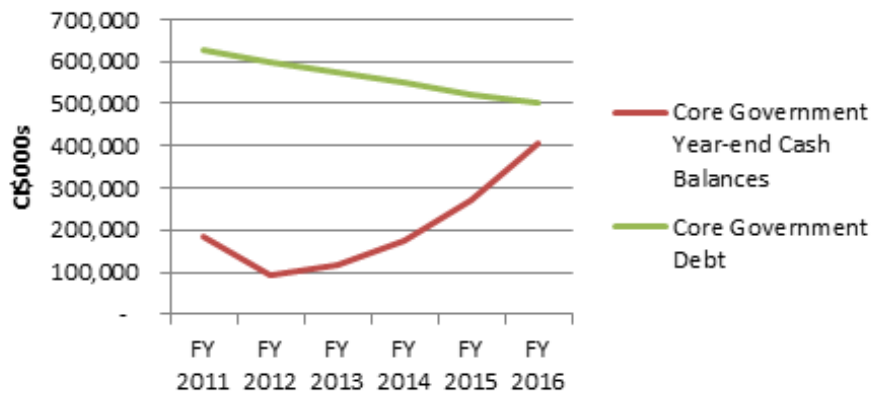
Central Government Cash Balances



Central Government Debt



Central Government Debt and Cash Balances



The Ministry was resolute in ceasing the use of overdraft facilities to fund Central Government expenditures. The following table below demonstrates that the overdraft facility was cancelled in July 2014 and has not been required since.

Overdraft Facility Limits

Financial Year	Comments	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
		CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000
2011/2012	Overdraft facility increased by CI\$10 million in December 2011 and reverted to pre-existing level of CI\$15 million in January 2012	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
2012/2013	Overdraft facility increased by CI\$10 million in July 2012 with a further increase of \$41 million in September 2012 and reverted to pre-existing level of CI\$15 million in January 2013	25,000	25,000	66,000	66,000	66,000	66,000	15,000	15,000	15,000	15,000	15,000	15,000
2013/2014	Overdraft facility increased by CI\$15 million in July 2013 with a further increase of \$16 million in September 2013	30,000	30,000	30,000	30,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000
2014/2015	Overdraft facility cancelled 4 July 2014	-	-	-	-	-	-	-	-	-	-	-	-
2015/2016	No overdraft facility	-	-	-	-	-	-	-	-	-	-	-	-

Cash flow management was also pivotal to compliance with the FFR to build cash balances and achieve the minimum 90 days of unrestricted liquid cash balances: For the first time, in October 2015, Government's cash balances exceeded the 90-day minimum and, were at a level that could cover 116 days of operating expenditures.

Cash flow management included: timely bank reconciliation to ensure cash collected was deposited expeditiously; and monitoring of expected outflows and inflows of cash. In addition, preparation of quarterly cash flow statements and quarterly revised revenue projections enabled the Ministry to monitor cash inflows and outflows.

Prudent cash flow management, controlling expenditures and building cash reserves continues to

facilitate the Government's objective to meet its obligation to repay a 'bullet-bond' due November 2019 of US\$312 million (CI\$261.3 million).

The Ministry is pleased to have facilitated the Government being able to achieve full compliance (based on unaudited results to 30 June 2016) with the FFR. This is a major achievement as it is the first time that the Cayman Islands Government has done so since the FFR came into force in 2012. The table below reflects the following:

- Increasing Operating surpluses since fiscal year 2012-13;
- Increasing positive net worth since inception of FFR in 2012;
- Debt servicing ratio compliant in 2015-16 after two years of being above 10%;
- Cash reserves compliant in 2015-16, the first time this has been achieved since 2012; and,
- Fully compliant with financial risk mitigation.

Principles of Responsible Financial Management

Principle	Forecast Actuals 2015-16	Audited Actuals 2014-15	Audited Actuals 2013-14	Actuals 2012-13	Actuals 2011-12
	CI\$000s	CI\$000s	CI\$000s	CI\$000s	CI\$000's
Operating Surplus: Should be positive (Operating surplus = Central Government operating revenue - Central Government operating expenses)	<u>Complies</u> Surplus = \$128.3 million	<u>Complies</u> Surplus = \$124.9 million	<u>Complies</u> Surplus = \$104.8 million	<u>Complies</u> Surplus = \$53.6 million	<u>Does not comply</u> \$(18.3) million deficit
Net Worth: should be positive (Net worth = Central Government assets – Central Government liabilities)	<u>Complies</u> Net Worth = \$1.1 billion	<u>Complies</u> Net Worth = \$1,610.8 million	<u>Complies</u> Net Worth = \$1,452.8 million	<u>Complies</u> Net Worth = \$1,396.9 million	<u>Complies</u> Net Worth = \$1.3 billion
Borrowing: Debt servicing cost for the year should be no more than 10% of Central Government revenue* (Debt servicing = interest + other debt servicing expenses + principal repayments for Central Government debt, public authorities debt and self-financing loans and contributions to debt repayment sinking fund)	<u>Complies</u> Debt servicing = 9.45%	<u>Does not comply</u> Debt servicing = 18.6%	<u>Does not comply</u> Debt servicing = 11.48%	<u>Complies</u> Debt servicing = 9.6%	<u>Does not comply</u> Debt Servicing = 10.8 %
Net Debt: should be no more than 80% of Central Government revenue (Net debt = outstanding balance of Central Government debt + outstanding balance of self financing loan balance + weighted outstanding balance of statutory authority/ Government company guaranteed debt - Central Government Unrestricted Cash + General Reserves)	<u>Complies</u> Net Debt = 33.3%	<u>Complies</u> Net Debt = 60.6%	<u>Complies</u> Net Debt = 78.7%	<u>Does not comply</u> Net Debt = 116.7%	<u>Does not comply</u> Net Debt = 107.8 %
Cash Reserves should be no less than estimated executive expenses for 90 days: (Cash reserves = Central Government Unrestricted Cash at lowest point during FY + General Reserves)	<u>Complies</u> Cash reserves = 113 days	<u>Does not comply</u> Cash reserves = 61.7 days	<u>Does not comply</u> Cash reserves = 30.2 days	<u>Does not comply</u> Cash reserves = < 1 day	<u>Does not comply</u> Cash reserves = 68.5 days

Principles of Responsible Financial Management Continued ...

Principle	Forecast Actuals 2015/2016	Unaudited Actuals 2014/2015	Actuals 2013/2014	Actuals 2012/2013	Actuals 2011/2012
	CI\$000s	CI\$000s	CI\$000s	CI\$000s	CI\$000's
Financial risks should be managed prudently so as to minimize risk	<u>Complies</u> Minimal currency risk due to fixed exchange rate. Does not engage in trade in commodities. Liquidity risks by strict cash management routines and limited credit. As far as possible credit backed by customer deposits Insurance cover exists for all Government buildings, vehicles and major potential liabilities. Hurricane Preparedness & Response Strategy in place. -	<u>Complies</u> Minimal currency risk due to fixed exchange rate. Does not engage in trade in commodities. Liquidity risks by strict cash management routines and limited credit. As far as possible credit backed by customer deposits Insurance cover exists for all Government buildings, vehicles and major potential liabilities. Hurricane Preparedness & Response Strategy in place.	<u>Complies</u> Minimal currency risk due to fixed exchange rate. Does not engage in trade in commodities. Liquidity risks by strict cash management routines and limited credit. As far as possible credit backed by customer deposits Insurance cover exists for all Government buildings, vehicles and major potential liabilities. Hurricane Preparedness & Response Strategy in place. Hurricane Preparedness & Response Strategy in place.	<u>Complies</u> Minimal currency risk due to fixed exchange rate. Does not engage in trade in commodities. Liquidity risks by strict cash management routines and limited credit. As far as possible credit backed by customer deposits Insurance cover exists for all Government buildings, vehicles and major potential liabilities. Hurricane Preparedness & Response Strategy in place.	<u>Complies</u> Minimal currency risk due to fixed exchange rate. Does not engage in trade in commodities. Liquidity risks by strict cash management routines and limited credit. As far as possible credit backed by customer deposits Insurance cover exists for key assets and major potential liabilities. Hurricane Preparedness and Response Strategy in place.

Objective 2: Providing prudent fiscal management of the finances of Government

The Ministry is committed to ensuring prudent fiscal management of Government's finances through development, implementation, and monitoring of sound fiscal policies in accordance with the PMFL and to supplement those policies with procedures as necessary.

During the year revisions were made to the PMFL and development of key fiscal policies commenced to enhance the PMFL:

AMENDMENTS TO THE PMFL (2013 REVISION)

- Changed the financial year to a calendar year;
- Changed the timeframe for gazetting budget timelines;
- Implemented multi-year budgeting; and,
- Made provisions for incidental and connected matters.
-

These enhancements will assist in streamlining (especially during an election year) the budget process, improve capital budget planning from short-term to medium term in line with the SPS, and improve cash flow management due to timing of majority of income collected during the year.

DEVELOPMENT OF KEY POLICIES

▪ Centralized procurement

To ensure Public Sector expenditures remain in-check and to further enhance the prudent management of public sector finances, the Government took steps to improve its procurement regime. The Ministry led the initiative to leverage the immense buying power of the Cayman Islands Government through a centralized procurement system.

To further that effort, the Ministry recruited the Director of the Central Procurement Office in February 2015. There are three key deliverables:

- To create a new Procurement Law and the follow-on regulations, policies and procedures;
- To establish a central procurement function to set government standards, tools, and templates; and,
- To identify areas where there is savings potential from government contracts through detailed spend analytics and piloting the use of electronic reverse auction methodologies and other management approaches to pursue identified savings targets.

Standardization in specification and policies are expected to yield numerous benefits such as reduced costs, reduced future maintenance costs on vehicles, machinery and equipment, greater transparency in the procurement process and greater compliance by private sector merchants wishing to do business with the Government.

During the 2015-16 financial year the following were completed:

- Working drafts of Bill and Procurement Law & Regulations were produced (July. 2015);
- Stakeholder Consultation on Bill and Regulations (September 2015); and,
- Submission of working drafts of Bill and Regulations to Legislative Draughting Unit (September 2015).

In September 2016 the Procurement Bill was gazetted.

▪ **Transfer payments framework**

Transfer payments are monetary payments, or transfers of goods, services or assets to third parties. Transfer payments do not result in the acquisition by the Government of any goods, services or assets.

Transfer payments represent a significant part of the Government's spending. Their tangible results touch the lives of Caymanians and others every day, and cover all sectors of society. Transfer payments include grants, contributions and other transfer payments.

A Transfer Payment framework was developed in March 2016 to correct the deficiencies identified in the Auditor General's report on the Nation Building Fund and the Auditor General's subsequent report "Government Programmes Supporting Those in Need." The Framework provides assurance that the appropriations made by Cabinet are properly accounted for. The Framework clearly sets out the role of Ministers and Chief Officers in respect of transfer payments.

▪ **Revenue Framework**

The Government, through the Ministry of Finance, to begin addressing recommendations made by the Auditor General, took steps (hired a Consultant in February 2016) to specifically address revenue completeness which led to the development of a revenue framework.

The Revenue Framework will include policies to cover the Financial Regulation's specific requirements such as an internal controls policy (Regulation 29) and a risk management policy (Regulation 31). In addition, the Framework will include a reporting policy as required by Financial Regulations (Regulation 4). The Framework seeks to ensure that current governance laws and financial regulations are enhanced through the establishment of an umbrella of centralized relevant and required policies and procedures such that:

- The concerns highlighted by the Auditor General's report are addressed;
- Chief Officers have a road-map to customize their Ministry's/Portfolio's/Office's Policies and Procedures; and, to ensure
- Prudent management of revenue is enhanced.

Other policies that will be included in the Framework relate to financial management structure, revenue collection, revenue concessions/waivers, bad debts/arrears, and guidelines on financial training, minimum qualifications, and financial systems.

ADVICE AND GUIDANCE

The Ministry provides financial advice and guidance to Ministries/Portfolios/Offices and SAGCs. During the year the Ministry:

- provided guidance on producing the first ever 18month budget for the EPS, which was completed within the required deadline; and,
- met with SAGCs and did a presentation on government's 2015-16 financial performance, 2015-16 reporting requirements, update on Budget 2016-17, impact of SAGC's borrowing and repayment of debt on the FFR ratios, change in financial year-end matters, dividend formula, and potential reductions in bank fees.

OVERSIGHT

The Ministry provides oversight for the Central Tenders Committee (CTC) which coordinates, processes and scrutinizes competitive tenders for government contracts in excess of \$250K to ensure Government receives the best quality and price. An employee of the Ministry is the Deputy Chair of the CTC. See information below on membership, attendance of meetings and worked performed by the CTC:

- Names of Members

NAME	NICK FREELAND (CHAIRMAN)	LEE RAMOON (DEPUTY CHAIRMAN)	WANDA EBANKS	RICHARD HARRIS	EDWARD HOWARD	JOHN THOMPSON	JERRY WOOD
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- Number of meetings held: 30
- Number of contracts awarded: 22
- Value of contracts awarded: \$71.931 million
- Types and relevant value of contracts awarded:

TYPE OF CONTRACT	#	VALUE CI\$
COMMUNICATION	4	1,996,356
COMPUTERS	1	288,284
CONSTRUCTION	11	58,006,226
DEMOLITION	1	350,000
JANITORIAL	3	1,308,395
TRANSPORTATION	1	8,485,012
VEHICLES	1	1,496,715

Objective 3: Facilitate economic growth

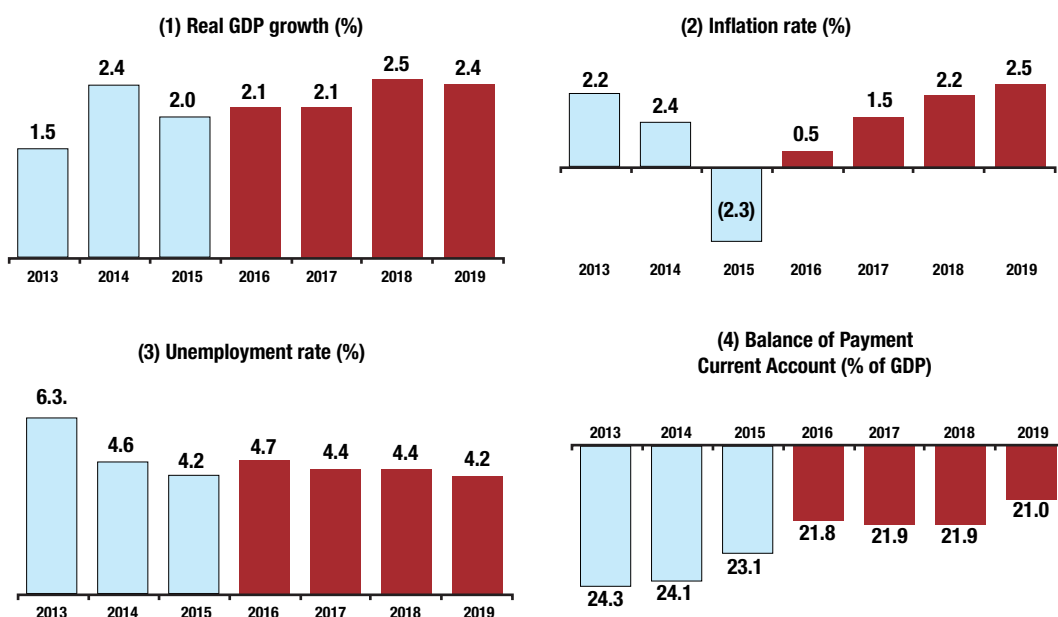
In the absence of an independent Central Bank that dictates monetary policy in the Cayman Islands, (instead a currency board system is operated), fiscal policy is the principal instrument by which the Central Government impacts the country's economic growth. Fiscal policy is determined by the Cabinet and is established through the Central Government's budget along with the underlying revenue and expenditure policies.

The main roles of the Ministry in supporting the Cabinet's fiscal policy-making and implementation in the 2015-16 financial year are as follows:

Provided the Cabinet, through the Minister for Finance and Economic Development, the supporting information to make regular assessments on the country's macroeconomic condition and outlook in the near-term (within the year) and medium-term:

- Macroeconomic performance: economic growth (preliminary and actual estimates of economic growth by major sector, and forecasts), consumer price index inflation rates, labour force and employment, overall economic transactions with the rest of the world (foreign trade and other external sector statistics), money supply and domestic credit;
- Key sector developments: financial services, tourism, construction intentions, real estate transfers, utilities and telecommunication;
- Fiscal operations of the central government: overall balance, revenue, expenditure, primary balance, and outstanding debt. The annual indicators include fiscal sustainability indicators. See charts with key economic indicators below:

STRATEGIC POLICY STATEMENT FY 2016/17 MACROECONOMICS ESTIMATED AND FORECASTS



- Assisted the Cabinet in fiscal planning, primarily the preparation of the Central Government's annual budget in coordination with all Ministries. The Ministry provided budget guidelines and advice to the EPS on preparation of the first 18-month budget for the Government. The Ministry collated and consolidated the budgets and managed the process from inception to approval by Cabinet and the Legislative Assembly; and,
- Monitored and provided to Cabinet regular reports on the Central Government's fiscal position and forecasts in the near term and medium-term in accordance with the PMFL. The Ministry provided Quarterly reports on the performance of the EPS compared to the established budget to ensure compliance with the FFR.

The Ministry provided advice to Cabinet on the financial implications of revenue concessions and reduction in import duties to stimulate growth.

During the year Cabinet approval was sought and obtained:

- To extend the concessions on import and stamp duty for Grand Cayman to 31 December 2016 and for Cayman Brac and Little Cayman to 31 December 2020;
- To reduce the import duty rate on diesel imported by Caribbean Utilities Company ("CUC") for the generation of electricity from 50 cents to 25 cents per imperial gallon, effective 1 January 2016; and,
- To continue reduced duty rates on certain building materials.

The Ministry enabled the Government to successfully implement its objectives to restore government's finances in a sustainable manner and provided prudent fiscal management without levying additional taxation on the people of the Cayman Islands which would have had a negative impact on the economy.

RISK MANAGEMENT

Financial 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, and creditors and other payables. The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

THE MINISTRY:

- does not have significant concentrations of credit risk for its other financial instruments;
- has no significant exposure to currency exchange loss risk and interest rate risk;
- closely monitors its forecast cash requirements with expected cash draw-downs from Cabinet and receipts from the public and maintains a target level of available cash to meet liquidity requirements; and,
- financial liabilities (creditors and payables) will be settled promptly.

In addition to managing financial risks at the Ministry level, the Ministry also manages financial risks for Central Government such as credit risks, liquidity risks, and interest rate risks.

ESO

Managing reputational risk can lead to greater utility of ESO's published information, and ultimately help its data users make efficient choices. In each data collection activity, ESO therefore seeks to minimize the risk factors that can negatively impact the credibility, relevance, timeliness, and user-friendliness of the information provided. See ESO annual report at www.eso.ky

CUSTOMS

The Customs Department recognizes the risk of potential revenue loss from under declaration of un-customed goods, and the risk that contraband, restricted or prohibited goods may cause if they enter the country undetected. The department mitigates this risk through detailed inspections based on pre-determined risk profiles, information and intelligence.

The Customs Freight Security Initiative (FSI) and Non-Intrusive Inspection (NII) detection technology programme increases the Customs Department's capacity and efficiency to scan a larger portion of inbound and outbound maritime cargo container traffic for the presence of contraband in less time while facilitating legitimate trade. These tools also provide the Customs Department with a significant capability to protect Government's revenue and to detect and interdict weapons and other contraband at, and between, the airport and seaport. These systems include a large-scale Mobile X-Ray Imaging Systems, as well as a variety of small-scale units. See Customs annual report at www.customs.gov.ky.

SCRUTINY BY THE LEGISLATIVE ASSEMBLY AND THE PUBLIC

Members of the Legislative Assembly routinely scrutinize the reports tabled in the House by the Honourable Minister of Finance and Economic Development. These reports typically include:

- Audited financial statements of the Ministry;
- Audited financial statements of the EPS;
- Strategic Policy Statement;
- Annual and Bi-annual Budget (effective 1 January 2018);
- Bills and Regulations as approved by Cabinet; and,
- Answers to Parliamentary Questions.

The Ministry is committed to providing timely support to the Minister in each sitting of the House, whether it is during the budget debates, finance committee, or presentation of Bills to the House.

FREEDOM OF INFORMATION

The Freedom of Information Law came into effect in 2007.

During the year there were 19 requests that were received and processed by the Ministry. These requests covered topics such as:

1. With respect to the used tyre tender award CTC/14-15/DEH/021 - ALL records held by the Cayman Islands Government in respect of the tendering and award of the contract, including, but not limited to, the names of the applicants along with a copy of the contract, in respect of the above.
2. Access to the records on the Government's active insurance policies.
3. Request for information on jobs which are currently held by work permit holders whose permits expire this year or next year.
4. Request for copies of the actuarial valuation dated Jan 1. 2014 and associated report completed for the three retirement funds managed by the Public Service Pensions Board.
5. Request for information on: (1) whether all UK senior members of the RCIPS have fulfilled their stamp duty obligations for the years 2009-2015 for rented accommodation and/or unregistered leases; (2) that all foreign employees of CIG have fulfilled their stamp duty obligations for the years 2009-2015 for rented accommodation and/or unregistered leases; (3) Amounts collected by Government for stamp duty under Section 20(4) for the years 2009-2015 for rented accommodation and/or unregistered leases; and (4) Section 30(1) enforcement action taken by your portfolio for stamp duty under Section 20(4) for the years 2009-2015 for rented accommodation and/or unregistered leases.

- 6.** Request for information on the liability and motor insurance policies of the Cayman Islands Government that are currently in force.
- 7.** Request for information on the procurement training held by the Ministry.
- 8.** Information on bringing meat from the USA for personal use.
- 9.** Information on LPG/Propane that was imported in 2014.
- 10.** Customs fee inquiry on the importation of used vehicles.
- 11.** The amount of salt that was imported in 2013 and 2014.
- 12.** Query on importing duty free personal effects for residents.
- 13.** Clarification on the prohibition of Tasers being imported.
- 14.** Query on Security Contracts, to include:
 - a.** Copy of all current contracts with private security firms;
 - b.** Amount spent on private security for each of the past five (5) financial years (2011-2015); and,
 - c.** The number of private security guards used in the past five (5) financial years.
- 15.** The amount of pharmaceuticals that were imported during Jan-Dec 2013, 2014 and 2015
- 16.** Car import information – are there any other restrictions than what is stated on the Customs website?
- 17.** Customs fee inquiry on the importation of used vehicles.
- 18.** Request for a list of jobs that are currently held by work permit holders (specifically in areas of finance and office administration/management) that would expire in 2015 or 2016.
- 19.** The quantity of propane generators, diesel generators, fire alarm panels, UPS units (uninterrupted power supply), and garage door openers that were imported during 2013, 2014 and 2015.

The Ministry is focused on quality service and we are happy to report that there has not been any undue delay with providing disclosable information.

INTERNAL AND EXTERNAL AUDIT UPDATE

The Ministry welcomes objective scrutiny by its external auditors (Office of the Auditor General) and the Internal Audit Unit.

The Ministry received an unqualified “clean” audit report from the Auditor General with respect to financial year 2014-2015.

In the 2013-14 audit of the EPS (which is Central Government along with SAGCs), the Office of the Auditor General identified a number of issues which lead to an adverse audit opinion being issued. These issues and the action taken by the Ministry to address them are as follows:

- **The valuation of Property, Plant, and Equipment being inconsistent and incomplete** - In order address this qualification, the Ministry of Finance worked with Lands and Survey Department to undertake a Public Sector wide valuation of all Real Property and Roads. To ensure this was executed timely and to ensure completeness this was funded centrally by the Ministry of Finance through savings identified within the Ministry.
- **Consolidation issues within the Entire Public Sector consolidation** – The EPS Reporting Unit with the Treasury Department took a strong lead on coordinating the consolidation process in 2014-15 and will also do the same for 2015-16. The result for the 2014-15 year was a reduction of unreconciled inter-agency charges by 99.4%, which is a significant improvement.
- **Public Sector Pensions Board (PSPB) Fund to be consolidated into EPS accounts** – The PSPB has received legal advice from their private sector legal counsel which indicates that the PSPB should not be included in the EPS accounts. The Ministry has passed the advice received by PSPB to the Attorney General’s Chambers and we are seeking confirmation as to whether this advice is correct. Depending on the advice from the Attorney General, this may not require further action.
- **Revenue Completeness** – The Ministry of Finance hired a consultant to specifically address revenue completeness of the EPS. A framework has been developed; however, further consultation is required before this framework can be implemented.
- **Inclusion of Healthcare and Pension Liability and the relevant expenditure** – Information related to healthcare and pension liabilities and expenses were disclosed in the notes to the financial statements. With discussion still ongoing with the Civil Service Association regarding healthcare benefits and the possibility of provider choice, it is anticipated that these discussions could change liabilities and expenses substantially.
- **Ongoing Audits** – The Office of the Auditor General has confirmed that the outstanding older audits for 2012-13 and 2013-14 is targeted for completion by 31 August 2016. It is anticipated that the Office of the Auditor General will have all accounts brought up to date within the 2016-17 fiscal period.

The Internal Audit Unit conducted a review of the **Debt Recovery** Unit within the Treasury Department. The Unit has since developed a Policy on loans which encompasses all loans made by Central Government. This policy should address the major issues raised by the Internal Audit Unit.

CROSS-GOVERNMENT COMMITMENTS

The Ministry was involved in a number of cross-government commitments during the financial year.

- The Ministry of Finance coordinated and chaired, Accountant General led, monthly Chief Financial Officer meetings.
- The Ministry coordinated and presented the draft Public Authorities Bill to all SAGCs.
- The Treasury Department participated in the E-Government Cyber Security Committee.
- ESO annually provides the macroeconomic forecasts, assumptions and report on the economy in the preparatory phase of the Government budget process coordinated by the Treasury Department.
- ESO provided technical assistance to other agencies; conducted surveys on behalf of Radio Cayman and the Older Persons' National Steering Committee.
- Recommendations by the Minimum Wage Advisory Committee and the Employment Committee (both of which were coordinated and monitored by the Ministry of Employment) were followed through, including planning for the conduct of the Occupational Wage Survey in financial period 2016-17.
- Provided Data and/or advice to the Law Commission, the Ministry of Financial Services, Department of Family and Children Services, and Lands and Survey Department. The ESO's Statistician 1 (Statistical IT) was requested to appear as a witness in court on Census earnings data.
- The Customs Department was represented on the CFATF Committee which has been established by Cabinet in order to prepare the Cayman Islands for the upcoming jurisdictional assessment with respect to 'standards on combating Money Laundering and the Financing of Terrorism & Proliferation'.
- Customs collaborated with other government agencies including but not limited to: The Port Authority of the Cayman Islands; Special Economic Zone Board; and, Local Law Enforcement Joint Steering Committee.

LOOKING FORWARD

The Ministry prepared the 2016-17 SPS, which was Tabled in the Legislative Assembly on 25 November 2015. The Ministry also coordinated the 2016-17 Budget which was Tabled in the House on 30 May 2016. These two documents contain specific goals for each Central Government agency.

The specific goals by agencies within the Ministry are:

FINANCE ADMINISTRATION

- Update the Ministry's strategic plan to provide a framework for developing objectives in line with the Government's overall goals, assigns key performance metrics and outlines risks to achieving those objectives;
- Continue to provide guidance for compliance with PMFL on:
 - Compiling Annual Reports;
 - Completing an internal controls self-assessment; and,
 - Clearly defining significant risks that may prevent achievement of objectives and ensuring that risks are mitigated;
- Completing Concession/Waiver Framework;
- Continuing implementation of more coordinated central procurement programme;
- Developing guidelines to further streamline the budget process, including timely re-assessment of assumption and revised projections;
- Completing policies that form a comprehensive revenue management framework.

ESO

In addition to the core surveys conducted regularly for the PMFL, the ESO will undertake the following key initiatives in the financial period 2016-17:

- New statistical activities
 - **Revision of the Consumer Price Index (CPI) basket**
The CPI is the indicator of general price level in the country, and wages, salaries, pensions, and electricity rates are often adjusted to reflect changes in the CPI, or cost of living. Detailed expenditure information collected from the Household Budget Survey 2015 will be used to derive the new CPI "basket" of goods and services on which households typically spend money. It will also be used to derive the "weight" for the different categories of expenditure.

It is envisioned that the new CPI series using the updated CPI basket will be published in the third quarter of 2017.

- **Construction of a National Accounts “Supply and Use” Table (SUT)**

A SUT is a set of matrices that record how the supplies of goods and services originate from domestic production and imports, and how those supplies are used between the various intermediate or final uses, including exports. It provides the complete framework for estimating simultaneously the three accepted approaches for measuring GDP: production approach, income approach and expenditure approach. A SUT will therefore facilitate the estimation of GDP by expenditures, a basic macroeconomic data set which is currently lacking for the Cayman Islands.

When completed by the end of 2017, the SUT will provide a comprehensive snapshot of the structure of the Cayman Islands economy and the interdependencies between industries and hence provide a framework for linkage or impact analysis across sectors. The SUT also serves as the basis of the Tourism Satellite Account (TSA) that facilitates the estimation of the total contribution of tourism-related services to GDP.

- **Conduct of an Occupational Wage Survey (OWS)**

This survey was approved by Cabinet in accordance with the recommendation of the Minimum Wage Advisory Committee. The primary purpose of the survey is to provide a comprehensive database of employee remuneration across all occupational groups and industries in the Cayman Islands. A secondary purpose is to establish an employer-based database of employment (as the current ESO database is generated from the LFS which is a household survey).

The OWS is planned to be conducted in October to December 2016 covering all employers in the Islands, and all detailed occupational groups based on the International Standard Classification of Occupations (2008 Revision).

- **Provision of new technical assistance and special reports**

ESO will continue to assist agencies subject to availability of resources. To date, the Elections Office requested a listing of household dwelling addresses for all enumeration areas across all districts for use in the “election door-to-door voter’s registration and verification exercise” in August to September 2016. The dataset will be generated from the ESO Household Register.

In view of the General Elections in 2017, ESO is also expected to prepare the Pre-Election Economic Report in April 2017.

- **Building new capacity in technical and human resources:**

- New CPI customized data processing system;
- Website redevelopment; and,
- Training of staff members.

TREASURY

The Treasury Department will focus on addressing the following matters in future:

- Manage Oracle accounting system (IRIS) and implement enhancements/upgrades to facilitate and improve financial reporting and compliance with PMFL.
- Reimplementation of the IRIS system to address recommendations from the PMFL Review Committee.
- Promote acceptance and use of IPSAS and provide guidance in the application of these standards – specific training to be provided at Professional Development Week;
- Improve governance by taking a more direct approach to financial monitoring and advisory services. Some achievements in this area include the development of a Public Finance and CFO Handbook and Annual Reporting Template developed;
- Improve quality of revenue forecasts by strengthening working relationships with key revenue collecting agencies, developing robust econometric models for revenue forecasting and obtaining expert technical assistance for forecast training;
- Convert several business processes to an electronic format to increase efficiency and reduce the use of paper resources.
- Improve budgeting and reporting process to improve efficiency and consistency and transition to multi-year budgeting;
- Long term plans include:
 - Improving customer service throughout Central Government by expanding the remit of cashiers to accept payment on behalf of any Government agency at any Cashier booth;
 - Expand CFO Handbook to include policies and procedures section;
 - Implement Business Intelligence system for Oracle; and,
 - Introduce AGIS for inter-agency expense and revenue tracking.

CUSTOMS

The Customs Department's primary goals and objectives for the new 2016-17 Financial Year are:

- Finalize enhancements to our IT Platforms which will further reduce waiting times for our customers at our counters, improve trade facilitation and focus our revenue risk management strategies;
- Continue to identify and eliminate risks to Government revenue thereby increasing our revenue collection and exceeding our projections;
- Make recommendations for significant amendments to and the modernization of the Customs Law in order to enhance Government's revenue and improve the functionality and operations of the Department;
- Implement a risk management approach at our ports of entry which will expedite passenger flows, increase detection rates and revenue collection and reduce congestion during peak periods;
- Introduce a structured on the job training initiative and increase specialized training to upskill our officers and increase efficiency and effectiveness;
- Continue to encourage and support staff who have chosen to further their education;
- Complete the already commenced phased salary regrading exercise to properly compensate all staff;
- Commence the implementation of our succession plan to energize and motivate all staff throughout the organization; and
- Complete the construction of our new Customs X-Ray Scanning Facility.



CAYMAN ISLANDS GOVERNMENT

Ministry of Finance & Economic Development

Financial Statements

For the year ending 30 June 2016

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MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
30 JUNE 2016

These financial statements have been prepared by the Ministry of Finance & Economic Development (the "Ministry") 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).

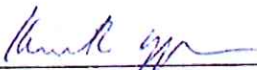
As Financial Secretary & Chief Officer I am responsible for establishing, and have established and maintained, a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions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

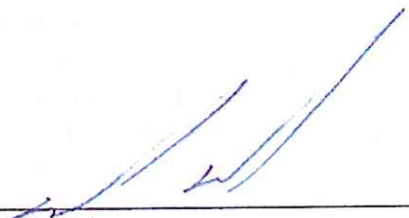
As Financial Secretary & Chief Officer and Chief Financial Officer we are responsible for the preparation of the financial statements, representations and judgements made in these statements.

To the best of our knowledge, these statements:

- (a) fairly reflect the financial position as at 30 June 2016 and performance for the financial year ended 30 June 2016; and
- (b) 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 on Auditing.


Kenneth Jefferson
Financial Secretary & Chief Officer
Ministry of Finance & Economic Development


Nina Vandine
Chief Financial Officer
Ministry of Finance & Economic Development

25 October 2016



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AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly and the Financial Secretary and Chief Officer of the Ministry of Finance and Economic Development

I have audited the accompanying financial statements of the Ministry of Finance and Economic Development which comprise the statement of financial position as at 30 June 2016 and the related statements 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 10 to 24 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 General'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 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.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ministry of Finance and Economic Development as at 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Standards.

A handwritten signature in black ink, appearing to read 'Sue Winspear', with a stylized flourish at the end.

Sue Winspear, CPFA
Auditor General

25 October 2016

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

Prior Year Actual \$'000		Note	Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
	Current Assets					
12,322	Cash and cash equivalents	2	11,424	11,529	11,529	105
3,848	Trade receivables	3	3,108	2,094	2,094	(1,014)
	Other receivables	3	1	33	33	32
351	Prepayments	4	422	517	517	95
16,521	Total Current Assets		14,955	14,173	14,173	(782)
	Non-Current Assets					
	Other Receivables	3	-	-	-	-
79	Prepayments	4	57	-	-	(57)
3,684	Property, plant and equipment	5	4,164	4,224	4,224	60
1,626	Intangible Assets	6	1,400	1,489	1,489	90
5,389	Total Non-Current Assets		5,621	5,713	5,713	93
21,910	Total Assets		20,576	19,886	19,886	(689)
	Current Liabilities					
57	Trade payables	7	120	50	50	(70)
1,815	Other payables and accruals	7	2,078	1,973	1,973	(105)
469	Employee entitlements	8	474	287	287	(187)
5,753	Repayment of surplus	21	3,481	3,115	3,115	(366)
8,094	Total Current Liabilities		6,153	5,425	5,425	(728)
8,094	Total Liabilities		6,153	5,425	5,425	(728)
13,816	Net Assets		14,423	14,461	14,461	40
	NET WORTH					
15,266	Contributed capital		15,916	15,915	15,915	1
(1,450)	Accumulated surpluses/(deficits)		(1,493)	(1,454)	(1,454)	39
13,816	Total Net Worth		14,423	14,461	14,461	40

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

Prior Year Actual \$'000			Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
	Revenue					
19,995	Sale of goods and services	9	22,411	22,699	23,518	288
2	Investment revenue	10	1	1	1	-
19,997	Total Revenue		22,412	22,700	23,519	288
	Expenses					
13,439	Personnel costs	11	15,634	15,628	16,247	(6)
2,560	Supplies and consumables	12	2,986	3,131	3,331	145
537	Depreciation	5	508	601	601	93
211	Amortization of Intangible Assets	6	227	227	227	(0)
2	(Gains)/losses on foreign exchange transactions	13	-	-	-	-
-	(Gains)/losses on disposal/revaluation of property, plant and equipment	13	3	-	-	(3)
-	(Gain)/Loss on Revaluation of Asset	13	(427)	-	-	427
16,749	Total Expenses		18,931	19,587	20,406	656
3,248	Surplus for the period		3,481	3,113	3,113	(368)

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2016

	Contributed Capital \$'000	Accumulated Surplus/(deficits) \$'000	Total Net worth \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
Balance at 30 June 2014	14,265	(1,450)	12,815	12,815	12,815	-
Prior Year Adjustments	-	(72)	(72)	(2)	(2)	70
Restated balance	14,265	(1,522)	12,743	12,813	12,813	70
Changes in net worth for 2014/15						
Equity Investment from Cabinet	1,000	-	1,000	1,000	1,000	-
Capital withdrawals by Cabinet	-	-	-	-	-	-
Repayment of surplus to Cabinet	-	(3,176)	(3,176)	(3,062)	(3,062)	114
Net revenue / expenses recognised directly in net worth	1,000	(3,176)	(2,176)	(2,062)	(2,062)	114
Surplus/(deficit)for the period 2014/15	-	3,248	3,248	3,062	3,062	(186)
	1,000	72	1,072	1,000	1,000	(72)
Balance at 30 June 2015 carried forward	15,266	(1,450)	13,816	13,813	13,813	(2)
	Contributed Capital	Accumulated Surplus/(deficits)	Total Net worth	Original Budget	Final Budget	Variance (Orig vs Actual)
Balance at 30 June 2015 brought forward	15,266	(1,450)	13,816	13,813	13,813	(3)
Changes in net worth for 2014/15						
Prior Year Adjustments	-	(43)	(43)	-	-	43
Restated balance	15,266	(1,493)	13,773	13,813	13,813	40
Changes in net worth for 2015/16						
Equity Investment from Cabinet	650	-	650	650	650	-
Capital withdrawals by Cabinet	-	-	-	-	-	-
Repayment of surplus/Dividends to Cabinet	-	(3,481)	(3,481)	(3,115)	(3,115)	366
Net revenue / expenses recognised directly in net worth	650	(3,481)	(2,831)	(2,465)	(2,465)	366
Surplus/(deficit)for the period 2015/16	-	3,481	3,481	3,115	3,115	(366)
	650	-	650	650	650	-
Balance at 30 June 2016	15,916	(1,493)	14,423	14,463	14,463	40

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

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>				
17,234	Outputs to Cabinet	19,418	20,243	21,062	825
3,316	Sale of goods and services	3,703	3,226	3,226	(477)
1	Interest received	1	1	1	-
-	Other receipts	-	9	9	9
	<i>Payments</i>				
(13,416)	Personnel costs	(15,631)	(15,693)	(16,312)	(62)
(2,944)	Supplies and consumables	(2,722)	(3,344)	(3,544)	(622)
(2)	Other payments	3	-	-	(3)
4,189	Net cash flows from operating activities	4,772	4,442	4,442	(330)
	CASH FLOWS FROM INVESTING ACTIVITIES				
(153)	Purchase of property, plant and equipment	(567)	(660)	(660)	(93)
(153)	Net cash flows from investing activities	(566)	(660)	(660)	(94)
	CASH FLOWS FROM FINANCING ACTIVITIES				
1,000	Equity Investment	650	650	650	-
-	Repayment of Surplus	(5,754)	(3,062)	(3,062)	2,692
1,000	Net cash flows from financing activities	(5,104)	(2,412)	(2,412)	2,692
5,036	Net increase/(decrease) in cash and cash equivalents	(898)	1,370	1,370	2,268
7,286	Cash and cash equivalents at beginning of period	12,322	10,159	10,159	(2,163)
12,322	Cash and cash equivalents at end of period	11,424	11,529	11,529	105

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
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Description and principal activities

The Ministry of Finance & Economic Development (the "Ministry") is a Government entity as defined by section 2 of the Public Management and Finance Law (2013 Revision) (the "PMFL").

Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Minister of Finance & Economic Development as defined in the Annual Plan and Estimates for the Government of the Cayman Islands (the "Government") for the financial year ended 30 June 2016. The purpose of the Ministry is to develop, implement and maintain macro-economic and budgetary policies and maintain measures to manage the finances of the Government and exercise supervision and control in all matters relating to the financial affairs of the Government. The Ministry consists of several departments, including Customs Department, Economics and Statistics Office, Finance Administration, Risk Management and Treasury.

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.

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

Basis of Preparation

The financial statements are presented in Cayman Islands Dollars (CI\$) and are prepared on the accrual basis of accounting, unless otherwise stated. The statements are rounded to the nearest thousand. Any discrepancies between totals and sums of components are due to rounding. The measurement base applied to these financial statements is the historical cost basis, unless otherwise stated.

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.

Budget Amounts

The original and final budget amounts for the financial year are as presented in the 2015/2016 Annual Budget Statement and the amounts are rolled up into the Annual Plan and Estimates document which was presented to the Legislative Assembly. As required by the PMFL, budgets are presented in the same basis as the annual financial statements.

Judgments and Estimates

The preparation of financial statements is in conformity with IPSAS which require judgments, estimates, and assumptions to effect 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 ongoing basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

Changes in Accounting Estimates

There have been no changes in accounting estimates as defined by IPSAS 3.

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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.

Expenses

Expenses are recognised in the accounting period in which they are incurred.

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 leases, 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.

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.

Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment.

Property, Plant and Equipment

Plant and equipment are stated at historical cost upon initial recognition less accumulated depreciation. Items of property, plant and equipment are also 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.

In accordance with IPSAS 17, when an item of property, plant, and equipment is revalued, any accumulated depreciation at the date of the revaluation is 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.

<u>Asset Type</u>	<u>Estimated Useful life (in Years)</u>
Buildings and structures	40 - 60
Leasehold Improvement	Unexpired period or useful life
Furniture, fittings and office equipment	3-20
Computer hardware	3 - 10
Computer software	3 - 10
Other plant and equipment	5 - 25
Motor vehicles	4 - 12

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.

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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.

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.

Pension contributions for employees of the Ministry are paid to the Public Service Pension Fund (the "Fund") and administered by the Public Service Pension Board (the "Board"). Contributions of 12% - employer 6% and employee 6% 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 Government.

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 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 instruments comprise of accounts payable and accrued expenses.

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.

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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.

De-recognition

A financial asset is de-recognised 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.

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.

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.

Surplus repayable

Pursuant to Section 39 (3) (f) of the PMFL any net surplus is transferred to surplus repayable.

Note 2: Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank accounts in the name of the Ministry are maintained at Royal Bank of Canada, with short term deposits invested with the Government's Treasury. As at 30 June 2015 and 30 June 2016, the Ministry's unrestricted cash balances were, as presented below. No restricted cash balances were held at 30 June 2016.

Actual Prior Year	Description	Foreign Currency	Exchange Rate	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
5	Cash on hand			5	5	5	-
107	Cash in transit			25	25	25	-
11,300	CI\$ Operational Current Account			10,734	10,797	10,797	63
32	US\$ Operational Current Account	3	0.84	3	2	2	(1)
179	Payroll Current Account			(43)	1	1	44
699	Treasury Internal Deposits			700	699	699	(1)
12,322	TOTAL			11,424	11,529	11,529	105

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
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Note 3: Trade receivables and other receivables

At year end all overdue receivables have been assessed and appropriate provisions made as reflected in the Statement of Financial Performance. 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's losses in previous periods.

Actual Prior Year		Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	Trade Receivables				
504	Sale of goods and services	363	316	316	(47)
3,344	Outputs to Cabinet	2,745	1,783	1,783	(962)
-	Less: provision for doubtful debts	-	(5)	(5)	(5)
3,848	Total trade receivables	3,108	2,094	2,094	(1,014)

Actual Prior Year	Other Receivables	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
-	Interest receivable	1	-	-	(1)
-	Other Receivable	-	33	33	33
-	Less: provision for doubtful debts	-	-	-	-
	Total other receivables	1	33	33	32

Actual Prior Year	Receivables	Trade Receivable	Other Receivable	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
3,667	Past due 1-30 days	3,061	1	3,062	1,127	1,127	(1,935)
45	Past due 31-60 days	37	-	37	1,000	1,000	963
20	Past due 61-90 days	3	-	3	-	-	(3)
116	Past due 90 and above	6	-	6	-	-	(6)
	Non-Current						
-	Past due 1 year and above	1	-	1	-	-	(1)
3,848	Total	3,108	1	3,109	2,127	2,127	(982)

Changes in the provision of doubtful debts:

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
(2,978)	Balance at 1 July	-	(2,817)	(2,817)	(2,817)
-	Additional provisions made during the year	-	(5)	(5)	(5)
2,978	Receivables written off during the period	-	2,817	2,817	2,817
-	Balance at 30 June	-	(5)	(5)	(5)

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Note 4: Prepayments

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
Current					
351	Accrued Prepayments	333	412	412	79
-	Prepaid Insurance	89	105	105	16
351	Total Current	422	517	517	95
Non-Current					
79	Accrued Prepayments	34	-	-	(34)
-	Prepaid Insurance	23	-	-	(23)
430	Total Prepayments	479	517	517	38

Long Term prepayment

The long term accrued prepayment is related to a 3 year subscription for Panaya to provide patch solutions for Oracle and IRIS. Its current portion is separately disclosed in the schedule of current prepayments above.

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Note 5: Property, plant & equipment

	<i>Plant and equipment</i>	<i>Buildings and Leasehold</i>	<i>Furniture and Office Equipment</i>	<i>Computer Hardware</i>	<i>Motor Vehicles</i>	<i>Assets under construction or development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cost or Opening Valuation										
Balance as at 1 July 2014	970	1,651	400	314	2,541	-	5,876	5,926	5,926	50
Additions	-	67	46	1	-	23	137	616	616	479
Disposals	-	-	-	(195)	-	-	(195)	-	-	195
Transfers	-	-	-	-	-	-	-	(50)	(50)	(50)
Balance as at 30 June 2015	970	1,718	446	120	2,541	23	5,818	6,492	6,492	674
	<i>Plant and equipment</i>	<i>Buildings and Leasehold</i>	<i>Furniture and Office Equipment</i>	<i>Computer Hardware</i>	<i>Motor Vehicles</i>	<i>Assets under construction or development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance as at 1 July 2015	970	1,718	446	120	2,541	23	5,818	6,492	6,492	674
Additions	3	-	16	3	72	474	568	660	660	92
Revaluations	-	105	-	-	-	-	105	-	-	(105)
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(13)	-	(13)	-	-	13
Balance at 30 June 2016	973	1,823	462	123	2,600	496	6,477	7,152	7,152	675
	<i>Plant and equipment</i>	<i>Buildings and Leasehold</i>	<i>Furniture and Office Equipment</i>	<i>Computer Hardware</i>	<i>Motor Vehicles</i>	<i>Assets under construction or development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Accumulated Depreciation and Impairment Losses										
Balance as at 1 July 2014	366	161	353	287	616	-	1,783	1,783	1,783	-
Transfers	14	-	(5)	-	-	-	9	-	-	(9)
Depreciation Expense	110	103	19	19	286	-	537	544	544	7
Eliminate on Disposal	-	-	-	(195)	-	-	(195)	-	-	195
Balance as at 30 June 2015	490	264	367	111	902	-	2,134	2,327	2,327	193
	<i>Plant and equipment</i>	<i>Buildings and Leasehold</i>	<i>Furniture and Office Equipment</i>	<i>Computer Hardware</i>	<i>Motor Vehicles</i>	<i>Assets under construction or development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance as at 1 July 2015	490	264	367	111	902	-	2,134	2,327	2,327	193
Transfers	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	108	83	24	5	288	-	508	601	601	93
Eliminate on Disposal/Revaluation	-	(322)	-	-	(7)	-	(329)	-	-	329
Balance at 30 June 2016	598	25	391	116	1,183	-	2,313	2,928	2,928	615
Net Book value 30 June 2015	480	1,454	79	9	1,639	23	3,684	4,165	4,165	481
Net Book value 30 June 2016	375	1,798	71	7	1,417	496	4,164	4,224	4,224	60

Property was revalued as at 30 June 2016 by in-house professionals and are stated at revalued amounts less accumulated depreciation.

The building was valued at fair value using market based evidence with comparable properties.

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Note 6: Intangible assets

The Ministry has software TRIPS (Total Revenue Integrated Processing System) that was implemented for integration with IRIS. The licensor has granted a perpetual irrevocable license. The intent of the system is to assist in capturing real-time information for the collection of all Customs revenue and provide statistical data.

	<i>Computer Software</i>	<i>Assets under development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
Cost or Opening Valuation	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2014	2,083	50	2,132	2,132	2,132	(0)
Additions	16	-	16	100	100	84
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance as at 30 June 2015	2,099	50	2,149	2,232	2,232	83
	<i>Computer Software</i>	<i>Assets under development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	2,099	50	2,149	2,232	2,232	83
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers	50	(50)	-	-	-	-
Balance at 30 June 2016	2,149	-	2,149	2,232	2,232	83
	<i>Computer Software</i>	<i>Assets under development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
Accumulated Amortization and Impairment Losses	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2014	311	-	311	311	311	(0)
Transfers	-	-	-	-	-	-
Depreciation Expense	211	-	211	205	205	(6)
Eliminate on Disposal	-	-	-	-	-	-
Balance as at 30 June 2015	522	-	522	516	516	(6)
	<i>Computer Software</i>	<i>Assets under development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	522	-	522	516	516	(6)
Transfers	-	-	-	-	-	-
Depreciation Expense	227	-	227	227	227	(0)
Eliminate on Disposal/Revaluation	-	-	-	-	-	-
Balance at 30 June 2016	749	-	749	743	743	(6)
Net Book value 30 June 2015	1,577	50	1,626	1,716	1,716	90
Net Book value 30 June 2016	1,400	-	1,400	1,489	1,489	90

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Note 7: Trade payables, other payables & Accruals

Prior Year Actual	Description	Current	Non-current	Total Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
4	Creditors	120	-	120	35	35	(85)
33	Creditors Ministries/Portfolios	-	-	-	5	5	5
20	Creditors other government agencies	-	-	-	10	10	10
190	Accrued Expenses	368	-	368	368	368	-
1,603	Accrued Expenses Ministries/Portfolio	1,707	-	1,707	1,555	1,555	(152)
8	Accrued Expenses other government agencies	3	-	3	50	50	47
14	Other payables	-	-	-	-	-	-
1,872	Total trade payables, other payables & accruals	2,198	-	2,198	2,023	2,023	(175)

Note 8: Employee entitlements

Actual Prior Year	Description	Actual Current Year	Original Budget	Revised Budget	Variance (Orig vs Actual)
<i>Current employee entitlements are represented by:</i>					
59	Comp Time	51	19	19	(32)
268	Annual Leave	268	167	167	(101)
44	Accrued salaries	53	-	-	(53)
98	Pension	102	101	101	(1)
469	Total current portion	474	287	287	(187)
<i>Non-current employee entitlements are represented</i>					
-	Retirement and long service leave	-	-	-	-
469	Total employee entitlements	474	287	287	(187)

The annual leave entitlements and compensated absence (Comp time) are calculated on current salary paid to those employees eligible for this benefit.

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Note 9: Sale of goods & services

Actual Prior Year	Revenue type	Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
16,622	Outputs to Cabinet	18,819	19,493	20,312	674
115	Outputs to other government agencies	99	92	92	(7)
1,627	Fees and charges	1,766	1,512	1,512	(254)
1,607	General Sales	1,695	1,594	1,594	(101)
24	Other	32	8	8	(24)
<u>19,995</u>	Total sales of goods and services	<u>22,411</u>	<u>22,699</u>	<u>23,518</u>	<u>288</u>

Outputs to Cabinet comprises goods delivered to and services performed on behalf of the Government.

Outputs to other Government agencies comprises trade between the Ministry and other government bodies. These are arm length transactions governed by Service Level Agreements between the contracting parties.

Fees & charges, general sales & others include administrative fees and user charges levied on the public for the delivery of Government services. Certain respective rates and fee structures are Gazetted and governed by the relevant revenue laws and regulations.

Note 10: Investment Revenue

Actual Prior Year	Source	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
2	Interest on deposits held with	1	1	1	-
<u>2</u>	Total Investment Revenues	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>

Note 11: Personnel costs

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
10,634	Salaries, wages and allowances	12,671	12,317	12,790	(354)
2,150	Health care	2,195	2,573	2,573	378
582	Pension	770	670	816	(100)
46	Leave	(9)	55	55	64
27	Other personnel related costs	7	13	13	6
<u>13,439</u>	Total Personnel Costs	<u>15,634</u>	<u>15,628</u>	<u>16,247</u>	<u>(6)</u>

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Note 12: Supplies and consumables

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs
262	Supplies and Materials	262	271	271	9
1,328	Purchase of services	1,744	1,712	1,912	(32)
23	Lease of Property and Equipment	44	143	143	99
320	Utilities	249	244	244	(5)
137	General Insurance	123	150	150	27
375	Interdepartmental expenses	396	415	415	19
19	Travel and Subsistence	22	40	40	18
89	Recruitment and Training	138	149	149	11
7	Other	8	7	7	(1)
<u>2,560</u>	Total Supplies & consumables	<u>2,986</u>	<u>3,131</u>	<u>3,331</u>	<u>145</u>

Note 13: Gains/(losses)

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	Net (gain) / loss on disposal of property, plant and Loss/(Gain) on Revaluation of Asset	3 (427)	- -	- -	(3) 427
<u>2</u>	Net (gain) / loss on foreign exchange Transactions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2</u>	Total gain/ (losses)	<u>(424)</u>	<u>-</u>	<u>-</u>	<u>424</u>

Note 14: Contingent liabilities and assets

The Ministry has no contingent assets as at 30th June 2016. Any contingent liabilities relating to the Ministry as at 30th June 2016 are reported in the consolidated accounts for the Government.

Note 15: Commitments

The Ministry is currently engaged in a contract for the construction of a building to house the mobile x-ray scanner, as such the future commitment value is indicated below.

Prior Year Actual \$'000	Type	One year or less \$'000	One to five Years \$'000	Over five Years \$'000	Total \$'000
	Capital Commitments				
-	Property, plant and equipment	1,153	-	-	1,153
-	Other fixed assets	-	-	-	-
-	Other commitments (list separately if material)	-	-	-	-
<u>-</u>	Total Capital Commitments	<u>1,153</u>	<u>-</u>	<u>-</u>	<u>1,153</u>

Note 16: Explanation of major variances against budget

Explanations for major variances for the Ministry's performance against the original budget are as follows:

Statement of Financial Performance

Sale of Goods & Services Revenue

Revenue was below budget by \$288 thousand. This net variance is due to the inability to bill Cabinet for unspent appropriations, the vast majority of the underspend arising from the gain on the building from the revaluation, in addition to an increase in third party revenue such as examination fees.

The change between the original budget and the final budget are a result of reallocations between executive and entity budget within the Ministry. The additional allocation was approved by Cabinet under Section 11(5) and a supplementary appropriation bill will be presented to the Legislative Assembly for approval, which includes this increase in allocation.

Supplies & Consumables

Supplies & Consumables costs were \$145 thousand below budget due to cost saving measures.

Gain on Revaluation of Asset

The building was revalued at 30 June 2016, resulting in a gain of \$427 thousand which was not anticipated in the budget.

Statement of financial position

Cash and cash equivalents

The actual year-end cash balances were \$105 thousand lower than budget due timing of payments.

Trade and other receivables

The actual year-end trade and other receivables balances were higher than the original budget by \$1 million due to the June cabinet billing being higher than anticipated.

Intangible Assets

Intangible assets were lower than the original budget by \$90 thousand as the anticipated purchase of additional software did not occur.

Trade Payables, Other Payables and accruals

The actual year-end payables and accrual balances were higher than the original budget by \$362 thousand due to timing of payments being made.

Repayment of Surplus

The actual year-end repayment of surplus balance was higher than the original budget by \$366 thousand due to a higher than anticipated surplus for the year.

Statement of cash flows

Cash from operating activities

Cash from operating activities was over budget by \$330 thousand due to an increase in general revenue earned and a decrease in spending on supplies and consumables compared to budget.

Cash from financing activities

The cash from financing being over budget by \$2.7 million, this was a result of surplus repayment not occurring when anticipated.

Note 17: Related party and key management personnel disclosures

Related party disclosure

The Ministry is an 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 2016 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions. Prior to the beginning of the current financial year the Ministry paid \$593 thousand per annum for leases to the Cayman Islands Airport Authority, beginning July 1, 2014 an arrangement came into place that resulted in a zero dollar lease going forward.

Key management personnel

Key management personnel, are also considered to be related parties, and as such received the following remuneration.

Actual Prior Year	Description	Actual Current Year	Number of posts
944	Salaries & other short-term employee benefits	902	8
108	Other long-term benefits	91	
<u>1,052</u>	<u>Total</u>	<u>993</u>	

No loans were granted to key management personnel and or their close relatives.

Note 18: Events occurring after reporting date

No events after the reporting date.

Note 19: 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 draw-downs from Cabinet and receipts from third parties and 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.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
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Note 20: Segment Reporting

	FIN ADMIN	RSK	CUS	ESO	TSY	TOTAL
Revenue						
Outputs from Cabinet	1,633	158	10,990	1,748	4,290	18,819
Sale of goods and services	0	0	3,480	0	113	3,593
Other revenue	0	0	1	0	0	1
Total Revenue	1,633	158	14,471	1,748	4,403	22,413
Expenses						
Salaries and Wages	1,433	150	9,536	1,332	3,184	15,635
Other expenses	200	8	1,454	416	1,219	3,297
Total Expenses	1,633	158	10,990	1,748	4,403	18,932
Net Surplus/ (Deficit)	0	0	3,481	0	0	3,481
Assets						
Current Assets	13,580	0	1,002	0	373	14,955
Non-Current Assets	10	0	5,554	8	48	5,620
Total Assets	13,590	0	6,556	8	421	20,575
Total Liabilities	(3,696)	(6)	(436)	(67)	(1,948)	(6,153)
Total Capital Expenses	2	0	564	0	2	568

Joint assets and liabilities held as common are directly managed by the Finance Administration (FIN ADMIN) section; therefore FIN ADMIN would include such assets as cash and cash equivalents and receivables from Cabinet. It would also include such liabilities as surplus payable and payroll deductions that are payable.

The Finance Administration (FIN ADMIN) section assists the Financial Secretary and the Minister for Finance by providing policy advice, governance and administrative services on all financial, budgeting and reporting matters of the Government. The section processes applications for fees and customs duty waivers, stamp duty abatements and assessments, government loans to civil servants, and approvals as well as providing administrative support and monitor the performance of Departments under the Ministry.

The Risk Management Unit's (RSK) primary purpose is develop, implement and coordinate comprehensive property and liability insurance programmes along with safety and loss control activities to minimize the negative financial impact of natural hazards, accidents and other unexpected events to the Government.

The Customs Department (CUS) is responsible for collecting and protecting Government's revenue, facilitating legitimate trade and controlling prohibited and restricted goods in a cost effective manner while preserving a safe environment for all. This includes: processing and inspecting of vessels and aircrafts; collection of duties; providing policy advice on Customs related matters and border control and enforcement.

The Economic and Statistics Office (ESO) monitors the economy, develops economic policies and plans, and advises the Government on a range of economic issues to sustained growth of the Islands. The ESO also conducts and analyses social and economic surveys and compiles and publishes statistical data on the Cayman Islands, and provides other Government Departments with technical advice on data collection and dissemination, and survey design and methodology.

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The Treasury Department (TSY) is responsible for the preparation and the consolidation of the forecast and annual financial statements for core Government and the Entire Public Sector (EPS) as required by sections 28(2)(b) and 29(2)(c) of the PMFL using IPSAS. Treasury has oversight for the management and forecasting of core government cash flows, negotiation, evaluation and administration of core Government borrowings. It is responsible for the design, quality assurance and management of the budget and reporting processes for the (EPS); this includes coordinating and preparing an annual timeline, strategic policy statement, annual plan and estimates, annual budget statements, ownership and purchase agreements and revenue forecast. The Treasury also provides financial management services to Ministries/Portfolios and the Executive.

Note 21: Surplus Payable

Surplus payable represents accumulated surplus of \$3.481 million as at 30 June 2016 (2015: \$5.753 million).