



PORTFOLIO OF LEGAL AFFAIRS



**ANNUAL REPORT
2015-2016**

Foreword

This Annual Report is for the Portfolio of Legal Affairs ("Legal Affairs" or "the Portfolio"). The Portfolio advises the Government and its affiliated bodies, statutory boards, corporations on all legal matters and is responsible for legislative drafting, law revision, law reform and local legal education through the Cayman Islands Law School. The Portfolio of Legal Affairs is headed by the Honourable Attorney General.

The Annual Report outlines the Portfolio's performance during the 2015-16 fiscal year and compares it to the budgeted performance for the corresponding period.

The requirement for an Annual Report is prescribed under section 44 of the Public Management and Finance Law (2013 Revision) (PMFL). Section 44 states:

(1) An annual report of a ministry or portfolio shall be presented to the Governor in Cabinet for review within four calendar months after the end of each financial year.

(2) The annual report shall set out the performance of the ministry or portfolio and compare it with that set out in the annual budget statement (including any amendments thereto) for that financial year.

The annual report covers three main areas:

- Service Delivery;
- Financial performance; and
- Governance.

The service delivery section outlines the interventions carried out by the Portfolio of Legal Affairs in furtherance of the Government's policy outcome goals. It also provides commentary which explains material variances in performance when compared to budget.

The financial performance section shows the financial resources the Portfolio was afforded in the 2015-16 budget and the inputs purchased to provide services. The financial performance is presented in the form of financial statements prepared in accordance with International Public Sector Accounting Standards (IPSAS) and the supporting notes to those financial statements.

The report also includes a section on Governance which outlines the Portfolio's efforts in the areas of risk management, audit, freedom of information and other ancillary matters.



Message from the Honourable Attorney General

I am pleased to present the annual report for the Portfolio of Legal Affairs for the fiscal year ended 30th June 2016.

The report highlights the achievements of the Portfolio and explains the steps taken to further the Government's policy outcome goals to foster a culture of good governance; ensure equitability and justice in our society; and make the Cayman Islands a centre of excellence for legal education.

The Portfolio's annual report is a key link in the chain of accountability. It provides citizens and the Legislature with an account of the resources entrusted to my stewardship, and the goods and services that were delivered through the use of those resources.

The policy decisions of the Government as at 30th June 2016, with material economic or fiscal implications of which I am aware, have been considered in the preparation of this report.

I am pleased with the services that were delivered by the Portfolio in 2015-16.

Under the able leadership of the Solicitor General, the Legal Drafting section delivered some 24 Bills/Regulations; the Financial Reporting Authority processed some 620 suspicious activity reports (SARs), and engaged in several activities to support the Cayman Islands preparation for the 2017 Mutual Evaluation by the Caribbean Financial Action Task Force.

Further details of these achievements, and the outputs delivered by other sections of the Portfolio are outlined throughout this report.



The Portfolio met or exceeded its budgetary expectations in several key areas during 2015-16. This was achieved while providing critical support to other Government agencies in also meeting their service delivery goals.

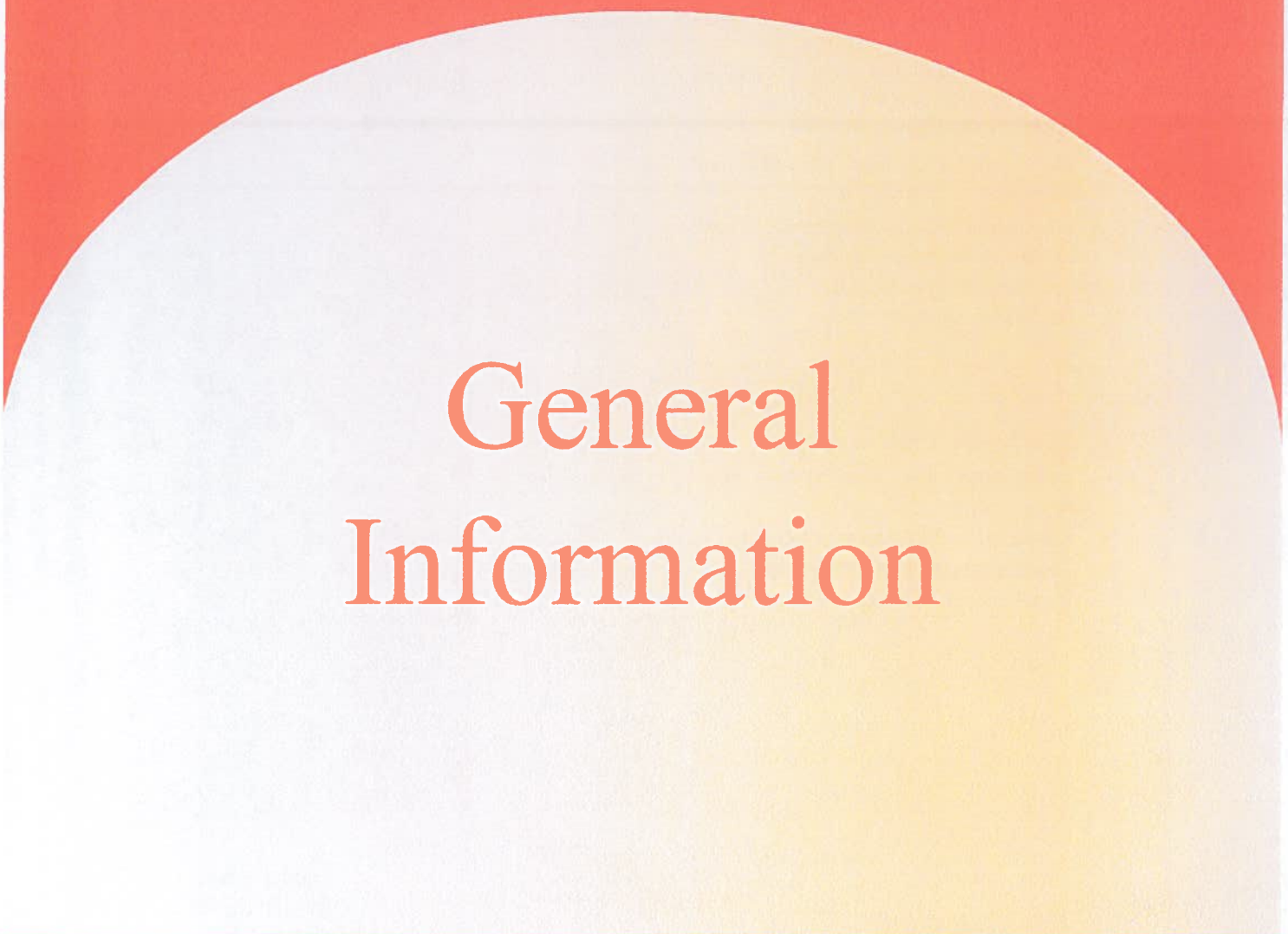
Notwithstanding the significant quantity of work produced, the Portfolio was also able to return some \$1.3 million to the Cayman Islands tax payers in the form of expenditure savings and revenue from increased services to third parties.

The outstanding performance outlined in this report was made possible by the dedication and commitment of the hardworking staff in the Portfolio of Legal Affairs. I would therefore like to extend my sincere thanks and congratulations to them for a job well done.

Sincerely,

Honourable Samuel Bulgin, QC, JP
Attorney General
Portfolio of Legal Affairs

31st October 2016



General Information



2015-16 at a Glance

Financial Performance Measures	2015-16 Target	2015-16 Actual
Revenue from Cabinet	6,416,000	6,416,000
Revenue from ministries, portfolios, statutory authorities, government companies	60,000	100,000
Revenue from others	479,000	628,000
Total Revenue	6,955,000	7,144,000
Expenses	6,955,000	5,848,000
Surplus	-	1,296,000

Net-Worth	2015-16 Target	2015-16 Actual
Net Worth	2,217,000	2,217,000

Cash Performance	2015-16 Target	2015-16 Actual
Cash Flow from Operating activities	212,000	1,537,000
Cash Flows from Investing activities	-	(170,000)
Cash Flows from Financing activities	-	(868,000)
Change in cash balances	212,000	499,000

Financial Performance Ratios	2015-16 Target	2015-16 Actual
Current Assets: Current Liabilities	4:33	1.77
Total Assets: Total Liabilities	5:71	2.20

Human Capital Measures	2015-16 Target	2015-16 Actual
Total Full Time Equivalent Staff Employed	57	53

Physical Capital Measures	2015-16 Target	2015-16 Actual
Value of total assets	2,678,000	4,057,000
Asset replacements: total assets	-	4%
Book value: initial cost	-	35%
Depreciation: cash flow on asset purchases	-	1.05



- Advising on proposals for legislation and statutory interpretation.

Drafting instructions are provided to the Legislative Drafting Department through the Cabinet. Instructing officers may be Ministries, Portfolios and Government departments. The drafting instructions are usually received from the Chief Officer of the relevant Government Department. As such, the Portfolio acts on the instructions of the relevant Government Department with respect to the development of legislation.

Law Reform Commission

The Law Reform Commission was established by the Law Reform Commission Law No. 6 of 2005 and commenced operation on 16 September, 2005.

In accordance with the Law, the Commission's mandate is to study and keep under constant review the statutes and other laws comprising the law of the Cayman Islands with a view to its systematic development and reform, including in particular -

- the modification of any branch of the law as far as that is practicable;
- the elimination of anomalies in the law, the repeal of obsolete and unnecessary enactments and modernisation of the law;
- providing research papers on law reform topics;
- the development of new areas in the law with the aim of making them more responsive to the changing needs of Cayman Islands society;
- the adoption of new or more effective

methods for the administration of the law and the dispensation of justice; and

- the codification of the unwritten laws of the Cayman Islands.

The work of the Commission is four-fold-(a) conducting legal research (b) carrying out public and governmental consultation (c) preparing reports on law reform topics; and (d) drafting reform legislation.

The Commission, in the performance of its functions, may-

- review and consider any proposals for the reform of the law which may be referred to it by any person or authority;
- prepare and submit to the Attorney-General from time to time, a programme for the study and examination of any branch of the law with a view to making recommendations for its improvement, modernisation and reform;
- initiate and carry out or direct the initiation and carrying out of, studies and research necessary for the improvement and modernisation of the law;
- undertake, pursuant to any such recommendation approved by the Attorney-General, the formulation and preparation of drafts in the form of Bills or other instruments for consideration by the Governor in Cabinet and the Legislative Assembly;
- provide, at the instance of Government departments and other authorities



having the regulatory oversight of the Designated Non-Financial Businesses (DNFBPs) as required under the Financial Action Task Force 40 Recommendations but is yet to be staffed and resourced for implementation.

The FRA's primary objective is to provide timely and high quality financial intelligence to local and overseas law enforcement agencies through their local FIUs', in keeping with the statutory requirements of the PCL.

Collectively, these agencies focus on the delivery of four (4) of the Government's primary outcome goals:



Outcome Goal One – A more Secure Community

The Portfolio works collaboratively with other Government agencies to support safety and security within our Island. A principal remit of the Portfolio of Legal Affairs is to ensure that Government agencies operate within the ambit of the relevant laws through the provision of sound legal advice and the review and update of our legislation.

1.1 Money Laundering & Terrorist Financing

The Anti Money Laundering Unit of the AG's Chambers coordinated eight money laundering and terrorist financing (ML/TF) national risk assessment (NRA) working groups in producing the first ever draft ML/TF NRA Report and Action Plan for the Cayman Islands. This draft report

was presented to Cabinet on 15th March 2016. Cabinet noted the preliminary findings, granted its approval of the Action Plan, and pledged support to the relevant ministries and departments in the allocation of financial resources for the 2016-2017 (eighteen-month) budget cycle. The Anti-Money Laundering Steering Group will consider the draft ML/TF NRA Report for final approval in 2016-2017.

1.2 Dangerous Substances (Amendment) Law

The amendment to this Legislation was drafted to achieve several of Government's polices including: the sustainable handling, storage and off-island disposal of waste oil; the security of our national fuel supply and to indefinitely postpone any assessment of the viability of nuclear energy for power generation. This is part of a suite of Legislation that will support the new Utilities Regulation and Competition Office.

1.3 Issues Paper on Bullying:

In 2016, the Law Reform Commission prepared a paper for stakeholder and public discussion entitled "Bullying: Legislation, Policy, or Both?" In the Paper, several issues are identified and questions raised with respect to the occurrence of bullying within the school environment. The aim is to determine whether a comprehensive strategy for addressing the incidence of bullying should be grounded in enacting appropriate legislation, formulating policies or a combination of both.

Table 1 – How we measured success (PLG 20)

Description	Target	Actual
ML/TF National Risk Assessment Report	1	1
ML/TF Action Plan	1	1
Cabinet Paper to update AML/CFT Laws	1	2



performing students being Michael Daoud in Year One and Gregory Barnes in Year Two.

Of the eight students to be graduating from the LL.B part time Honours degree programme, a record number of seven students received Upper Second Class Honours Degrees, with Lagene Johnson-McKenzie graduating as first place part time student.

3.2 Qualifying Status reconfirmed

In July 2015, Law degrees (LL.B Hons) offered by the Law School, both full and part time, were re-confirmed by the United Kingdom Solicitors Regulatory Authority (SRA) until 30th April 2020.

This means that the degrees will remain 'qualifying' and will confer on graduates a Law Degree which gives recognition to enter the practical stages of solicitor/lawyer training in the UK, Cayman Islands and any jurisdiction which recognizes UK qualifying degrees.

This follows on from the institutional visit completed by the University of Liverpool in April 2014. It confirms that the degree programmes offered by the school are of the highest quality and compliant with UK standards. [The degree offering is unique as it is the only taught degree of its kind in the Caribbean region.]

Table 3- How we measured success (PLG 26)

Description	Target	Actual
Courses provided within academic year	8	8
Hours of classroom lecturing per year	1,200	1,200
Modules taught over 3 academic years	19	19
Number of Students	76	67

Outcome Goal Four - Equity and Justice in a Society that Values the Contribution of All

4.1 Litigation Funding – Conditional and Contingency Fee Agreements

The Law Reform Commission prepared a discussion paper entitled "A review of litigation funding in the Cayman Islands - Conditional and Contingency Fee Agreements". The review is being carried out pursuant to a referral from the Hon. Attorney General and a call by the Court of Appeal for an examination of the law governing such agreements.

A general definition of a conditional fee agreement is an agreement where the lawyer accepts the client's normal fee only if the action was successful and he accepts the client's normal fee with an agreed uplift amount in the event of success so as to be compensated for the risks of not being paid in the event of failure. A contingency fee agreement is one in which the lawyer is paid nothing if the action is unsuccessful but he retains an agreed percentage of the client's recovery if the action is successful.

Both types of agreements have been viewed by proponents over the years as fundamental routes to access justice by lower income persons. The agreements are used in civil cases and can be of particular value where a person does not qualify to obtain legal aid but also cannot afford to pay a retainer. However, opponents to the use of such agreements view them as incentives to excessive litigation and argue that they promote a "compensation culture."

The discussion paper examines the current law in the Cayman Islands as well as the history, advantages, disadvantages and the social impact of such types of agreements in jurisdictions such as the UK, Australia, Canada and the USA.

4.2 Legal Aid Bill, 2015



Solicitor General. In June 2016, Senior Crown Counsel Ms. Reshma Sharma was appointed to the DSG (L&A) position and Crown Counsel Anne Marie Rambarran and Dawn Lewis were appointed as Acting Senior Crown Counsel.

Ongoing Preparation for the Fourth Round of Mutual Evaluations

As indicated above, the Cayman Islands is scheduled to undergo a 4th Round Mutual Evaluation assessment by the Caribbean Financial Action Task Force (CFATF) in the second quarter of 2017. The assessment will be based on the *Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems* (the Methodology) of February 2013.

The Methodology highlights the technical compliance aspect of the evaluation, based on having laws, regulations and guidance that are in line with the FATF 40 Recommendations (revised in February 2012), and the effectiveness component based on a history of effective implementation of the said laws, regulations and guidance.

The relevant international standards require countries to identify, assess, and understand the money laundering and terrorist financing risks they face and to take action and apply resources aimed at ensuring that the risks are mitigated effectively. In this regard, the Anti Money Laundering Unit has co-ordinated the exercise leading to the development of the *Draft Money Laundering/Terrorist Financing National Risk Assessment Report for the Cayman Islands*.

Major human and other resources are required in order to correct gaps that currently exist in the AML/CFT regime and to enhance the

effectiveness the regime in advance of the CFATF Mutual Evaluation.

The Portfolio has taken steps to enhance its resources in this regard and is undertaking the recruitment of additional personnel to enable the FRA to keep up-to-date with the volume of SARs and to make timely onward disclosures to law enforcement and intelligence agencies.

Sums have also been allocated for the development of a website for the Anti Money Laundering Unit as important information will be communicated to the financial institutions, DNFBPs, and other relevant parties in preparation for the upcoming mutual evaluation.



Performance Analysis

The Legal Drafting and Review Service group had a very active 2015-16 fiscal year. The section consists of the Legislative Drafting Department and the Law Revision Commission. During the year, legislation was drafted for and research was finalized on the following: -

- 7 papers/reports
- 24 Bills/regulations
- 5 current areas of research

These included:

Law Reform work

1. Timeshare Final Report - finalised and sent to the Ministry and the Attorney General
2. Timeshare Bill - finalised and sent to the Ministry and the Attorney General
3. Tourism (Timeshares)(Amendment) Bill - finalised and sent to the Ministry and the Attorney General
4. Family Law Reform Final Report - finalised and sent to the Ministry and the Attorney General
5. Matrimonial Causes Bill - finalised and sent to the Ministry and the Attorney General
6. Maintenance Bill - finalised and sent to the Ministry and the Attorney General
7. Family Property Rights of Spouses Bill - finalised and sent to the Ministry and the Attorney General
8. Conditional Fee Agreements - discussion paper submitted for public discussion
9. Funding of Litigation Bill- submitted for public discussion
10. Contempt of Court Discussion Paper - submitted for public discussion
11. Penal Code (Amendment) Bill - submitted for public discussion
12. Contempt of Court Bill - submitted for public discussion
13. Consumer Protection Discussion Paper
14. Bullying Issues Paper
15. Preparation of Law Reform Notes and Annual Report.
16. Non-Profit Organisations Bill, 2016 - to be considered in the October 2016 sitting of the Legislative Assembly
17. Outsourcing Bill - pending
18. Terrorism (Amendment) Bill, 2016 - to be considered in the October 2016 sitting of the Legislative Assembly
19. Legislative Assembly (Management) Bill - drafted; pending
20. Dangerous Substances (Amendment) Law, 2015 - passed by the Legislative Assembly
21. Dangerous Substances (Amendment) Bill, 2016 - to be considered in the October 2016 sitting of the Legislative Assembly
22. Dangerous Substances Regulations, 2016 - drafted; pending
23. National Conservation (General) Regulations, 2016 – approved by Cabinet; published
24. National Conservation Species Regulations, 2016 - approved by Cabinet; published
25. National Conservation Fees and Forms Regulations, 2016 - approved by Cabinet; published
26. National Conservation Council Directives, 2016 - approved by Cabinet; published



Output Code	Description	Quantity	2015/16		
			Budget	Actual	Variance
PLG 24	Review and Modernization of Laws:- The study and review of statutes and other laws comprising the law of the Cayman Islands with a view to its systematic development and reform, including: - the modification of any branch of the law as far as that is practicable - the elimination of anomalies in the law, the repeal of obsolete and unnecessary enactments and the simplification and modernization of the law - the development of new areas in the law with the aim of making them more responsive to the changing needs of Cayman Islands society - the adoption of new or more effective methods for the administration of the law and the dispensation of justice; and - the codification of the unwritten laws of the Cayman Islands	Number of review hours	3,400-3,700	3,700	-
Total Cost			\$389,127	\$389,127	\$-
Related Broad Outcomes		3. A more Secure Community			

The Quantity measure for this Output was fully achieved.



Services in this segment are delivered by staff in the Solicitor General's Office [and the Anti-Money Laundering Unit.]

The **Anti-Money Laundering Unit (AMLU)** concentrated its efforts in coordinating eight money laundering and terrorist financing (ML/TF) national risk assessment (NRA) working groups in producing the first ever draft ML/TF NRA Report and Action Plan for the Cayman Islands.

This draft report was presented to Cabinet on 15th March 2016. Cabinet noted the preliminary findings, granted its approval of the Action Plan, and pledged support to the relevant ministries and departments in the allocation of financial resources for the 2016-2017 (eighteen-month) budget cycle. The Anti-Money Laundering Steering Group will consider the draft ML/TF NRA Report for final approval in 2016-2017.

A separate paper was presented to Cabinet on 22nd March 2016 that outlined the \$1.8 million budgetary implication of the ML/TF NRA Action Plan. This was approved by Cabinet and incorporated into the 2016-2017 budget. The allocated funds mainly targeted increases in human resources for the Financial Crimes Unit (FCU) of the RCIPS, the Department of Commerce and Investment (DCI), as well as the new supervisor for designated non-financial businesses and professions (DNFBPs), the Financial Reporting Authority (FRA), and the AMLU.

During the period, and as a result of findings in the ML/TF NRA report, drafting instructions were given for key amendments to the Proceeds of Crime Law (2014 Revision) and the Terrorism Law (2015 Revision). The AMLU also provided four responses to surveys and requests for input from the FATF and the CFATF.

Output Code	Description	Quantity	2015/16		
			Budget	Actual	Variance
PLG 16	Legal Advice and Representation involving: - Provision of legal advice on civil matters to Government Ministries and Portfolios.	• Number of hours of advice and representation	10,000-10,500	13,000	2,500
Total Cost			\$1,936,837	\$1,936,837	\$ -
Related Broad Outcomes		3. A more Secure Community			

The reduced number of hours to provide secretarial and administrative support to the Hon. Attorney General is primarily due to staff vacancies which the Portfolio carried for most of the Financial Year. These vacancies contributed to the Portfolio's operational savings for the fiscal year.

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Financial Intelligence Services are principally delivered by the Financial Reporting Authority. The following is a synopsis of the activities for the year.

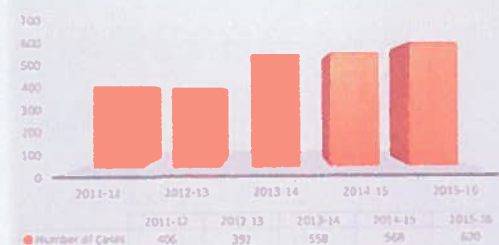
Receipt of Suspicious Activity Reports

The Financial Reporting Authority (FRA) received 620 suspicious activity reports (SARs) during the 2015-16 financial year. This is a record for number of disclosures and marked the first time that the number of SARs exceeded 600. It was also the third consecutive year that the number of SARs exceeded 500 (2014-15: 568 and 2013-14: 558).

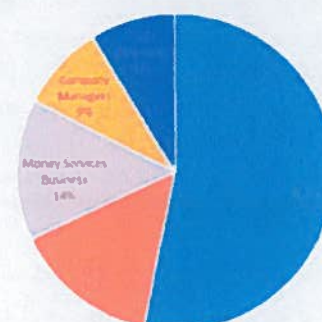
The FRA received SARs from 140 different reporting entities, not including the 45 overseas Financial Intelligence Units (FIUs) that voluntarily disclosed information or requested information from the FRA. Banks continue to be the largest source of SARs (266 cases: 53%), followed by FIUs (75 cases: 15%), Money Services Businesses (72 cases: 14%), Company Managers/Corporate Services providers (44 cases: 9%) and Trust Companies (43 cases: 9%).

The five most common reasons for filing SARs were: (i) Suspicious Activity (345 cases: 60%); (ii) Fraud (115 cases: 20%); (iii) Corruption (62 cases: 11%); (iv) Money Laundering (34 cases: 6%); and (v) Regulatory Matters (16 cases: 3%).

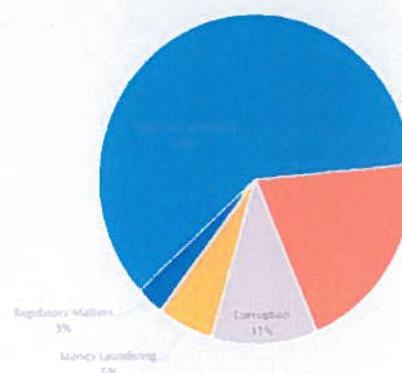
Number of Cases



Receipt of SAR's by Sector



Reasons for Filing SAR's





Output Code	Description	Quantity	2015/16		
			Budget	Actual	Variance
PGL 21	Financial Intelligence Services including: • Receipt of financial Intelligence Suspicious Activity Reports (SARs) under the Proceeds of Criminal Conduct Law, the Misuse of Drugs Law and anti-terrorism legislation • Handling requests for financial intelligence from overseas counterparts • Appropriately disseminating intelligence to those authorised by law to receive them in a timely manner • Guidance to the industry on money laundering typologies • Statistical reports to the Anti-Money Laundering Steering Group (AMLSG) relating to financial intelligence services • Representation of the Cayman Islands in the Egmont Group, CFATF and other international forums	• Total number of cases (SARs and Overseas Requests) received. Breakdown of cases as follows:	390-430	620	190
		o Number of cases analyzed	350-390	304*	(46)
		o Number of cases (SARs) received locally	335-370	545	175
		o Number of cases (requests) for financial intelligence from Overseas Financial Intelligence Units (FIUs)	55-60	62	2
		o Number of requests answered within 30 days	55-60	16	(39)
		o Number of requests answered after 30 days	-	32+	32
		o Number of financial intelligence disclosures to local authorities	75-95	171	76
		o Number of cases voluntarily disclosed to overseas FIUs and Law Enforcement Agencies	20-35	22	2
		o Number of cases (SARs) in progress at year end	35-50	302	252
		o Number of cases (requests) in progress at year end	5-10	14	4
		• Number of guidance pamphlets Issued on money laundering typologies	-	-	-
		• Annual Report produced as per the Proceeds of Criminal Conduct Law (PCCL)	1	1	-
		• Number of days spent on representation activities	20-25	18	(2)
	</				

* - The FRA completed analysis on 304 of 602 cases received in 2015-2016. There was an additional 243 cases completed from those carried over from 2014-2015 (134), 2013-2014 (77) and 2012-2013 (32).

+ -14 requests are in progress.



Legal Education Services are delivered by the **Truman Bodden Law School**. The Law School recorded a number of accolades during 2015-16.

Assessment results released by examiners of the University of Liverpool's Law School, UK, revealed the best set of graduating results to date in the 34-year history of the law school.

The 2016 LL.B Degree results revealed that two thirds of the full and part time LL.B graduating classes received Upper Second Class Honours Degrees or better.

In July 2015, the School's Law degrees were re-confirmed by the United Kingdom Solicitors Regulatory Authority (SRA) until April 30th 2020.

This means that the degrees will remain 'qualifying' and will enable graduates to obtain a Law Degree which gives recognition to enter the practical stages of solicitor/lawyer training in the UK, Cayman Islands and any jurisdiction which recognizes UK qualifying degrees.

This follows on from the institutional visit completed by the University of Liverpool, in April 2014. It confirms that the degree programmes offered by the school are of the highest quality and compliant with UK standards. The degree offering is unique as it is the only taught degree of its kind in the Caribbean region.

Approximately 70 undergraduate and postgraduate (PPC) students are expected to enroll/re-enroll in September 2016. Over 70% of the anticipated enrolment is expected to be Caymanian.

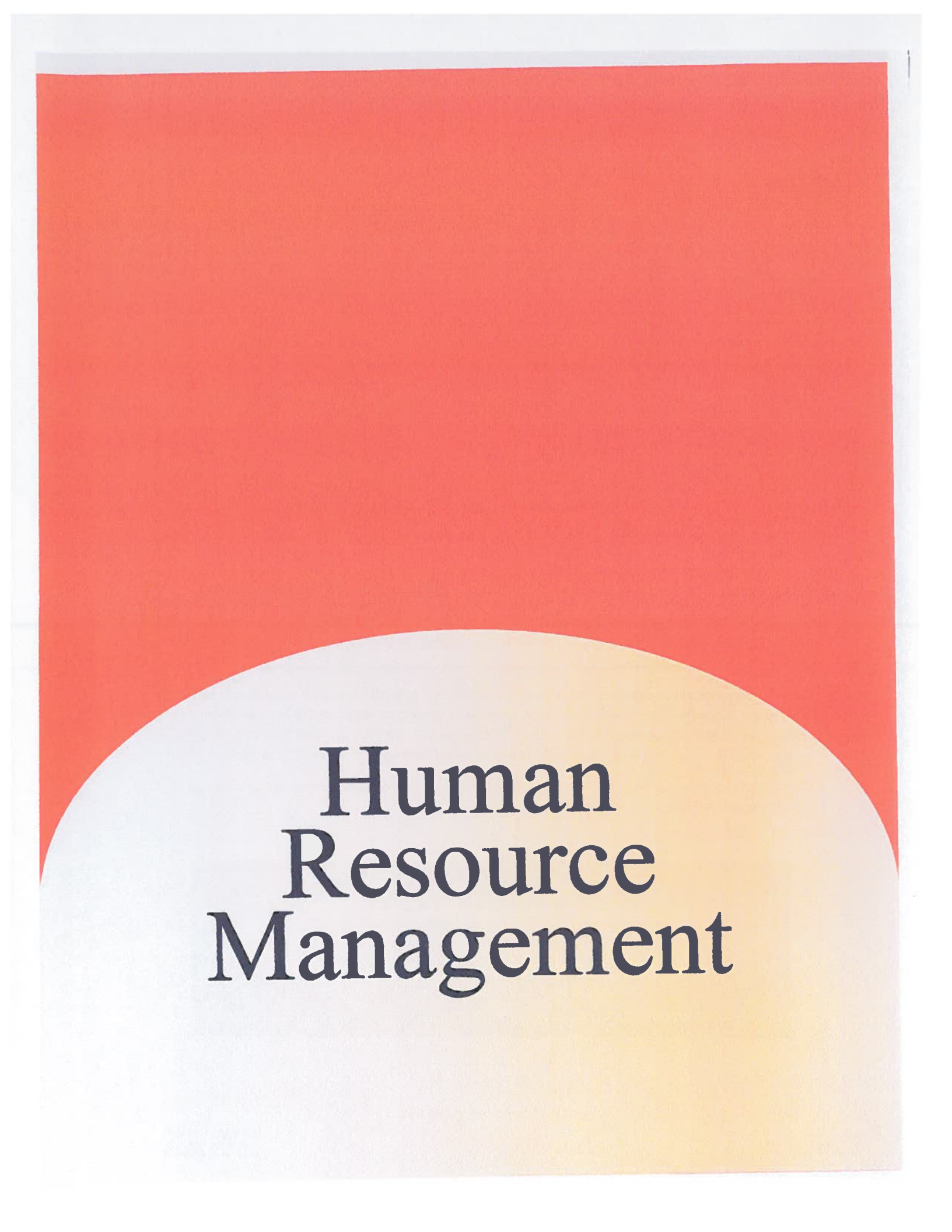


Picture caption

A main strategic Law School initiative is the introduction of the new taught (part time) Master in Laws programme to be offered in partnership with the University of Liverpool from September 2017.

Recruitment for an additional lecturer to design and lead the LL.M Degree took place in March 2016 with the first-choice applicant commencing at TBLS in late June 2016.

A second ongoing strategic initiative of the law school is the re-introduction of a Digest of local court decisions (Grand Court and Court of Appeal), to be called the Cayman Islands Law Journal. Work has been ongoing over the past 6 months in compiling case summaries for the first edition of the new journal (forthcoming). All academic staff members have been involved in contributing to the Journal as well as law school alumni and a member of the Legal Drafting Department. The journal will be published under the general editorship of the Director of the Law School.



Human Resource Management

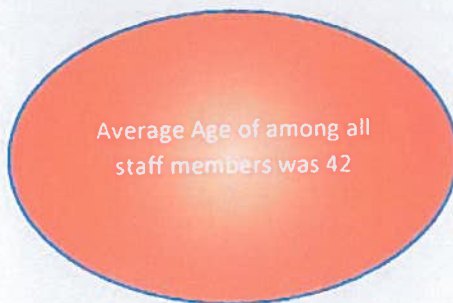


Employment Statistics

The Portfolio of Legal Affairs had 53 staff members as at 30th June 2016. Caymanians accounted for 49 percent or 26 members of staff. Jamaicans accounted for 13 percent (7) and British Nationals accounted for 9 percent (5). Various nationalities combined for the remaining 19 percent which amounted to 15 individuals.

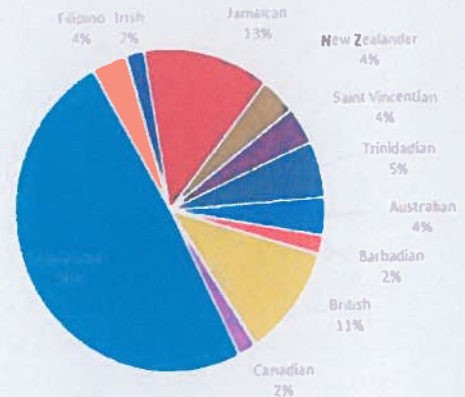
Of the total staff, 36 percent (19) were classified as Legal Practitioners, 22 percent (12) were classified as Administrative Personnel, Finance Personnel accounted for 15 percent (8) and Educationalists accounted for a further 7 percent (4). The preceding four categories accounted for 80 percent of the Portfolio's staff. The remaining 20 percent consisted of Department Executives, Support Personnel, Specialists, and unskilled workers.

The Average staff age as at 30th June 2016 was 42. Further analysis shows that 32 percent (17)

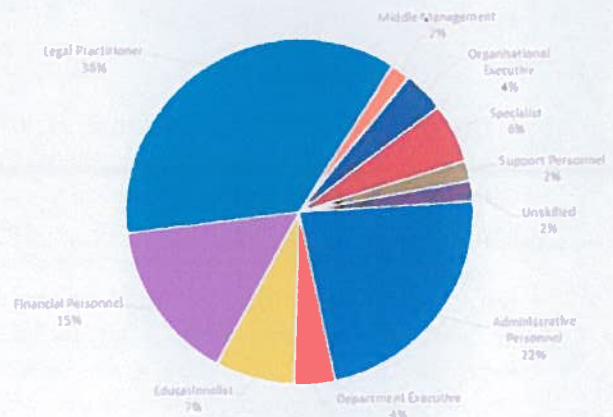


of staff were in the 31-40 age range, 30 percent (16) were between the ages of 41 and 50 and 21 percent (11) were between 51 and 60 years of age. The Portfolio had 3 staff members over the age of 60 and 6 who were between 20 and 30 years of age as at the Balance Sheet Date.

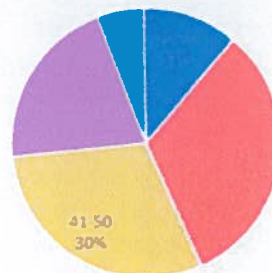
Nationality Distribution

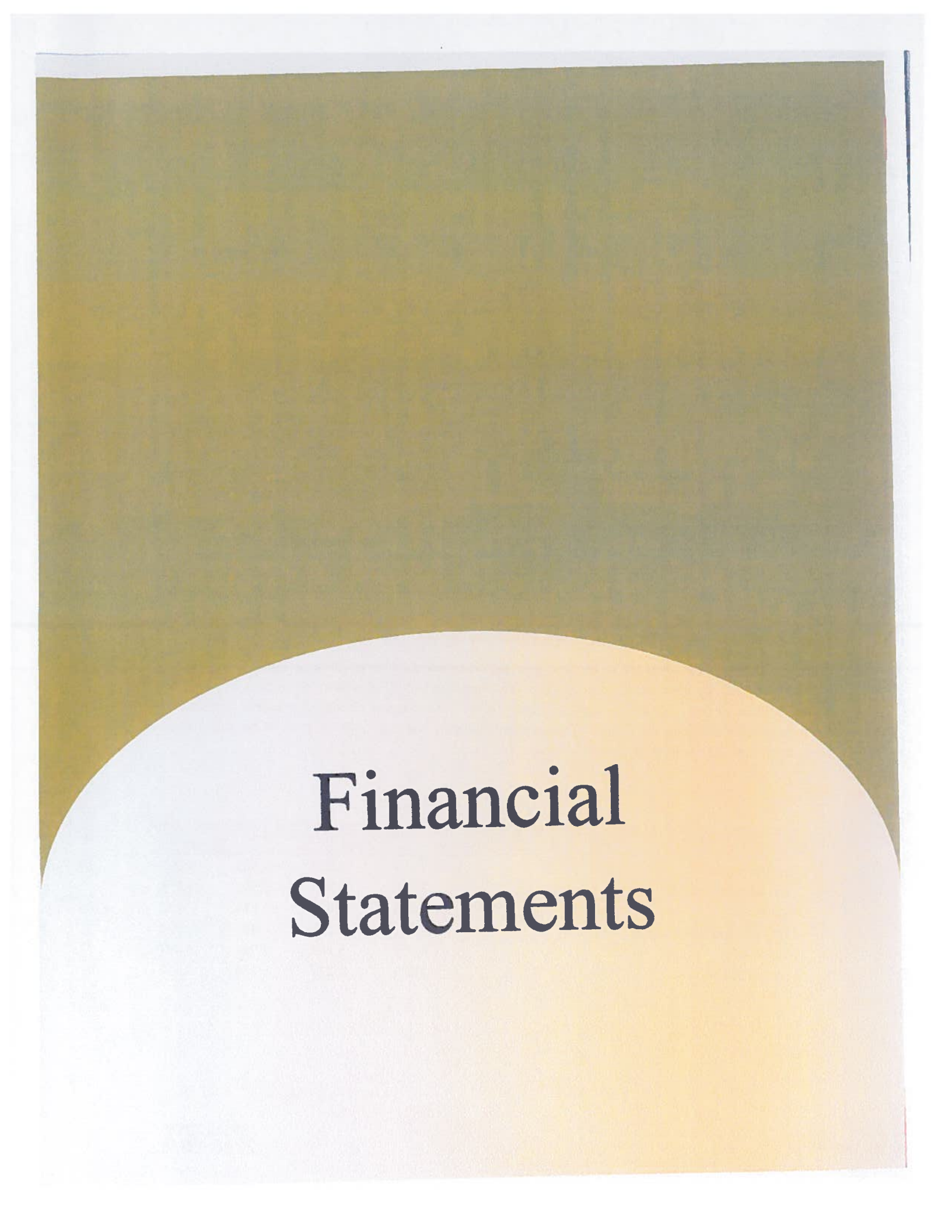


Job Classification



Age Distribution

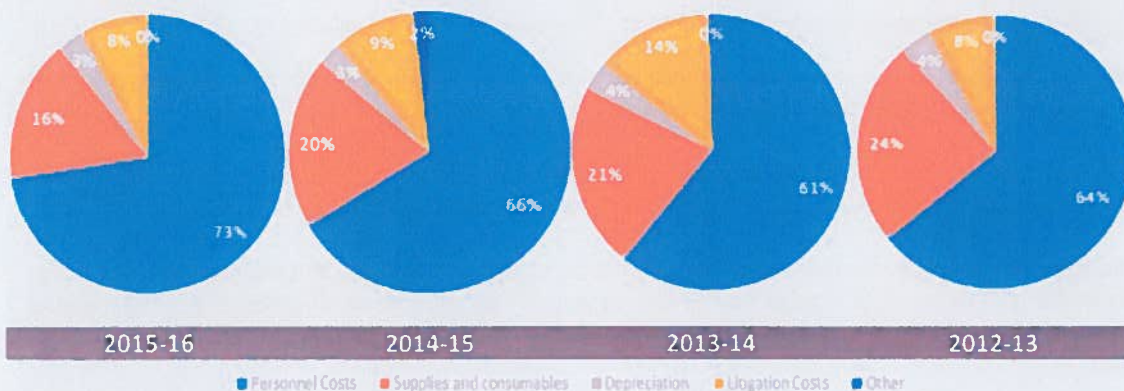




Financial Statements



Expressed in Cayman Islands Dollars and in thousands



Personnel Costs has shown a generally increasing trend over the past 4 fiscal years. This is a combined effect of cost-of-living allowances awarded by the Government, increases in the cost of healthcare and improved staffing within the Portfolio.

Improved staffing has had the positive effect of reducing the Portfolio's reliance on external services. The Portfolio relocated Offices to the main Government Administration building as part of the Government's lease consolidation strategy. This move, combined with savings from the purchase of services, are the main contributing factors to the downward trend in supplies and consumables.

The Attorney General's Office provides litigation services to the Government and its ministries, portfolios and other offices. In previous years, due to increased workload and limited staffing, authorization was given by the Attorney General's Office to augment in-house litigation services through the retention of external counsel. Demand for external counsel has reduced in recent years. This has led to a decline in annual cost from some \$903,000 in 2013-14 to some \$468,000 for the period under review.

Four-year Operating Expenditures	2015-16	2014-15	2013-14	2012-13
Personnel Costs	4,251	3,967	3,983	3,844
Supplies and consumables	942	1,189	1,404	1,449
Depreciation	185	171	232	234
Litigation costs	468	564	903	462
Other	2	99	21	9
Total	5,848	5,990	6,543	5,998

Auditor General's Report

To the Solicitor General and the Members of the Legislative Assembly

I have audited the accompanying financial statements of Portfolio of Legal Affairs (the "Portfolio"), which comprise the statement of financial position as at 30 June 2016, and the statements of financial performance, changes in net assets/equity, and cash flows for the year then ended, and notes to the financial statements and a summary of significant accounting policies in accordance with the Section 60(a)(i) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion. In rendering my audit opinion on the financial statements of the Portfolio of Legal Affairs, I have relied on the work carried out on my behalf by a public accounting firm who performed their work in accordance with International Standards on Auditing.

Opinion

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



Sue Winspear, CPFA
Auditor General

31 October 2016
Cayman Islands



Statement of Financial Performance

PORTFOLIO OF LEGAL AFFAIRS

STATEMENT OF FINANCIAL PERFORMANCE

AS AT 30 JUNE 2016

AS AT 30 JUNE 2016

	Fiscal Year Ended 30th June, 2016				2014/15 Actual
Note	Current Year Actual	Approved Budget (Note 1(c))	Variance (Budget vs. Actual)		
expressed in Cayman Islands Dollars and in thousands					
Revenue					
Sale of outputs to Cabinet	9,15,16,19	6,416	6,416	-	5,894
Sale of outputs to other Government Agencies	9,15,16,19	100	60	(40)	105
Sale of outputs to others	9,15,19	628	479	(149)	859
Total Revenue		7,144	6,955	(189)	6,858
Expenses					
Personnel costs	10,15,16,19	4,251	5,140	889	3,967
Supplies and consumables	11,15	942	1,129	187	1,189
Depreciation	4	185	209	24	171
Litigation costs	12,15	468	477	9	564
Loss on disposal of property and equipment		(6)	-	6	95
Bad debt expense	3	12	-	(12)	12
(Gains)/losses on foreign exchange transactions		(4)	-	4	(8)
Total Expenses		5,848	6,955	1,107	5,990
Surplus for the period		1,296	-	(1,296)	868

The accounting policies and notes on pages 46- 66 form part of these financial statements.



Statement of Cash Flows

PORTFOLIO OF LEGAL AFFAIRS
CASH FLOW STATEMENT
AS AT 30 JUNE 2016

Fiscal Year Ended 30th June, 2016					2014/15 Actual
Note	Current Year Actual	Approved Budget (Note 1(c))	Variance (Budget vs. Actual)		
expressed in Cayman Islands Dollars and in thousands					
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
		6,246	6,373	127	6,072
		100	60	(40)	105
		628	478	(150)	859
Payments					
		(4,241)	(5,123)	(882)	(4,055)
		(1,196)	(1,576)	(380)	(1,918)
	13	1,537	212	(1,325)	1,063
CASH FLOWS FROM INVESTING ACTIVITIES					
		6	-	(6)	-
	4	(176)	-	176	(111)
		(170)	-	170	(111)
CASH FLOWS FROM FINANCING ACTIVITIES					
		(868)	-	868	(147)
		(868)	-	868	(147)
		499	212	(287)	805
		1,969	1,090	(879)	1,164
		2,468	1,302	(1,166)	1,969

The accounting policies and notes on pages 46-66 form part of these financial statements.



Notes to the Financial Statements

For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(d) Judgments and estimates

The preparation of financial statements in conformity with International Public Sector Accounting Standards requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The account balances that require judgement are receivables from exchange transactions and property and equipment. 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 that is affected by those revisions. As at 30 June 2016, no reliable fair value estimate of contributed goods and services provided to the Portfolio by Government entities could be made and therefore no estimated amounts (2015: none) are recorded in these financial statements.

(e) 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 deferred as a liability until it is earned.

The Portfolio 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.

(f) Expenses

Expenses are recognised when incurred on the accrual basis of accounting. In addition, an expense is recognised for the consumption of the estimated fair value of contributed goods and services received, when an estimate can realistically be made.

(g) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are recognised as expenses on a straight-line basis over the lease term.

(h) 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 at the date of acquisition.

(i) Prepayments

The portion of amounts paid for goods and services in advance of receiving goods and services has been recognised as a prepayment.



Notes to the Financial Statements

For the year ended 30 June 2016

(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(k) 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 Portfolio are paid to the Public Service Pension Fund and administered by the Public Service Pensions Board (the "Board"). Contributions of 12% on basic salary, employer 6% and employee 6% are made to the Fund by the Portfolio. Contributions of 12% on acting and duty allowances, employer 6% and employee 6% are made to the Fund by the Portfolio.

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 defined benefit 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 of the Government of the Cayman Islands and not within individual Government entities.

(l) Financial instruments

The Portfolio is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, receivables from exchange transactions, other receivables, payables under exchange transactions, other payables and accruals, employee entitlements and surplus payables, all of which are recognised in the statement of financial position.

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, or exchange financial instruments under conditions that are potentially favourable.

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.

Recognition

The Portfolio recognizes 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.



Notes to the Financial Statements

For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

Note 1: Significant accounting policies (continued)

(n) 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 at year-end date;
- 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.

(o) Comparative figures

Comparative figures are reclassified to ensure consistency with the current period unless it is impracticable to do so.



Notes to the Financial Statements

For the year ended 30 June 2016

(Expressed in Cayman Islands Dollars)

Note 3: Receivables from exchange transactions and other receivables

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

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	2014/15 Actual
Sale of outputs to Cabinet	535	535	-	491
Outputs to other government agencies	122	70	(52)	5
Sale of goods and services	85	126	41	84
Provision for doubtful debts	(31)	(28)	3	(27)
Total receivable from exchange transactions	711	703	(8)	553

As at 30 June 2016 and 30 June 2015, the ageing analysis of receivables under exchange transactions is as follows:

Receivables from exchange transactions	Current Year Actual	Current Year Impairment	Net	2014/15 Actual
Current	651	-	651	499
Past due 1-30 days	6	-	6	-
Past due 31-60 days	27	-	27	21
Past due 61 and above	58	31	27	60
Total	742	31	711	580

As at 30 June 2016 and 30 June 2015, other receivables are composed of:

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	2014/15 Actual
Advances (salary, official travel, etc.)	1	-	1	2
Dishonoured cheques	2	2	-	1
Other	3	4	(1)	33
Provision for doubtful debts	(1)	-	(1)	(1)
Total other receivables	5	6	(1)	35



Notes to the Financial Statements

For the year ended 30 June 2016

(Expressed in Cayman Islands Dollars)

Note 4: Property and equipment (continued)

Cost	Vehicles	Furniture and Fittings	Computer Hardware & Software	Office Equipment	Other Fixed Assets	Total
At 1 July 2014	15	279	30	202	2,379	2,905
Additions	-	-	5	-	106	111
Disposals	-	(272)	(20)	(170)	(418)	(880)
At 30 June 2015	15	7	15	32	2,067	2,136
Accumulated Depreciation						
At 1 July 2014	15	246	21	166	1,498	1,946
Depreciation charge for the year	-	1	3	5	162	171
Disposals	-	(245)	(20)	(160)	(360)	(785)
At 30 June 2015	15	2	4	11	1,300	1,332
Carrying value 30 June 2015	-	5	11	21	767	804

As of 30 June 2016, other fixed assets are composed of:

Description	As at 30 June 2016					2014/15 Carrying Value Actual
	Cost	Disposals	Accumulated Depreciation Actual	Disposals	Carrying Value Actual	
Library books	2,186	-	(1,472)	-	714	767
Lease Improvements	32	-	(1)	-	31	-
Forensic Lab	8	-	(1)	-	7	-
Total other fixed assets	2,226	-	(1,474)	-	752	767



Notes to the Financial Statements

For the year ended 30 June 2016

(Expressed in Cayman Islands Dollars)

Note 8: Revenue from non-exchange transactions

During the year ended 30 June 2016, the Portfolio received services in-kind in the form of accommodation in the central government building as well as computer repairs and software maintenance by the Computer Services Department and human resources management by the Portfolio of the Civil Service. The fair value of these services cannot be determined and therefore were not recognised as revenues and expenses in these financial statements.

Note 9: Revenue

Revenue type	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	2014/15 Actual
Sale of outputs to Cabinet	6,416	6,416	-	5,894
Sale of outputs to other government agencies	100	60	(40)	105
Law school fees	604	475	(129)	477
Others	24	4	(20)	382
Total revenues	7,144	6,955	(189)	6,858

Note 10: Personnel costs

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	2014/15 Actual
Salaries, wages and allowances	3,637	4,301	664	3,420
Health care	379	551	172	362
Pension	184	230	46	181
Leave	10	13	3	-
Other personnel-related costs	41	45	4	4
Total Personnel Costs	4,251	5,140	889	3,967



Notes to the Financial Statements

For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

Note 13: Reconciliation of net cash flows from operating activities to surplus

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	2014/15 Actual
Surplus for the period	1,296	-	(1,296)	868
Non-cash movements			-	
Depreciation expense	185	209	24	171
(Recovery)/provision for bad debts	12	-	(12)	(12)
Gain on disposal of property and equipment	(6)	-	6	95
Debts written off	(8)	-	8	12
Changes in current assets and liabilities:			-	
Decrease/(Increase) in receivables from exchange to	(162)	(44)	118	190
(Increase)/ Decrease in prepayments	-	-	-	(46)
Decrease/(Increase) in other receivables	30	-	(30)	28
(Decrease)/Increase in payables under exchange transactions and other payables and accruals	180	30	(150)	(155)
(Decrease)/ Increase in employee entitlements	10	17	7	(88)
Net cash flows from operating activities	1,537	212	(1,325)	1,063

Note 14: Commitments

Type	One year or less	One to five years	Over five years	Total	2014/15 Actual
Operating commitments					
Non-cancellable accommodation leases	333	949	-	1,282	1,243
Total Operating Commitments	333	949	-	1,282	1,243

The Portfolio's medium to long-term accommodation lease for the premises it occupied at DMS House, 20 Genesis close, in George Town expired at November 2014. The Portfolio has since relocated to the 4th Floor of the Government Administration Building. The Portfolio has two medium-to long-term leases for the term of 5 ½ year for the property occupied by the Truman Bodden Law School at 11 Dr. Roy's Drive, in George Town. The lease expires on 30 June, 2020. The amounts disclosed above as future commitments are based on the current rental rates.



Notes to the Financial Statements

For the year ended 30 June 2016

(Expressed in Cayman Islands Dollars)

Statement of Financial Performance (continued)

Personnel costs

Actual personnel costs are lower than budget by \$889 thousand primarily because of the non-fulfillment of budgeted positions, filling at a later date than anticipated and the timeliness of staff replacement. A number of vacant posts in the Portfolio, including that of the HR Manager which is shared with the Office of Director of Public Prosecution, remained vacant during the financial year.

Supplies and consumables

The net decrease of \$187 thousand to budget is primarily due to decreases in travel and subsistence of \$92 thousand, training of \$43 thousand, purchase of services of \$58 thousand, supplies and materials of \$24 thousand, repairs, utilities of \$15 thousand and \$10 thousand in general insurance. These decreases were however offset by the \$26 thousand increase in lease of property and equipment, \$18 thousand in repairs and maintenance, \$7 thousand in audit and inspection fees and \$4 thousand in reference materials.

The decrease in travel and subsistence is notably due to lower travel and subsistence expense as a result of reduced travelling by the Attorney General's Chambers. The level of training budgeted did not materialize during the year.

The reduction in purchase of services is primarily due to decreases in public relations, publicity and advertising of \$15 thousand and freight and shipping of \$8 thousand. The budget anticipated \$10 thousand to be spent on the marketing of the Truman Bodden Law School but this was virtually underspent during the year. The \$5 thousand decrease in advertising is directly linked to the non-fulfillment of budgeted positions. Freight and shipping is a contingency for staff repatriation and would vary from year to year.

The decrease in supplies and materials is primarily due to enhanced efforts to coordinate the purchasing of paper and printing consumables and office supplies. These are also affected by the timing of purchases as they are expensed on acquisition. This resulted in savings of \$28 thousand.

The increase in repairs and maintenance is mainly due to the reduction in the budget for building maintenance, given that, with the relocation to the Government Administration Building, this is now the responsibility of Facilities Management Department. However, although decreases were seen in buildings maintenance spend, there were maintenance on office equipment of \$16 thousand and \$2 thousand on vehicle maintenance.

The decrease in utilities is directly related to the savings in electricity for the Truman Bodden Law as a result of lower fuel surcharge rates.



Notes to the Financial Statements

For the year ended 30 June 2016
(Expressed in Cayman Islands Dollars)

Note 17: Financial instrument risks

The Portfolio is exposed to a variety of financial risks including credit risk, exchange risk and liquidity risk. The Portfolio's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up-to-date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations (2013 Revision).

Credit risks

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Portfolio. Financial assets which potentially expose the Portfolio to credit risk comprise cash and cash equivalents and receivables from exchange transactions and other receivables.

The Portfolio is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers to be financially secure and well-managed.

The Portfolio is also exposed to a significant concentration of credit risk in relation to receivables from exchange transactions, significant portions of which are due from other Government entities. No credit limits have been established. As at 30 June 2016, no provision for doubtful debts (2015: \$0) has been made on these receivable as none of these accounts are impaired and management considers these debts to be recoverable in full.

The carrying amount of financial assets recorded in the financial statements represents the Portfolio's maximum exposure to credit risk. No collateral is required from debtors.

Liquidity risk

Liquidity risk is the risk that the Portfolio is unable to meet its payment obligations associated with its financial liabilities when they are due.

The ability of the Portfolio to meet its debts and obligation is dependent upon its ability to collect the debts outstanding to the Portfolio on a timely basis. In the event of being unable to collect its outstanding debts, it is expected that the Government would temporarily fund any shortfalls the Portfolio would have with its own cash flows. As at 30 June 2016, all of the financial liabilities were due within three months of the year end dates (2015: three months).

Exchange rate risk

The entity does not have significant exposure to currency exchange rate risk as the Cayman Islands dollar is pegged to the United States Dollar.



Notes to the Financial Statements

For the year ended 30 June 2016

(Expressed in Cayman Islands Dollars)

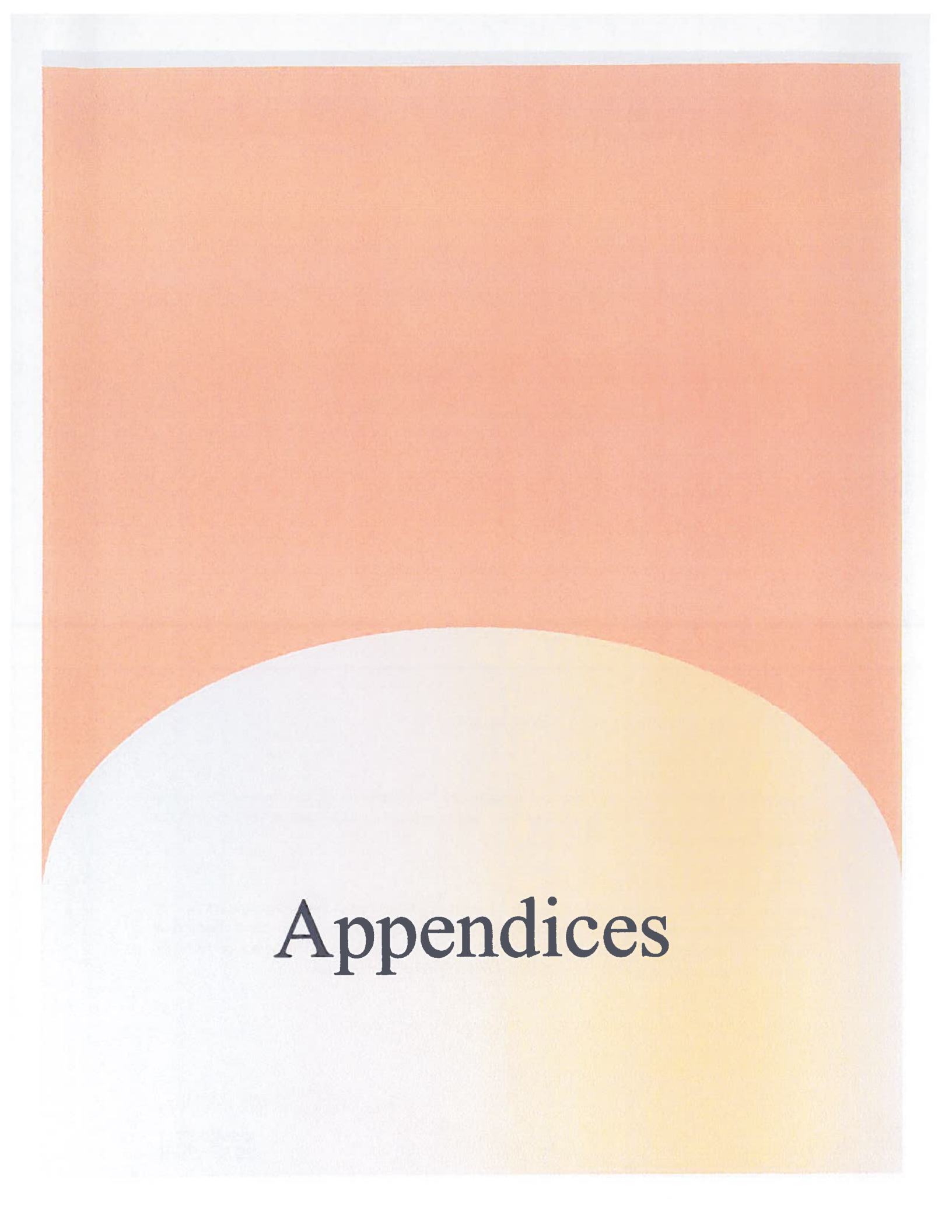
Note 19: Segment reporting (continued)

For the year ended 30 June 2015:

	Legal Drafting & Review & Modernization of Laws	Prosecution Advice & International	Ministerial Advice to the Attorney General	Financial Intelligence Services	Law School	Total
Revenue						
Sale of outputs to Cabinet	1,207	1,958	1,029	705	995	5,894
Sale of outputs to other Government Agencies	-	105	-	-	-	105
Sale of outputs to others	-	355	23	-	481	859
Total Revenue	1,207	2,418	1,052	705	1,476	6,858
Expenses						
Personnel costs	845	1,122	410	607	983	3,967
Other Expenses	199	719	293	46	766	2,023
Total Expenses	1,044	1,841	703	653	1,749	5,990
Surplus/ (Deficit) for the period	163	577	349	52	(273)	868

The Portfolio does not maintain a separate monitoring of total assets, total liabilities and capital cost for each segment. The Portfolio segment report is prepared on the basis of five major department activities:

1. Legal drafting and the review and modernization of laws. This includes the drafting of legislation and regulations for the Government and the study and review of statutes and other laws of the Cayman Islands with a view to their systematic development and reform.
2. Prosecution advice and international: The provision of legal advice and representation on civil matters to Government, Ministries and Portfolios and the provision of International legal assistance.
3. Ministerial advice to the Attorney General: This includes secretarial, administrative, law revision and policy advice.
4. Financial Intelligence services: This includes receipt of financial intelligence (suspicious activity reports (SAR's) under the Proceeds of Crime Law, the Misuse of Drugs Law, and Terrorism Law and facilitating requests for financial intelligence from overseas counterparts.

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Appendices

Notes

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