PORTFOLIO OF LEGAL AFFAIRS

ANNUAL REPORT 2018

CAYMAN ISLANDS
GOVERNMENT

Portfolio of Legal Affairs

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Contents

Foreword

This Annual Report is for the Portfolio of Legal Affairs (the "Portfolio").

The Portfolio advises and represents the Government, its affiliated bodies and statutory authorities on all legal matters and is responsible for legislative drafting, law revision, law reform, and local legal education and training through the Truman Bodden Law School. In addition, the Portfolio offers financial intelligence services and support to Government and its stakeholders in relation to anti-money laundering. The Portfolio is headed by the Honourable Attorney General.

The Annual Report outlines the Portfolio's performance during the year from January 1st, 2018 to December 31st, 2018 in comparison to that which was outlined in the budget for the corresponding period.

The requirement for an Annual Report is prescribed under section 44 of the Public Management and Finance Law (2018 Revision). Section 44 states:

(1) An annual report of a ministry or portfolio shall be presented to the 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.

This annual report complies with the requirements of the Public Management and Finance Law and covers three main areas:

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

The service delivery section outlines the interventions carried out by the Portfolio 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 2018 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 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.

About This Report

This report has been prepared in accordance with the requirements stipulated in the Public Management and Finance Law (2018 Revision) for Ministries and Portfolios.

Nature & Scope of Activities

General Nature of Activities

The provision of legal advice and legal education services.

Scope of Activities

The Portfolio's scope of activities involves:

- The provision of legal advice and legal representation to the Government, Government Agencies and Statutory Authorities;
- Acting on behalf of Government, Government Agencies and Statutory Authorities in civil litigation and tribunal proceedings;
- Drafting of legislation;
- The provision of legal education and training;
- Provision of financial intelligence services to the Attorney General;
- Law revision services; and
- Law Reform services.

For reporting purposes, the Portfolio is divided into four key sections:

- Legal Drafting & Review Services;
- Provision of Legal Advice, International Legal Assistance & Compliance;
- Financial Intelligence Services; and
- Legal Education Services.

Overview

This chapter summarizes the Portfolio's overall responsibilities, describes the functions and activities of the Portfolio, and shows the Portfolio's organisational structure.

Achievements

The Portfolio's accomplishments are grouped according to core segments, and detailed explanations on key objectives achieved over the period are provided.

Human Resources Management

This section reports on key information and statistics relating to the Portfolio's work force.

Financial Statements

This section includes the Auditor General's report, a Management Discussion and analysis of the financial results for the Portfolio over the period, and the corresponding statements.

Appendices

This chapter summarizes major laws impacting the departments within the Portfolio and other information regarding risk and requests under the Freedom of Information framework.

Contact Information

Telephone and website information is provided for each department under the Portfolio.

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 31st December 2018.

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; promote the rule of law; and to make the Cayman Islands a center of excellence for legal education.

The Portfolio faced significant demand for legal services from its client agencies during 2018. This includes approximately 247 requests from various Government Ministries, Departments and Statutory Authorities on a wide range of subject matter and laws.

The requests for advice and representation covered challenges to the constitutionality of various legislative provisions, discrimination under the Bill of Rights, asylum and complex commercial matters.

I am proud of the work carried out under the leadership of the Acting Solicitor General in efficiently disposing of these matters through the provision of legal advice, and effective representation.

I am also grateful for the commendable work of the Law Revision Department which published the 2018 Revisions of the Cayman Islands Laws. This compilation comprised some 57 items of Cayman Islands Legislation, and required the careful study, editing, and proof-reading of over 2,559 pages of documents as well as the verification of 961 cross- references.

I also commend the Law Reform Commission for its current work on the anti-bullying legislative framework, and the Statutory Regulation of Queen's Evidence. Both pieces of work are important advancements in our criminal justice system to ensure the continuation of an equitable and just society.

Several important legal matters with potential material impact on the Cayman Islands were also raised internationally during 2018. These include discussions on constitutional reform to protect fundamental rights as well as discussions on same-sex relationships. As principal legal advisers, the Portfolio of Legal Affairs stands ready to support the Government in its policy directions regarding these matters.

I would also like to offer my sincere thanks and congratulations to the staff within the Solicitor's General's Office, the Legislative Drafting Department, the Financial Reporting Authority, the Law School and the Anti-Money Laundering Unit for their continued dedication and hard work throughout the year.

Sincerely,

Honourable Samuel Bulgin, QC, JP
Attorney General
Portfolio of Legal Affairs
28th February 2019

Message from the Acting Solicitor General

I am pleased to provide the Annual Report for the Portfolio of Legal Affairs for the fiscal year ended 31st December 2018.

The Portfolio supports the Attorney General by ensuring the Government has access to highly trained and experienced legal professionals, and support staff. Our range of work is extensive, and reflects the entire scope of Government activity in our modern society. In 2018, representation was provided on behalf of the Government and other public entities in approximately 48 litigation matters before the Grand Court and Court of Appeal, and 12 matters before statutory tribunals.

These included claims for asylum under the Refugee Convention and Immigration Law; challenges to the transfer of prisoners abroad; and an application for judicial review of the decision of a statutory tribunal.

In addition to its complexity, the work of the Portfolio is particularly demanding by virtue of its importance, volume, and the level of urgency that is often required.

This 2018 annual report outlines the strategic outcomes achieved in service to the public and client agencies. An effective justice system requires sound laws, and experienced individuals who can critically review existing and proposed legislation to ensure suitability for our society.

The Penal Code has not had a major review in over 40 years. Since then, several amendments have been made to our legal framework through constitutional advancements, and other interventions. In 2018, our Law Reform Commission continued its work to review the existing pieces of legislation under the Penal Code to assess their continued compliance and suitability. The result of their work is expected in 2019.

Cybersecurity is becoming an increasing concern both locally and internationally. We were therefore happy to support our partner agencies in the development of legislation to safeguard our local technological infrastructure, and to keep pace with the increased prevalence of crimes committed in the digital sphere, and through the use of digital devices.

Internationally, we continued our strong tradition of engagement and cooperation with partner countries to strengthen regional and domestic frameworks. These form part of our efforts to address criminal activities such as money laundering and terrorist financing.

In 2018, we also made significant strides in the area of criminal justice by supporting the Government's legislative plans for the introduction or amendments to several key pieces of legislation. I am very fortunate and grateful for a dedicated and supportive team with whom, none of this would be possible.

Our work is both a responsibility and a privilege. As servants of the public, we have a duty to give account for the services we provide and the resources we consume. It is in recognition of this responsibility that our performance and achievements for 2018 are presented in this Annual Report.

Yours sincerely,

Reshma Sharma
Acting Solicitor General and Chief Officer
Portfolio of Legal Affairs
28th February 2019

Glossary of Abbreviations

AMLR	Anti-Money Laundering Regulations
AMLSG	Anti-Money Laundering Steering Group
AMLU	Anti-Money Laundering Unit
CFATF	Caribbean Financial Action Task Force
CFT	Combating the Financing of Terrorism
CIMA	Cayman Islands Monetary Authority
DNFBP	Designated Non-Financial Businesses and Professions
FATF	Financial Action Task Force
FRA	Financial Reporting Authority
FSHA	Financial Services & Home Affairs
FSP	Financial Services Providers
IACC	Inter-Agency Coordination Committee
IESBA	International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants
IM	Immediate Outcomes
IPAC	Institute of Public Administration Canada
IPSAS	International Public Sector Accounting Standards
ISAs	International Standards on Auditing

LL.B	Bachelor of Laws
MCPI	Ministry of Commerce, Planning and Infrastructure
MER	Mutual Evaluation Report
NRA	National Risk Assessment
OBU	Oxford Brookes University
OFIU	Overseas Financial Intelligence Units
OFSI	Office of Financial Sanctions Implementation
PCL	Proceeds of Crime Law
PMFL	Public Management and Finance Law
POCS	Portfolio of the Civil Service
PPC	Professional Practice Course
QLD	Qualifying Law Degree
SAR	Suspicious Activity Reports
SRA	Solicitors Regulatory Authority
TCQ	Technical Compliance Questionnaire
TF	Terrorist Financing
TL	Terrorism Law
WG	Working Group

Section

1

Overview

2018 At a Glance

Financial Performance Measures	2018 Target	2018 Actual
Revenue from Cabinet	7,386	6,155
Revenue from Ministries, Portfolios, Statutory Authorities, Government Companies	100	100
Revenue from others	755	626
Total Revenue	8,241	6,881
Expenses	8,241	6,576
Surplus	-	305

Net-Worth	2018 Target	2018 Actual
Net Worth	2,237	2,290

Cash Performance	2018 Target	2018 Actual
Cash Flow from Operating activities	234	715
Cash Flows from Investing activities	(20)	(145)
Cash Flows from Financing activities	20	(1,527)
Change in cash balances	234	(957)

Financial Performance Ratios	2018 Target	2018 Actual
Current Assets: Current Liabilities	3.96:1	2.78:1
Total Assets: Total Liabilities	4.68:1	3.45:1

Human Capital Measures	2018 Target	2018 Actual
Total Full Time Equivalent Staff Employed	69	55

Physical Capital Measures	2018 Target	2018 Actual
Value of total assets	2,845	3,224
Asset replacements: total assets	0.05	0.03
Book value: initial cost	0.26	0.22
Depreciation: cash flow on asset purchases	9.55	2.36

Our Highlights in 2018

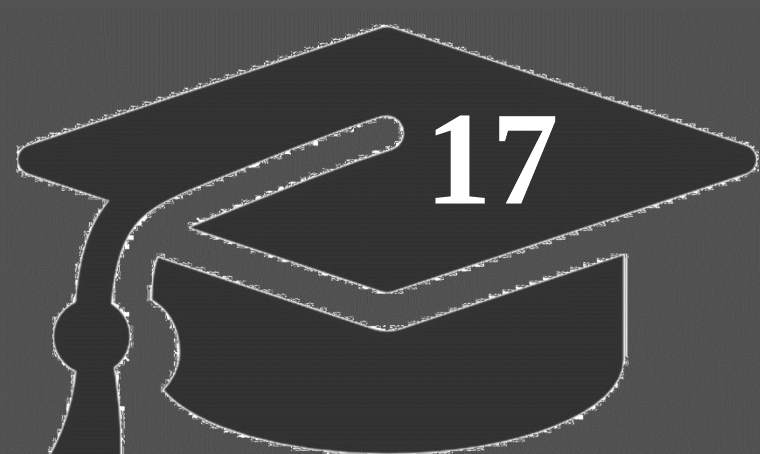
The Solicitor General's Office provided Legal Advice to approximately

247

Requests from various Government Ministries, Departments and Statutory Authorities.

80

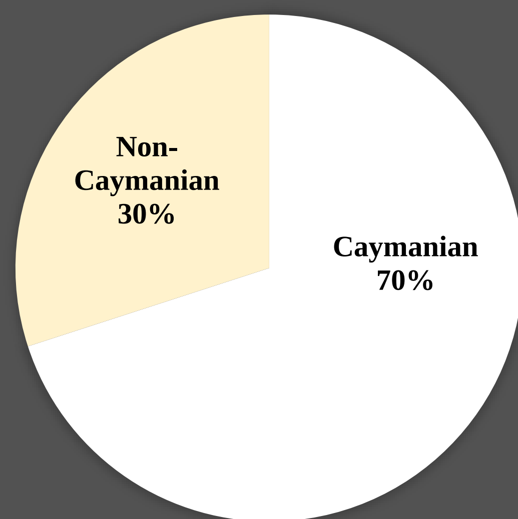
Undergraduate and Postgraduate students enrolled at the Law School for the 2017/18 academic year.



17

Graduating students for 2018 achieved First or 2:1 Distinction

2017/18 LAW SCHOOL ENROLLEES



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Final Reports were submitted to the Attorney General during 2018 by the Legislative Reform Commission.

The Anti-Money Laundering Unit conducted

3

Outreach Training Sessions in 2018

More than **2,500 Pages**

Of Legislation were edited and proof-read by the Law Revision Department

935

Suspicious Activity Reports were received by the Financial Reporting Authority in 2018

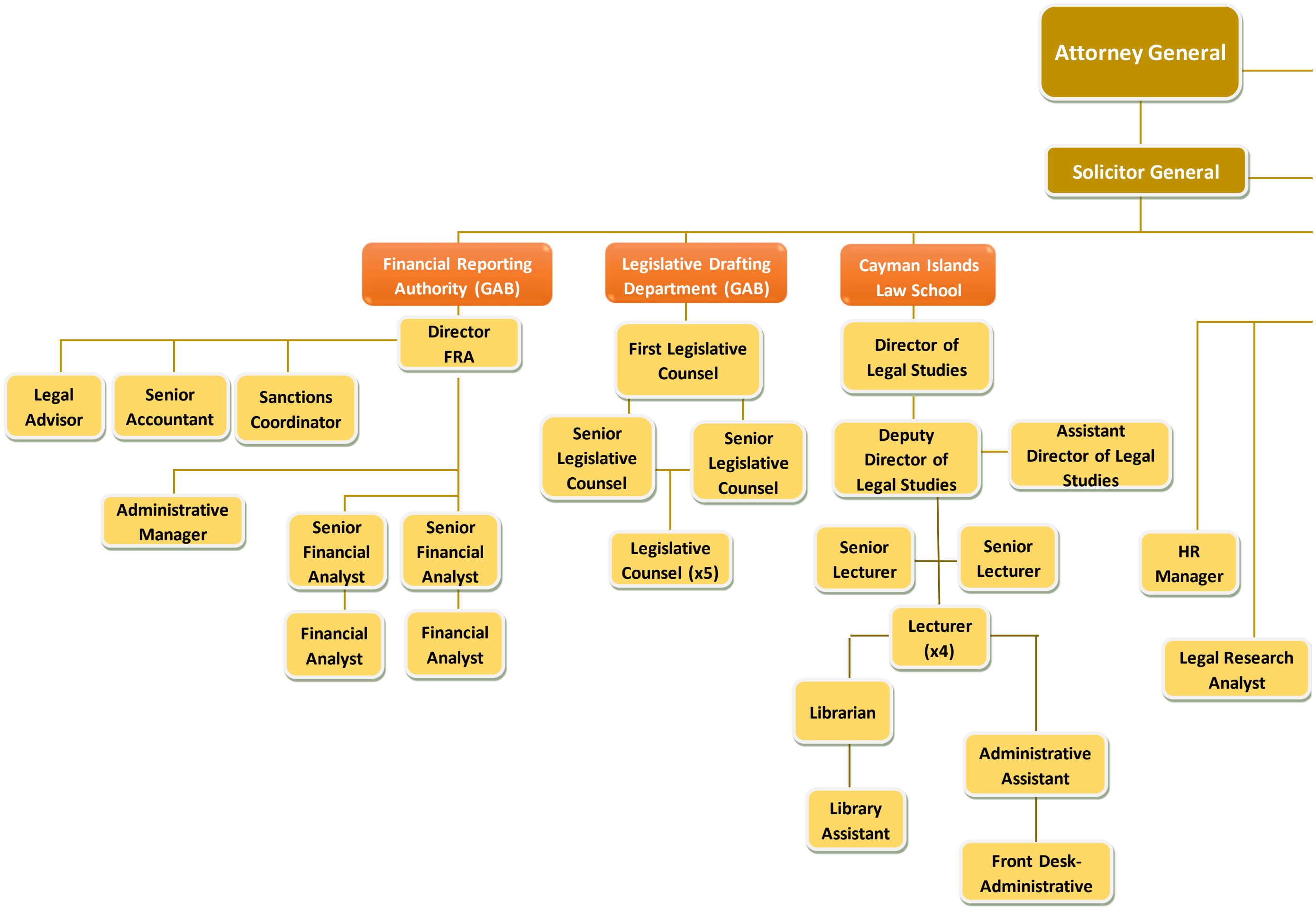
The FRA published **105**

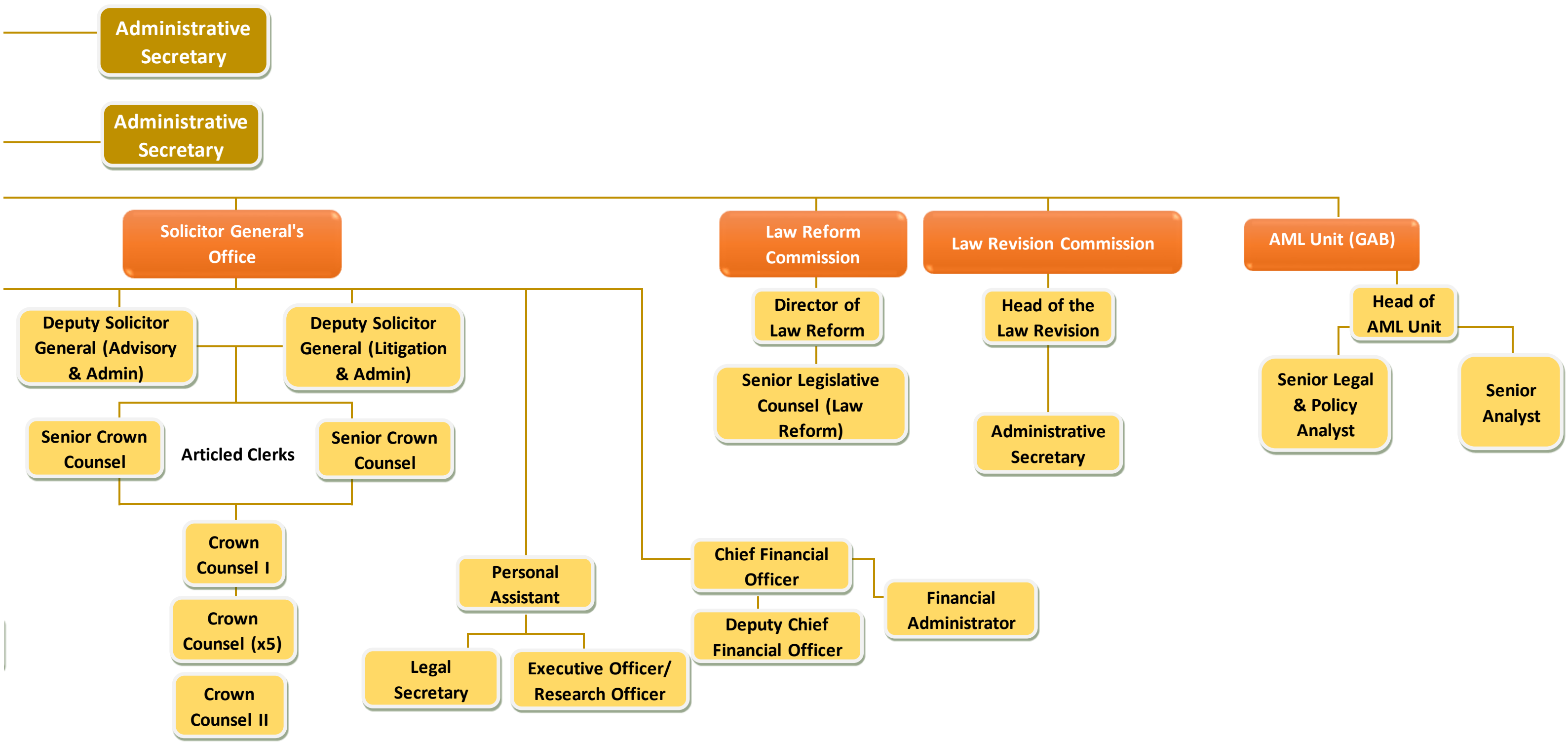
Financial Sanctions Notices on its website.

Staff of the FRA spent **1,625**

Hours on CFATF Mutual Evaluation Process in 2018

Organisational Structure




Administrative Secretary
Administrative Secretary
Solicitor General's Office
Law Reform Commission
Law Revision Commission
AML Unit (GAB)
Deputy Solicitor General (Advisory & Admin)
Deputy Solicitor General (Litigation & Admin)
Director of Law Reform
Head of the Law Revision
Head of AML Unit
Senior Legislative Counsel (Law Reform)
Administrative Secretary
Senior Legal & Policy Analyst
Senior Analyst
Senior Crown Counsel
Articled Clerks
Senior Crown Counsel
Crown Counsel I
Crown Counsel (x5)
Crown Counsel II
Personal Assistant
Legal Secretary
Executive Officer/ Research Officer
Chief Financial Officer
Deputy Chief Financial Officer
Financial Administrator

Strategic Overview

The Portfolio of Legal Affairs advises the Government and its affiliated bodies, statutory boards and corporations, on all legal matters, and is responsible for legislative drafting, law revision, law reform and legal education through the Cayman Islands Law School.

The Portfolio includes the following Entities:

1. **Solicitor General's Office**: provides legal advice and representation, on behalf of the Attorney General, to Government departments, and statutory boards and authorities. The legal advice spans the full spectrum of the exercise of the duties and responsibilities of Government departments, and statutory boards and authorities, including guidance on the exercise of statutory powers and the interpretation of statutory provisions. The Solicitor General's Office also represents Government departments and statutory boards and authorities in proceedings before the Grand Court and the Court of Appeal when the decisions of the Government are subject to any form of legal challenge, and in proceedings before statutory tribunals, such as the Planning Appeal Tribunal and the Immigration Appeal Tribunal.

2. **Legislative Drafting Department**: empowers the Legislature to make laws for the peace, order and good governance of the Cayman Islands. The Legislative Drafting Department is responsible for the provision of an efficient legislative drafting service, including related legislative advice for the Government. Drafting instructions are provided to the Legislative Drafting Department through the Cabinet. Instructing officers may be Ministries, Portfolios and Government departments, and 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.

3. **Law Revision Department:** operates under the authority of the Law Revision Law (1999 Revision). The operational role of the Law Revision Department is to produce an annual revision and consolidation of all the laws of the Cayman Islands that have been amended during the previous 12 months. In addition, the Law Revision Department produces annually, a consolidated index of laws and regulations containing additional legal measures, including United Kingdom statutory instruments. Such revisions and the Index are published as Supplements to the Official Gazette and are intended to supply information to the public in general, and to the legal profession in particular.

4. **Law Reform Commission:** 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.

5. **Truman Bodden Law School:** exists pursuant to Section 20 Legal Practitioners Law (2015) which makes provision for the establishment by the Governor (in consultation with the Legal Advisory Council) of a local system of legal education. The establishment of the Law School followed a feasibility study (The Fairest Report) which had been commissioned in order to facilitate the legal training of Caymanian individuals interested in pursuing a career in legal practice. As the Law School was therefore originally established as a vocational school for the training of lawyers, it made sense for it to form part of the Attorney General's Chambers where it has remained ever since.

6. **Financial Reporting Authority**: primarily responsible for receiving, analysing, requesting and disseminating disclosures of financial information, concerning the proceeds of criminal conduct, suspected proceeds of criminal conduct, money laundering, suspected money laundering, or the financing of terrorism which is derived from any criminal offence committed in these islands. The FRA is also responsible for ensuring the implementation of targeted financial sanctions with respect to terrorism, terrorism financing (TF), proliferation, proliferation financing, and other restrictive measures related to anti-money laundering (AML) and combatting the financing of terrorism (CFT) and proliferation (CFP) from and within the Cayman Islands. The Sanctions Coordinator plays a critical role in the implementation and enforcement of these targeted financial sanctions and other restrictive measures, and in developing and enhancing the jurisdiction's AML/CFT regime, while ensuring ongoing compliance with international standards and best practices.

7. **Anti-Money Laundering Unit**: established in 2014 out of the need for greater AML/CFT cooperation and coordination among relevant competent authorities at the operational level.

Collectively, these agencies focus on the delivery of **five (5) of the Government's eight Broad Outcome goals:**

- A Strong Economy to Help Families and Businesses
- The Best Education Opportunities for All Our Children
- Reducing Crime and the Fear of Crime
- Stronger Communities and Support for the Most Vulnerable
- Stable, Effective and Accountable Government

The customer for all of the Portfolio's activities is the Attorney General, Government agencies and the general public (save in respect of legal advice and representation which is not provided to the general public). All services are located in the Cayman Islands.

The Key Strategic Ownership Goals for the Portfolio of Legal Affairs in 2018 are as follows:

- Ensuring optimum use of Government resources so that the delivery of services is effective and efficient;
- Ensuring that the Portfolio continues to be adequately staffed with competent and qualified staff;
- Provision of appropriate training to ensure the continuing education and development of all staff;
- Provision of optimum legal services to the Government and Government entities;
- Ongoing training of articled clerks;
- The continuing professional education of all staff;
- Development of and maintaining appropriate legal research tools and databases; and
- The maintenance of equipment conducive to the production of the Portfolio's outputs.

Section

2

Legislative Drafting & Review Service

These services are delivered by the Legislative Drafting Department, the Law Reform Commission and the Law Revision Department

The Legislative Drafting Department (the "Drafting Department")

The Drafting Department has a wealth of legislative drafting experience with most Legislative Counsels having at least 10 years post qualification experience. Our work is concentrated in three main categories–

- Drafting primary legislation (Bills);
- Drafting subordinate legislation (Regulations and Orders, Directions, Rules etc.); and
- Advising on proposals for legislation and statutory interpretation.

The primary legislation passed by the Legislative Assembly each year is not an accurate reflection of the quantum of legislation prepared during that year by Legislative Counsel. The Drafting Department produces a large amount of subordinate legislation, most of which is never seen by the Legislative Assembly.

In 2018, the Drafting Department continued with a heavy legislative programme which generally exceeds one hundred pieces of legislation. Below is a list of some of the legislation which were made or enacted in 2018 and a list of other legislation that were prepared by the staff of the Drafting Department in 2018 and are still due to be considered by the Government in 2019.

Legislation made or enacted in 2018-

- The Supplementary Appropriation Laws (July 2013 to June 2014);
- The Supplementary Appropriation Laws (July 2014 to June 2015);
- The Supplementary Appropriation Laws (July 2015 to June 2016);
- The Procurement Law 2016 (Commencement) Order, 2018;
- The Youth Justice (Amendment) Law, 2018;
- The Public Service Pensions (Ex-Gratia Uplift Payments) Regulations, 2018;
- The Public Service Pensions (Ex-Gratia Pensions) (Amendment) Regulations, 2018;
- The Immigration (Amendment) Law, 2018;
- The Advance Passenger and Information Law, 2018;
- The Advance Passenger and Information (Amendment) Law, 2018;
- Liquor Licensing (Amendment) Law, 2018;
- The Utility Regulation and Competition (Amendment) Law, 2018;
- The Music and Dancing (Control) (Amendment) Law, 2018;
- The Cadet Corp (Amendment) Law, 2018;
- The Electricity Sector Regulation (Amendment) Law, 2018;
- The Water Sector Regulation (Amendment) Law, 2018;
- The Water Authority (Amendment) Law, 2018;
- The Supplementary Appropriation Law (Jan 2018 to Dec 2018), 2018;
- The International Tax Co-operation (Economic Substance), 2018;
- The Companies (Amendment), 2018;
- The Companies (Amendment) (No 2), 2018;
- The Local Companies (Control) (Amendment), 2018;
- The Legal Associations (Miscellaneous Amendments), 2018;
- The Immigration (Transition), 2018;
- The Customs and Border Control, 2018;
- The Roads (Naming and Numbering) (Amendment), 2018;

- The Stamp Duty (Amendment), 2018;
- The Banks and Trust Companies (Amendment), 2018;
- The Stalking (Civil Jurisdiction) Law, 2018;
- The Penal Code (Amendment) Law, 2018;
- The Freedom of Information (Amendment) Law, 2018;
- The Formal Validity of Wills (Persons Dying Abroad) Law, 2018;
- The Non-profit Organisations (Amendment) Law, 2018;
- The National Honours and Awards (Amendment) Law, 2018;
- The Proceeds of Crime (Amendment) Law, 2018;
- The Limited Liability Partnership (Amendment) Law, 2018.
- The Criminal Procedure Code (Amendment) Law, 2018;
- The Public Authorities (Amendment) Law, 2018;
- The Merchant Shipping (Marine Casualty Reporting and Investigation) Regulations, 2018; and
- The Evidence (Amendment) Law, 2018.

Some of the legislation proposed for 2019 -

- The Matrimonial Causes Bill;
- The Family Property (Rights of Spouses) Bill;
- The Maintenance Bill;
- The Surveillance Devices Bill;
- The Immunity and Indemnity Provisions Bill;
- The Personnel (Amendment) Regulations;
- The Explosives (Amendment) Bill;
- The Explosives Regulations;
- The DNA Identification Bill;
- The Labour Relations Bill;
- The Customs Tariff Bill,
- The Strata Titles Bill;
- The Pharmacy Bill;
- The Investigatory Powers Bill;
- The Equality (Public Sector Equality Duty) Bill;
- The Pharmacy Regulations;
- The Public Lands Regulations;
- The Traffic Control (Amendment) Regulations;
- The Auditors Oversight (Amendment) Bill;
- The Financial Assistance Bill and Regulations;
- The Fair Employment Opportunity Commission Bill;
- The Oversight of Automated Clearance House Settlement and Payment Systems Bill;
- The Consolidation of the Liquor Licensing Law and the Music and Dancing (Control) Laws;
- The Contempt of Court Bill;
- The Penal Code (Amendment) Bill;
- The Public Service Pensions (Amendment) Bill;
- The Public Service Pensions (Contribution Rates) Regulations;
- The Builders Bill and Regulations; and
- The Liquor Licensing Regulations.

The Law Reform Commission (the "Commission")

The work of the Law Reform Commission primarily consists of conducting legal research, carrying out public and governmental consultation, preparing reports on law reform topics, and 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 request of Government Departments and other Authorities concerned, advice, information and proposals for reform or amendment of any branch of the law; and
- Appoint or empanel committees, with the approval of the Attorney General, whether from among members of the Commission or from among persons outside the Commission or both, to study and make recommendations to the Commission on any aspect of the law referred to it by the Commission.

Final Reports

During the year, the Commission submitted two final reports to the Honourable Attorney General.

The Commission's efforts to address crime in our community, resulted in the final submission of **The Statutory Regulation of Queen's Evidence.** Queen's Evidence (also known as accomplice evidence) is defined as evidence from someone who has been accused of committing a crime, given against the people who were accused with them, in order to have their own punishment reduced. This Report, which is supported by the Criminal Justice (Offenders Assisting Investigations and Prosecutions) Bill, 2018, among other things, empowers the Director of Public Prosecutions to grant immunity from prosecution in certain cases; allows the court to make a sentence reduction on guilty pleas; and facilitates the review of sentences.

The Commission also finalised the report on **Trusts Law.** The proposals submitted in the report, which is supported by the Trusts (Amendment) Bill, 2018, are intended to strengthen the effectiveness of the existing Trusts Law regime by enhancing the inherent jurisdiction of the Court in relation to the administration of trusts. Among other things, the report's proposals seek to amend the definition of "trust corporation," introduce the definition of "trust litigation "and insert provision to provide for rules of Court to be made for giving effect to the provisions of the Law.

The Law Reform 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.

Current Projects/ Research Areas

The following projects started by the Commission during 2018 will continue into 2019:

Contingency and Conditional Fee Agreements

The Commission prepared an Interim Report entitled **"A Review of Litigation Funding in the Cayman Islands- Conditional & Contingency Fee Agreements**" and a supporting Private Funding of Legal Services Bill, 2018 and the Private Funding of Legal Services Regulations, 2018. The Bill provides for contingency fee agreements which comprise the US style agreement as well as the conditional fee style agreement with the success fee. The Bill also provides for third party funding.

It is proposed that the Grand Court will be able to review such agreements upon application by the attorney and the client. Such agreements must be in writing, be signed by the client or his representative (such as a guardian or trustee where that is applicable), and by the relevant attorney-at-law, and must state matters set out in the regulations.

Foreclosures

Following public outcry with respect to the processes used by banks when foreclosing on the properties of persons in mortgage arrears, the Honourable Minister of Financial Services and Home Affairs, through the Honourable Attorney General, requested that the Commission examine the laws and Grand Court Practice Directions applicable to the rights and obligations of the mortgagor and mortgagee in bank foreclosure proceedings. The aim is to determine whether the right balance can be found between preserving the sanctity of contractual obligations under a mortgage agreement and allowing the defaulting mortgagor a reasonable opportunity to make amends before foreclosure proceedings are instituted.

The Commission published for consultation its Discussion Paper entitled **"The Enforcement of Mortgage-Type Security Over Real Estate: Is Reform of the Law Necessary?"** The paper posed several questions including:

(a) Whether there should be new and separate legislation specifically dealing with the enforcement of mortgage security over residential property;

(b) Whether the legislation should adopt the principles prescribed under the European Union Directives relating to residential immovable property, dated February 2014;

(c) Whether there should be specific provisions regulating the service and enforcement of notices of the exercise of a lender's statutory enforcement powers in respect of residential property; and

(d) Whether all contemplated reforms should be effected by amending the Registered Land Law (2018 Revision).

Penal Code Reform

The Attorney General, in 2017, referred the Penal Code (2017 Revision) for the review of the Commission.

The Penal Code has not undergone a major review since it was introduced on 24th November 1975. The Penal Code is primarily a consolidation of several pieces of legislation which were passed between the late 1800s and to the mid-1900s. The legislation has its roots based on English Law of the Victorian Era. Since its introduction in 1975, the Penal Code has been amended and revised primarily by the adjustment of type and length of punishments with the introduction of some new offences. Some of the criticisms of the Penal Code are that parts of it are archaic and constitutionally incompatible.

Accordingly, the Commission has commenced an examination of the Penal Code with a view to assessing whether there is a need for the reform of several of its provisions either by way of amendment or repeal, in order to achieve the following -

- Removal of archaic provisions;
- Compatibility with the Constitution; and
- Consistency with modern legislative trends.

The Commission is the first body that is reviewing those provisions which might be incompatible with the Constitution. Some of the offences identified relate to the following -

- Idle and disorderly persons;
- Practice of obeah;
- Criminal defamation;
- Defilement of idiots or imbeciles;
- Insulting the modesty of a woman; and
- Obscene publications.

Severance of Joint Tenancy Agreements

As part of the Family Law reform project which was finalized in 2015, the Commission was asked to consider amendments to the Registered Land Law to facilitate the easier severance of joint tenancies. It had been posited that because of the archaic rules relating to such severance that, for example, couples who had separated either from their marriages or from unions must seek judicial intervention in severing their interests in joint tenancies where there is no agreement.

The Commission proposes to draft a bill which accords with modern legislation in several jurisdictions to provide that a joint proprietor, not being a trustee, may sever a joint tenancy of land, lease or charge by an instrument of declaration in a form set out in the Schedule to the amendment and by serving a copy of the instrument of declaration personally or by registered post on the other joint proprietors.

A discussion paper and an amendment to the Registered Land Law (2004 Revision) will be published in 2019.

Other Areas Under Examination

The Law Reform Commission is currently examining the following areas of legislation:

- **Anti-Bullying** legislative framework to introduce provisions which will impose obligations on relevant persons to prevent bullying conduct;
- **Consumer Protection** legislation to safeguard consumer interests;
- Modernisation of the **Computer Misuse Law** in order to respond to the various forms of cyber-criminal conduct;
- Reform of the **Interpretation Law** to modernise the principles and rules prescribing how legislation should be interpreted;
- Reform of the **Defamation Law**; and
- Reform of the **Succession and Wills Law**.

Other Review and Legislative Drafting Services provided by the Law Reform Commission in 2018

The Commission worked collaboratively with the Drafting Department on various pieces of legislation.

An Issues Paper on Cyber Security – Strategic Policy and Legislation was reviewed by the Commission, which focused on what an effective cybersecurity legislative framework should feature.

The Commission also initiated its own review of the following Bills/ Regulations:

- Criminal Justice (Offenders Assisting Investigations and Prosecution) Bill, 2018;
- Stalking (Civil Jurisdiction) Amendment Bill, 2018;
- Penal Code (Amendment) Bill, 2018;
- Trusts (Amendment) Bill, 2018;
- Private Funding of Legal Services Bill, 2018;
- Private Funding of Legal Services Regulations, 2018; and
- Contempt of Court Bill, 2018.

The Drafting Department has also asked the Commission to review the following Bills:

- Non-Profit Organisations (Amendment) Bill, 2018;
- Non-Profit Organisations (Registration Application) (Amendment Regulations), 2018;
- Pharmacy Bill, 2018;
- Gambling (Amendment) Bill, 2018;
- European Union Tax Co-operation (Economic Substance) Bill, 2018;
- Companies (Amendment) Bill, 2018;
- Economic Substance (Prescribed Dates) Regulations, 2018; and
- Builders (Amendment) Bill, 2018.

The full composition of the Law Reform Commission

Mr. Hector Robinson, QC – Chairman

Mr. Abraham Thoppil, Attorney-at-Law

Mr. Vaughan Carter, Attorney at Law

Hon. Mr. Justice Alexander Henderson, QC

Ms. Reshma Sharma, Acting Solicitor General

Mr. Patrick Moran, Acting Director of Public Prosecutions

The Law Revision Department (the "Revision Department")

The overarching aim of law revision is to present statute-based laws in effect in the Cayman Islands in its clearest form at any given time and thereby to facilitate the administration of justice, access to justice, law enforcement, legal education, research, law reform, and the efficient use of the law.

Structure

The Revision Department is headed by the Law Revision Commissioner who is assisted by the Legislative Editor.

Activities of the Law Revision Department

The activities of the Department include the following:

Revising the Statute Book	***Ensuring that the statute-book of more than 900 pieces of legislation for the Cayman Islands are regularly revised, and that an up-to-date status of the law is produced annually and made accessible to the public.***
Publishing the Annual Consolidated Index of Laws	***Preparing and publishing an annual consolidated index of laws of the Cayman Islands which includes the compendia of related laws in order to ensure easy accessibility of and reference to the laws.***
Managing the Database of Revised Laws	***Managing the database of the revised laws by continuously updating the consolidated index as new laws are made and brought into effect.***
Reviewing Superior Court Decisions	***Continuously reviewing and analysing decisions of superior courts, particularly in the area of human rights, in order to ascertain their effect on legislation and making proposals for review of the affected laws.***

Achievements of the Law Revision Department during 2018

The Revision Department had a very eventful year, accomplishing significant undertakings with the continued purpose of bringing the Cayman Islands' legal framework up-to-date and accessible to all.

During the year, the Revision Department published the Laws of the Cayman Islands (2018) Revision, which comprised of 57 items of Cayman Islands Legislation. This exercise required the careful study, editing and proof-reading of over 2,559 pages of legislation as well as the verification of 961 cross- references.

The Revision Department also compiled the Consolidated Index of Laws of the Cayman Islands (2018 Revision). Also detailed in the Consolidated Index were details of legislation enacted in the United Kingdom via statutory instrument and extended to the Cayman Islands. Such work has not been previously undertaken in the Cayman Islands.

Further, all Laws passed in the Cayman Islands Legislative Assembly from 1963 to present, were reviewed. Completing this project required the Revision Department to research and detail approximately 2,750 new laws, comprising of 55 years of legislation (an average of 50 new primary legislations issued each year).

Over the period, the Revision Department established the Register of Subsidiary Legislation, and the Legislation Edition of the Cayman Islands Gazette. An operational manual establishing work-flow processes as well as robust systems of document management and version control was also completed.

In an effort to keep up-to-date with technology, the Revision Department began the project management phase of implementing new legislation software which will result in all current and historic legislation enacted/ made in the Cayman Islands becoming accessible via an online portal.

Key Initiatives for 2019

The Revision Department plans to continue working vigorously during 2019.

Some of the planned initiatives include continued work on creating a streamlined online presence for all Cayman Islands legislations, in order to improve accessibility. In addition to improving accessibility, the Revision Department plans to implement legislative software which will streamline the law revision process.

Work will continue on the point-in-time searchable database for accessing laws of the Cayman Islands.

The Revision Department also plans to study the reception of laws in the Cayman Islands which refers to the process of drawing ideas that involve law as a system of rules in analysing how groups of citizens utilize the law.

Section

3

Provision of Legal Advice, Anti-Money Laundering & Compliance Services

These Services are delivered by the Solicitor General's Office which includes the Anti-Money Laundering Unit

The Solicitor General's Office

In 2018, the Solicitor's General Office (the "SGO") provided legal advice, on behalf of the Attorney General, in response to approximately 247 requests from various Government Ministries, Departments and Statutory Authorities on a wide range of subject matter and laws. These included immigration, human rights, constitutional law, children and family law, employment, trusts and contracts of varying complexity. The SGO's other non-contentious work included advice/review of more than 60 contracts. The SGO was involved in various matters at the Summary Court level arising under Part IV of the Children Law (2012 Revision).

Representation was also provided to the Government and other public entities in approximately 48 litigation matters before the Grand Court and Court of Appeal, and 12 matters before statutory tribunals. Similar to the provision of legal advice, there were diverse subject-matters for various court cases including claims for asylum under the Refugee Convention and Immigration Law; challenges to the transfer of prisoners abroad; an application for judicial review of the decision of a statutory tribunal; a challenge to the constitutionality of various provisions of legislation; appeals from statutory tribunals and boards; and issues relating to the discovery of documents in a claim of malicious prosecution. The SGO also represented the Government at the appellate level where we successfully defended the first age-discrimination challenge brought under the Bill of Rights, Cayman Islands Constitution Order 2009, in the Grand Court. These cases often raised novel and complex points of law and will contribute to the development of local jurisprudence.

Crown Counsel continue to play an important role in providing legal support to various Boards and Entities such as the Health Practice Commission, the Adoption Board, Trade and Business Licensing Board, the Expungement Board and the Public Lands Commission.

The Anti-Money Laundering Unit **(the "AMLU")**

The AMLU is the secretariat for the Anti-Money Laundering Steering Group (the "AMLSG"), which is the AML/CFT policy-making body for the Cayman Islands; and also chairs the Inter-Agency Coordination Committee (IACC).

The Anti-Money Laundering Steering Group (AMLSG) is the governing body responsible for the general oversight of AML/CFT policy in the Cayman Islands, as stated in section 5(2)(a) of the Proceeds of Crime Law (2018 Revision) (the "PCL"). The AMLSG is chaired by the Honourable Attorney General and its membership also includes:

- the Chief Officer, Ministry of Financial Services, and Home Affairs as Deputy Chair;
- the Commissioner of Police;
- the Chief Officer, Ministry of Commerce, Planning and Infrastructure (MCPI);
- the Collector of Customs;
- the Managing Director of the Cayman Islands Monetary Authority (CIMA);
- the Solicitor General;
- the Director of Public Prosecutions.

An Inter-Agency Coordination Committee (IACC), chaired by the Head of the AMLU, was established in 2017 at the operational level under section 5(3A) of the PCL with responsibilities for 1) the implementation of AMLSG policies; 2) inter-agency cooperation and coordination with respect to AML, CTF and anti-proliferation financing; and 3) assessing AML/TF risks.

Key Developments in 2018

Caribbean Financial Action Task Force (CFATF) Mutual Evaluation of the Cayman Islands

The CFATF is the regional affiliate of the Financial Action Task Force (FATF), established in 1990 to implement measures to address the problem of AML and TF.

As part of the CFATF Mutual Evaluation process, a team of examiners came to the Cayman Islands during the 4th-15th December 2017, to assess the jurisdiction's efforts in combating AML, TF and proliferation. Following the on-site visit, the Cayman Islands provided detailed feedback on three versions of the jurisdiction's draft Mutual Evaluation Report (MER).

The MER is an assessment of the jurisdiction's AML/CFT framework in two areas:

1) **Technical Compliance** based on the Financial Action Task Force (FATF) 40 Recommendations;
2) **Effectiveness** based on 11 Immediate Outcomes. These are more fully described in the FATF 'Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems.'

Throughout the year, the AMLU coordinated the jurisdiction's feedback on various drafts of the MER. The Unit also organized a number of teleconferences and facilitated face-to-face meetings between competent authorities and the Assessors in September 2018.

The third draft of the MER was discussed and adopted at the CFATF Plenary in Barbados between 19th - 23rd November 2018. Publication of the final MER is expected in 2019 following a Quality and Consistency review coordinated by the FATF.

Response to FATF and CFATF Surveys & Questionnaires

Three responses were made with respect to actions taken following the FATF Plenaries, and the CFATF Plenary. The AMLU also responded to a technical assistance matrix from the CFATF, outlining its AML/CFT training needs.

AML/CFT Legislative Changes

An amendment was made to the **Proceeds of Crime Law** in December 2018 to:

- Enable the Financial Reporting Authority to enter into certain agreements and arrangements with overseas financial intelligence units, without the need to consult with the AMLSG;
- Enable the Financial Reporting Authority to disclose information to overseas financial intelligence units, without the consent of the Attorney General; and
- To increase the powers of the AMLSG, particularly with respect to taking necessary measures to ensure compliance with requirements for the combating of AML and TF.

Outreach

The AMLU provides outreach sessions with various entities conducting relevant financial business. During 2018, the AMLU gave presentations on the following topics to the following groups:

- **CFATF Mutual Evaluation Process and Timelines-** presented at the Cayman Islands Compliance Association (CICA) breakfast session on the 21st March 2018.
- **Basic AML/CFT Training** – presented to Customs and Immigration Recruits at the Customs HQ on the 19th July 2018.
- **Cayman's AML/CFT Framework: ICOs & Cryptocurrencies** – presented at FTS Cayman Seminar on the 29th August 2018.

Section

4

Financial Intelligence Services

These Services are delivered by the Financial Reporting Authority

Analysis & Dissemination of SARs

Financial Intelligence Services are principally delivered by the Financial Reporting Authority (FRA). The mission of the FRA is to serve the Cayman Islands by participating in the international effort to deter and counter money laundering and the financing of terrorism.

The FRA's primary objective is to provide timely and high-quality financial intelligence to local law enforcement agencies, competent authorities, and overseas financial intelligence units, with the consent of the Hon. Attorney General, in keeping with the statutory requirements of the PCL.

The following is a synopsis of the Authority's activities for 2018:

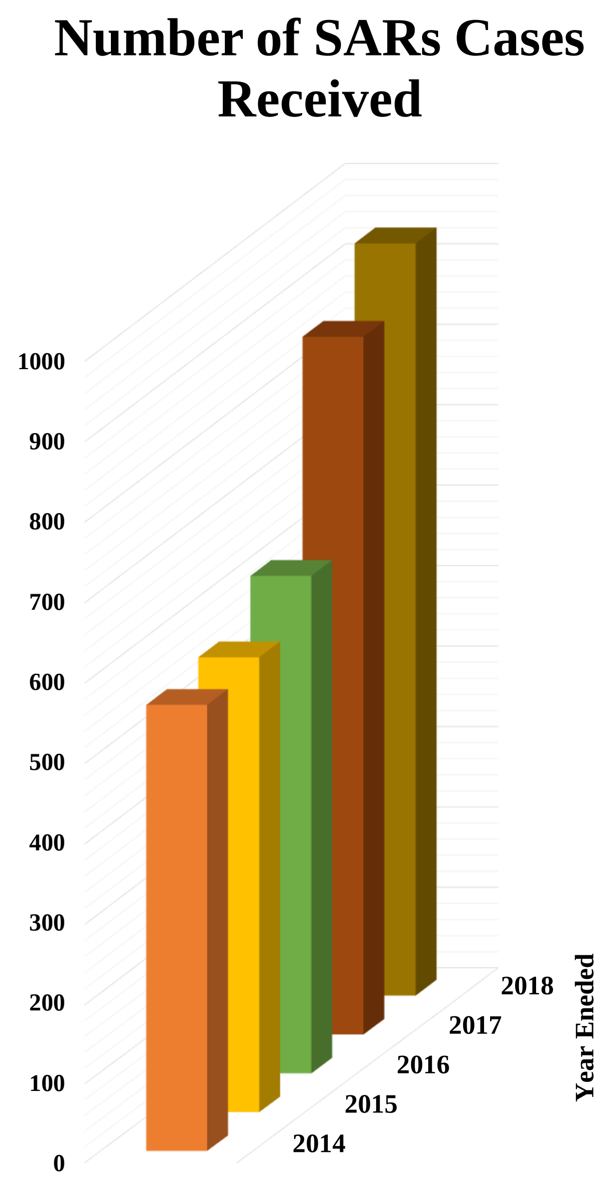
The FRA received 935 Suspicious Activity Reports (SARs) during the year. This was an 8% increase in SARs received when compared to 2017 (935 vs 868).

A SAR is a report regarding suspicious or potentially suspicious activity related to money laundering or other financial crimes, filed with the FRA.

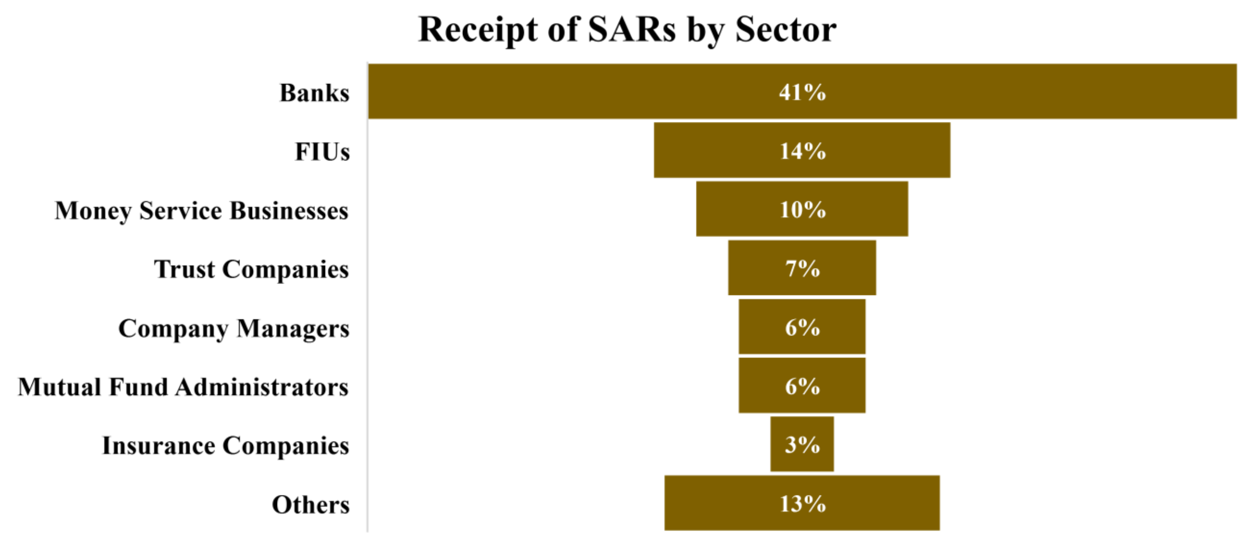
Increased regulatory requirements along with improved compliance by financial institutions have led to the gradual increase in SARs cases being received over the years.

The FRA received SARs from 179 different reporting entities, not including the 40 overseas Financial Intelligence Units (OFIUs) that voluntarily disclosed information or requested information from the FRA.

Banks continue to be the largest source of SARs (379 cases: 41%), followed by OFIUs (133 cases: 14%), Money Services Businesses (95 cases: 10%), Company Managers / Corporate Services providers (70 cases: 7%) and Trust Companies (57 cases: 6%).



Receipt of SARs by Sector



The five most common reasons for filing SARs were:

- Suspicious Activity (280 cases: 30%);
- Fraud (238 cases: 25%);
- Corruption (102 cases: 11%);
- Money Laundering (82 cases: 9%); and
- Tax evasion (61 cases: 7%).

To provide a more detailed breakdown of what types of activities were deemed suspicious by SAR filers, the FRA has broken down the 280 case of 'Suspicious Activity' by the following sub-categories:

1. Inconsistent with client profile: 72 cases
2. Unusual conditions or circumstances: 66 cases
3. Inadequate and / or inconsistent information: 63 cases
4. High volume transactions: 40 cases
5. Transactions that appear to be structured to avoid reporting thresholds: 31 cases
6. Activities that appear to lack economic purpose: 8 cases

Analysis of SARs

The FRA completed the analysis of 719 cases during the 2017-18 accounting period (the "Reporting Period"), comprising:

- 500 of the 935 new cases received during the Reporting Period;
- 169 of the cases carried forward from 2017;
- 24 of the cases carried forward from Jul-Dec 2016;
- 23 of the cases carried forward from 2015/16; and
- 3 cases carried forward from 2014/15.

Dissemination of SARs

The FRA closed 602 cases during the Reporting Period, comprising:

- 371 of the 935 new cases received during the Reporting Period;
- 170 of the cases carried forward from 2017;
- 36 of the cases carried forward from Jul-Dec 2016;
- 17 cases carried forward from 2015/16;
- 4 cases carried forward from 2014/15; and
- 4 cases carried forward from 2013/14.

Of the 602 cases closed: 281 resulted in a disclosure; 195 were deemed to require no further immediate action; 110 were replies to requests from OFIUs; and 17 were replies to requests from local competent authorities.

Other Key Initiatives of the FRA

FRA staff spent significant time during the year meeting obligations regarding the jurisdiction's 4th Round Mutual Evaluation by the CFATF. The key activities included responding to and editing several drafts of the MER; preparing for and representing the jurisdiction on conference calls and face-to-face meetings with the CFATF Assessors; and defending the jurisdiction's MER at the 48th CFATF Plenary.

The majority of 2018 was spent meeting obligations regarding the MER, and the FRA remains committed to the ongoing activities concerning the Mutual Evaluation process.

Terrorist Financing refers to the offence of providing, collecting or receipting funds intended to carry out an act of terrorism or to be used for a terrorist group.

Proliferation Financing refers to the act of providing funds to be used for the manufacture or acquisition of weapons of mass destruction.

Financial Sanctions regarding Terrorist Financing & Proliferation Financing

During 2018 the FRA published 103 Financial Sanctions Notices on its website. The FRA subscribes to the Email Alert provided by the Office of Financial Sanctions Implementation (OFSI) within UK HM Treasury, advising of any changes to United Nations, European Union and UK financial sanctions in effect. The FRA forwards these notices automatically to local law enforcement agencies and competent authorities, converts it to a Cayman Notice and publishes the Cayman Financial Sanctions Notice on its website.

Outreach Events

Staff of the FRA engaged in the following Outreach events:

1. Six presentations at industry events, or directly to individual Financial Service Providers (FSP) and Designated Non-Financial Businesses and Professions (DNFBP). The presentations covered a combination of the following topics ranging from the functions of the FRA, SAR statistics, SAR reporting obligations, and obligations regarding targeted financial sanctions related to TF and proliferation financing.
2. One courtesy meeting was held with Senior Management and compliance staff of a financial institution.

Representing the FRA

Staff members represented the FRA at the following events:

1. 47th CFATF Plenary (2 staff attended)
2. Egmont Group Working Groups and Head of Financial Intelligence Units Meetings (1 staff attended)
3. 25th Plenary of the Egmont Group of Financial Intelligence Units (1 staff attended)
4. 48th CFATF Plenary (3 staff attended)

Output Code	Description	Quantity	2018 (12 Months)		
			Budget	Actual	Variance
PLG 21	**Financial Intelligence Services**	• Total number of cases (SARs, requests from OFIUs and requests from LLEAs and CAs):			
	• Receipt of SARs under the PCL;	1. SARs	538-549	784	246-235
		2. RFIs from OFIUs	84-120	95	
	• Processing requests for information (RFIs) from OFIUs;	3. Disclosures from OFIUs	7-12	38	31-26
		4. RFIs from LLEAs and CAs	12-36	18	
	• Processing RFIs from Local Law Enforcement Agencies (LLEAs) and Competent Authorities (CAs);	**Total**	**641-717**	**935**	**294-218**
		• Total number of cases analysed	558-792	719	
	• Appropriately disseminate financial intelligence in a timely manner pursuant to the requirements of PCL;	• Total number of cases closed	558-792	602	
		• Number of Industry Outreach events	10-12	7	(3-5)
	• Conduct Industry Outreach events and issue typologies to combat money laundering, terrorist financing and proliferation financing;	• Produce Annual Report pursuant to Section 11(b) of PCL	1	1	-
		• Number of days spent on representation activities	30-45	37	
	• Produce periodic statistical reports and an Annual Report relating to financial intelligence services for the AMLSG; and	• Number of hours spent on CFATF Mutual Evaluation process	1,475-1,827	1,625	
	• Represent the Cayman Islands in the Egmont Group, CFATF and other international forums.	**Quality**			
		• Perform the FRA's functions in compliance with the requirements of PCL, including:			
		1. Maintaining the confidentiality of information submitted to the FRA, pursuant to Section 10 of PCL	100%	100%	-
		2. Ensuring that all disclosures made by the FRA comply with Section 138 of PCL.	100%	100%	-
		3. Collect and compile statistical information relating to disclosures made to the FRA under PCL and the onward disclosures of the information made by the FRA Section 4(2)(f) of PCL.	100%	100%	-
		• Performing high-quality analysis as prescribed by its operating procedures in order to generate high-quality financial intelligence that is useful to LLEAs, CAs, and OFIUs	100%	100%	-
		• Produce high quality responses for CFATF Mutual Evaluation process	100%	100%	-
		Timeliness			
		• Cases to Director for initial review within 2 days of receipt by the FRA	95-100%	95%	
		• Cases acknowledged within four days of receipt	90-100%	88%	(2-12%)
		• Priority 1 cases closed within 35 days of receipt	50-100%	30%	(20-70%)
		• Priority 2 cases closed within 60 days of receipt	10-20%	19%	
		• Priority 3 and 4 cases closed within 90 days of receipt	40-50%	9%	(31-41%)
		• Annual Report produced on or before the 30th September as per Section 11(b) of PCL	100%	100%	-
		• Meet deadlines set for CFATF Mutual Evaluation process	100%	100%	-

Section

5

Legal Education Services

These Services are delivered by the Truman Bodden Law School

The Truman Bodden Law School (the “Law School”)

The Truman Bodden Law School exists pursuant to Section 20 of the Legal Practitioners Law (2015 Revision), which provides for the establishment of a local system of legal education.

The Law School has been in operation since 1982, and is an internationally recognised institution, affiliated to the University of Liverpool in the United Kingdom, which validates and awards the undergraduate degree programme (LLB).

The Law School seeks to promote awareness of the legal, ethical, and moral issues relevant in the development of legal rules and in the practice of law.

The courses offered by the Law School are intended to be of benefit not only to those students who wish to enter the legal profession, but also to those having a variety of other professional career aspirations.

Our Mission

The aim of the Law School, in partnership with the University of Liverpool in the provision of its undergraduate LL.B Degree, is to provide students with a standard of tertiary level legal education equivalent to that prevailing in the United Kingdom and at other providers of legal education across the common law world.

In doing so, the Law School aims to provide an environment for its students that encourages and enables them to achieve their full potential in the pursuit of knowledge and academic excellence.

At a postgraduate level, the law school also offers vocational legal training in the form of a fourth year Professional Practice Course (PPC) which, following completion of Articles of Clerkship, leads to qualification as an Attorney at Law of the Cayman Islands. This course is also intended to provide legal training at a comparable level to that offered on similar vocational courses in the United Kingdom and across the common law world.

The aim of the law school is to provide students with an in-depth knowledge of English and Cayman Islands law, and at the same time to develop transferable skills, advanced research capabilities, skills of analysis, logical thought, conciseness, and critical ability.

TRUMAN BODDEN
LAW SCHOOL
CAYMAN ISLANDS

The 2017/18 Academic Year

The 2017/18 academic year saw a record number of achievements. Student enrolment for the year consisted of approximately 80 undergraduate and postgraduate students, 70% of which are Caymanian.

Those graduating in 2018 attained very pleasing results. Of the seventeen graduating students, nearly two-thirds achieved First or 2:1 Law Degrees. Such scores compare favourably with those of UK institutions.

LLM International Finance

During the period under review, students were offered an opportunity to enrol onto the new programme being offered by the Law School; that being the LLM Degree in International Finance: Law and Regulation, which is also validated by the University of Liverpool.

Course content includes financial markets, banking law, international solvency, money laundering and corporate governance, and is structured over five semesters. It is initially being offered to students on a part-time basis over two years of study, but it is anticipated that a full-time offering will be rolled out for the 2019/20 academic year. The primary purpose of the programme is to provide students with the knowledge and skills in both the legal and policy aspects of international finance.

Professional Practice Course

Another achievement during the 2017/18 year was the accreditation of our PPC by Oxford Brookes University (OBU).

The PPC is a nine-month postgraduate programme, designed to introduce students to the knowledge and unique skillsets required to practice law in the Cayman Islands.

Four out of the seven graduates, in the 2018 graduating class were awarded Distinctions; two were awarded a Commendation; and the remaining student a Pass.

Going forward, those graduates who successfully complete the PPC will now be awarded a Postgraduate Diploma in Law by OBU, and will have the opportunity, if desired, to enroll in the Master of Laws Degree in Legal Practice.

Moot Court

In 2018, the Law School continued its mission of offering students a range of extra-curricular activities to underpin, strengthen and support their studies.

Between 23rd – 29th March 2018, the Law School moot team (pictured above) competed in the 25th Annual Willem C. Vis International Commercial Arbitration Moot in Vienna, Austria. The Moot is attended by over 900 lawyers, law professors and other arbitration practitioners, along with over 2,500 students from around the world. The goal of the Moot is "to foster the study of international commercial law and arbitration for resolution of international business disputes through its application to a concrete problem of a client, and to train law leaders of tomorrow in methods of alternative dispute resolution." As Romina Kape, one of the Law School students who participated in the Moot, noted: "The Vis Moot is an exceptional learning experience in and out of the boardrooms. I am honoured to have been one of the students chosen to represent the Law School and I highly encourage future students to participate in what I promise will be an unforgettable adventure in the world of advocacy."

The Law School also participated at the American-Caribbean Law Initiative's (ACLI) Caribbean Law Clinic hosted by Stetson University College of Law in Florida, USA. The ACLI brings together law schools from around the Caribbean and the United States.

The Cayman Islands is set to host the ACLI in March 2020.

"Being able to have our students participate in international events and competitions provides another example of the Law School's burgeoning reputation as a centre of legal excellence and an outstanding legal education provider in the Caribbean."

Mitchell Davies, Law School Director

Linking with the Local & International Law Community

The Law School understands the importance of connecting with the local and international law community, and strives to strengthen those connectivity pathways through various forums.

During April 2018, the Law School sent representatives to the Spring 2018 Recruit in Canada Education Fair. The Fair seeks to facilitate an experience for students, families and professionals to connect with and learn about the different undergraduate and postgraduate level studies available to Canadian students abroad. Law School representatives were able to meet face-to-face with many students attending the event, to build awareness on the achievements and plans of the Law School, and the Cayman Islands community. The Director, Mitchell Davies, noted that "The event is a key setting both for the Law School to further establish itself in the Canadian market, and to increase its visibility with the many other universities attending the fair."

On May 3rd, 2018, the President of the Cayman Islands Court of Appeal, Sir John Golding, visited the Law School to meet with students, offering an invaluable opportunity to impart knowledge and advice to future legal professionals.

Associations within the local legal profession, in particular the newly formed Cayman Islands Legal Practitioners Association (which is the result of a merger between the Caymanian Bar Association and the Cayman Islands Law Society), provide our students with opportunities to connect and grow with established professionals of the same field. Through these networks, students of the Law School were given the ability to attend classes on various subjects, including the forthcoming data protection laws, thus offering them up-to-date practical knowledge on the latest Caymanian laws.

Malcolm Mackillop, a visiting Canadian Lawyer, also conducted sessions on Alternative Dispute Resolution, and plans to return again in 2018/19 to talk about this most contemporary of subjects.

The Law School's regular series of talks by international visiting lecturers enabled staff and members of the wider Portfolio to learn about the development of various laws in other jurisdictions, including the Turks and Caicos Islands and Ireland.

Other Achievements

In 2018, the Law School's teaching team published articles in a number of internationally-respected publications.

One of the LLM Course Leaders, Laura Panades (pictured below), was invited to present her research at the 7th Conference on the Regulation of Infrastructures on New Network Structures held at the European University Institute in Florence, Italy.

Ms. Panades' research, which was warmly received from professionals working in a variety of policy areas, examined how the European Union reshapes public-private partnerships in European countries via the use of funding. Such research goes hand-in-hand with the Law School's LLM in International Finance programme, which includes a course on public-private partnerships.

Ms. Panades has been appointed the Cayman Islands' correspondent for the European Procurement & Public-Private Partnerships Law Review.

With a solid combination of contemporary, varied and exciting programme offerings, students achieving good degree results, and teaching staff leaving their mark on the international law community, the Law School continues to have a bright future.

Section

6

Human Resource Management

This section reports on key information and statistics relating to the Portfolio's work force.

Overview on Human Resource Achievements

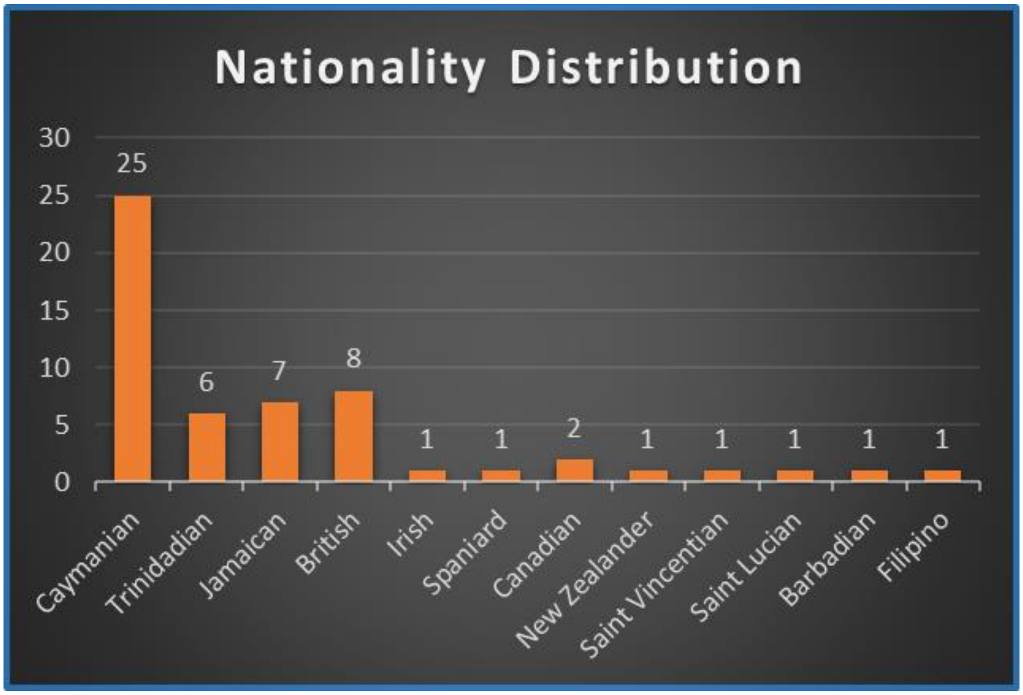
2018 was a busy year for the Human Resources Department in the Portfolio of Legal Affairs. During the year, the Department filled 20 vacancies and facilitated the training and development for six roles as part of our succession planning programme.

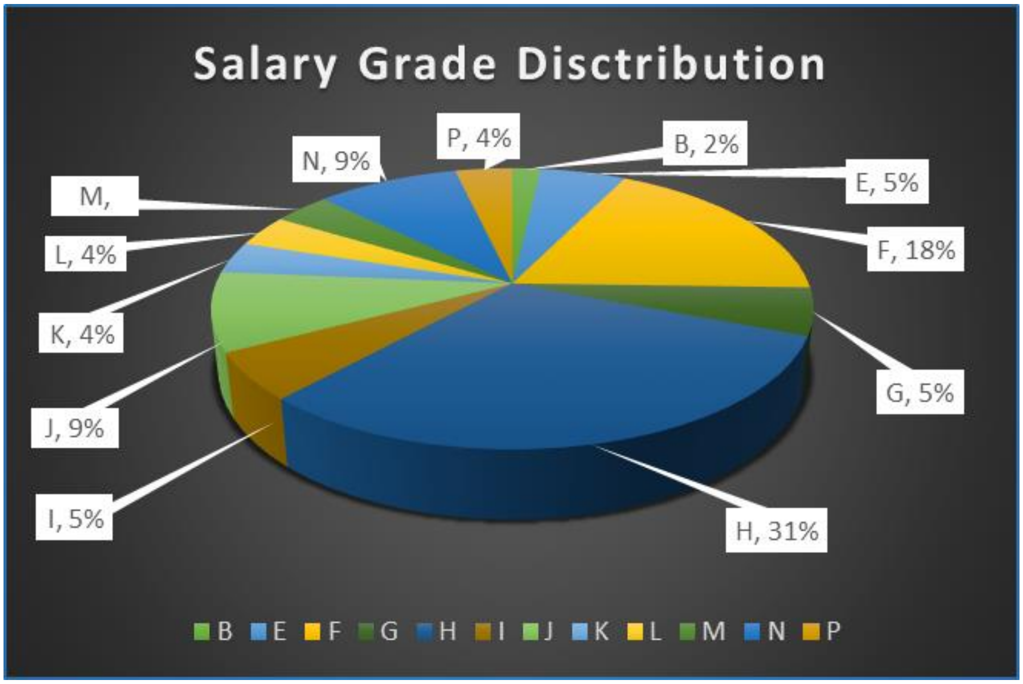
Vacancies filled included the Director of the Law Reform Commission, two (2) Senior Legislative Counsels, and two (2) Senior Law Lecturers.

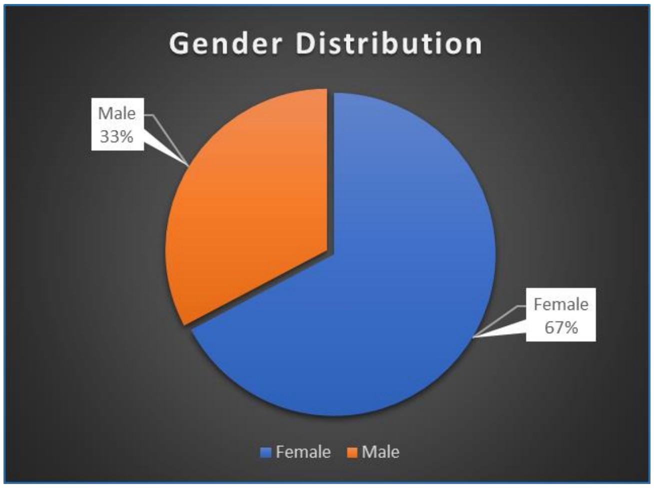
The Portfolio had 55 staff as at December 31st, 2018. Staffing complement represented a diverse workforce with professionals from 12 countries, working in 8 primary career areas within the Portfolio.

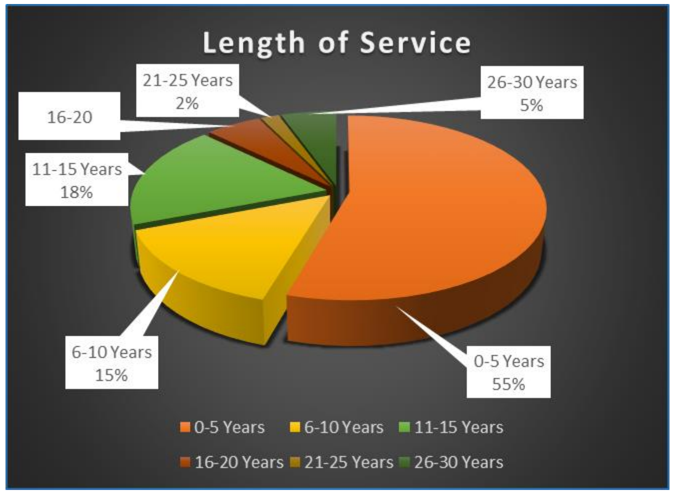
Females continue to outnumber males by a ratio of 2:1 and more than 45% have been with the Government for more than 5 years. Unsurprisingly 21 of our 55 staff (38%) are classified as Legal Practitioners and are by far the largest group of employees. The next largest category is Administrative Personnel (22%) followed by Finance Personnel at 18%.

Our remaining staff consist of Educationalists, Executives, Specialists and management.



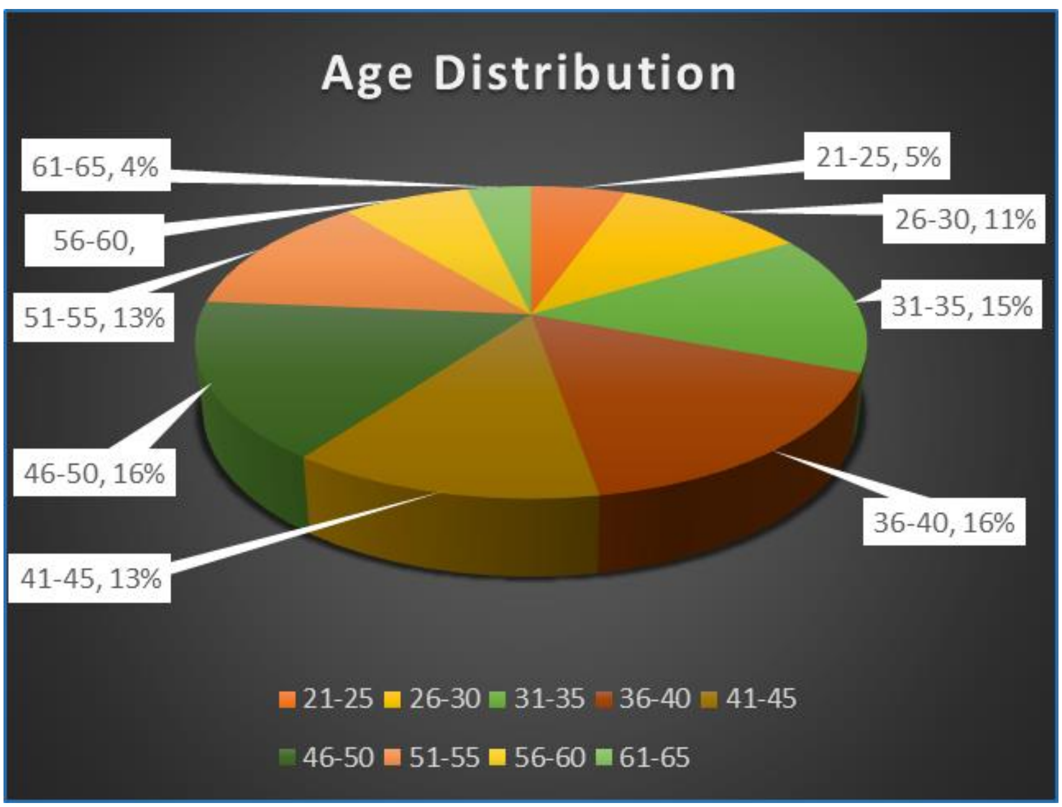






In considering our succession planning strategy, the Portfolio is fortunate to have a fairly balance age mix of employees ranging from age 21 to 65. Our philosophy for succession planning and talent development is to identify high potential individuals and then expose them to a range of development opportunities through mentorship, experience and formal education. This allows for balanced development, and affords staff the opportunity for more diverse options as opportunities arise for upward mobility.

Like many of our colleagues in the Civil Service, staff in the Portfolio have been experiencing pay stagnation for several years as the consumer price index moved upwards without a corresponding movement in salaries and wages.



In July 2018, the Government awarded a Cost of Living Adjustment of 5%. This adjustment allows salaries and wages to more closely reflect similar changes in the living expenses and the cost of goods and services within the local economy.

Staff Training

During 2018, our staff participated in several training and professional development opportunities. The following provides details of the training by department.

Law Reform Commission: In 2018, the Commission Director attended various leadership training events hosted by the Portfolio of the Civil Service (POCS). The Commission's Administrative Secretary received a certificate in Office Administration from the Online Training College.

Financial Reporting Authority: Staff of the FRA attended the following training events during the Reporting Period:

1. Cayman Islands Compliance Association AML Training (5 staff attended the half day event)
2. All Things AML – presented by the Cayman Islands Institute of Professional Accountants (5 staff attended the half day event)
3. Financial Sanctions Training Programme – presented by the OFSI (11 staff attended the half day event)
4. AML / CFT Best Practices for Cryptocurrencies and Initial Coin Offerings seminar – hosted by FTS Consulting (5 staff attended the half day event)
5. GCS Advisory's 14th Annual Anti-Money Laundering / Compliance and Financial Crime Conference (5 staff attended the 2-day event)
6. Association of Certified Anti-Money Laundering Specialists' 17th Annual AML and Financial Crime Conference (1 staff attended the 2.5-day event)
7. Basic CFT Investigative Techniques training – presented by the World Bank (2 staff attended the 2-day event)
8. Egmont Group's Securing a Financial Intelligence Unit (SEC-FIU) Train-The Trainer Course - hosted by The Anti-Money Laundering Division (AMLD), Taiwan (1 staff attended the 5-day event)

Solicitor General's Office: In 2018, Crown Counsel attended training in Financial Sanctions hosted by the FRA in collaboration with HM Treasury and the Governor's Office. Other training undergone during the year included International child protection under the Hague Child Protection Conventions; Risk Analysis and Management; and various leadership/management sessions hosted by POCS.

Staff Recruitment

The following positions were filled during the year.

In the **Legislative Drafting Department** three Legislative Counsels joined the team.

In 2018 the **Law School** recruited two Lecturers, and two Senior Lecturers.

In August 2018 the **AMLU** recruited a Policy Analyst (Graduate/Training).

Other Human Resources Matters

Legislative Drafting Department:

The following Legislative Counsel left the Department in 2018:

- Legislative Counsel- Mr. Don Macpherson; and
- Legislative Counsel (Financial Services) – Ms. Catherine Williams.

Law School

Internal management of the Law School underwent changes with the appointment of Scott Atkins as Deputy Director, and long-standing employee, Rhian Minty, being appointed as Assistant Director.

Law Reform Commission:

Mr. Jose Griffith was appointed Director of the Law Reform Commission with effect from April 2018, having previously held the positions of Acting Director, Senior Legislative Counsel and Legislative Counsel in the Commission.

Mrs. Karen Stephen-Dalton was appointed Senior Legislative Counsel of the Law Reform Commission with effect from October 2018 having previously served as Assistant Law Draftsman in the States of Jersey and Legislative Counsel (Financial Services) with the Cayman Islands Government.

Mrs. Katherine Wilks was appointed as Paralegal Officer of the Law Reform Commission with effect from November 2018 having previously served as a Paralegal at the Law Firm of Maples and Calder.

Commissioners:

Mr. Hector Robinson, QC, was appointed by Cabinet as Chairman of the Commission. He replaces Mr. Kenneth Farrow, QC who served the Commission for seven years, the latter two as Chairman.

Cabinet also appointed Mr. Abraham Thoppil, Attorney-at-Law, as a Commissioner. He replaces Mrs. Eileen Nervik, QC who served the Commission from 2016 to 2018 after having previously served as Commissioner from its establishment in 2005 to 2014.

Cabinet approved the appointment, as Commissioner, the Honourable Mr. Justice Alexander Henderson, QC.

Acting Director of Public Prosecutions, Mr. Patrick Moran, also joined the Commission as an *Ex Officio* Member. He replaces Honorable Madame Justice Cheryll Richards, QC who served the Commission from establishment up until her appointment as Grand Court Judge in December 2018.

Section

7

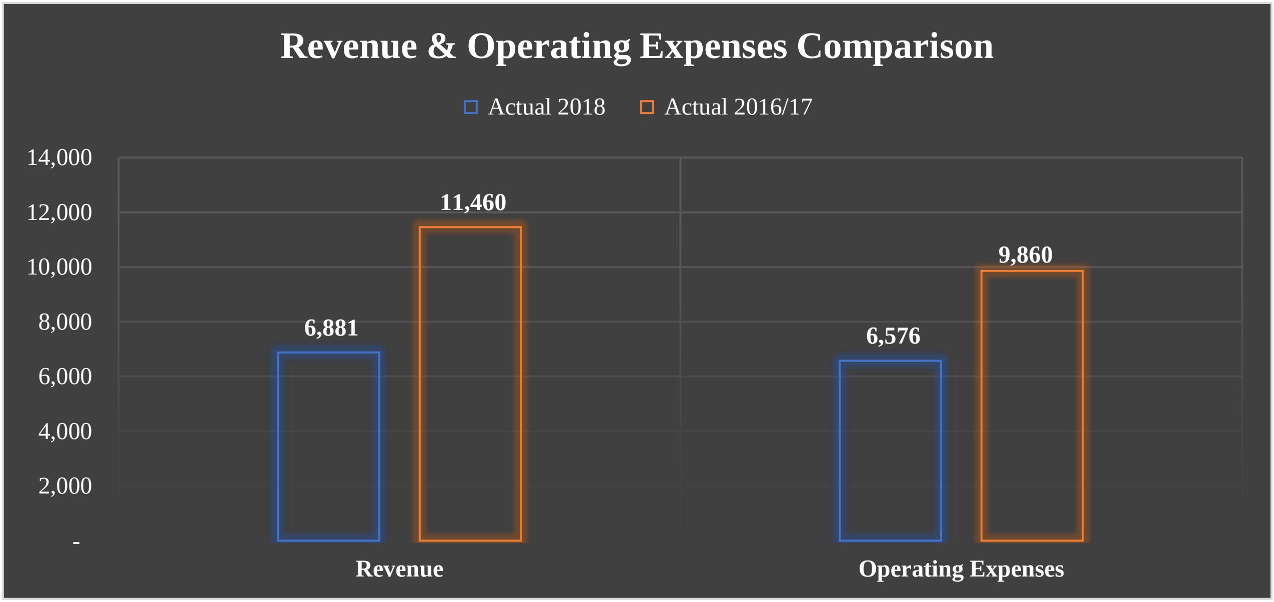
Financial Statements

This section includes a Management Discussion and analysis of the financial results for the Portfolio over the year, the Auditor General's report, and the corresponding statements of Financial Position, Performance and Net Worth.

Management Discussion

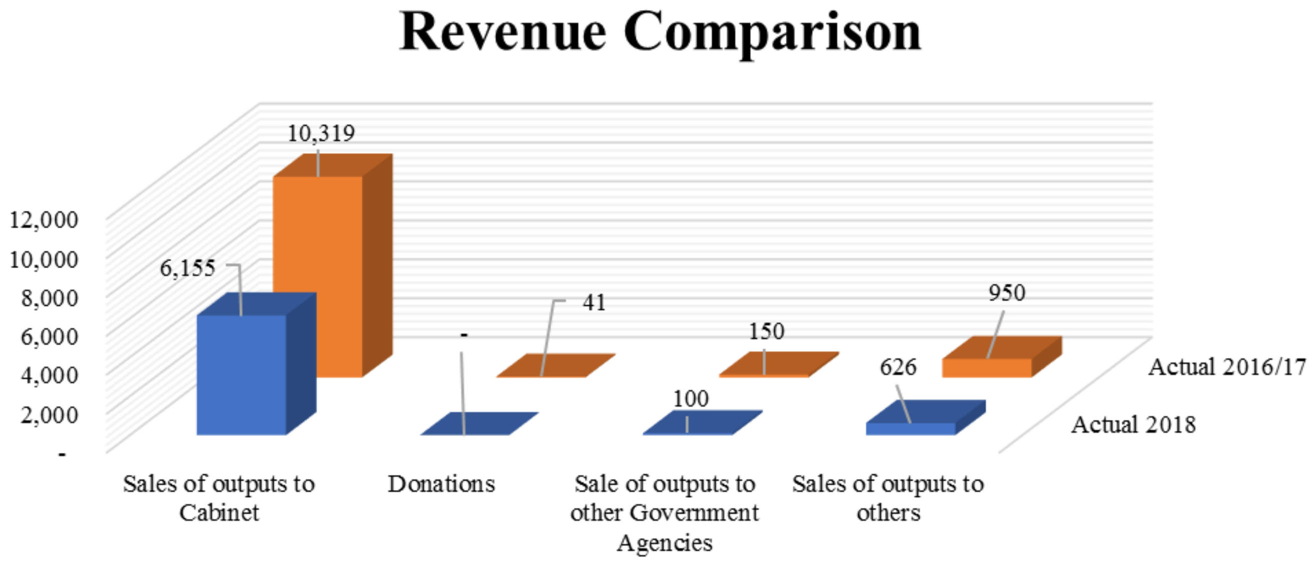
The Portfolio had an operating surplus of $305k for the twelve-month fiscal period ended December 31st, 2018. This was better than the break-even position the budget anticipated. Operating costs for the Portfolio were $1.6 million less than budgeted in 2018. This resulted in lower billings to Cabinet for the delivery of services.

Civil Service Entity with Cabinet as its main customer, the Portfolio's aim is not to generate a profit or surplus. Rather, the objective is to deliver services as cost efficiently as possible within the budgetary parameters agreed with the Cabinet.



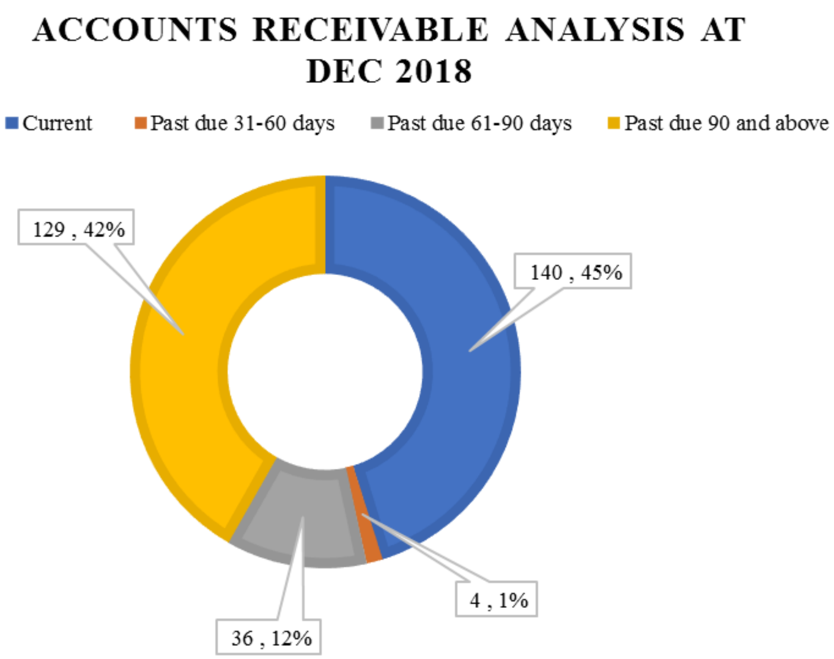
Major cost saving areas include: personnel costs (savings of $1.3 million due to unfilled vacancies), supplies and consumables (savings of $235K due to lower recruitment and training costs), and litigation costs (savings of $79K due to lower utilization of external Counsel). As a

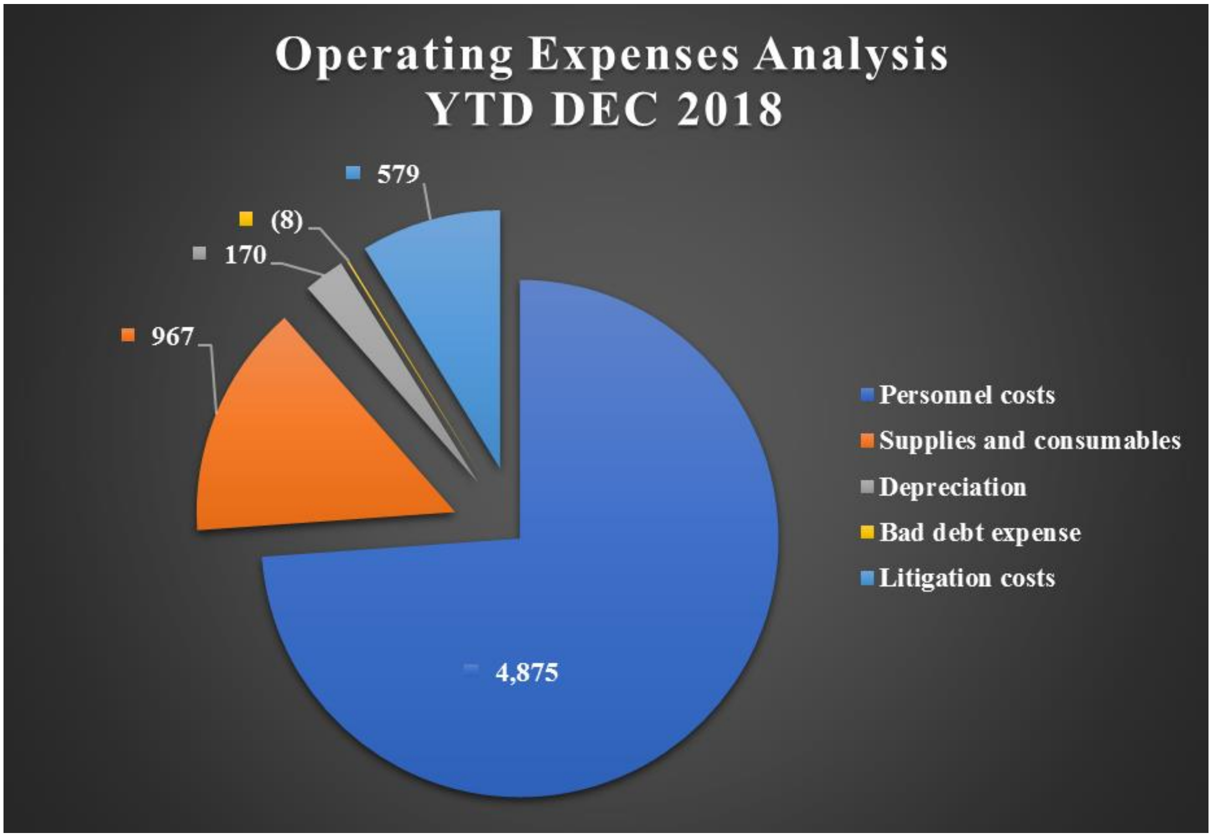
Moving to the Statement of Financial Position, the fiscal year closed with total current assets of $2.6 million against total current liabilities of 934K. This liability includes a surplus payable of $305K and represents a healthy financial state.



The current ratio at the close of the fiscal year was 2.78:1, this means the Portfolio had $2.78 in current asset for each dollar of current liability at the fiscal year end.

The Portfolio's cash declined by $957k during the year primarily due to the repayment of $1.6 million to Cabinet for surplus earned in prior years, and the investment of $145k in the purchase of fixed assets.





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Statement of Responsibility for the Financial Statements

These financial statements have been prepared by the Portfolio of Legal Affairs in accordance with the provisions of the *Public Management and Finance Law (2018 Revision)* (PMFL).

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the PMFL.

As Solicitor General (Acting) 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 Portfolio.

As Solicitor General (Acting) and Chief Financial Officer we are responsible for the preparation of the Portfolio's financial statements, representation and judgments made in these statements.

The financial statements fairly present the financial position, financial performance and statement of cash flows for the year ended 31 December 2018.

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

(a) Completely and reliably reflect the financial transactions of the Portfolio for the year ended 31 December 2018;

(b) fairly reflect the financial position as at 31 December 2018 and performance for the year ended 31 December 2018;

(c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements which are carried out by its agent. The Office of the Auditor General and its' agent have been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Ms. Reshma Sharma
Acting Solicitor General

Date: 30 April 2019

Mrs. Tiffany Ebanks
Chief Financial Officer

Date: 30 April 2019

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Auditor General's Report

To the Solicitor General and the Members of the Legislative Assembly

Opinion

I have audited the financial statements of the Portfolio of Legal Affairs (the "Portfolio'), which comprise the statement of financial position as at 31 December 2018, the statements of financial performance, changes in net assets/ equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Portfolio as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

I have conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Portfolio in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. In rendering my audit opinion on the financial statements of the Portfolio, I have relied on the work carried out on my behalf by a public accounting firm that performed its work in accordance with ISAs.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Portfolio's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Portfolio or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Portfolio's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Portfolio's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Portfolio's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Portfolio to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of section 60(1)(a) of the PMFL. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Sue Winspear, CPFA
Auditor General

30 April 2019
Cayman Islands

Statement of Financial Position

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)					
Assets					
Current Assets					
Cash and cash equivalents	**2, 17**	2,171	1,595	(576)	3,128
Receivables from exchange transactions	**3, 18**	309	733	424	436
Other Receivables	**3**	6	4	(2)	30
Prepayments	**17**	114	78	(36)	82
Total Current Assets		**2,600**	**2,410**	**(190)**	**3,676**
Non-Current Assets					
Property and equipment	**4, 17**	559	435	(124)	634
Intangible Assets	**5**	65	-	(65)	1
Total Non-Current Assets		**624**	**435**	**(189)**	**635**
Total Assets		**3,224**	**2,845**	**(379)**	**4,311**
Liabilities					
Current Liabilities					
Trade Payables	**6, 18**	2	11	9	1
Accruals and other liabilities	**6, 17**	469	404	(65)	214
Unearned revenue	**7, 17**	20	1	(19)	108
Employee entitlements	**8**	138	192	54	171
Surplus payable	**9, 17, 18**	305	-	(305)	1,600
Total Current Liabilities		**934**	**608**	**(326)**	**2,094**
Total Liabilities		**934**	**608**	**(326)**	**2,094**
Net Assets		**2,290**	**2,237**	**(53)**	**2,217**
Net Assets/Equity					
Contributed Capital		2,290	2,237	(53)	2,217
Total Net Assets/Equity		**2,290**	**2,237**	**(53)**	**2,217**

The accounting policies and notes on pages 60-79 form part of these financial statements.

Statement of Financial Performance

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Current Year Actual (12 months)	Approved Budget (12 months)	Variance (Budget vs. Actual) (12 months)	Prior Period Actual (18 months)
(expressed in Cayman Islands dollars and in thousands)					
Revenue					
Sales of outputs to Cabinet	**11, 17, 18, 20**	6,155	7,386	1,231	10,319
Donations		-	-	-	41
Sale of outputs to other Government Agencies	**11,17,18,20**	100	100	-	150
Sale of outputs to others	**11,17,20**	626	755	129	950
Total Revenue		**6,881**	**8,241**	**1,360**	**11,460**
Expenses					
Personnel costs	**12,17,18,20**	4,875	6,183	1,308	7,098
Supplies and consumables	**13,17**	967	1,202	235	1,653
Depreciation	**4,5**	170	191	21	318
Bad debt expense		(8)	5	13	5
Litigation costs	**14,17**	579	658	79	793
Loss/(Gain) on disposal of property and equipment		2	-	(2)	-
Gains on foreign exchange transactions		(9)	2	11	(7)
Total Expenses		**6,576**	**8,241**	**1,665**	**9,860**
Surplus for the year		**305**	**-**	**(305)**	**1,600**

The accounting policies and notes on pages 60-79 form part of these financial statements.

Statement of Changes in Net Assets/ Equity

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CHANGES IN NET ASSETS/ EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Contributed Capital	Accumulated Surpluses	Total Net Assets/ Equity	Approved Budget	Variance (Budget vs Actual)
(expressed in Cayman Islands dollars and in thousands)					
Balance at 30 June 2016	2,217	-	2,217	2,217	-
Equity investment from Cabinet	-	-	-	-	-
Surplus for the year 2016/17	-	1,600	1,600	-	(1,600)
Surplus repayable for the period 2016/17	-	(1,600)	(1,600)	-	1,600
Balance at 31 December 2017	2,217	-	2,217	2,217	-
Equity investment from Cabinet	73	-	73	20	(53)
Surplus for the period 2018	-	305	305	-	(305)
Surplus repayable for the year 2018	-	(305)	(305)	-	305
Balance at 31 December 2018	**2,290**	**-**	**2,290**	**2,237**	**(53)**

The accounting policies and notes on pages 60-79 form part of these financial statements.

Statement of Cash Flows

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Current Year Actual (12 months)	Approved Budget (12 months)	Variance (Budget vs. Actual) (12 months)	Prior Period Actual (18 months)
(expressed in Cayman Islands dollars and in thousands)					
Cash flows managed on behalf of Cabinet					
Operating Activities					
Cash received					
Sale of goods and services - third party		626	750	124	950
Sale of goods and services to other government agencies		100	100	-	150
Sales to Cabinet		6,274	7,305	1,031	10,589
Donations/grants received		-	-	-	41
Other receipts		-	6	6	-
Cash used					
Personnel costs		(4,908)	(6,183)	(1,275)	(7,120)
Supplies and consumables		(1,377)	(1,744)	(367)	(2,496)
Net cash flows from (used by) operating activities	**15**	715	234	(481)	2,114
Investing Activities					
Cash used					
Purchase of property, plant and equipment	**4**	(145)	(20)	125	(158)
Net cash flow from (used by) investing activities		(145)	(20)	125	(158)
Financing Activities					
Cash received					
Equity injections from Cabinet		73	20	(53)	-
Cash used					
Repayment of surplus	**9,18**	(1,600)	-	1,600	(1,296)
Net cash flows from (used by) financing activities		(1,527)	20	1,547	(1,296)
Net increase/(decrease) in cash and cash equivalents held		(957)	234	1,191	660
Cash and cash equivalents as beginning of year		3,128	1,361	(1,767)	2,468
Cash and cash equivalents at the end of the year		**2,171**	**1,595**	**(576)**	**3,128**

The accounting policies and notes on pages 60-79 form part of these financial statements.

Portfolio of Legal Affairs
Notes to the Financial Statements
For the year ended 31 December 2018

Description and principal activities

The Portfolio is a Government-owned entity as defined by section 2 of the PMFL and is domiciled in the Cayman Islands.

The Portfolio provides a wide range of legal services including legal advice and representation in litigation to the Government, its affiliated entities and some statutory authorities. It is responsible for the provision of other legal services such as legislative drafting, law reform and law revision. It provides financial intelligence services and support to Government and other stakeholders in anti-money laundering initiatives via the FRA and the AMLU. Legal education and training is provided by the Law School. The Portfolio is headed by the Hon. Attorney General. Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Cabinet as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the year ended 31 December 2018.

The principal address of the Portfolio is located on the 4th Floor of the Government Administration Building, 133 Elgin Avenue, George Town, Grand Cayman. As of 31 December 2018, the Portfolio had 55 employees (2017: 54).

Note 1: Significant accounting policies

These financial statements have been prepared in accordance with IPSAS issued by the International Federation of Accountants and its IPSAS 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.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2018 have not been early adopted by the Entity.

Certain new accounting standards have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Entity. The Entity's assessment of the impact of these new standards are set out below.

IPSAS 41, Financial Instruments was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. It is anticipated that IPSAS 41 will not have a significant impact on the Entity's financial statements. This will be assessed more fully closer to the effective date of adoption.

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured. It is anticipated that IPSAS 42 will not have an impact on the Entity's financial statements, but this will be assessed more fully closer to the effective date of adoption.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 1: Significant accounting policies (continued)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. There have been no significant changes to the accounting policies during the year ended 31 December 2018.

(a) Basis of preparation

These financial statements have been prepared on a going concern basis. The financial statements are presented in Cayman Islands dollars and the measurement base applied to these financial statements is the historical cost basis.

(b) Reporting Period

The current reporting period is for the 12 months commencing 1 January 2018 and ending 31 December 2018. The Public Management and Finance (Amendment) Law, 2015 section 2 (c) was passed on 15 October 2015 to reflect a change in the annual reporting date from 30 June to 31 December. In changing the annual reporting date the entity underwent an 18 month transition period for 2016-17. The prior period amounts presented in the financial statements is for an 18 month period and therefore is not entirely comparable to the current year actuals for the 12 month period. IPSAS 1 (66) allows for the financial statements to be presented for a period longer or shorter than one year when an entity's reporting date changes.

(c) Budget amounts

The 2018 budget amounts were prepared using the accrual basis of accounting and the accounting policies have been consistently applied with the actual financial statement presentation. The 2018 budget was presented in the 2018 Annual Budget Statement of the Government of the Cayman Islands and approved by the Legislative Assembly on 27 November 2017.

During the year, Cabinet approved a reallocation of funds in the amount of $767 thousand from the Portfolio of Legal Affairs operational budget to another Government entity to cover a shortfall. As at 31 December 2018, the appropriation changes had not yet been approved by the Legislative Assembly.

(d) Judgments and estimates

The preparation of financial statements in accordance with IPSAS 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.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 1: Significant accounting policies (continued)

(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.

(j) Property and equipment
Property and equipment is stated at historical cost less accumulated depreciation. Items of property and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset is recognised 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.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 1: Significant accounting policies (continued)

(j) Property and equipment (continued)

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

Asset type	***Estimated useful life***
• Computer hardware and software	3 – 10 years
• Office equipment and furniture	3 – 10 years
• Motor vehicles	3 – 10 years
• Other equipment	5 – 10 years
• Leasehold improvements	over the term of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at year end. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use in service.

Disposals

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

(k) 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 (the "Fund") and administered by the Public Service Pensions 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, duty allowances employer 6% and employee 6% are made to the Fund by the Portfolio.

(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, trade payables, accruals and other liabilities, employee entitlements and surplus payables, all of which are recognised in the statement of financial position.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 1: Significant accounting policies (continued)

(l) Financial instruments (continued)

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 statement of financial performance.

Measurement
Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments. Financial liabilities are subsequently measured at amortised cost, being the amount at which the liability was initially recognised less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

De-recognition
A financial asset is derecognised when the Portfolio realizes 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 has expired.

(m) Provisions and contingencies
Provisions are recognised when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognised but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but are disclosed in the financial statements when an inflow of economic benefits is probable.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

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 year 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) Revenue from non-exchange transactions

The Portfolio receives various services from other Government entities for which payment is made by the Cayman Islands Government. These services include but are not limited to accommodation in the central government building, computer repairs and software maintenance by the Computer Services Department and human resources management by POCS.

The Portfolio has designated these non-exchange transactions as Services in-Kind as defined under IPSAS 23- Revenue from non-exchange transactions. When fair values of such services can be reliably estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in-kind. Where services in-kind offered are directly related to construction or acquisition of a fixed asset, such service in-kind is recognised in the cost of the fixed asset.

(p) Impairment

An asset is impaired when its carrying amount exceeds its recoverable amount. If there is any indication of impairment present, the Portfolio is required to make a formal estimate of recoverable amount.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 2: Cash and cash equivalents

As at 31 December 2018 the Portfolio held no restricted cash balances (31 December 2017: $0). No interest was earned during the year on the amounts held in these bank accounts (31 December 2017: $0).

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Operational Current Account - KYD	1,929	701	(1,228)	2,156
Payroll Current Account - KYD	17	21	4	(1)
Operational Current Account - USD	225	873	648	973
Cash and cash equivalents	**2,171**	**1,595**	**(576)**	**3,128**

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)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Sale of outputs to Cabinet	-	557	557	236
Outputs to other government agencies	177	1	(176)	38
Sale of goods and services	158	207	49	195
Provision for doubtful debts	(26)	(32)	(6)	(33)
Net Trade receivables	**309**	**733**	**424**	**436**

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 3: Receivables from exchange transactions and other receivables (continued)

As at 31 December 2018 and 2017, the ageing analysis of receivables under exchange transactions is as follows:

Receivables from exchange transactions	Current Year (Gross)	Current Year Impairment	Net	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Current	140	-	(140)	262
Past due 31-60 days	4	683	679	16
Past due 61-90 days	36	50	14	14
Past due 90 and above	129	-	(129)	178
Total Trade Receivables	**309**	**733**	**424**	**470**

As at 31 December 2018 and 2017, other receivables are composed of:

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Advances	-	1	1	17
Dishonoured cheques	1	2	1	2
Other	5	1	(4)	11
Total Other Receivables	**6**	**4**	**(2)**	**30**
Less: provision for doubtful debts	-	-	-	-
Net Total Other Receivables	**6**	**4**	**(2)**	**30**

Changes in the provision for doubtful debts, in total for receivables from exchange transactions and other receivables, during the year ended 31 December 2018 and 2017 are as follows:

Movements in the provision of doubtful debts are as follows:

Description	Current Year Actual	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)		
Balance at 1 Jan 2018	34	32
Additional provisions made during the year	(8)	2
Receivables written off during the year	-	-
Provision for Doubtful Debts	**26**	**34**

As of 31 December 2018, receivables from exchange transactions are all due within one year (2017: all due within one year) from the financial position date.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 4: Property and equipment

Cost of Property and equipment

	Furniture and Fittings	Computer Hardware	Office Equipment	Other assets	Motor Vehicles	Total Property Plant and Equipment
	(expressed in Cayman Islands dollars and in thousands)					
Balance as at30 June 2016	**7**	**15**	**32**	**2,226**	**14**	**2,294**
Additions	3	3	2	150	-	158
Disposals	-	-	-	(29)	-	(29)
Balance as at 31 December 2017	**10**	**18**	**34**	**2,347**	**14**	**2,423**
Balance as at 31 December 2017	**10**	**18**	**34**	**2,347**	**14**	**2,423**
Additions	1	3	9	82	-	95
Disposals	-	-	(8)	-	-	(8)
Balance as at 31 December 2018	**11**	**21**	**35**	**2,429**	**14**	**2,510**

Accumulated Depreciation

	Furniture and Fittings	Computer Hardware	Office Equipment	Other assets	Motor Vehicles	Total Property and Equipment
	(expressed in Cayman Islands dollars and in thousands)					
Balance as at 30 June 2016	**3**	**8**	**16**	**1,474**	**1**	**1,502**
Disposals	-	-	-	(29)	-	**(29)**
Depreciation Expense	1	6	8	297	4	**316**
Balance as at 31 December 2017	**4**	**14**	**24**	**1,742**	**5**	**1,789**
Balance as at 31 December 2017	**4**	**14**	**24**	**1,742**	**5**	**1,789**
Disposals	-	-	(6)	-	-	(6)
Depreciation Expense	1	2	5	157	3	168
Balance as at 31 December 2018	**5**	**16**	**23**	**1,899**	**8**	**1,951**
Net Book value 31 December 2017	**6**	**4**	**10**	**605**	**9**	**634**
Net Book value 31 December 2018	**6**	**5**	**12**	**530**	**6**	**559**

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 4: Property and equipment (continued)

As of 31 December 2018, other fixed assets are composed of:

Description	Cost	Accumulated depreciation	Carrying value	Prior Year Actual
(expressed in Cayman Islands dollars and in thousands)				
Library books	2,363	1,855	508	574
Lease improvements	55	41	14	25
Security System	11	3	8	6
Total other fixed assets	**2,429**	**1,899**	**(530)**	**605**

Note 5: Intangible assets

Cost of Intangible Asset	Computer Software
(expressed in Cayman Islands dollars and in thousands)	
Balance as at 01 July 2016	3
Additions	-
Disposal/ Derecognition	-
Balance as at 31 December 2017	**3**
Balance as at 01 Jan 2017	3
Additions	66
Disposal/ Derecognition	-
Balance as at 31 December 2018	**69**

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 5: Intangible assets (continued)

Cost of Intangible Asset	Computer Software
(expressed in Cayman Islands dollars and in thousands)	
Balance as at 30 June 2016	3
Additions	-
Disposal/ Derecognition	-
Balance as at 31 December 2017	**3**
Balance as at 31 December 2017	3
Additions	66
Disposal/ Derecognition	-
Balance as at 31 December 2018	**69**

Accumulated Amortization and Impairment losses	Computer Software
(expressed in Cayman Islands dollars and in thousands)	
Balance as at 30 June 2016	-
Eliminate on Disposal/Derecognition	-
Amortization Expense	2
Balance as at 31 December 2017	**2**
Balance as at 31 December 2017	2
Eliminate on Disposal/Derecognition	-
Amortization Expense	2
Balance as at 31 December 2018	**4**
Net Book value 31 December 2017	**1**
Net Book value 31 December 2018	**65**

Note 6: Trade Payables, accruals and other liabilities

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Creditors	2	11	9	1
Accrued Expenses	108	401	293	203
Creditors other government agencies	358	-	(358)	8
Other	3	3	-	3
Total payables under exchange transactions, other payables and accruals	**471**	**415**	**(56)**	**215**

Payables under exchange transactions and other payables are non-interest bearing and are normally settled on 30-day terms.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 7: Unearned revenue

In the latter part of 2018, the Law School collected fees for courses which will be held in 2019. These amounted to $20 thousand (2017: $108 thousand).

Note 8: Employee entitlements

Details	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Employee entitlements are represented by:				
Annual leave	138	192	54	171
Total employee entitlements	**138**	**192**	**54**	**171**

The leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit.

Note 9: Surplus payable

Surplus payable represents surplus of $305 thousand as at December 31, 2018 (2017: $1,600 thousand). Under the PMFL section 39 (3) (f), the Portfolio may "retain such part of its net operating surplus as is determined by the Minister of Finance". Therefore, the Portfolio has recorded a surplus payable to Government in the amount of $305 thousand as at 31 December 2018, as the Minister of Finance has not confirmed whether the Portfolio can retain the surplus achieved during this year. During the year the Portfolio paid to Cabinet surplus payable in the amount of $1,600 thousand (2017: $1,296 thousand).

Note 10: Revenue from non-exchange transactions

During the year ended 31 December 2018, 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 POCS. The fair value of these services cannot be determined and therefore were not recognised as revenues and expenses in these financial statements.

Note 11: Revenue

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Law School Fees	605	750	145	915
Sale of outputs to Cabinet	6,155	7,386	1,231	10,319
Sale of outputs to other government agencies	100	100	-	150
Donations	-	-	-	41
Other	21	5	(16)	35
Total Sale of Goods & Services	**6,881**	**8,241**	**1,360**	**11,460**

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 12: Personnel costs

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Salaries, wages and allowances	4,121	5,201	1,080	6,069
Health care	490	636	146	676
Pension	233	292	59	328
Leave	(33)	11	44	(21)
Other Personnel related costs	64	43	(21)	46
Total Personnel Cost	**4,875**	**6,183**	**1,308**	**7,098**

Note 13: Supplies and consumables

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Supplies and Materials	59	77	18	88
Purchase of services	220	205	(15)	545
Utilities	98	117	19	148
General Insurance	-	-	-	22
Travel and Subsistence	88	139	51	91
Recruitment & Training	24	157	133	64
Lease of property and equipment	346	346	-	519
Reference materials	88	105	17	117
Audit and inspection fees	39	40	1	41
Repairs and maintenance	5	16	11	18
Total Supplies & Consumables	**967**	**1,202**	**235**	**1,653**

Note 14: Litigation costs

The Attorney General's Office provides litigation and legal advisory services to the Government and its Ministries, Portfolios and departments. During the year ended 31 December 2018, the use of legal services from outside of the Government was authorized by the Attorney General's Office to augment the delivery of its litigation and legal advisory services. The costs for these external legal services were $579 thousand (2017: $793 thousand).

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 15: Reconciliation of net cash flows from operating activities to surplus

Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Surplus for the year	305	-	(305)	1,600
Non-cash movements				
Depreciation expense	170	191	21	318
Provision for bad debts	(8)	-	8	5
Gain on disposal of property and equipment/fx	(7)	-	7	(7)
Debts written off	2	-	(2)	2
Changes in current assets and liabilities:				
Decrease in receivables from exchange transaction:	127	(22)	(149)	275
Increase in other receivables and prepayments	(8)	-	8	(29)
(Decrease)/increase in trade payables and accruals	255	65	(190)	(136)
Increase/(decrease) in Unearned Revenue	(88)	-	88	108
(Decrease) in employee entitlements	(33)	-	33	(22)
Net cash flows from operating activities	**715**	**234**	**(481)**	**2,114**

Note 16: Commitments

Type	One year or less	One to five Years	Over five Years	Prior Period Actual
(expressed in Cayman Islands dollars and in thousands)				
Operating Commitments				
Non-cancellable accommodation leases	155	-	-	782
Total Operating Commitments	**155**	**-**	**-**	**782**

The Portfolio has one medium-to long-term lease for the term of 5 ½ year for the property occupied by the Law School at 11 Dr. Roy’s Drive, in George Town. The lease expires on June 30, 2019. The amounts disclosed above as future commitments are based on the current rental rates.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 17: Explanation of major variances against original budget

Explanations for major variances for the Portfolio performance against the original budget are as follows:

Statement of Financial Position

Cash and cash equivalents
The $576 thousand increase in year-end cash and cash equivalents in comparison to the budgeted amount can be attributable to the fact that an unbudgeted surplus was achieved of $305 thousand and unearned revenue received by the Law School in an amount of $20 thousand. In addition, the receivables balance was lower than budgeted, which is largely due to the reduced billings and collections from Government as noted below in the revenue variance.

Receivables from exchange transactions
The decrease of $424 thousand from budget is primarily due to Cabinet funding budgeted higher than actual. During the financial year amounts billed to the government were reduced to match the level of expenditure. This is also consistent with the sale of goods and services variance explanation below.

Property and equipment and intangible assets
The increase in actual property and equipment of $124 thousand over budget is primarily due to accumulated depreciation being lower than budgeted as assets were placed in service later in the year. Intangible assets were over budget by $65 thousand due to the acquisition of new software not budgeted.

Accruals and other liabilities
The increase of $65 thousand from the budget is due primarily to professional fees of $18 thousand, utilities of $20 thousand and security of $7 thousand in respect of which invoices were submitted in December and settled after the end of the financial year.

Surplus payable
The Entity had a surplus of $305 thousand in the current year as there were favorable variances noted for personnel costs and supplies and consumables as discussed below.

Statement of Financial Performance

Revenue
The $1,231 thousand decrease from budget is as a result of a reduction in cabinet revenue billed. This was done to ensure revenue was more in line with actual expenditure. There was also a shortfall in the Law School revenue of $145 due to student withdrawals, re-sitters and transfers.

Miscellaneous revenues increased by $16 thousand and these are ad hoc and can vary each year. These include fees for applications for recognition as Legal Practitioners, invigilation etc.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 17: Explanation of major variances against original budget (continued)

Statement of Financial Performance (continued)

Personnel costs
Actual personnel costs are lower than budget by $1,308 thousand primarily because of the non-fulfillment of budgeted positions or the filling of those positions at later dates than anticipated. A number of vacant posts in the Portfolio, including that of the Solicitor General, remained vacant during the financial period.

Supplies and consumables
The net decrease of $237 thousand to budget is primarily due to decreases in recruitment and training of $133 thousand, travel and subsistence of $51 thousand, utilities of $19 thousand, reference materials of $17 thousand, supplies and materials of $18 thousand and repairs and maintenance of $11 thousand. There was an offset as purchase of services increased by $15 thousand. Refer to note 13.

The notable decrease in recruitment and training of $133 thousand is due to the fact that budgeted training did not materialize during the year, mainly due to delayed recruitment and vacancy of posts.

The decrease in travel and subsistence of $51 thousand is as a result of reduced travelling by the Attorney General's Chambers.

The decrease in utilities of $19 thousand is directly related to the savings in electricity for the Law School as a result of lower than budgeted fuel surcharge rates.

Reference materials budgeted for were not purchased resulting in a reduction of $17 thousand.

The decrease in supplies and materials is due to the ongoing efforts to coordinate the purchasing of paper and printing consumables and office supplies and equipment. This resulted in savings of $18 thousand.

The decrease in repairs and maintenance is mainly due to the reduction in office equipment maintenance charges during the period. This resulted in savings of $11 thousand.

Litigation costs
Professional fees are budgeted as contingencies for the defense of the Government in litigation as well as the provision of legal advice to Government, and vary from year to year depending on the number and complexity of cases. This expense was $79 thousand lower than budgeted, due to the variable nature of matters arising.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 18: Related party and key management personnel disclosures

Related party disclosure

The Portfolio is a wholly-owned entity of the Government from which it derives a major source of its revenue. The Portfolio transacts with other government entities on a regular basis. These transactions were provided free of cost during the year ended 31 December 2018. They were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

Statement of financial position	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)	31 December 2017 Actual
(expressed in Cayman Islands dollars and in thousands)				
Receivables from exchange transactions	309	733	424	436
Surplus payable	305	-	(305)	1,600
Surplus paid during the year	1,600	-	(1,600)	1,296
Trade payables	2	11	9	1
Statement of financial performance				
Sale of goods and services	6,155	7,386	1,231	10,319
Sale of outputs to other government agencies	100	100	-	150
Insurance expense	-	-	-	22

Key management personnel

Key management personnel are also considered to be related parties. For the year ended 31 December 2018, there are seven (2017: seven) full-time and one part-time equivalent personnel considered at the senior management level. The total remuneration includes: regular salary, allowances, pension contributions and health insurance contributions. Total remuneration for the members of senior management for the year ended 31 December 2018 was $1,045 thousand (2017: $1,496 thousand). There were no loans made to key management personnel or their close family members for the year ended 31 December 2018 (2017: $0).

Note 19: 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 (2018 Revision) as amended.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 19: Financial instrument risks (continued)

Credit risks

Credit risk refers to the risk that a counter party 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 December 31, 2018, no provision for doubtful debts (2017: $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 December 31, 2018, all of the financial liabilities were due within three months of the year end dates (2017: 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.

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 20: Segment reporting

For the year ended 31 December 2018:

For the year ended 31 December 2018:

	Legal Drafting & Review & Modernization of Laws	Litigation & Legal Advice	Ministerial Advice to the Attorney General	Financial Intelligence Services	Law School	Total
	(expressed in Cayman Islands dollars and in thousands)					
Revenue						
Sale of outputs to Cabinet	1,094	1,406	1,472	1,082	1,101	6,155
Sale of outputs to other Government agencies	-	100	-	-	-	100
Sale of outputs to others	-	-	14	-	612	626
Total Revenue	**1,094**	**1,506**	**1,486**	**1,082**	**1,713**	**6,881**
Expenses						
Personnel costs	949	994	916	966	1,050	4,875
Other expenses	41	430	552	74	604	1,701
Total Expenses	**990**	**1,424**	**1,468**	**1,040**	**1,654**	**6,576**
Surplus for the year	**104**	**82**	**18**	**42**	**59**	**305**

For the period ended 31 December 2017:

For the Period ended 31 December 2017

	Legal Drafting & Review & Modernization of Laws	Litigation & Legal Advice	Ministerial Advice to the Attorney General	Financial Intelligence Services	Law School	Total
	(expressed in Cayman Islands dollars and in thousands)					
Revenue						
Sale of outputs to Cabinet	2,200	2,864	1,678	1532	2,045	10,319
Sale of outputs to other Government agencies	-	150	-	-	-	150
Sale of outputs to others	-	-	26	-	924	950
Donation	-	-	-	-	41	41
Total Revenue	**2,200**	**3,014**	**1,704**	**1532**	**3,010**	**11,460**
Expenses						
Personnel costs	1,802	1,752	936	937	1,671	7,098
Other expenses	197	915	603	79	968	2,762
Total Expenses	**1,999**	**2,667**	**1539**	**1016**	**2,639**	**9,860**
Surplus for the period	**201**	**347**	**165**	**516**	**371**	**1,600**

Portfolio of Legal Affairs
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

Note 20: Segment reporting (continued)

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. Legislative 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. Litigation and legal advice: The provision of legal advice and representation to Government Ministries and departments and statutory entities on civil matters and the provision of international legal assistance.

3. Advice/ secretarial support to the Attorney General: This includes advice and support provided by the AMLU as well as law revision and related policy advice on matters relating to legislation.

4. Financial intelligence services: This includes receipt of SARs under the PCL, the Misuse of Drugs Law, and Terrorism Law and facilitating requests for financial intelligence from overseas counterparts.

5. Law education: The Law School falls under the remit of the Portfolio. The Law School offers the LL. B (Honours) degree programme, part time and full time, the Professional Practice Course, the postgraduate Diploma, and the Master of Laws (LLM) in International Finance (on a part-time basis). The Law School is affiliated with the University of Liverpool and also with the Oxford Brookes University in the UK. There are 90 students registered in total as at 31 December 2018 (31 December 2017: 87).

Note 21: Subsequent events

In preparing these financial statements management has evaluated and disclosed all material subsequent events up to 30 April 2019 which is the date that the financial statements were available to be issued.

8

Appendices

This section summarizes the various risks which the Portfolio is subjected to, and the associated measures implemented to mitigate those risks.

Also included are the telephone and website information for each department under the Portfolio.

Governance & Risk Management

The Portfolio of Legal Affairs is subject to normal risks associated with most public agencies. For 2018 those risks include:

Human Capital Risks

- Loss or absence of key staff along with their expertise and experience;
- Insufficient Administrative Support; and
- Performance risks.

Infrastructure Risks

- Physical and electronic/cyber security;
- Natural disasters including hurricanes, fires and other perils; and
- File storage and retrieval.

Business Specific Risks

- Loss or destruction of files;
- Failure to provide accurate or timely advice; and
- Conflicts of interest.

The Portfolio effectively managed these risks during the 2018 year without material interruption to operations. Some measures taken included implementing an electronic case file management system which should improve alternative storage, considering incentives to encourage staff retention such as provision of training opportunities and salary reform (within CIG permitted parameters and whether by monetary or non-monetary means) to minimise salary disparity as between public and private sector.

The Portfolio will continue to develop the appropriate strategies to manage future risks as part of an overall risk management framework.

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