



GOVERNMENT OF THE CAYMAN ISLANDS

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

Financial Statements for the year ended 31 December 2018

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MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Ministry of Financial Services and Home Affairs in accordance with the provisions of the Public Management and Finance Law (2018 Revision).

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2018 Revision).

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

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

The financial statements fairly present the financial position, financial performance and cash flows of the Ministry of Financial Services and Home Affairs 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 Ministry of Financial Services and Home Affairs 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. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

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



Dax Basdeo
Chief Officer

Date – 17 APRIL - 2019



Wendy Manzanares
Chief Financial Officer

Date – 17- APRIL - 2019

AUDITOR GENERAL'S REPORT

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

Opinion

I have audited the financial statements of the Ministry of Financial Services and Home Affairs (the "Ministry"), which comprise the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in net assets and statement of cash flow for the year ended 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 33.

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

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Ministry in accordance with the International 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.

Emphasis of Matter

As outlines in note (1b) under significant accounting policies the Ministry of Financial Services and Home Affairs was authorized under section 11 (5) of the Public Management and Finance Law for adjustments to its appropriation for exceptional circumstances. As at the date of this report being issued the Supplementary Appropriation Bill has not been passed into Law by the Legislative Assembly for a reallocation of \$730,000. My opinion is not qualified with respect to this matter.

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

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

In preparing the financial statements, management is responsible for assessing the Ministry'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 Ministry or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Ministry's financial reporting process.

AUDITOR GENERAL'S REPORT (continued)

Auditor's 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 auditor's 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 judgment and maintain professional skepticism 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 my 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 Ministry'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 Ministry's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 my auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including 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 *Public Management and Finance Law (2018 Revision)*. 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
Auditor General

17 April 2019
Cayman Islands

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

Prior Year Actual (18 mths) \$'000		Note	Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
	Current Assets					
(16)	Cash and cash equivalents	2	7,870	10,076	10,076	2,206
12,336	Trade receivables	3	11,103	4,258	4,258	(6,845)
1,086	Other receivables	3	906	1	1	(905)
149	Inventories	5	88	-	-	(88)
56	Prepayments	4	2	3	3	1
<u>13,611</u>	Total Current Assets		<u>19,969</u>	<u>14,338</u>	<u>14,338</u>	<u>(5,631)</u>
24,989	Property, plant and equipment	6	28,058	30,725	30,725	2,667
659	Intangible assets	6b	280	349	349	69
<u>25,648</u>	Total Non-Current Assets		<u>28,338</u>	<u>31,074</u>	<u>31,074</u>	<u>2,736</u>
<u>39,259</u>	Total Assets	20	<u>48,307</u>	<u>45,412</u>	<u>45,412</u>	<u>(2,895)</u>
	Current Liabilities					
2,886	Trade payables and accruals	7	3,930	9	9	(3,971)
306	Other payables	7	552	229	229	(323)
2,129	Employee entitlements	8	2,524	130	130	(2,394)
42	Unearned Revenue		-	-	-	-
1,340	Surplus Payable		3,270	-	-	(3,270)
<u>6,703</u>	Total Current Liabilities		<u>10,326</u>	<u>368</u>	<u>368</u>	<u>(9,958)</u>
<u>6,703</u>	Total Liabilities	20	<u>10,326</u>	<u>368</u>	<u>368</u>	<u>(9,958)</u>
<u>32,556</u>	Net Assets	20	<u>37,981</u>	<u>45,044</u>	<u>45,044</u>	<u>7,063</u>
	NET ASSETS					
32,556	Contributed capital		37,981	24,625	24,625	(13,356)
1,340	Accumulated surpluses		1,931	20,419	20,419	18,488
(1,340)	Repayment of Surplus		(1,931)	-	-	1,931
<u>32,556</u>	Total Net Assets		<u>37,981</u>	<u>45,044</u>	<u>45,044</u>	<u>7,063</u>



Dax Basdeo
Chief Officer

Date – 17 APRIL 2019



Wendy Manzanares
Chief Financial Officer

Date – 17 APRIL 2019

The accounting policies and notes on pages 9 to 33 form part of these financial statements.

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

Prior Year Actual (18 mths)		Note	Current Year Actual	Original Budget	Final Budget	Variance (Orig vs actual)
\$'000			\$'000	\$'000	\$'000	\$'000
	Revenue					
35,409	Sale of goods and services	9	47,864	50,128	50,128	2,264
303	Other Income		-	-	-	-
178	Donations		-	-	-	-
<u>35,890</u>	Total Revenue	20	<u>47,864</u>	<u>50,128</u>	<u>50,128</u>	<u>2,264</u>
	Expenses					
24,092	Personnel costs	10	32,467	33,757	33,757	1,290
8,344	Supplies and consumables	11	10,532	13,104	13,104	2,572
1,501	Depreciation	6	2,351	2,827	2,827	476
557	Amortisation of Intangible Assets	6b	407	440	440	33
-	Legal Fees	12	17	-	-	(17)
(4)	Losses/(gains) on foreign exchange transactions	13	(6)	-	-	6
41	Loss on Disposal of Asset	13	30	-	-	(30)
93	Loss on Inventory	13	-	-	-	-
<u>34,624</u>	Total Expenses	20	<u>45,798</u>	<u>50,128</u>	<u>50,128</u>	<u>4,330</u>
<u>1,266</u>	Surplus for the year		<u>2,066</u>	<u>-</u>	<u>-</u>	<u>(2,066)</u>

The accounting policies and notes on pages 9 to 33 form part of these financial statements.

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 31 DECEMBER 2018

	Contributed Capital	Revaluation Reserve	Accumulated (deficits)/surplus	Total Net worth	Original Budget	Final Budget	Variance (Orig. vs. Actual)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2016 brought forward	8,189	23	-	8,212	8,683	8,683	471
Changes in net assets for 2016/17							
Prior Year Adjustments	-	-	52	52	-	-	(52)
Balance	8,189	23	52	8,264	8,683	8,683	419
Changes in net assets for 2016/17							
Equity Investment from Cabinet	1,321	-	-	1,321	602	602	(719)
Transfers	23,046	(23)	23	23,046	-	-	(23,046)
Capital Withdrawals by Cabinet	-	-	-	-	(460)	(460)	(460)
Net revenue / expenses recognised directly in net worth	24,367	(23)	23	24,367	142	142	(24,225)
Surplus for the period 2016/17	-	-	1,265	1,265	427	285	(838)
Repayment of surplus	-	-	(1,340)	(1,340)	-	-	1,340
Total recognized revenues and expenses for the period	24,367	(23)	(52)	24,292	569	427	(23,723)
Balance at 31 December 2017	32,556	-	-	32,556	9,252	9,110	(23,304)
Balance at 1 January 2018 brought forward	32,556	-	-	32,556	29,515	29,515	3,041
Changes in net assets for 2018							
Prior Year Adjustments	-	-	(135)	(135)	-	-	135
Balance	32,556	-	(135)	32,421	29,515	29,515	(2,906)
Changes in net assets for 2018							
Equity Investment from Cabinet	5,599	-	-	5,599	15,529	15,529	9,930
Prior Period Adjustment	(174)	-	-	(174)	-	-	174
Net revenue / expenses recognised directly in net worth	5,425	-	-	5,425	15,529	15,529	10,104
Surplus for the year	-	-	2,066	2,066	-	-	(2,066)
Repayment of surplus	-	-	(1,931)	(1,931)	-	-	1,931
Total recognized revenues and expenses for the year	5,425	-	135	5,560	15,529	15,529	9,969
Balance at 31 December 2018	37,981	-	-	37,981	45,044	45,044	7,063

The accounting policies and notes on pages 9 to 33 form part of these financial statements.

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

Prior Year Actual (18 mths)			Current Year Actual	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		Note	\$'000	\$'000	\$'000	\$'000
	CASH FLOWS FROM OPERATING ACTIVITIES					
	<i>Receipts</i>					
30,890	Outputs to Cabinet		46,609	48,716	48,716	2,107
-	Outputs to other government agencies		-	76	76	76
4,096	Sale of goods and services - third party		2,627	2,047	2,047	(580)
235	Donations / Grants		-	-	-	-
-	Other receipts		-	-	-	-
	<i>Payments</i>					
(24,189)	Personnel costs		(32,244)	(33,757)	(33,757)	(1,513)
(7,763)	Supplies and consumables		(9,079)	(14,152)	(14,152)	(5,073)
(210)	Other payments		(17)	-	-	17
3,059	Net cash flows from operating activities		7,896	2,930	2,930	(4,966)
	CASH FLOWS USED/FROM INVESTING ACTIVITIES					
(675)	Purchase of property, plant and equipment		(5,581)	(11,865)	(11,865)	(6,284)
-	Purchase of intangibles		(28)	-	-	28
(675)	Net cash flows used in investing activities		(5,609)	(11,865)	(11,865)	(6,256)
	CASH FLOWS USED/FROM IN FINANCING ACTIVITIES					
619	Equity Investment		5,599	11,865	11,865	6,266
(26,650)	Repayment of Surplus		-	-	-	-
(26,031)	Net cash flows used/from in financing activities		5,599	11,865	11,865	6,266
(23,647)	Net (decrease)/increase in cash and cash equivalents		7,886	2,930	2,930	(4,956)
23,631	Cash and cash equivalents at beginning of year		(16)	7,146	7,146	7,162
(16)	Cash and cash equivalents at end of year	2	7,870	10,076	10,076	2,206

The accounting policies and notes on pages 9 to 33 form part of these financial statements.

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Description and Principal Activities

The Ministry of Financial Services and Home Affairs ("the Ministry") is a Government owned entity as defined by section 2 of the Public Management and Finance Law (2018 Revision) and it is domiciled in the Cayman Islands.

Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Ministry as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the year ended 31 December 2018. The Ministry consists of several departments including General Registry, Department of Financial Services, Department of International Tax Cooperation, Financial Services Administration, Fire Department, Her Majesty's Cayman Islands Prison Service, Hazard Management Cayman Islands, Department of Community Rehabilitation and Department of Public Safety and Communications.

Note 1: Significant Accounting Policies

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

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of Preparation

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

The financial year end of the Ministry was changed from 30 June to 31 December in order to facilitate more efficient monitoring of revenues and expenditures by Government during a financial year. This change facilitated Government's ability to make meaningful adjustments to its expenditure plans to mitigate any adverse revenue performance. Accordingly, the current financial statements are prepared from 1 January 2018 to 31 December 2018 and as a result, the comparative figures are for the 18-month period from 1 July 2016 to 31 December 2017 stated in the Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flows and related notes are not directly comparable.

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 1: Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

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

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 Ministry. The Ministry's assessments of the impact of these new standards are set out below.

IPSAS 40, Public Sector Combinations was issued in January 2017 and shall be applied for annual financial statements covering periods beginning on or after 1 January 2019. It is not anticipated in the future that the Ministry will be combined with any other public sector entity and therefore it is anticipated this standard will not be applicable to the Ministry in future periods.

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 Ministry'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 Ministry's financial statements, but this will be assessed more fully closer to the effective date of adoption.

Changes in Accounting Policies

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

(b) Budget Amounts

There was an increase in the Ministry's budget during 2018 by way of a section 11(5) allocation of additional funding. The appropriation changes were provided in a supplementary appropriation budget. The approved changes are as follows:

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 1: Significant Accounting Policies (continued)

(b) Budget Amounts (continued)

Appropriations to the Ministry of Financial Services and Home Affairs

Approved in the Legislative Assembly during 2018:

Appropriation Reference Number	Appropriation Name	2018 Supplementary Appropriation \$ '000
Output Groups		\$ '000
PRI 13	Custodial Services	140
FSS 4	Policy Advise and Legislation for the Financial Services Industry	260
FSS 6	Engagement on Financial Services Matters with Local and International Stakeholders	480
TIA 7	Exchange of Information for Tax Purposes	100
REG 16	Legal Entities Registry Services	12
FRE 9	Domestic Emergency Response	112
FRE 10	Aerodrome Fire Services	112
FSA 2	Policy Advice and Legislation relating to Financial Services and Home Affairs	35
Total for Ministry FSHA Entity		1,251

Approved by Cabinet but not yet approved in the Legislative Assembly:

Appropriation Reference Number	Appropriation Name	2018 Supplementary Appropriation \$ '000
Output Groups		\$ '000
FSA 1	Ministerial Services & Inter-Agency Cooperation	(45)
FSS 6	Engagement on Financial Services Matters with Local and International Stakeholders	(130)
TIA 7	Exchange of Information for Tax Purposes	(210)
EMC 1	Public Safety Communication Center	(245)
EMC 2	Electronic Monitoring Center	(100)
	Re-allocation	(730)
PRI 13	Custodial Services	430

In December 2018, Cabinet also granted approval for an increased appropriation to the Red Cross in the amount of \$300K which was funded through savings in recurrent expenditure in various departments in the Ministry.

(c) Judgments and Estimates

The preparation of financial statements is in conformity with International Public Sector Accounting Standards that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses.

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 1: Significant Accounting Policies (continued)

(c) Judgments and Estimates (continued)

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period they are determined and in any future periods that are affected by those revisions.

(d) Changes in Accounting Estimates

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

(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 recognised as a liability (unearned revenue).

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

(f) Expenses

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

(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) Inventories

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

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

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

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 1: Significant Accounting Policies (continued)

(j) Prepayments

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

(k) Property, Plant and Equipment

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

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

<u>Asset Type</u>	<u>Estimated Useful life</u>
• Buildings and structures	10 – 60 years
• Building fit-out (when accounted for separately)	5 – 25 years
• Leasehold Improvement	Over the unexpired period of lease or the useful life of the improvement
• Computer Equipment	3 – 10 years
• Developed software	4 – 10 years
• Office equipment and furniture	3 – 25 years
• Motor vehicles	3 – 20 years
• Telecommunications	5 – 50 years
• Other equipment	5 – 20 years
• Boats and Marine Equipment	5 -25 years

Disposals

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

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 1: Significant Accounting Policies (continued)

(l) Intangible Assets

Acquired computer software licenses lasting over a year are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. The carrying value of an intangible asset with a finite life is amortized on a straight line basis over its estimated useful life. Amortization begins when the asset is available for use and ceases at the date that the asset is derecognized. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately (if any) are carried at cost less accumulated impairment losses. Amortization charge for each period is recognized in the Statement of Financial Performance.

(m) Employee Benefits

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

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

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

(n) Financial Instruments

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

Classification

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

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

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 1: Significant Accounting Policies (continued)

(n) Financial Instruments (continued)

Recognition

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

Measurement

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

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

De-recognition

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

(o) Contingent Liabilities and Assets (including guarantees)

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

(p) Foreign Currency

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

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

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

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 1: Significant Accounting Policies (continued)

(q) Comparative Figures

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

(r) Revenue from Non-Exchange Transactions

The Ministry receives various services from other government entities for which payment is made by the Cayman Islands Government. These services include but are not limited to accommodation in the central government building, computer repairs and software maintenance by the Computer Services department and human resources management by the Portfolio of the Civil Service. The Ministry has designated these non-exchange transactions as Services in-Kind as defined under IPSAS 23 – Revenue from non-exchange Transactions. When fair values of such services can be 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. The Risk Management Unit of the Ministry of Finance & Economics has absorbed all expenses related to General and Motor Vehicle Insurance for the year.

(s) Surplus Repayable

Pursuant to Section 39 (3) (f) of the Public Management and Finance Law (2018 Revision), any net Surplus is transferred to Surplus repayable.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents include cash on hand; bank accounts in the name of the Ministry of Financial Services and Home Affairs maintained at Royal Bank of Canada and short term deposits invested with the Cayman Islands Government Treasury. As at 31 December 2018 the Ministry held no restricted cash balances (31 December 2017: \$0).

Actual Prior Year (18 mths)	Description	Foreign Currency	Exchange Rate	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000		\$'000	\$'000	\$'000	\$'000
1,226	CI \$ Operational Current Account			6,379	10,045	10,045	3,666
44	USD \$ Operational Current Account	63	0.8375	53	31	31	(22)
(1,286)	CI \$ Payroll Current Account			1,437	-	-	(1,437)
-	KYD-CM-Confirmations			1	-	-	(1)
(16)	TOTAL			7,870	10,076	10,076	2,206

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 3: Trade Receivables and Other Receivables

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

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
271	Sale of goods and services	352	-	-	(352)
10,776	Outputs to Cabinet	7,980	4,258	4,258	(3,722)
1,321	Equity Injection Funding	2,816	-	-	(2,816)
(32)	Less: Provision for doubtful debts	(45)	-	-	45
12,336	Total trade receivables	11,103	4,258	4,258	(6,845)

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
17	Advances (salary, official travel, etc.)	67	-	-	(67)
1	Dishonoured cheques	1	1	1	-
1,068	Other Receivables	838	-	-	(838)
1,086	Total other receivables	906	1	1	(905)

As at 31 December 2018 and 31 December 2017, the aging analysis of trade receivables and other receivables is as follows:

Actual Prior Year (18 mths)	Description	Current	Total Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
152	Current	-	-	-	-	-
9,441	Past due 1-30 days	8,508	8,508	4,259	4,259	(4,249)
2,764	Past due 31-60 days	3,117	3,117	-	-	(3,117)
20	Past due 61-90 days	172	172	-	-	(172)
1,076	Past due 90 and above	257	257	-	-	(257)
13,453	Total	12,054	12,054	4,259	4,259	(7,795)

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 4: Prepayments

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
56	Accrued Prepayments	2	3	3	1
56	Total Prepayments	2	3	3	1

Note 5: Inventories

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
149	Raw Materials	88	-	-	(88)
149	Total Inventory	88	-	-	(88)

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 6: Property, Plant and Equipment

Cost

Description	Land	Buildings & Leasehold Improvements	Water Reticulation	Other Infra Assets	Vehicles	Aeroplanes	Boats	Furniture & Fittings	Computer Hardware	Office Equipment	Other Plant & Equipment	Other Assets	Assets in Progress	Actual 2016/17	Original Budget 2016/17	Variance (Orig vs Actual)
Balance as at 1 July 2016	-	237	-	19	838	-	1,117	315	320	82	475	30	45	3,478	3,582	104
Additions	-	-	-	24	281	-	15	-	98	-	5	-	870	1,293	334	(959)
Disposals	-	-	-	-	(69)	-	(57)	-	(24)	(14)	(70)	-	-	(234)	-	234
Transfers In	4,093	12,566	5,398	3,643	1,212	99	770	258	1,267	519	14,266	-	346	44,442	-	(44,442)
Transfers Out	-	(210)	-	(19)	(924)	-	(1,120)	(178)	(150)	(23)	(475)	(30)	(27)	(3,156)	-	3,156
Balance at 31 December 2017	4,093	12,593	5,398	3,672	1,338	99	725	395	1,511	564	14,201	-	1,234	45,823	3,916	(41,907)

Description	Land	Buildings & Leasehold Improvements	Water Reticulation	Other Infra Assets	Vehicles	Aeroplanes	Boats	Furniture & Fittings	Computer Hardware	Office Equipment	Other Plant & Equipment	Other Assets	Assets in Progress	Actual 2018	Original Budget 2018	Variance (Orig vs Actual)
Balance as at 1 January 2018	4,093	12,593	5,398	3,672	1,338	99	725	395	1,511	564	14,201	-	1,234	45,823	41,447	(4,376)
Additions	-	26	-	76	158	-	-	28	79	-	158	-	4,928	5,453	11,739	6,286
Disposals	-	-	-	(86)	(39)	-	-	(9)	(32)	(7)	(796)	-	-	(969)	-	969
Balance at 31 December 2018	4,093	12,619	5,398	3,662	1,457	99	725	414	1,558	557	13,563	-	6,162	50,307	53,186	2,879

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 6: Property, Plant and Equipment (continued)

Accumulated Depreciation and impairment losses

Description	Land	Buildings & Leasehold Improvements	Water Reticulation ¹	Other Infra Assets	Vehicles	Aeroplanes	Boats	Furniture & Fittings	Computer Hardware	Office Equipment	Other Plant & Equipment	Other Assets	Assets in Progress	Actual 2016/17	Original Budget 2016/17	Variance (Orig vs Actual)
Balance as at 1 July 2016	-	1	-	19	673	-	733	231	316	64	374	30	-	2,441	2,354	(87)
Transfers In	-	1,649	754	3,237	830	9	385	140	1,099	383	11,019	-	-	19,505	-	(19,505)
Transfers Out	-	(61)	-	(19)	(752)	-	(846)	(138)	(142)	(14)	(397)	(30)	-	(2,399)	-	2,399
Depreciation Expense	-	393	270	29	139	3	73	34	93	29	439	-	-	1,502	279	(1,223)
Eliminate on Disposal	-	-	-	-	(69)	-	(57)	-	(23)	(14)	(52)	-	-	(215)	-	215
Balance at 31 December 2017	-	1,982	1,024	3,266	821	12	288	267	1,343	448	11,383	-	-	20,834	2,633	(18,201)

Description	Land	Buildings & Leasehold Improvements	Water Reticulation ¹	Other Infra Assets	Vehicles	Aeroplanes	Boats	Furniture & Fittings	Computer Hardware	Office Equipment	Other Plant & Equipment	Other Assets	Assets in Progress	Actual 2018	Original Budget 2018	Variance (Orig vs Actual)
Balance as at 1 January 2018	-	1,982	1,024	3,266	821	12	288	267	1,343	448	11,383	-	-	20,834	19,634	(1,200)
Depreciation Expense	-	759	540	61	196	7	56	18	115	44	553	-	-	2,349	2,827	478
Eliminate on Disposal	-	-	-	(86)	(39)	-	-	(8)	(27)	(7)	(757)	-	-	(934)	-	934
Balance at 31 December 2018	-	2,741	1,564	3,241	978	19	344	277	1,431	485	11,169	-	-	22,249	22,461	212
Net Book value 31 December 2017	4,093	10,611	4,374	406	517	87	437	128	168	116	2,818	-	1,234	24,989	1,283	(23,706)
Net Book value 31 December 2018	4,093	9,878	3,834	421	479	80	381	137	127	72	2,394	-	6,162	28,058	30,725	2,667

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 6: Property, Plant and Equipment (continued)

Asset Revaluation

Property (buildings and structures) were revalued as at the 30 June 2016 by in-house professionals with the exception of specialized buildings which were contracted to independent evaluators and are stated at revalued amounts less accumulated depreciation. Plant and equipment, are stated at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost.

In accordance with IPSAS 17, when an item of property, plant, and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- a) Restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount or
- b) Eliminated against the gross carrying amount of the asset.

Valuation methods

The valuations of the Ministry's buildings have been prepared in accordance with the aforementioned Standards and the guidance notes provided by the Royal Institute of Chartered Surveyors (RICS). Particular regard should be paid to the following definitions and methodology having been adopted in the assessment of value:

Fair Value (Market Value) defined in accordance with IFRS 13 Fair Value Measurement as follows: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Fair Value (Existing Use Value) extends the definition of Fair Value (Market Value) in "assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost."

Specialized Assets: specialized assets are those for which no market exists for the current use. Specialized assets are valued using the Depreciated Replacement Cost method (DRC valuation) The definition of 'Depreciated Replacement Cost', as contained in The Standards, is as follows: "The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization."

Valuation assumptions

Plant and machinery have only been included in the valuation of building assets where these form an integral part of the fabric of the building (e.g. lifts or air conditioning equipment) or where it performs a task crucial to the continuation of the existing use (e.g. swimming pools). Unless specifically stated otherwise, it is assumed that such items are reflected in the unit building cost.

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 6: Property, Plant and Equipment (continued)

Valuation assumptions (continued)

Plant and machinery have only been included in the valuation of building assets where these form an integral part of the fabric of the building (e.g. lifts or air conditioning equipment) or where it performs a task crucial to the continuation of the existing use (e.g. swimming pools). Unless specifically stated otherwise, it is assumed that such items are reflected in the unit building cost.

It is assumed that all properties have the required planning consents and certificates for use and construction. Where Fair Value (or land value in a DRC valuation) relies on obtaining an alternative planning consent the alternative use has been derived from consideration of prevailing land uses in the immediate area and Local Planning Policies and practice.

Where an asset has been valued by Depreciated Replacement Cost (DRC) it is subject to the prospect and viability of the asset continuing to be used for the existing use.

These valuations do not take into account any form of selling or purchase costs, tax (including Stamp Duty), inflation or finance costs. In Cayman, there is no tax on property except for Stamp Duty which is ordinarily required to be paid by a purchaser.

Valuations of each 'specialized building' state their total asset value and the (depreciated) value of the respective building. Those with a depreciated building value greater than \$0.5m also state figures for their 'component' parts. Buildings valued by the investment or comparison methods of valuation also state figures for their respective land values. These do not compute to reflect actual building values but indicate the inherent value attributing to the land only.

Buildings were revalued as an entire class of asset.

Impairment

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the period end. Assets that are subject to amortization 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 for use in service.

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 6b: Intangible Assets

Cost

Description	Computer Software	Actual 2016/17	Original Budget 2016/17	Variance (Orig vs Actual)
Balance as at 1 July 2016	1,687	1,687	1,659	(28)
Additions	27	27	268	241
Transfers In	610	610	-	(610)
Transfers Out	(22)	(22)	-	22
Balance at 31 December 2017	2,302	2,302	1,927	(375)

Description	Computer Software	Actual 2018	Original Budget 2018	Variance (Orig vs Actual)
Balance as at 1 January 2018	2,302	2,302	2,178	(124)
Additions	28	28	126	98
Balance at 31 December 2018	2,330	2,330	2,304	(26)

Amortization and impairment losses

Description	Computer Software	Actual 2016/17	Original Budget 2016/17	Variance (Orig vs Actual)
Balance as at 1 July 2016	574	574	255	(319)
Charge for the year	557	557	593	36
Transfers In	534	534	5	(529)
Transfers Out	(22)	(22)	-	22
Balance at 31 December 2017	1,643	1,643	853	(790)

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 6b: Intangible Assets (continued)

Description	Computer Software	Actual 2018	Original Budget 2018	Variance (Orig vs Actual)
Balance as at 1 January 2018	1,643	1,643	1,514	(129)
Charge for the year	407	407	441	34
Balance at 31 December 2018	2,050	2,050	1,955	(95)

Net book value 31 December 2017	659	659	1,074	415
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Net book value 31 December 2018	280	280	349	69
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The Tax Information Authority (TIA) is the sole dedicated channel in the Cayman Islands for international cooperation on matters involving the provision of tax related information. The TIA is a function of the Department for Tax International Tax Cooperation. The TIA established the AEOI Portal in 2015 to facilitate the automatic exchange of information on certain financial accounts maintained by thousands of Cayman Islands Financial Institutions with other competent authorities pursuant to domestic regulations regarding the US Foreign Account Tax Compliance Act (FATCA) and, since 2017, the OECD Common Reporting Standard (CRS). The AEOI Portal runs on software developed and maintained by Vizor Software, an Irish company. A number of other Competent Authorities also use Vizor's solution for this purpose.

General Registry utilizes a custom developed online Electronic Document Management System, EDMS. EDMS provides workflow management for staff to securely accept, review, manage and archive filings submitted electronically. EDMS is integrated with an Oracle database system, GRSS, which maintains the data for the Cayman Islands' national registers for Companies, Trusts, Partnerships, etc.

Functionality to support online archiving of scanned documents on the Registers was added to EDMS during the financial period of July 2016 to December 2017. Modules were added to allow Non-Profit Organisations (NPO) to manage their registration electronically. Enhancements were also done to allow Resident Companies to self-manage their compliance online including Annual Returns, Shareholder and Beneficial Owner filings with electronic payments through a secure portal called the Cayman Business Portal (CBP). The electronic payments are processed through the CIG RBC merchant account.

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 7: Trade Payables, Other Payables and Accruals

Actual Prior Year (18 mths)	Description	Current	Total Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
547	Creditors	367	367	1	1	(366)
-	Creditors Ministries/Portfolios	33	33	-	-	(33)
2,138	Accrued expenses	3,022	3,022	-	-	(3,022)
201	Accrued Expenses Ministries/Portfolios	558	558	-	-	(558)
	Accrued Expenses other gov agencies	-	-	8	8	8
2,886	Total Trades Payables and Accruals	3,980	3,980	9	9	(3,971)
6	Payroll deductions	401	401	234	234	(167)
300	Other payables	151	151	(5)	(5)	(156)
306	Total Other Payables	552	552	229	229	(323)
3,192	Total	4,532	4,532	238	238	(4,294)

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

Note 8: Employee Entitlements

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
Current employee entitlements are represented by:					
426	Comp time	528	10	10	(518)
1,449	Annual leave	1,448	120	120	(1,328)
254	Accrued Salaries	548	-	-	(548)
2,129	Total employee entitlements	2,524	130	130	(2,394)

The annual leave entitlement and compensated absence (comp time) are calculated based on current salary paid to those employees who are eligible for this benefit.

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 9: Sales of Goods and Services

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
31,950	Outputs to Cabinet	45,376	48,005	48,005	2,629
3,459	Fees and charges	2,488	2,123	2,123	(365)
35,409	Total sales of goods and services	47,864	50,128	50,128	2,264

Outputs to Cabinet comprises goods delivered to and services performed on behalf of the Cayman Islands Government. These are detailed in the Annual Budgeted Statements for the ended 31 December 2018 and are covered by the appropriation law.

Fees and Charges comprise mainly of other administrative fees and user charges levied on the public for the delivery of government services. The respective rates and fee structures are gazetted and governed by the relevant revenue laws.

No revenue concessions were granted during the year ended 31 December 2018.

Note 10: Personnel Costs

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
20,005	Salaries, wages and allowances	25,977	27,113	27,113	1,136
3,197	Health care	4,586	5,071	5,071	485
974	Pension	1,273	1,407	1,407	134
(147)	Vacation leave and comp time	382	65	65	(317)
63	Other personnel related costs	249	101	101	(148)
24,092	Total personnel costs	32,467	33,757	33,757	1,290

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Note 11: Supplies and Consumables

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
4,397	Purchase of services	4,965	6,120	6,120	1,155
315	Lease of Property and Equipment	456	498	498	42
459	Travel and Subsistence	600	594	594	(6)
1,171	Supplies and Materials	1,883	2,058	2,058	175
774	Utilities	1,394	1,824	1,824	430
102	Interdepartmental expenses	128	316	316	188
908	General Insurance	805	570	570	(235)
144	Recruitment and Training	204	803	803	599
74	Other	97	321	321	224
8,344	Total supplies and consumables	10,532	13,104	13,104	2,572

Note 12: Legal Fees

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
-	Legal Fees	17	-	-	(17)
-	Total Legal Fees	17	-	-	(17)

Note 13: (Gains) / Losses

Actual Prior Year (18 mths)	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
\$'000		\$'000	\$'000	\$'000	\$'000
-	Net losses on disposal of property, plant and equipment	-	-	-	-
41	Loss on Disposal of Asset	30	-	-	(30)
(4)	Net losses/(gains) on foreign exchange Transactions	(6)	-	-	6
93	Loss on Inventory	-	-	-	-
130	Total losses	24	-	-	(24)

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 14: Contingent Liabilities and Assets

The Ministry has no contingent assets as at 31 December 2018. Any contingent liabilities relating to the Ministry as at 31 December 2018 are reported in the consolidated accounts for the Cayman Islands Government.

Note 15: Explanation of Major Variances against Budget

There were major variances for the Ministry's performance against the original budget due to various reasons which include delays in recruitment, higher than anticipated receivables, savings in expenditure and increased leave liability as at 31 December 2018.

Statement of financial position

Cash and Cash Equivalents

Cash and cash equivalents were \$2.2million below budget as a result of substantial receivables at the end of the financial year.

Trade Receivables

Trade receivables were \$6.8 million higher than the original budget because some of the output funding and Equity Injection funding from Cabinet were not drawn down within the financial year.

Other Receivables

Other receivables were \$0.9 million higher than the original budget due to higher than anticipated inter-agency receivables at year end. These receivables include a balance of Entity revenue for General Registry that is collected and booked under the Executive books as well as a balance outstanding from the Ministry HRI for overtime, meals and supplies relating to the Immigration Detention Center and the Police Detention Center.

Property, Plant and Equipment

Property, plant and equipment was \$2.6 million lower than the original budget due to significant unforeseen delays in planned procurement of some assets during the year.

Trade and Other Payables

The balance is \$4million higher than budget, largely as a result of a balance payment that was due, at year end, to Motorola. Also, a number of invoices raised by vendors in 2018, were not received until 2019 and had to be accrued at year end.

Employee Entitlements

The balance is \$2.4million higher than budget due to the transfer of departments with large leave and comp time liability balances to the Ministry after the 2017 General Elections. Some departments are still understaffed which prevented staff from utilizing their full leave entitlement during 2018 and also resulting in vacation and comp time being accrued - resulting in increased leave liability for the year.

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Note 15: Explanation of Major Variances against Budget (continued)

Contributed Capital

The balance is \$13.3 million higher than budget due to the transfer of departments to the Ministry after the 2017 General Elections. The Contributed Capital for 2018 was under-budgeted as a result of late transfer of assets in 2016-17 which were received by the Ministry after the 2018 & 2019 Budget submission.

Surplus Payable

The balance is \$3.3million higher than original budget because there was no budget for surplus payable for 2018 as there was no surplus forecasted and the surplus for 2016-17 was not paid over during the 2018 financial year.

Statement of financial performance

Sale of Goods and Services

The balance is \$2.3 million lower than original budget due to the fact that some departments were able to realize savings during the year. As a result, not all Cabinet Revenue was drawn down for the financial year.

Personnel Costs

Personnel Costs were \$1.3million lower than original budget due to a significant number of vacancies in various departments. Many posts were filled towards the end of the financial year, recruitment is ongoing and will continue into 2019 to ensure that all vacancies are filled.

Supplies and Consumables

The balance is \$2.5million lower than original budget due to savings realized as a result of conscious cost saving measures employed by the Ministry.

Note 16: Related Party and Key Management Personnel

Related party

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

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Note 16: Related Party and Key Management Personnel (continued)

Key management personnel

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

Actual Prior Year (18 mths)	Description	Actual Current Year	Final Budget	Variance (Orig vs Actual)	Number of persons
\$'000		\$'000			
3,231	Salaries & other short-term employee benefits	2,899	-	(2,899)	29
3,231	Total	2,899	-	(2,899)	29

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

Note 17: Commitments

Operating Commitments	One Year or Less	One to Five Years	Over Five Years	Total	Total 2016/17
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-cancellable accommodation leases	306	186	-	492	289
Hazard management Cayman Islands	-	-	-	-	4,550
Total Operating Commitments	306	186	-	492	4,839

There are 4 non-cancellable accommodation leases for Hazard Management Cayman Islands, General Registry, the Department of Public Safety Communications and the Department of Community Rehabilitation. The leases will expire as follows, two in September 2019, one in November 2019 and the other in September 2022.

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Note 18: Financial Instrument Risks

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

Credit risk

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

Currency and interest rate risk

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

Liquidity risk

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

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

Note 19: Financial instruments – fair values

As at 31 December 2018 and 31 December 2017, the carrying values of cash and cash equivalents, accounts receivable, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities.

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

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Note 20: Segment Reporting

	ENVIRONMENT		HOME AFFAIRS		FINANCIAL SERVICES		CONSOLIDATED	
	2018	2016/17	2018	2016/17	2018	2016/17	2018	2016/17
Revenue								
Outputs from Cabinet	-	3,075	38,043	18,313	7,333	10,561	45,376	31,949
Fees and Charges	-	-	397	177	2,091	3,586	2,488	3,763
Donations	-	177	-	1	-	-	-	178
Total Revenue	-	3,252	38,440	18,491	9,424	14,147	47,864	35,890
Expenses								
Personnel Costs	-	2,381	27,298	13,059	5,167	8,652	32,465	24,092
Supplies & Consumables	-	650	7,496	3,886	3,038	3,900	10,534	8,436
Depreciation	-	148	2,338	1,317	420	595	2,758	2,060
Other Expenses	-	-	-	(16)	41	53	41	37
Total Expenses	-	3,179	37,132	18,246	8,666	13,200	45,798	34,625
Surplus from Operating Activities	-	73	1,308	245	758	947	2,066	1,265
Assets								
Current Assets	-	-	543	853	19,426	12,758	19,969	13,611
Non-Current Assets	-	-	28,086	23,995	252	1,653	28,338	25,648
Total Assets	-	-	28,629	24,848	19,678	14,411	48,307	39,259
Liabilities								
Current Liabilities	-	-	5,776	4,165	4,550	2,538	10,326	6,703
Total Liabilities	-	-	5,776	4,165	4,550	2,538	10,326	6,703
Net Assets	-	-	22,853	20,683	15,128	11,873	37,981	32,556

The Ministry of Financial Services & Home Affairs reported on two segments of business for 2018.

The Department of Environment (DoE) facilitates responsible management and sustainable use of the natural environment and the natural resources of the Cayman Islands; through environmental protection and conservation, wise use, scientific research and public education. This was transferred out of the Ministry as at 30 June 2017 therefore there is no activity for DoE for 2018.

Financial Services is mainly focused on the country's financial services sector. This segment includes General Registry, the Department of International Tax Cooperation, and the Department of Financial services and is responsible for providing policy direction and monitoring to ensure the Cayman Islands continues to be recognized as one of the world's leading global financial services centres.

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Note 20: Segment Reporting (continued)

Home Affairs is mainly focused on the country's national security and public safety. This segment includes Hazard Management Cayman Islands, the Department of Public Safety Communications, Her Majesty's Royal Cayman Islands Prison Service, Cayman Islands Fire Service, the Department of Community Rehabilitation, and is responsible for providing policy direction and monitoring to ensure the Cayman Islands remains a safe and secure place to live, visit and invest.

Note 21: Surplus Repayment

As at 31 December 2018 the Ministry recorded surplus payable of \$1.93 million. The surplus payable recorded as at 31 December 2017 was \$1.34 million. As per section 39 3 (f) of the Public Management and Finance Law (2018 Revision), the entity shall "retain such part of its net operating surplus as determined by the Minister of Finance". We confirm that as at 31 December 2018, the entity has not been advised that it may retain any operating surplus.

Note 22: Events occurring after Reporting Date

There were no subsequent events to report.