Annual Report

of

Portfolio of Legal Affairs

For the 2004/5 Financial Year

Contents

1. Overview of Performance for the Year

Introduction

This annual report details the performance of the *Portfolio of Legal Affairs* for the fiscal year ending 30 June 2005

It includes information about outputs actually delivered during the year as compared to the planned performance documented in the Annual Budget Statement for the *Portfolio of Legal Affairs* for 2004/5, or as amended through the supplementary appropriation process.

It also reports those aspects of ownership performance that were contained in the Annual Budget Statement for 2004/5 or as amended through the supplementary appropriation process.

Summary of Performance

<u>Output Performance</u>

The Portfolio continues to rationalize the number of outputs and measures. In the 2003 budget there were 19 outputs in the 2003/4 budget they were rationalized to 13 in 2004/5 they were further rationalized to 10. In 2006/7 the above outputs were further rationalized to 6. We believe that this rationalization makes it easier for the reader to understand our business. We have reviewed our measures and over time have ensured that methods are in place to collect the necessary data. We believe that our outputs reported in this report are materially correct. In the case of law school fees we have estimated the allocation of the fees to the three outputs as the information was not readily available and the cost of creating it could not be justified

With two exceptions outputs were delivered below supplementary budget levels. The reason for the small increase of$18,621in PLG 2 Drafting of Legislation and Law revision is that certain costs such as capital charge, audit and insurance were not allocated to certain outputs in the budget but the actual figures include these charges. The increase of $31,739 in PLG 22 Teaching of part-time LLB (Hons) and other part-time legal qualifications is more than offset by the favorable variance in the other three law school outputs of $290,034.

<u>Ownership Performance</u>

. *Revenue from cabinet is down $985k from the budget. The reasons are as follows:*

- *Personnel costs are lower by $155K.*
- *Depreciation is lower by $116K this is a result of fixed asset acquisitions taking place in 2005/6 rather than 2004/5 as was planned. The major delay was the law school build out and replacement books for the Law School Library, which were not completed until 2005/6*
- *Lease and Utility costs are lower by $150K. The occupation of Ansbacher house and the Law School took place at a later date than anticipated.*
- *Interagency and other expenses account for the balance.*

Capital expenditures of \$498K were \$357K below the budgeted amount of \$855k. The principal reasons for the above variance were build-out costs for the Law School and replacement books for those destroyed in Ivan that were budgeted in 2004/5 but expenditures did not take place until 2005/6.

Cayman Islands

PORTFOLIO OF LEGAL AFFAIRS

CERTIFICATE OF THE AUDITOR GENERAL

To the Solicitor General of the Portfolio of Legal Affairs And to the Members of the Legislative Assembly of the Cayman Islands

Report on Statement of Outputs Delivered

I have audited the accompanying Statement of Outputs Delivered of the Portfolio of Legal Affairs for the year ended 30 June 2005 as set out on pages 12 to 21 in accordance with the provisions of Section 44(3) of the *Public Management and Finance Law (2005 Revision)*. The Statements consist of the following outputs:

- PLG 2 – Drafting of Legislation and Law Revision
- PLG 7 – Teaching of Attorney at Law Certificate
- PLG 11 – Teaching of Full-Time LLB (Hons) Degree
- PLG 15 – Prosecution Services
- PLG 16 – Legal Advice and Representation
- PLG 19 – International Cooperation
- PLG 20 – Ministerial Servicing and Policy Advice for the Attorney General
- PLG 21 – Financial Reporting Services
- PLG 22 – Teaching of Part-Time LLB (Hons) Degree and Other Part-Time Legal Qualifications
- PLG 23 – Research and Publications

Management's Responsibility for the Statement of Outputs Delivered

Management is responsible for the preparation and fair representation of the Statement of Outputs Delivered in accordance with section 44(2) of the *Public Management and Finance Law (2005 Revision)*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Statement of Outputs Delivered that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria and measures to the outputs delivered. Management is required to present the following performance indicators for the Portfolio of Legal Affairs:

1) Description of outputs delivered for the year ended 30 June 2005.
2) Quantitative measures of the outputs delivered during the year ended 30 June 2005.
3) Qualitative measures of the outputs delivered during the year ended 30 June 2005.
4) Timeliness measure of the outputs delivered during the year ended 30 June 2005.
5) Location of delivery of outputs during the year ended 30 June 2005.
6) Financial measures of the actual costs incurred in respect of each output for the year ended 30 June 2005 compared to Budgeted Costs for each output as duly approved in the "Budget 2004/5".

Auditor's Responsibility for the Statement of Outputs Delivered

My responsibility is to express an opinion on the Statement of Outputs Delivered based on our audit. We conducted our audit in accordance with International Standards on Assurance Engagements 3000: Assurance Engagements Other Than Audits of Historical Financial Information. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement of Outputs Delivered are free from material misstatement.

Our audit of the Statement of Outputs Delivered was planned and performed to obtain all information and explanations we considered necessary to form an opinion based on a reasonable level of assurance. Our audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures included in the Statements and making enquiries of key members of management and the staff of the Portfolio.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Overall Scope Limitations

The parameters included for each of the output measures included in these statements have been provided to me by Legal Affairs' management and are solely their responsibility. I do not accept responsibility for the determination of these parameters as the basis of measure for each of the outputs, or for their appropriateness or relevance.

Nor do I accept responsibility for the accuracy of the information contained in the "Description" field of each statement or the "Explanation of Variances" commentary following each Statement. The information as documented included there in has been determined by the Legal Affairs' management in their best judgement and as such its accuracy and relevance are solely their responsibility.

Qualified Opinion for the Statement of Outputs Delivered

<u>PLG 2 – Drafting of Legislation and Law Revision</u>

Timeliness – from our sample we determined that not 100% of the laws were drafted within the deadlines established by Cabinet and therefore this measure is not accurately presented in the Statement.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the timeliness, the PLG 2 Statement of Outputs Delivered presents fairly, in all material respects, the outputs delivered for the Portfolio of Legal Affairs as of 30 June 2005.

<u>PLG 7 – Teaching of Attorney at Law Certificate</u>

Quality – From the information we have obtained it was noted that the Law School was no longer dealing with the Queen's University, Belfast and therefore the actual for this measure should be recorded as 0% instead of 100%. In addition we are not able to assess whether there was Peer review conducted 100% of the time as there were not adequate systems to measure this percentage.

PLG 7 – Teaching of Attorney at Law Certificate (continued)

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the quality the PLG 7 Statement of Outputs Delivered presents fairly, in all material respects, the outputs delivered for the Portfolio of Legal Affairs as of 30 June 2005.

PLG 11 – Teaching of Full-Time LLB (Hons) Degree

Quality - we are not able to assess whether there was a Peer review conducted 90% of the time as there were not adequate systems to measure this percentage.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the quality the PLG 11 Statement of Outputs Delivered presents fairly, in all material respects, the outputs delivered for the Portfolio of Legal Affairs as of 30 June 2005.

PLG 15 – Prosecution Services

Quality – We are unable to determine if the actual percentages disclosed are accurately presented in the Statement as there are no systems in place to track the "Percentage of indictments that were drafted correctly and did not require revision" and the "Percentage of times that disclosures provided to the defense was satisfactory to the expectations of the end-user".

Timeliness – We are unable to determine if the actual percentages are accurately presented in the Statement as there are no systems in place to track any of the Timeliness measures.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the quality, timeliness, the PLG 15 Statement of Outputs Delivered presents fairly, in all material respects, the outputs delivered for the Portfolio of Legal Affairs as of 30 June 2005.

PLG 16 – Legal Advice and Representation

Quantity – no actual numbers were provided as there was not a system in place to track the quantity measures.

Timeliness – We are unable to determine if the opinions were actually issued within two weeks and whether representations when proceedings occur was actually 100% as there was no system in place to track these timeliness measures.

Costs – We are unable to determine whether or not costs were fairly allocated as the Portfolio could not provide any amount of quantities produced related to the costs. Therefore, we are unable to conclude if costs have been allocated consistently or correctly.

Because of the significance of the matters discussed in the preceding three paragraphs, I do not express an opinion on the PLG 16 Statement of Outputs Delivered for the year ending 30 June 2005.

PLG 19 – International Cooperation
Timeliness – There is no system in place to track the Timeliness measure as assistance within the required time line was not defined by Legal Affairs management and therefore we are not able to determine if 100% timely is accurate or not.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the timeliness, the PLG 19 Statement of Outputs Delivered presents fairly, in all material respects, the outputs delivered for the Portfolio of Legal Affairs as of 30 June 2005.

PLG 20 – Ministerial Servicing and Policy Advice for the Attorney General
Quantity and Timeliness – There are no systems in place to track the Quantity and Timeliness measures and therefore we are not able to determine if the actual amounts noted are accurately presented in the Statement.

Costs – We are unable to determine whether or not costs were fairly allocated as the Portfolio could not provide any amount of quantities produced related to the costs. Therefore, we are unable to conclude if costs have been allocated consistently or correctly.

Because of the significance of the matters discussed in the preceding two paragraphs, I do not express an opinion on the PLG 20 Statement of Outputs Delivered for the for the year ending 30 June 2005.

PLG 21 – Financial Reporting Services
Quality – we are unable to determine if the actual amounts noted are accurately presented in the Statement as there are no systems in place to track two of the Quality measures, "Analysis thorough and leading to accurate and useful financial intelligence", and "Typology information locally relevant and of value to the industry".

Timeliness – we are unable to determine if the actual amounts noted are accurately presented in the Statement as there is no system in place to track the "SARs processed within 2 weeks".

Location – The location is not accurately presented in the Statement as activities occur beyond the boundaries of the Cayman Islands.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the quality, timeliness, location, the PLG 21 Statement of Outputs Delivered presents fairly, in all material respects, the outputs delivered for the Portfolio of Legal Affairs as of 30 June 2005.

PLG 22 – Teaching of Part-Time LLB (Hons) Degree and Other Part-Time Legal Qualifications
Quality - we are not able to assess whether there was a Peer review conducted 90% of the time as there were not adequate systems to measure this percentage.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the quality the PLG 22 Statement of Outputs Delivered presents fairly, in all material respects, the outputs delivered for the Portfolio of Legal Affairs as of 30 June 2005.

PLG 23 – Research and Publications
Quantity, Quality and Timeliness – we are unable to determine if the actuals are accurately presented in the Statement as there are no systems in place to track the Quantity, Quality and the Timeliness measures.

Costs – We are unable to determine whether or not costs were fairly allocated as the Portfolio could not provide any amount of quantities produced related to the costs. Therefore, we are unable to conclude if costs have been allocated consistently or correctly.

Because of the significance of the matters discussed in the preceding two paragraphs, I do not express an opinion on the PLG 23 Statement of Outputs Delivered for the for the year ending 30 June 2005.

Report on the Financial Statements:
I have audited the accompanying financial statements of the Portfolio of Legal Affairs, which comprise the balance sheet as at 30 June 2005, and the income statement, statement of changes in equity and cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 32 to 44 in accordance with the provisions of Section 44(3) of the *Public Management and Finance Law (2005 Revision)*.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair representation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility for the Financial Statements
My responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion for the Financial Statements
I was unable to obtain sufficient appropriate audit evidence to support the valuation amount of Property, Plant & Equipment – Other assets and the related depreciation expense and extraordinary items amount of $257 thousand. In addition, I was unable to determine the accuracy of the opening net worth amount for Legal Affairs as the opening balance sheet account for Property, Plant & Equipment could not be supported as no fixed asset count was performed and the value of fixed assets as at 1 July 2004 were not determined. I was not able to carry out satisfactory alternative audit procedures to be able to obtain reasonable assurance that the opening net worth was properly recorded.

Qualified Opinion for the Financial Statements
In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the Property, Plant & Equipment, the related depreciation expense and extraordinary items, and the opening net worth amount, the financial statements present fairly, in all material respects, the financial position of the Portfolio of Legal Affairs as of 30 June 2005, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Dan Duguay

Dan Duguay, MBA, FCGA
Auditor General

Cayman Islands
14 January 2008

Part A

Outputs Delivered During the Year

2. Statement of Outputs Delivered

PLG 2	Drafting of Legislation and Law Revision		
Description Provide draft Legislation for the Government and Law Revision.			
Measures	**2004/5 Actual**	**2004/5 Budget**	**Annual Variance**
Quantity This output is demand driven and is accordingly difficult to estimate accurately the number of Government Bills and Regulations that there will be in any year or the extent of the amendments required. It is anticipated that.			
• The number of Government bills drafted	9	25-30	16
• The number of amendments to bills	23	25-30	2
Quality • Work undertaken by qualified and experienced legal drafters.	100%	100%	
Timeliness • Laws drafted with the deadlines established by Cabinet	100%	100%	
Location Grand Cayman	100%	100%	
Cost (of producing the output)	**$673,267**	**$654,646**	**$(18,621)**
Price (paid by Cabinet for the output)	**$673,267**		

The reason for the negative financial variance is that certain costs such as capital charge, audit and insurance were not allocated to certain outputs in the budget.

PLG 7	Teaching of Attorney at Law Certificate

Description

Provision of law teaching leading to the award of the Attorney at Law Certificate of the Cayman Islands

Measures	2004/5 Actual	2004/5 Budget	Annual Variance
Quantity			
• Number of students	15	12-15	
• Hours of classroom lecturing per course	N/A	25	N/A
• Courses provided within one academic year	7	8	1
• Hours of classroom lecturing per academic year	200	290-320	90
Quality			
• Percentage of courses taught by lecturers qualified to teach in the field	100%	100%	See note 1
• Percentage of courses taught in accordance with a curriculum approved by Queen's University Belfast	See note 1	100%	
• Peer review of assessment criteria (setting of examinations) by staff of the faculty of Law, Queen's University of Belfast	See note 1	100%	See note 1
• Peer review of internal assessment of coursework by staff of Faculty of Law, Queen's University of Belfast	See note 1	100%	See note 1
Timeliness			
• Programme offered during each academic year	100%	100%	
Location	100%	100%	
Grand Cayman			
Cost (of producing the output)	**$40,057**	**$163,598**	**$123,541**
Price (paid by Cabinet for the output)	**$40,057**		

Law school fees were up by $191,117. At the time when we produced the supplementary budget we reduced the expected revenue from Law School fees as we anticipated the enrolment at the Law School would fall dramatically. Enrolment in fact remained at optimum levels. The above actual is net of school fees of $135.000.

Another contributor to the favorable variance is that rent and depreciation expense were lower than estimated in the supplementary budget.

- Note 1 Queens University Belfast is no longer associated with the program. The program is overseen by two external examiners who have been appointed for the purpose.

PLG 11	Teaching of Full-Time LLB (Hons) Degree

Description

Provision of law teaching leading to a LLB (Hons) degree from the University of Liverpool on a full-time basis

Measures	2004/5 Actual	2004/5 Budget	Annual Variance
Quantity			
• Number of students	57	50-55	(2)
• Hours of classroom teaching per module	50	70	20
• Modules taught over a three year academic period	12	12	
• Hours of classroom lecturing per academic year	600	280-300	(300)
Quality			
• Percentage of courses taught by lecturers qualified to teach in the field	100%	100%	
• Percentage of courses taught in accordance with a curriculum approved by the University of Liverpool	100%	100%	
• Peer review of assessment criteria (setting of examinations and coursework) by staff of the Faculty of Law, Liverpool University	90%	90%	
• Peer review of internal assessment of coursework by staff of Faculty of Law, Liverpool University	90%	90%	
Timeliness Programme offered during each academic year	100%	100%	
Location Grand Cayman	100%	100%	
Cost (of producing the output)	**$185,349**	**$301,182**	**$115,833**
Price (paid by Cabinet for the output)	**$185,349**		

Law school fees were up by $191,117. At the time when we produced the supplementary budget we reduced the expected revenue from Law School fees as we anticipated the enrolment at the Law School would fall dramatically. Enrolment in fact remained at optimum levels. The above actual is net of school fees of $351,491
Another contributor to the favorable variance is that rent and depreciation expense were lower than estimated in the supplementary budget.

The above variances of (300) and 20 are due to budget errors.

PLG 15	Prosecution Services		
Description Provision of prosecution services relating to criminal matters			
Measures	**2004/5 Actual**	**2004/5 Budget**	**Annual Variance**
Quantity			
• Number of cases for which legal rulings provided	703	600-800	97
• Number of cases prosecuted	501	400-600	99
Quality			
• Availability of qualified Crown Counsel	100%	100%	
• Percentage of indictments that were drafted correctly and did not required revision	100%	100%	
• Percentage of indictments that were successfully lodged	100%	100%	
• Percentage of times that disclosures provided to the defense was satisfactory to the expectations of the end-user	95%	95%	
Timeliness			
• Percentage of rulings within specified time	100%	100%	
• Percentage of advice given within specified time	98%	98%	
• Percentage of indictments drafted within period prescribed by Grand Court practice direction one working day	100%	100%	
• Percentage of prosecution undertaken within a given period or as required	100%	100%	
• Percentage of disclosure provided within reasonable time to assist the defense in there preparation prior to trial/hearing	95%	95%	
• Percentage of Preliminary Bundles prepared within time specified the court	100%	100%	
• Percentage of times hearings are accomplished within time set for such hearings	95%	95%	
Location Grand Cayman	100%	100%	
Cost (of producing the output)	$1,329,704	$1,504,056	$174,352
Price (paid by Cabinet for the output)	$1,329,704		

PLG 16	Legal Advice and Representation		
Description Provision of legal advice to Cabinet and representation on their behalf in civil and other legal actions			
Measures	2004/5 Actual	2004/5 Budget	Annual Variance
Quantity • Number of legal opinions/matters • Number of proceedings and actions represented		25-50 10-15	
Quality • Advice and representation provided by qualified Crown Counsel and Attorneys	100%	100%	
Timeliness • Opinions issued within. • Representations when proceedings occur	2 weeks 100%	2 weeks 100%	
Location Grand Cayman	100%	100%	
Cost (of producing the output)	$188,292	$254,901	$66,609
Price (paid by Cabinet for the output)	$188,292		

The above cost primarily represents non-billable time of the civil section of the legal department due to Ivan. The above quantity, quality and timeliness should be ignored as procedures were changed and the Cabinet Office was billed.

PLG 19	International Cooperation		
Description Administer manage and implement the various forms of International Legal Assistance available through the Portfolio and conduct criminal prosecutions and make ancillary applications arising out of international requests for assistance			
Measures	**2004/5 Actual**	**2004/5 Budget**	**Annual Variance**
Quantity • Number of request for assistance from Authority	29	50-70	21
Quality • Qualified Attorneys to provide requested assistance	100%	100%	
Timeliness • Assistance given within required time line	100%	100%	
Location Grand Cayman	100%	100%	
Cost (of producing the output)	**$142,684**	**$153,382**	**$10,698**
Price (paid by Cabinet for the output)	**$142,684**		

PLG 20	Ministerial Servicing and Policy Advice for the Attorney General		
Description Provision of Ministerial Services to support the Attorney General including secretarial administrative and policy advice.			
Measures	**2004/5 Actual**	**2004/5 Budget**	**Annual Variance**
Quantity • Secretarial and administrative support: various correspondences, requests, faxes and emails. Logging corresponding and filing of the same approx. • Policy advice provided by competent experienced lawyers and other professionals	See note below 100%	1500-2500 100%	
Quality • Work undertaken by qualified personnel.	100%	100%	
Timeliness • Correspondence responded to within 1 week of receipt. • All mail logged the same day • Policy advice within the timeframe set by the Attorney General	100% 100% 100%	100% 100% 100%	
Location **Grand Cayman**	100%	100%	
Cost (of producing the output)	$538,047	$869,107	$331,060
Price (paid by Cabinet for the output)	$538,047		

To measure the above quantity would require that all of the above items mentioned to be counted. We believe that this is impractical and a more informative measure is what we are using from 2005/6 (see below).

Secretarial and administrative support: various correspondences, requests, faxes and emails. Logging corresponding and filing of the same approximate number of hours 3,200-3,400

PLG 21	Financial Reporting Services

Description

Provision of financial intelligence services to the Attorney General including:

- Receipt of financial intelligence [suspicious activity reports (SARs)] under the Proceeds of Criminal Conduct Law, the Misuse of Drugs Law and anti-terrorism legislation
- Analysis of financial intelligence
- Handling requests for financial intelligence from overseas counterparts
- Dissemination of financial intelligence in accordance with statutory parameters
- Guidance to the industry on money laundering typologies
- Statistical reports relating to financial intelligence services
- Representation of the Cayman Islands in the Edgmont Group

Measures	2004/5 Actual	2004/5 Budget	Annual Variance
Quantity			
• Number of SARs processed and analyzed	244	400-500	156
• Number of requests for finance intelligence from counterparts overseas processed	31	130-150	99
• Number of financial intelligence disclosures to local authorities and overseas counterparts	88	90-120	2
• Number of guidance notes issued on money laundering typologies	0	1-2	1
• Number of statistical reports relating to financial intelligence services	2	3-5	1
• Number of days spent on representation activities	36	10-15	(21)
Quality			
• Information received logged into database and kept secure from unauthorized use or disclosure	100%	100%	
• Analysis thorough and leading to accurate and useful financial intelligence	100%	100%	
• Dealings with local authorities and overseas counterparts (including in Egmont Group context) conducted in accordance with applicable law and operating policies	100%	100%	
• Typology information locally relevant and of value to the industry	100%	100%	
• Statistical reports accurate and comprehensive	100%	100%	
Timeliness			
• SARs processed within 2 weeks	80%	100%	20%
• Turnaround time on requests from overseas counterparts within 1 month	52%	100%	48%
• Turnaround time on financial intelligence to local authorities within 1 week	N/A	100%	100%
• Statistical reports produced quarterly	50%	100%	50%
Location			
World	100%	100%	

Cost (of producing the output)	$634,336	$797,469	$163,133
Price (paid by Cabinet for the output)	$634,336		

The Sprylogics software has been customized and adapted to monitor and measure turnaround time which will enable us in the future to monitor the situation better.

PLG 22	Teaching of Part-Time LLB (Hons) Degree and Other Part-Time Legal Qualification		
Description Provision of law teaching leading to a LLB (Hons) degree from the University of Liverpool on a part-time basis. Teaching individual law courses and Teaching of Diploma of Legal Studies			
Measures	2004/5 Actual	2004/5 Budget	Annual Variance
Quantity			
• Number of students	37	28-34	(3)
• The programme includes:			
• Hours of classroom teaching per module	50	70	20
• Modules taught over a minimum of five and maximum of six academic years	12	12	
• Number of hours minimum and hours maximum of classroom lecturing per academic year	600	280-300	(300)
Quality			
• Percentage of courses taught by lecturers qualified to teach in the field	100%	100%	
• Percentage of courses taught in accordance with a curriculum approved by the University of Liverpool	100%	100%	
• Peer review of assessment criteria (setting of examinations and coursework) by staff of the Faculty of Law, Liverpool University	90%	90%	
• Peer review of internal assessment of coursework by staff of Faculty of Law, Liverpool University	90%	90%	
Timeliness Programme offered during each academic year	100%	100%	
Location Grand Cayman	100%	100%	
Cost (of producing the output)	$175,465	$143,726	$ (31,739)
Price (paid by Cabinet for the output)	$175,465		

Law school fees were up by $191,117. At the time when we produced the supplementary budget we reduced the expected revenue from Law School fees as we anticipated the enrolment at the Law School would fall dramatically. Enrolment in fact remained at optimum levels. The above actual is net of school fees of $104,625

Another contributor to the favorable variance is that rent and depreciation expense were lower than estimated in the supplementary budget.

The variance in hours above is due to a budget error.

PLG 23	Research and Publications			
Description Publication of legal research in various local, regional and international law journals. Publication of Cayman Islands Law Bulletin containing summaries of leading local cases and articles/commentaries on points of law interest				
Measures		**2004/5 Actual**	**2004/5 Budget**	**Annual Variance**
Quantity • Number of publications • Number of Bulletins		7 0	5 2	(2) 2
Quality Meet standards required for publication		90%	90%	
Timeliness • Research papers are completed on an ongoing basis throughout the calendar year • Bulletins are normally issued twice annually		100% 0%	100% 100%	 100%
Location Grand Cayman		100%	100%	
Cost (of producing the output)		$175,056	$225,716	$50,660
Price (paid by Cabinet for the output)		$175,056		

Another contributor to the favorable variance is that rent and depreciation expense were lower than estimated in the supplementary budget

Part B

Ownership Performance Achieved During the Year

3 Nature and Scope of Activities

Approved Nature and Scope of Activities

General Nature of Activities

The provision of legal advice, prosecution and legal education services.

Scope of Activities

The Portfolio's scope of activities involves:

- The provision of legal services and legal advice to the Government, government agencies, and the Cayman Islands Mutual Legal Assistance;
- The prosecution of criminal offences;
- Conducting Civil Litigations on behalf of Government;
- Drafting of legislation;
- The provision of legal education and training;
- Provision of financial intelligence services to the Attorney General.

Customers and Location of Activities

Customer for all activities are the Attorney General, government agencies and general public. All services located in the Cayman Islands.

Compliance during the Year

The Portfolio did comply with the activities listed above albeit under difficult circumstances.

The year 2004/5 was a difficult year for the Portfolio. Special mention must be made of the Legal Department and the Law School

Both the Law School and the Legal Department were housed in the Tower building. After Ivan it took until January to house the Legal Department in Ansbacher House, until that date the lawyers were operating under difficult circumstances from various locations.

The Law School was late in opening. Classes began in mid November. Like the Legal Department the School operated from various locations.

4 Strategic Ownership Goals

Approved Strategic Ownership Goals

The key strategic ownership goals for the *Portfolio of Legal Affairs* in 2004/5 and the subsequent two years are as follows:

- Implement a Case File Management System for both Civil and Criminal Proceedings
- Introduce billing system in order to bill Government Departments for services performed by Portfolio.
- Introduce performance appraisal system.
- Provide staff training where appropriate.

Achievement during Year

After Ivan it took until January to house the Legal Department in Ansbacher House, until that date the lawyers were operating under difficult circumstances from various locations. Under the above circumstances implementation of the Case File Management fell behind schedule. In early 2005 action was taken to update the backlog.

Because of Ivan it was agreed that for 2004/5 Interagency billings would be on a budget basis rather actual. The introduction of the civil time and billing system was delayed until 2005/6.

The performance appraisal system was partially introduced. Emphasis was placed on familiarizing staff with the system.

Some staff training was provided but because of the events of 2004/5 it was at a lower level than originally projected

5 Ownership Performance Targets

5.1 Financial Performance

Financial Performance Measures	Annual Actual $	Annual Budget $	Annual Variance $
Revenue from Cabinet	4,082,257	5,067,782	985,525
Revenue from ministries, portfolios, statutory authorities, government companies	647,429	680,000	32,571
Revenue from others	591,117	400,000	(191,117)
Surplus/deficit from outputs			
Ownership expenses			
Operating Surplus/Deficit	257,113	0	(257,113)
Net Worth	941,054	1,340,489	399,435
Cash flows from operating activities	(47,571)	57,021	104,592
Cash flows from investing activities	(382,301)	(544,104)	(161,803)
Cash flows from financing activities	621,420	603,750	(17,670)
Change in cash balances	191,548	116,667	(74,881)

Explanation of Variances:

When we prepared the supplementary budget there was uncertainty surrounding certain expenses. Revenue from cabinet is down $986k from the budget. The reasons are as follows:

- *Personnel costs are lower by $155K.*
- *Depreciation is lower by $116K this is a result of fixed asset acquisitions taking place in 2005/6 rather than 2004/5 as was planned. The major delay was the law school build out and replacement books for the Law School Library.*
- *Lease and Utility costs lower by $150K. The occupation of Ansbacher house and the Law School took place at a later date than anticipated.*
- *Professional fees, interagency and other expenses account for the balance.*

The Operating surplus represents the gain on the library books lost in Ivan and covered by replacement insurance. The variance in net worth is the result of timing differences re the draw down of equity for the purpose of acquiring fixed assets.

Financial Performance Ratios	Annual Actual	Annual Budget	Annual Variance
Current Assets: Current Liabilities (Working Capital)	1.34	2.54	1.2
Total Assets: Total Liabilities	1.71	4.44	2.73

Explanation of Variances:

The principle reason for the variances is the increase in liabilities at June 30th 2004 that were still outstanding at June 2005 and were not in the annual budget figures.

5.2 Maintenance of Capability

Human Capital Measures	Annual Actual	Annual Budget	Annual Variance
Total full time equivalent staff employed	47	51	4
Staff turnover (%) Managers	25	0	(25)
Professional and technical staff	4	13	9
Clerical and labourer staff	0	20	20
Average length of service (number of years in current position) Managers	3	7	4
Professional and technical staff	3	3	0
Clerical and labourer staff	3	5	2
Changes to personnel management system:			

Explanation of Variances:
There was a delay in filling certain positions because of Ivan. The Solicitor General resigned to take up the position of Attorney General in the Turks and Caicos Islands which accounts for the 25% above (1 of 4 HOD's resigned)

Physical Capital Measures	Annual Actual $	Annual Budget $	Annual Variance $
Value of total assets	2,259,046	1,730,489	(528,557)
Asset replacements: total assets	22%	49%	27%
Book value of assets: initial cost of those assets	80%	74%	(6%)
Depreciation: cash flow on asset purchases	8%	18%	10%
Changes to asset management policies			

Explanation of Variances:
The principle reason for the variances in total assets is the increase in receivables at June 30th 2004 that were unpaid at June 2005 and were not in the annual budget figures.

Depreciation and asset purchases were both lower than budgeted.

Major <u>New</u> Entity Capital Expenditures for the Year	Annual Actual $	Annual Budget $	Annual Variance $
Furniture, Computers	183,969	130,354	(53,615)
Build out costs	51,657	350,000	298,343
Law School Library	262,370	375,000	112,630
	497,996	855,354	357,358

Explanation of Variances:
The reason for the Variances is primarily due to timing. The Law School build out took place in 2005/6.

Major Entity Capital Expenditures continuing from previous years	Annual Actual $	Annual Budget $	Annual Variance $

Explanation of Variances:

5.3 Risk Management

Risk	Status of Risk	Action Taken During 2004/5 to Manage Risk	Financial Value of Risk
Loss Of Files	Partially implemented case file management system	Improved Alternative Storage. Continue with implementation of case file management system. The relocation to Ansbacher House has resulted in improved accommodation and storage space.	-
Insufficient Administrative Support	Additional support staff added	Continue to add support staff.	
Loss of Staff	Unchanged	• The physical working environment improved with the move to Ansbacher House. • Ensure that departments are adequately staffed which will ensure an equitable distribution of workload.	

Explanation of Variances:
Because of Ivan and its after effects 2004/5 can best be described as a stabilizing year.

6 Equity Investments and Withdrawals

Equity Movement	Annual Actual $	Annual Budget $	Annual Variance $
Equity Investment from Cabinet into Portfolio of Legal Affairs	622,000	603,750	(18,250)
Capital (Equity) Withdrawal by Cabinet from Portfolio of Legal Affairs			

Appendix: Financial Statements for the Year

CONTENTS

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF RESPONSIBILITY FOR 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 (2005 Revision)

I 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 (2005 Revision).

To the best of my knowledge the financial statements are:
(a) complete and reliable;
(b) fairly reflect the financial position as at June 30th 2005 and the financial performance for the 2004/5 financial year; and
(c) comply with generally accepted accounting practice.

Cheryll Richards
Chief Officer
Portfolio of Legal Affairs
14 Jan. 2008

John Regan
Chief Financial Officer
Portfolio of Legal Affairs
14 Jan 2008

PORTFOLIO OF LEGAL AFFAIRS
OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Annual Actual $000	Annual Budget $000
Revenue			
Outputs to Cabinet		4,082	5,068
Outputs to other government agencies		648	680
Outputs to others		591	400
Interest Revenue		2	
Total Operating Revenue		5,323	6,148
Operating Expenses			
Personnel costs	1	3,375	3,530
Supplies and consumables	2	1,880	2,534
Depreciation	3	41	157
Capital charge		27	27
Other operating expenses			
Total Operating Expenses		5,323	6,248
Surplus from operating activities		0	(100)
Gains/losses on foreign exchange transactions			
Gains/losses on disposal or revaluation of non-current assets			
Surplus before extraordinary items		0	(100)
Extraordinary items	13	257	244
Net Surplus		257	144

The accounting policies and notes on pages 38-44 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2005

	Annual Actual $000	Annual Budget $000
Opening balance net worth	62	592
Net surplus	257	144
Property revaluations		
Investment revaluations		
Net revaluations during the period		
Total recognised revenues and expenses	319	736
Equity investment from Cabinet	622	604
Repayment of surplus to Cabinet		
Capital withdrawal by Cabinet		
Closing balance net worth	941	1,340

The accounting policies and notes on pages 38-44 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
BALANCE SHEET
AS AT 30 JUNE 2005

	Note	Annual Actual $000	Annual Budget $000
Current Assets			
Cash and cash equivalents	4	192	481
Accounts receivable	5	1,529	485
Inventories	6		
Total Current Assets		1,721	966
Non-Current Assets			
Property, plant and equipment	7	546	758
Other non-current assets		-8	6
Total Non-Current Assets		538	764
Total Assets		2,259	1,730
Current Liabilities			
Accounts payable	8	1,073	200
Unearned revenue			
Employee entitlements	9	122	180
Other current liabilities		90	
Total Current Liabilities		1,285	380
Non-Current Liabilities			
Employee entitlements	10	33	10
Other non-current liabilities	11		
Total Non-Current Liabilities		33	10
Total Liabilities		1,318	390
TOTAL ASSETS LESS TOTAL LIABILITIES		941	1,340
NET WORTH			
Contributed capital		684	1,196
Asset revaluation reserve			
Accumulated surpluses		257	144
Total Net Worth		941	1,340

The accounting policies and notes on pages 38–44 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Annual Actual $000	Annual Budget $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Outputs to Cabinet		4,557	5,068
Outputs to other government agencies		419	680
Outputs to others		27	400
Interest received		2	
Payments			
Personnel costs		3,378	3,530
Suppliers		1,661	2,534
Other payments		14	27
Net cash flows from operating activities	12	(48)	57
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(382)	(855)
Proceeds from sale of non-current assets			311
Net cash flows from investing activities		(382)	(544)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity investment		622	603
Repayment of surplus			
Capital withdrawal			
Net cash flows from financing activities		622	603
Net increase/(decrease) in cash and cash equivalents		192	116
Cash and cash equivalents at beginning of period		0	365
Cash and cash equivalents at end of period	4	192	481

The accounting policies and notes on pages 38-44 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF COMMITMENTS
AS AT 30 JUNE 2005

Type	One year or less	One to five years	Over five years	Total
	$000	$000	$000	$000
Capital Commitments				
Land and buildings				
Other fixed assets				
Other commitments [list separately if material]				
Total Capital Commitments				
Operating Commitments				
Non-cancellable accommodation leases	668	2,231		
Other non-cancellable leases				
Non-cancellable contracts for the supply of goods and services				
Other operating commitments				
Total Operating Commitments	668	2,231		
Total Commitments	668	2,231		

The accounting policies and notes on pages 38-44 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CONTINGENT LIABILITIES
AS AT 30 JUNE 2005

Summary of Quantifiable Contingent Liabilities

	$000
Legal Proceedings and Disputes	
None	
Total Legal Proceedings and Disputes	
None	
Other Contingent Liabilities	
None	

Summary of Non-Quantifiable Contingent Liabilities
None

The accounting policies and notes on pages 38-44 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2005

General Accounting Policies

Reporting entity
These financial statements are for the Portfolio of Legal Affairs.

Basis of preparation
The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Accounting Standards and United Kingdom reporting standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently.

Reporting Period
The annual reporting period is for the twelve months ended 30 June 2005.

As this is the first year in which financial statements have been prepared on an accrual basis no comparative figures are available or provided.

Specific Accounting Policies

Revenue
Output revenue
Output revenue is recognised on a monthly basis as one twelfth of the total amount of the budget.

Interest revenue
Interest revenue is recognised in the period in which it is earned.

Expenses
General
Expenses are recognised when incurred.

Depreciation
Depreciation of non-financial physical assets is provided on a straight-line basis at rates based on the expected useful lives of those assets.

Capital Charge
The Capital Charge is the amount that was budgeted.
Assets
Cash and cash equivalents
Cash and cash equivalents include cash held in the Portfolio of Legal Affairs bank account and any money held on deposit with the Portfolio of Finance and Economics (Treasury).

Receivables and advances
Receivables and advances are recorded at the amounts expected to be ultimately collected in cash.

Property, Plant and Equipment (including Infrastructure Assets)
Buildings are recorded at historical cost (or fair value as at time of first recognition) or valuation.

Other plant and equipment, which includes motor vehicles and office equipment, is recorded at cost (or fair value if acquired prior to 2005) less accumulated depreciation.

Computer Hardware and Software

Computer hardware and software are recorded at cost, and depreciated in accordance with the policy on depreciation.

Library Books
Library books are recorded at cost and depreciated in accordance with the policy on depreciation.

Build-out costs
Build-out costs are recorded at cost and depreciated over ten years.

Liabilities
Accounts Payable
Accounts payable are recorded at the amount owing after allowing for credit notes and other adjustments.

Provisions
(a) Provisions are recognised in accordance with IPSAS 19 Provisions, Contingent Liabilities and Contingent assets

b) *Pension Obligations*
Pension contributions for employees of the Portfolio are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both employer and employee contributions. Prior to 1 January 2000 the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element. Participants joining after that date became members of the defined contribution element. Pension scheme contributions are included in personnel costs in the operating statement.

The Public Service Pension Liability for all civil servants (both current and past) is an executive liability managed by the Honourable Financial Secretary. This liability is reported on the Honourable Financial Secretary's executive financial statements and no such liabilities, whether current or due to contribution shortfalls have been recognized in these financial statements.

Employee entitlements
Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability.

Long service leave liabilities are measured as the present value of estimated leave service entitlements.

Use of Management Estimates
The preparation of the financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expense during the year. Actual results could differ from these estimates.

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: PERSONNEL COSTS

	Annual Actual $000	Annual Budget $000
Salaries and wages (including employee pension contributions)	2,820	3,379
Employer pension expense	125	151
Other personnel costs	430	
Total Personnel Costs	3,375	3,530

NOTE 2: SUPPLIES AND CONSUMABLES

	Annual Actual $000	Annual Budget $000
Supply of goods and services	1,101	1,584
Operating lease rentals	515	661
Other	264	289
Total Supplies and Consumables	1,880	2,534

NOTE 3: DEPRECIATION

	Annual Actual $000	Annual Budget $000
Buildings		
Vehicles		
Aeroplanes		
Boats		
Furniture and fittings	11	51
Computer hardware and software	1	
Office equipment	5	
Other plant and equipment		
Other assets	24	106
Total Depreciation	41	157

Assets are depreciated on a straight-line basis as follows:

	Years
Buildings	
Vehicles	
Aeroplanes	
Boats	
Furniture and fittings	10
Computer hardware and software	4
Office equipment	6
Other plant and equipment	
Other assets	10

NOTE 4: CASH AND CASH EQUIVALENTS

	Annual Actual $000	Annual Budget $000
Cash on hand		
Bank accounts	192	481
Deposits with Portfolio Finance and Economic (Treasury)		
Total Cash and Cash Equivalents	192	481

NOTE 5: ACCOUNTS RECEIVABLE

	Annual Actual $000	Annual Budget $000
Outputs to Cabinet	(275)	340
Outputs to other government agencies	229	120
Outputs to others		
Interest receivable		
Prepayments		25
Interest Receivable		
Other Receivables	1,588	
Total Gross Accounts Receivable	1,542	485
Less provision for doubtful debts	(13)	
Total Net Accounts Receivable	1,529	485

NOTE 6: INVENTORIES

	Annual Actual $000	Annual Budget $000
Raw Materials (including Consumable Stores)		
Work in Progress		
Finished Goods		
Total Inventories		

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Cost or Revalued Amount $000	30 June 2005 Book Value Actual $000
Buildings		
Vehicles		
Aeroplanes		
Boats		
Furniture and fittings	186	175
Computer hardware and software	10	8
Office equipment	33	26
Other plant and equipment		
Construction in progress		
Other assets (list if material)	450	337
Total	679	546

NOTE 8: ACCOUNTS PAYABLE

	Annual Actual $000	Annual Budget $000
Trade Creditors	10	200
Operating lease rental		
Accruals	1,063	
Total	1,073	200

NOTE 9: EMPLOYEE ENTITLEMENTS (CURRENT)

	Annual Actual $000	Annual Budget $000
Long service leave and other leave entitlements	122	180
Other salary related entitlements		
Total Employee Entitlements	122	180

NOTE 10. EMPLOYEE ENTITLEMENTS (NON-CURRENT)

	Annual Actual $000	Annual Budget $000
Long service leave and other leave entitlements	33	10
Other salary related entitlements		
Total	33	10

NOTE 11: OTHER NON-CURRENT LIABILITIES

	Annual Actual $000	Annual Budget $000
Provision for agency revenue repayable		
Provision for restructuring		
Accounts payable		
Unearned revenue		
Other		
Total		

NOTE 12: RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES

	Annual Actual $000	Annual Budget $000
Net Surplus	257	144
Non-cash movements		
Depreciation	41	157
Increase in provision for doubtful debts		
(Decrease)/increase in payables/accruals	228	
Net (gain)/loss from sale of fixed assets		
Net gain/loss from sale of investments		
Increase in other current assets		
(Increase)/decrease in receivables	(317)	
Extraordinary Gain	(257)	(244)
Net cash flows from operating activities	(48)	57

Note 13. The Portfolio received the proceeds of an insurance claim in the amount of $382K. This amount represented the replacement cost of books destroyed by Ivan. The Portfolio estimated that the original cost of the books was $232K and that after depreciation the net book value was $125K. The above represented an extraordinary gain of $257K which is reflected in these financial statements.