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ANNUAL REPORT

PORTFOLIO OF
LEGAL AFFAIRS



CAYMAN ISLANDS
GOVERNMENT

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Message from the Honourable Attorney General

I am pleased to present the Annual Report for the Portfolio of Legal Affairs for the fiscal year ended 31 December 2021.

The report highlights the work undertaken by the Portfolio over 2021 and some of its notable achievements, and demonstrates how the Portfolio continues to play its part by assisting the Government to achieve its strategic broad outcomes through the delivery of Cabinet policy actions and legislative change.

The year 2021 continued to be a challenging one occasioned mainly by the continuation of the COVID-19 pandemic. However, this did not obstruct the Portfolio's progress. The Report reflects the continuous demands on the Portfolio in which it prevails in maintaining the mission of its services.

In addition to a copious volume of COVID-19 legislation which was passed, the Legislative Drafting Department prepared and published a range of primary and secondary non-COVID related legislation in 2021. The enactment of the Cayman Islands Coast Guard Act, 2021, in particular, was a monumental effort as it established for the first time the Cayman Islands Coast Guard, a project which had been in the making for some time.

The Solicitor General's Office continued to provide legal advice to the Government with respect to the pandemic and other matters during 2021. In addition to the demands upon the SGO team for their advisory expertise, Crown Counsel were also engaged in a number of appellate matters touching upon constitutional issues, including two appeals before the Privy Council and two before the Court of Appeal.

The Financial Reporting Authority (FRA) and the Anti-Money Laundering Unit (AMLU) stood relentless in 2021, despite Covid-19. Coordination efforts by the AMLU and National Coordination team resulted in the jurisdiction's completion of 60 out of 63 recommended actions for "effectiveness" under the FATF's monitoring process and the attainment of all 40 FATF Recommendations being Compliant or Largely Compliant with respect to "technical compliance". As these departments gracefully produced their central services, they spent an extensive amount of time working on the National Risk Assessment (NRA), a major multi agency project that was undertaken to ensure the jurisdiction had a comprehensive and detailed understanding of the money laundering, terrorist financing and proliferation risks it is faced with. They have also conducted numerous outreach events, and continued to build expertise by providing training on the new IT solution implemented in 2020.

The AMLU and National Coordination team, in conjunction with the SGO, were also successful in securing an extension to the Cayman Islands of the 1999 International Convention on the Suppression of the Financing of Terrorism (ICSFT) in August 2021. The extension of the ICSFT to

the Islands will no doubt enhance the Islands' international cooperation in devising and adopting effective measures for the prevention of the financing of terrorism, as well as for its suppression through the prosecution and punishment of its perpetrators.

Modernization is key to the Portfolio's ability to deliver timely, fit for purpose legal services to our clients and recognition is due to the Law Revision Commission for its efforts in launching the new legislation website. Not only has the Attorney General's Chambers' duty to facilitate access to the law and enhance open justice been fulfilled through the website, but it has brought with it significant savings both in terms of time and costs to the Government.

The Law Reform Commission concluded its Final Report entitled "The Enforcement of Mortgage-Type Security Over Real Estate: Is Reform of the Law Necessary?" The Final Report contains recommendations which seek to respond to issues that relate to the enforcement of mortgages and foreclosures over residential properties, and is supported by proposed amendments to the Registered Land Act. In addition, the Commission finalised and published for consultation three Discussion Papers. These papers respectively examined whether any prohibition against usury exists in Cayman Islands' legislation, the compatibility of the Penal Code with the Bill of Rights, Freedoms and Responsibilities and the establishment of a centralised appeals tribunal to deal with planning, immigration, labour and other administrative matters.

The Truman Bodden Law School was exceptional in adjusting to new ways of working necessitated by the Covid-19 pandemic as students who were adversely affected were able to receive services and support through online platforms. Students on-island continued to benefit from in-person learning, which is no doubt a positive reflection of the Law School's efforts and commitment to student success.

An extended thank you to the Portfolio of Legal Affairs for, once again, another year of hard work, commitment and dedication. Finally, I wish to extend congratulations to Ms. Reshma Sharma on her appointment as a new member of her Majesty's Counsel, known as "Queens Counsel" (QC). Ms. Sharma has been employed with the Government for over 17 years and continues to ably lead the Portfolio in her capacity as Solicitor General/Chief Officer.

Honourable Samuel Bulgin QC, JP

Attorney General

Portfolio of Legal Affairs

July 2022

Message from the Solicitor General

I am pleased to introduce the 2021 Annual Report for the Portfolio of Legal Affairs for the financial year ending 31 December 2021. As is customary, the Report contains an account of the resources allocated to the Portfolio, the outputs delivered during the fiscal year and some of the Portfolio's key work and achievements over the year.

For many of us, 2021 felt like an extension of 2020 as the challenges of the pandemic continued. And if that was not enough, some close encounters over the hurricane season brought further disruptions. But as before, the Portfolio remained steadfast in the delivery of its usual services and provided stellar support across Government Ministries, Departments and public bodies with their various initiatives.

The Legislative Drafting Department continued its work on the ever changing COVID-19 Regulations and other legislation to address the effects of the pandemic throughout the community, in addition to its non-COVID-19 legislative agenda. The demands upon the Department further increased as a result of the National Maritime Strategy which required a legislative audit of various laws relating to matters such as safety at sea, pollution and oil spills.

The number of requests for legal advice to the Solicitor General's Office (SGO)/Attorney General's Chambers continued to trend upwards, with just over 600 recorded at the end of the year. As in 2020, the SGO team provided critical support to Government's pandemic responses and legislative initiatives over 2021. On the litigation side, 2021 was an edifying year for members of the SGO who were involved in important appellate matters including 2 appeals before the Privy Council which finally concluded cases spanning some 4 and 6 years respectively, and two before the Court of Appeal (one of which has been ongoing since 2017). The year ended with another important constitutional challenge which was successfully defended by the Chambers.

The Law Reform Commission issued three papers for public consultation on reform in varying areas of public interest, including modernisation of the Penal Code. The Law Revision Commission finally launched its online legislation database, making all the laws of the Islands available to the public at no cost.

The pandemic, as in 2020, did nothing to slow down the demands on the jurisdiction to meet the FATF's Recommendation Actions. Once again, the Anti-Money Laundering Unit (with the dedicated support of the National Coordination Team) and Financial Reporting Authority were heavily involved in related work including preparation of the National Risk Assessment.

The Truman Bodden Law School successfully delivered in-person teaching in 2021 which, as you will read, was quite an achievement. Its academic courses were particularly well subscribed with a significant increase in student enrolment over the 2019/2020 academic year generally, and most notably, the Professional Practice Course for which the number of students trebled.

From a financial perspective, the Portfolio ended 2021 well within its budget and as in 2020, with savings. In terms of personnel, the Portfolio was able to fill a number of key positions throughout the year, adding to its pool of highly skilled and qualified staff.

The Portfolio, though small in number when compared to some other civil service entities, continued to make truly impressive contributions over 2021 notwithstanding the increasing demands upon limited resources, as detailed in this report. In so doing, it strengthened its collaboration with clients and other key stakeholders thereby enabling those individuals and entities to meet their objectives and deliver the priorities set by Government.

My thanks to all of the hardworking and dedicated staff of the Portfolio for their efforts over 2021; the accomplishments in this Annual Report are testament to their continued professionalism of which I am incredibly proud. I also extend my sincere gratitude to the Honourable Attorney General for his constant support over 2021.

Reshma Sharma QC
Solicitor General/Chief Officer
Portfolio of Legal Affairs
July 2022

The Legislative Drafting Department

The Legislative Drafting Department (“the Drafting Department”) is headed by the First Legislative Counsel, Ms. Cheryl Neblett Cert. Hon and consists of five other Legislative Counsel who, like the First Legislative Counsel, are all qualified attorneys-at-law with a wealth of legislative drafting experience. An Administrative Assistant provides administrative support for the Drafting Department.

The work of the Drafting Department is concentrated in three main categories –

- Drafting primary legislation (Bills);
- Drafting subordinate legislation (Regulations, Orders, Directions, Rules etc.); and
- Providing legal advice to Cabinet and Ministries on proposals for legislation and statutory interpretation.

The primary legislation passed by the Parliament each year is but a part of the quantum of legislation prepared during that year by the Drafting Department. The Drafting Department produces a large amount of primary legislation which eventually may not be needed by Cabinet, and subordinate legislation, most of which is made only by the Cabinet.

In 2021, as in 2020, the Drafting Department was faced with an extremely heavy workload due again in part to the “Covid-19 Regulations” which were and continue to be required to combat the spread of the coronavirus disease. Other legislation which was also required to deal with the effect of the pandemic included amendments to the immigration and customs border control legislation. The latter amendments related to mandatory vaccination for certain categories of persons. These were but a few of the legislation prepared by the Drafting Department. In total, 108 pieces of legislation were prepared, approved and published in 2021.¹

National Maritime Strategy

The Drafting Department was also an integral part of the National Maritime Strategy. The National Maritime Strategy & III Code Compliance Working Group was appointed by the Cabinet in March 2019 as the Cayman Islands Coordinating Body to oversee the Maritime Administration’s compliance with the III Code i.e. the IMO Instruments Implementation (III) Code, 2013.

IMO instruments which were included within the scope of the III Code and which were considered by the Working Group included the following –

¹ The legislation can be found at <http://gazettes.gov.ky/portal/page/portal/gazhome/publications/legislation-gazette>.

- Safety of life at sea (SOLAS 1974 and its 1978 & 1988 Protocols, as amended);
- Prevention of pollution from ships (MARPOL 1973 and Protocols 1978 and 1997, as amended);
- Load Lines (LL 66 and its 1988 Protocol);
- Standards of Training, Certification and Watchkeeping for seafarers (STCW 1978 as amended);
- Tonnage measurement of ships (Tonnage 1969); and
- Regulations for preventing collisions at sea (COLREG 1972).

The First Legislative Counsel was a member of National Maritime Strategy & III Code Compliance Working Group, the acting chairperson for several months of the sub-committee on the regulation of local domestic commercial vessels, a member of the oil spill sub-committee and headed two legislative audits relating to the compliance of national laws with the III Code.

During the discussions of the Working Group it was noticeable that it was not clear who the first responders were in some oil spills incidents at sea. It was further noted that there may be an overlap of functions of different agencies. An Oil Spill Sub-Committee was therefore formed and was required to examine all relevant legislation in an effort to fill any legislative gaps.

A legislative audit was carried out on behalf of the Sub-Committee by legal officers from the Drafting Department and the Law Reform Commission. Many pieces of legislation and other documents were considered including the following –

- Dangerous Substances Act (2017 Revision);
- Disaster Preparedness and Hazard Management Law (2019 Revision);
- Merchant Shipping (Marine Pollution) Act, 2001;
- Merchant Shipping Act (2021 Revision) and Regulations;
- National Conservation Act, 2013 and Regulations;
- Utility Regulation and Competition Act (2021 Revision);
- Port Authority Act (1999 Revision) and Regulations;
- Emergency Powers Act (2006 Revision);
- National Conservation Act, 2013 and supporting Regulations; and
- Coast Guard Act, 2021.

A draft analysis and report were submitted to the Sub-Committee and was discussed. The issue of overlap of functions was considered and it was agreed that in order to ensure clarity in this area, inter-agency delegation agreements should be used.

In June and July 2021 the Drafting Department also conducted a general audit of the domestic legislation of the Islands in order to examine the extent to which such legislation complies with or incorporates the III Code.

The local legislation which were examined in the audit included all of the legislation highlighted previously in the audit for the Sub-Committee. Further, all of the regulations under the Merchant Shipping Act were examined. These were as follows-

- Merchant Shipping (Fees) Regulations, 2014;
- Merchant Shipping (Guarding of Machinery and Safety of Electrical Equipment) Regulations, 2004;
- Merchant Shipping (Load Line) Regulations, 2002;
- Merchant Shipping (Marine Casualty Reporting and Investigation) Regulations, 2018;
- Merchant Shipping (Maritime Labour Convention) (Crew Accommodation) Regulations, 2014;
- Merchant Shipping (Maritime Labour Convention) (Food and Catering) Regulations, 2014;
- Merchant Shipping (Maritime Labour Convention) (Health and Safety) Regulations, 2014;
- Merchant Shipping (Maritime Labour Convention) (Medical Care) Regulations, 2014;
- Merchant Shipping (Maritime Labour Convention) (Medical Certification) Regulations, 2014;
- Merchant Shipping (Maritime Labour Convention) (Repatriation) Regulations, 2014;
- Merchant Shipping (Maritime Labour Convention) (Seafarer Employment Agreement, Shipowners' Liabilities and Wages) Regulations, 2014;
- Merchant Shipping (Maritime Labour Convention) (Survey and Certification) Regulations, 2014;
- Merchant Shipping (Maritime Security) Regulations, 2007;
- Merchant Shipping (Means of Access) Regulations, 2004;
- Merchant Shipping (Medical Examination) Regulations, 2002;
- Merchant Shipping (Pleasure Yachts Carrying Passengers) Regulations, 2011;
- Merchant Shipping (Port State Control) Regulations, 2003;
- Merchant Shipping (Prevention of Collisions and Use of Distress Signals) Regulations, 2003;
- Merchant Shipping (Registration of Ships) Regulations, 2002;
- Merchant Shipping (Returns of Births and Deaths) Regulations, 2004;
- Merchant Shipping (Safety of Navigation) Regulations, 2004;
- Merchant Shipping (Tonnage) Regulations, 2002;
- Merchant Shipping (Vessels in Commercial Use for Sport or Pleasure) Regulations, 2002;
- Merchant Shipping (Wreck Removal Convention) Regulations, 2017;
- Merchant Shipping (Carriage of Nautical Publications) Regulations, 2002;
- Merchant Shipping (Carriage of Packaged Irradiated Nuclear Fuel, etc.) (INF Code) Regulations, 2003;
- Merchant Shipping (Certification of Ships' Cooks) Regulations, 2004;
- Merchant Shipping (Certification, Safe Manning, Hours of Work and Watchkeeping) Regulations (2004 Revision), including amendment by amending Regulations, 2014;
- Merchant Shipping (Classes of Ships) Regulations, 2002;

- Merchant Shipping (Counting and Registration of Persons on Board Passenger Ships) Regulations, 2002; and
- Merchant Shipping (Entry into Dangerous Spaces) Regulations, 2004.

It was the view of the Drafting Department that the domestic legislation of the Cayman Islands, to a large extent, incorporated the Conventions which form part of the III Code, whether by express reference to the entire Convention or to particular provisions of the Conventions, or by reproducing certain aspects of the Convention in the text of the domestic legislation.

Training

Every year, at the beginning of the year, courses are sourced and sent to all of the staff of the Drafting Department. All staff are encouraged to take up the courses or to find courses for themselves in order to assist with their professional development. Staff undertake courses at a range of institutions including the Civil Service College, the Chamber of Commerce, ACAMS and the Online College of the UK. The Drafting Department also accesses legal webinars and courses from organisations such as the International Bar Association, UK Public Administration International, the Law Association of Trinidad, the International Center for Parliamentary Studies and the OECS Bar Association, among others.

In 2021, as in each year for the past few years, the Drafting Department assisted the Parliament with the Youth Parliament by drafting legislation for that Parliament and providing a presentation to the students on how a Bill becomes an Act.

Legislative Counsel also gave a presentation in 2021 entitled *“A day in the life of a legislative drafter”* to students and lecturers at the Cayman Islands Law School. A presentation on the legislative process was also provided during the policy workshop held annually by the Policy Coordination Unit. The Drafting Department has asked the Policy Coordination Unit to include the Drafting Department in the agenda each year in order that the Drafting Department can instruct new policy makers on how policy becomes legislation.

In addition, the Drafting Department has delivered to many public officers its manuals entitled *“The Role of the Legislative Drafter”* and *“How a Bill becomes an Act”*. The Department will soon submit a presentation on the reform of the Interpretation Act.

Current work

The following is a list of work in which the staff of the Drafting Department have been actively engaged in 2021 to date. The list does not include other matters which have still to be approved for further action by the Cabinet.

Bills -

- Anti-Corruption (Amendment) Bill;
- Agriculture Bill;
- Animals Bill;
- Banks and Trust Companies (Amendment) Bill;
- Cayman Islands Identification Card Bill;
- Cayman Islands National Attractions Authority Bill;
- Cayman Islands Population Identification Register Bill;
- Children (Amendment) Bill;
- Churches Incorporation (Amendment) Bill;
- Companies (Amendment) Bill;
- Companies Management (Amendment) Bill;
- Companies Management (Amendment) (No. 2) Bill;
- Customs and Border Control (Amendment) Bill;
- Customs Tariff Bill;
- Directors Registration and Licensing (Amendment) Bill;
- Exempted Limited Partnership (Amendment) Bill;
- Financial Assistance Bill;
- Firearms (Amendment) Bill;
- Immigration (Transition) (Amendment) Bill;
- Insurance (Amendment) Bills;
- Insurance (Amendment) (No. 2) Bill;
- International Tax Co-operation (Economic Substance) (Amendment) Bill;
- Legislative Assembly (Immunities, Powers and Privileges) Bill;
- Limited Liability Companies (Amendment) Bill;
- Limited Liability Partnership (Amendment) (No. 4) Bill;
- Maritime Shipping Bill;
- Mental Health (Amendment) Bill;
- Mental Health Commission (Amendment) Bill;
- Monetary Authority (Amendment) Bill;
- Money Services (Amendment) Bill;
- Mutual Funds (Amendment) Bill;
- Partnership (Amendment) Bill;
- Passport Bill;
- Pesticides Control Bill;
- Police (Complaints By the Public) (Amendment) Bill;
- Police Service (Amendment) Bill, 2020;
- Proceeds of Crime (Amendment) Bill;
- Public Health Bill;
- Securities Investment Business (Amendment) Bill;
- Sexual Harm Prevention Legislation;

- Special Advocates Bill;
- Standards in Public Life (Amendment) Bill;
- Strata Titles Bill;
- Strata Titles Registration (Amendment) Bill;
- Surveillance Devices Bill;
- Tourism Bill;
- Tourist Accommodation (Taxation) (Amendment) Bill;
- Trusts (Amendment) Bill;
- Trusts (Amendment) (No. 2) Bill;
- UK Electoral Sanction Bill;
- UK Outer Space Charging Bill;
- Utility Regulation and Competition (Amendment) Bill;
- Virtual Asset (Service Providers) (Amendment) Bill; and
- Water Sector Regulation (Amendment) Bill.

Subsidiary legislation -

- Agriculture Regulations;
- Amendments to the Control and Management of Covid-19 Regulations;
- Amendments to the Control of Covid-19 (Travel) Regulations;
- Anti-Money Laundering (Amendment) Regulations;
- Anti-Money Laundering (Class A and Class B Bank Threshold Reporting) Regulations;
- Cayman Islands Coast Guard Regulations;
- Children's Cases (Amendment) Regulations;
- Children (Secure Accommodation) (Amendment) Regulations;
- Control of Covid-19 (Required Testing of Frontline Workers) Regulations;
- Control of Covid-19 (Travel) (Amendment) (No. 4) Regulations;
- Defence (Administrative Action) Governor's Orders;
- Defence (General Matters) Orders;
- Design Rights Regulations;
- Financial Assistance (Appeals) Regulations;
- Financial Assistance Regulations;
- Immigration (Transition) (Amendment of Schedule 1) Regulations;
- Mandatory Disclosure Rules;
- Mental Health (Amendment) Regulations;
- Monetary Authority (Administrative Fines) (Amendment) Regulations;
- National Conservation (Invasive Species) Regulations;
- National Conservation (Waiver of Fees) Regulations;
- Pesticides Control Regulations;
- Police Regulations;
- Procurement (Amendment) Regulations;
- Tourism Regulations;

- Water (Production and Supply) (Concessions) Regulations;
- Water Sector Regulation (Administrative Penalties) Regulations; and
- Water Sector Regulation (Licences and Fees) Regulations.

Projects -

- Fixed Penalty Notice Project- audit of all of the primary and secondary legislation on the statute book in order to provide a fixed penalty notice scheme;
- Drafting fixed penalty notice legislation;
- Reform of the Interpretation Act;
- Reform of the Standing Orders of the Parliament;
- Assistance with the work of the Youth Parliament;
- Updating of the Legislative Drafting Manual; and
- Continued evaluation and testing of the iLAWS workflow system to ensure the template is fit for purpose.

The Law Reform Commission

The functions of the Cayman Islands Law Reform Commission (“the Commission”) pursuant to section 7 of the Law Reform Commission Act (2019 Revision) are to study and keep under constant review the statutory and other laws comprising the law of the Cayman Islands with a view to its systematic development and reform including, in particular, —

- The modification of any branch of the law as far as that is practicable;
- The elimination of anomalies in the law, the repeal of obsolete and unnecessary enactments and the simplification and modernisation of the law;
- The development of new areas in the law with the aim of making them more responsive to the changing needs of the Cayman Islands society;
- The adoption of new or more effective methods for the administration of the law and the dispensation of justice; and
- The codification of the unwritten laws of the Cayman Islands.

The Composition of the Law Reform Commission

The Commission is composed of six Commissioners, a Director and a Senior Legislative Counsel, who are all senior attorneys-at-law. The Commission is also supported by a Paralegal Officer and an Administrative Secretary.

The Law Reform Commissioners are -

- Mr. Hector Robinson, Q.C., Chairman, Partner at Mourant;
- Hon. Mr. Justice Alexander Henderson, Q.C., (retired) Senior Counsel at Dentons;
- Mr. Abraham Thoppil, Attorney-at-Law, Partner at Maples;
- Mr. Vaughan Carter, Attorney-at-Law, Managing Partner at Savannah Law;
- Ms. Reshma Sharma, Q.C., Solicitor General; and
- Mrs. Candia James-Malcolm, Director of Public Prosecutions (acting).

The Commission took the opportunity to congratulate Commissioner and Solicitor General, Ms. Reshma Sharma, Q.C. on her appointment as Queen’s Counsel. The Commission also thanked former Commissioner and Director of Public Prosecutions, Mr. Patrick Moran, for his service to the Commission from 2019 to 2021.

The Legal and Administrative Staff of the Commission are -

- Mr. José Griffith, Attorney-at-Law – Director;
- Ms. Catriona Steele, Attorney-at-Law – Senior Legislative Counsel;
- Ms. Felicia Connor – Paralegal Officer; and
- Ms. Milicia Bodden – Administrative Secretary.

The Commission welcomed Ms. Catriona Steele who was appointed as Senior Legislative Counsel and Ms. Milicia Bodden who was appointed as Administrative Secretary. The Commission also farewelled Mrs. Lourdes Pacheco, who retired after providing dedicated service as Administrative Secretary from 2017 to 2021.

During the 2021 reporting period, the Commission continued its review of a range of legal areas, all of which impact the administration of justice in the Cayman Islands.

Final Report

On 28th July, 2021, the Commission submitted for the consideration of the Honourable Attorney General its Final Report titled **“The Enforcement of Mortgage-Type Security Over Real Estate: Is Reform of the Law Necessary?”**. The Final Report contains recommendations which seek to respond to issues that relate to the enforcement of mortgages over residential properties.

The Commission recommends a legislative framework to address the incidence of foreclosures in the form of amendments to the Registered Land Act (2018 Revision), which are contained in the draft Registered Land (Amendment) Bill, 2022. The amendments captured in the proposed legislation seek to streamline the provisions which the Commission believes impact the charge of land and to provide for a “Pre-lending and Pre-action Protocol” which is supported by a “Questionnaire”, both of which are intended to —

- Ensure that a chargee and a chargor act fairly and reasonably with each other in resolving any matter concerning a charge over land; and
- Encourage greater pre-action engagement between the chargee and chargor in order to seek agreement between the parties.

Discussion Papers

The Commission published for public consultation three papers during the period under review. These related to –

- Usury;
- Appeals Tribunals Centralisation; and

- Penal Code Reform.

Usury

On 1st November, 2021, the Commission finalised and published for public consultation its Discussion Paper titled **“Usury: The Common Law and Statutory Position in the Cayman Islands”**. The term usury means charging anything, whether it is labelled as “interest” or some other term for the loan of money. The Discussion Paper examines whether any prohibition against usury exists in the Cayman Islands legislation, whether it be at common law, by statute, or both.

The Commission traced the common law and statute law and determined that they portray a complex and uncertain picture about the status of usury in the Cayman Islands. The Paper articulated the constitutional relationship between the Cayman Islands and Jamaica and established that despite the express repeal of all acts, statutes and laws by the Usury Repeal Act, 1854, the Cayman Islands did not receive the Usury Repeal Act, 1854. Given that the Interpretation Act (1995 Revision) provides that laws before 1728 George II should be saved, the evidence suggests that the common law still existed in 1729 and was saved by the Interpretation Act (1995 Revision). The Commission is therefore of the view that there is a strong basis to argue that the common law prohibition on usury remains applicable in the Cayman Islands.

To facilitate legislative certainty, the Commission recommends the enactment of the Usury (Common Law Abrogation) Bill, 2021 which seeks to abrogate any common law rule in relation to usury.

Appeals Tribunals Centralisation

On 13th December, 2021, the Commission finalised and published for public consultation its Discussion Paper titled, **“Appeals Tribunals”**. The Paper was prepared in response to a referral by the Honourable Attorney General, aimed at determining whether a centralised appeals tribunal should be established in substitution for the current arrangements for separate appeals tribunals for planning, immigration, labour and other administrative matters.

The development of appeals tribunals to hear and determine appeals against decisions of public authorities recognises the importance of government decision-making on the lives of ordinary people in the Cayman Islands and the need for accountability in decision-making. Although some administrative decisions are made out in the open, most are not. The courts provide an avenue for judicial review if an administrative decision-maker makes an error of law, but an appeals tribunal can examine the entirety of the decision and review it on its merits.

The international trend towards consolidating tribunals reflects a widely held view that the practice of establishing tribunals on an ad hoc basis has led to a system that is overly complex and inaccessible, resulting in sub-optimal outcomes for users. The Cayman Islands has the

opportunity to improve access to justice and increase accountability in administrative decision-making by creating a properly resourced and professionally operated administrative appeals tribunal. The appropriate model should aim to provide a consistent, high-quality appeals process while ensuring the system is not burdened by the formality and complexity of court procedures.

The options for reform outlined in the Discussion Paper provide the basis for consultation to determine the best option for tribunal reform in the Cayman Islands.

Penal Code Reform

On 17th December, 2021, the Commission finalised and published for public consultation its Discussion Paper titled, **“Part 1 – The Penal Code: Is It Compatible With The Bill of Rights?”**. The Paper was prepared in response to a referral by the Honourable Attorney General requesting that the Commission review the Penal Code (2019 Revision) (“the Penal Code”) to assess its compatibility with the Bill of Rights, Freedoms and Responsibilities (“the Bill of Rights”) as reflected in Part 1 to Schedule 2 of the Cayman Islands Constitution Order, 2009 (“the Constitution”) and to update the obsolete and archaic provisions contained therein.

The Penal Code plays a fundamental role in defining the rules governing some of our most important relationships as a society. There can be little doubt that it is necessary that the provisions of the Penal Code should conform with the standards of human rights prescribed by our Bill of Rights.

The Paper accordingly examines the provisions in the Penal Code against the Bill of Rights and identifies those provisions that raise issues of potential incompatibility with the Bill of Rights. Among the provisions identified are those relating to immature age (minimum age of criminal responsibility), compulsion by spouse, insulting the modesty of a woman, procuring abortion, unnatural offences, indecent assault and incest.

The review suggests that these offences need to be amended and in some cases repealed to remove issues of incompatibility between the Bill of Rights and the Penal Code. The Commission in each case recommends that the relevant provision of the Penal Code be amended or repealed as appropriate.

Current Projects/Research Areas

The other current projects forming part of the Commission’s work during 2021 and which will continue into 2022 are as follows -

- Consumer Protection;
- Reform of the Defamation Act;
- Severance of Joint Tenancies;

- Reform of the Succession and Wills Act;
- Cremation; and
- Jury Trial.

The Commission has added to its law reform agenda the examination of -

- the doctrine of adverse possession; and
- the Settled Land Act (1998 Revision).

Adverse Possession

The Commission has begun drafting a Discussion Paper on adverse possession. Adverse possession (colloquially known as “squatters’ rights”) is the doctrine under which a person who is not the legal owner of land may acquire title to it following a period of continuous possession of the land. In the Cayman Islands, adverse possession exists under the common law, with aspects codified by the Limitation Act (1996 Revision) and the Registered Land Act (2018 Revision).

The doctrine of adverse possession developed before title by registration was established as a fundamental tenet of property law. Its retention in modern systems of land ownership is controversial, and many jurisdictions have enacted legislation that restricts its application or abolishes it altogether.

The Discussion Paper will examine the historical origins and purpose of adverse possession, and consider whether it should be retained in its current form, modified by legislation or abolished entirely. The arguments for and against retaining adverse possession in some form will be examined, as will the state of the law and recent reforms in other jurisdictions.

Settled Land Act

The Commission is examining the use and application of the Settled Land Act (1998 Revision) to determine whether it should be amended or repealed. The Act regulates dealings in land that are subject to certain life interests by conferring powers on the life tenant, such as the power to sell the legal title to the land. It was enacted to reflect almost identical legislation in the United Kingdom (“the UK”).

The UK legislation, in its original form, was subject to substantial criticism by the UK Law Commission for its complexity and for some of its unintended effects. Primary among these was the inadvertent creation of settled land trusts, resulting in the accidental application of the legislation to land.

The Commission is preparing a Discussion Paper to examine the origins, purpose and practical application of the Settled Land Act (1998 Revision) and will make recommendations in relation to the amendment or repeal of the Act.

Other areas that the Commission intends to examine include –

- the introduction of a menstrual leave category; and
- the common law forfeiture rule.

Legislative Drafting Services provided by the Commission

In addition to the drafting of legislation which supports Commission recommendations, the staff of the Commission are required to work collaboratively with the Legislative Drafting Department on various pieces of legislation when requested by the Attorney General, the Solicitor General or the First Legislative Counsel. As such, during the period, the Commission assisted with the review of the following legislation -

- the National Pensions (Amendment) Act, 2020 (Extension of Pension Holiday) (No. 2) Order, 2021;
- the Control and Management of Covid-19 (No.2) Regulations 2021; and
- the Defence (Administrative Action) Governor's Orders, 2021.

The Commission is also assisting in the drafting of legislation relating to plant protection and the regulation of pharmacies.

The Law Revision Commission

The Law Revision Commission operates under the authority of the Law Revision Act (2020 Revision).

The overarching aim of law revision is to present statute-based law in effect in the Cayman Islands in its clearest form and thereby to facilitate the administration of justice, access to justice, law enforcement, legal education, research, law reform, and the efficient use of the law. The Law Revision Commissioner also provides legal policy advice to the Hon. Attorney General on a number of domestic and international matters.

Structure

The Law Revision Commission is headed by the Law Revision Commissioner, Dr. Camille Stoll-Davey who is assisted by the Legislative Editor.

Activities of the Law Revision Commission

The activities of the Law Revision Commission include the following:

- Ensuring that the statute-book of more than 1,000 pieces of legislation of Cayman Islands are regularly revised, and that an up-to date status of the legislation of the Cayman Islands is produced annually and made accessible to the public;
- Preparing and publishing an annual consolidated index of laws of the Cayman Islands which includes the compendia of related laws in order to ensure easy accessibility of and reference to the laws;
- Managing the database of the revised laws by continuously updating the consolidated index as new laws are made and brought into effect; and
- Continuously reviewing and analysing decisions of superior courts, particularly in the area of human rights, in order to ascertain their effect on legislation and making proposals for review of the affected laws.

Achievements of the Law Revision Commission

The Law Revision Commission celebrated the following achievements in the 2021 reporting period:

- The launch of the point-in-time searchable database and online portal to all Cayman Islands legislation via [Legislation.gov.ky](https://legislation.gov.ky);

- The provision of numerous training sessions on navigating the legislation.gov.ky website and the statute law revision process;
- The revision of the laws of the Cayman Islands (2021 Revision);
- The revision of the Consolidated Index of the Laws of the Cayman Islands as at 30th April 2021; and
- The establishment of the Legislation Gazette and maintenance of an operational manual establishing work-flow processes as well as robust systems of document management and version control of legislation.

Ongoing projects of the Law Revision Commission

The following are Law Revision Commission projects which are ongoing:

- The further development and expansion of the Commission's online presence;
- Compilation and analysis of materials relating to the reception of law in the Cayman Islands;
- The continuous refinement of legislative software to facilitate the revision process; and
- The continuous refinement of the point-in-time searchable database for access to laws of the Cayman Islands.

The Law Revision Commissioner also continues to provide legal advice to the Hon. Attorney General on a number of domestic and international matters.

Contacting the Law Revision Commission

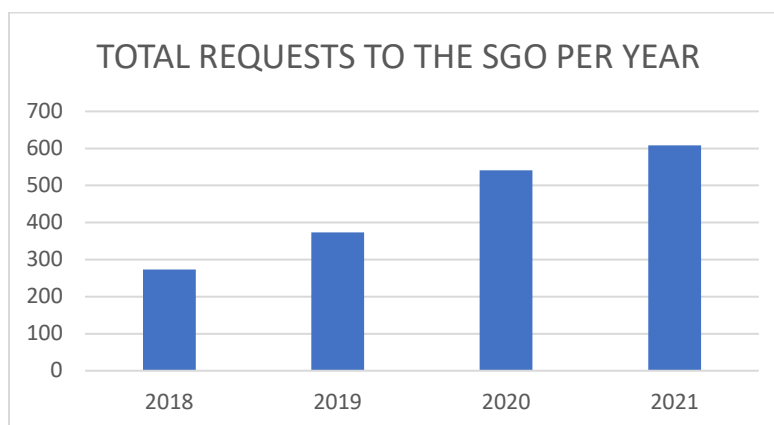
The Law Revision Commission welcomes comments from the legal profession on any errors, omissions or inconsistencies observed in the law of the Cayman Islands.

The Solicitor General's Office

The Solicitor General's Office ("the SGO") provides civil legal advice and representation to Ministries, Portfolios, Government Departments, statutory boards and authorities.

In 2021, the SGO – comprised of five Crown Counsel, two Senior Crown Counsel (one acting), two Deputy Solicitors General and the Solicitor General and supported by two administrative staff – delivered legal services on behalf of the SGO.

The SGO provided legal advice and representation in response to approximately 608 requests from various Government and public entities. As demonstrated below, there has been an upward trend in the number of requests for advice and representation over, at a minimum, the last four years. The statistics do not reflect matters falling within the remit of other departments in respect of which members of the SGO team might be called upon to provide input or other requests for legal support from time to time.



Over 2021, the requests for legal assistance encompassed a wide range of subject matter and areas of law including public health, immigration, human rights, constitutional law, children law, employment, data protection, pension law, registered land law and contracts. Of the total number of requests for advice, at least 34 directly related to COVID-19 measures.

Approximately 120 of the requests for advice related to the review or drafting of contracts, agreements or memoranda of understanding; this represents an increase from the number of requests received in 2020. A number of contracts related to IT services, capital projects and a range of projects relating to initiatives for the control, management and suppression of COVID-19. A considerable number of contracts under review raised issues under the Data Protection Act (a similarly recurring theme in the requests for advice). In addition, as part of its contract work in 2021, a small team from the SGO, in collaboration with the Procurement Office, developed standard contractual terms to assist CIG entities and other public bodies in having more robust agreements.

The SGO represented Government and other public entities in more than 47 new litigation matters in 2021. In addition, the SGO continued to represent entities in a number of ongoing litigation matters. Litigation was conducted before statutory tribunals such as the Civil Service Appeals Commission, Planning Appeals Tribunal and Refugee Protection Appeals Tribunal and all tiers of the Courts of the Islands - Summary Court (matters arising under the Children Act), Grand Court, Court of Appeal and the Privy Council. As to the latter, the Attorney General's Chambers was involved in two appeals before the Judicial Committee of the Privy Council, the final appellate court of the Cayman Islands, both of which raised issues under the Bill of Rights, CI Constitution Order 2009.

Notable (and novel) litigation in 2021 included a challenge to the Governor's use of his reserve powers under the Constitution to enact legislation; contempt and disciplinary proceedings instituted pursuant to the Legal Practitioners Act (2015 Revision); a challenge to the compatibility of the Roads Act with the fundamental right to property under the Bill of Rights; and proceedings in relation to the restraint of a vexatious litigant.

Crown Counsel continued to play an important role in providing legal support to various statutory boards/entities such as the Adoption Board, Conditional Release Board, and the Medical and Dental Council. In some instances, Crown Counsel serve as members of these bodies (for example, Health Practice Commission, Child Safeguarding Board and Expungement Board).

In terms of training, an external 3-month secondment to the Cayman Islands Monetary Authority ("CIMA") was arranged for Acting Senior Crown Counsel Marilyn Brandt in 2021. As part of her ongoing training and development, Ms. Brandt worked with CIMA's Legal Department, gaining exposure to aspects of CIMA's regulatory functions and matters arising under its statutory remit.

More broadly, the SGO team undertook legal training remotely including Public Law Rights and Obligations (New Zealand Law Society, Continuing Legal Education), Vaccinations and Employment Law (Daniel Barnett of Outer Temple Chambers) and Data Protection following the judgment in *Lloyd v Google* (11KBW). In the non-legal arena, some senior members of the SGO team embarked on certification programs offered by the Institute of Leadership and Management and attended the IPAC Leadership Summit, while other members took full advantage of a diverse range of courses available to the civil service via LinkedIn Learning.

The Anti-Money Laundering Unit

The Anti-Money Laundering Unit (“the AMLU”) is the secretariat for the Anti-Money Laundering Steering Group (“the AMLSG”), which is the policy-making body in the Cayman Islands with respect to anti-money laundering and combatting the financing of terrorism and proliferation (“AML/CFT/CFP”). The AMLSG is chaired by the Hon. Attorney General, as is provided for by section 5(2)(a) of the Proceeds of Crime Act (2020 Revision). The Head of the AMLU is also the chair of the Inter-Agency Cooperation and Coordination Committee (“the IACC”), which is a committee that reports to the AMLSG. The IACC is responsible under section 5(3B) of the Proceeds of Crime Act (2020 Revision) for -

- Implementing the policies of the AMLSG;
- Facilitating coordination and cooperation among statutory authorities, departments of government or agencies tasked with regulation of AML/CFT/CFP; and
- Assessing the risks to the Cayman Islands related to money laundering, terrorism financing, and proliferation financing.

Key Developments in 2021

National Risk Assessment (“NRA”)

The work of the AMLU was dominated by the NRA exercise during 2021. The AMLU coordinated the second AML/CFT/CFP NRA during the year, while chairing two of the working groups and contributing to different sections of the document such as the “Background and Context”. The NRA built upon the first NRA conducted in 2015, as well as targeted assessments conducted in 2019 and published in early 2020. It also included an assessment of virtual assets and virtual asset service providers as a recent requirement of the FATF standards. Fifteen working groups were formed, comprising of persons from relevant competent authorities, self-regulatory bodies, and industry associations. In December, the AMLSG gave its approval for the publication of the draft NRA.

The Financial Action Task Force and Caribbean Financial Action Task Force

The Financial Action Task Force (“the FATF”), established in 1990 to implement measures to address the problem of money laundering, is the global standard setter for AML/CFT/CFP. The Caribbean Financial Action Task Force (“the CFATF”) is one of two FATF-styled regional bodies within the Western Hemisphere responsible for assessing member jurisdictions’ AML/CFT/CFP regimes, based on the FATF standards. The CFATF Mutual Evaluation Report (“the MER”) of the Cayman Islands in relation to anti-money laundering, counter terrorist financing and counter proliferation financing was adopted by the CFATF and published in March 2019.

The findings in the MER, coupled with the fact that the Cayman Islands had broad money supply in excess of US\$5 billion, meant that the jurisdiction was placed under a one-year observation period by the FATF in February 2019. Due to circumstances surrounding the COVID-19 pandemic, reporting of the observation period findings was postponed from June 2020 to February 2021.

In 2021, the AMLU and the National Coordination Team (comprised of a National Coordinator and Deputy National Coordinator (Supervision)), continued with their work on a national action plan following the MER. In January 2021, various stakeholders met virtually with the Joint Group of the Americas which was to consider submissions on behalf of the jurisdiction and to get further details of the progress made. The Joint Group's report was submitted to the FATF Plenary in February 2021 where it was agreed that the Cayman Islands had made sufficient progress on 60 of the 63 Recommended Actions. The remaining 3 Recommended Actions were made subject to a FATF Action Plan and the jurisdiction was subject to continued monitoring and reporting to the FATF on Immediate Outcome.3 (Supervision), Immediate Outcome.5 (Beneficial Ownership of Legal Persons and Legal Arrangements), and Immediate Outcome.7 (Investigation and Prosecution of Money Laundering). The jurisdiction agreed to submit regular reports to the Joint Group on a voluntary basis.

In June 2021, as a result of further progress by the jurisdiction in relation to Immediate Outcome 3, the Joint Group found that this area had been addressed. The remaining two Actions had deadlines for completion of January and June 2022 respectively.

In its 3rd Enhanced Follow-Up Report, the CFATF noted the progress made by the Cayman Islands in its technical compliance re-rating of "Largely Compliant" for Recommendation 15, which was approved by written process and published in October 2021. The report was presented at the November 2021 Plenary for formal adoption, and it was highlighted that the jurisdiction had achieved ratings of "Compliant" or "Largely Compliant" for all forty (40) FATF Recommendations. This made the Cayman Islands only the second country globally to have achieved this rating.

Response to FATF and CFATF Surveys and Questionnaires

In March 2021, the AMLU coordinated the jurisdiction's response to the FATF on the second annual survey on virtual assets and virtual asset service providers, as well as to the CFATF on the jurisdiction's training & technical assistance needs.

The Financial Reporting Authority

A primary role of the Financial Reporting Authority (“the FRA”) is to receive, analyse, request and disseminate disclosures of financial information, concerning the proceeds of criminal conduct, suspected proceeds of criminal conduct, money laundering, suspected money laundering, or the financing of terrorism which is derived from any criminal offence committed in the Cayman Islands.

The FRA is also responsible for ensuring the implementation of targeted financial sanctions with respect to terrorism, terrorism financing, proliferation, proliferation financing, and other restrictive measures related to AML, CFT and CFP from and within the Cayman Islands. The Sanctions Coordinator plays a critical role in the implementation and enforcement of these targeted financial sanctions and other restrictive measures, and in developing and enhancing the jurisdiction’s AML/CFT regime, while ensuring ongoing compliance with international standards and best practices.

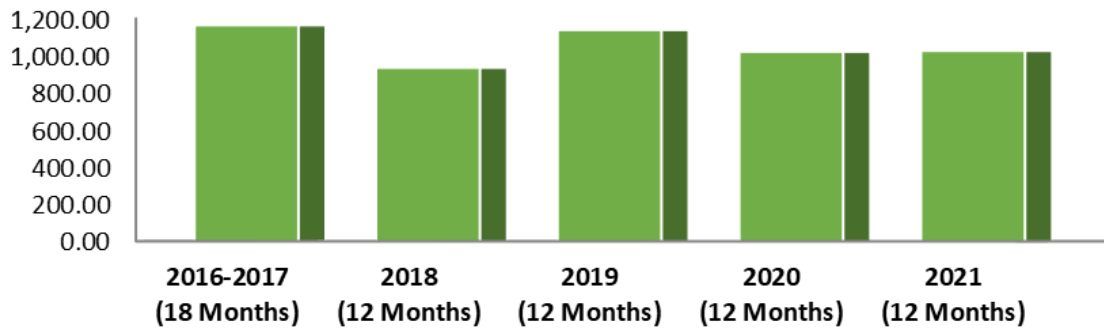
The following is a synopsis of the activities for the 12 month period January 1, 2021 to December 31, 2021 (the “Reporting Period”).

Receipt of Suspicious Activity Reports

The FRA received 1,025 cases during the Reporting Period, comprising 851 Suspicious Activity Reports (“SARs”) from 317 Reporting Entities; 99 Requests for Information and 29 Voluntary Disclosures from 46 overseas Financial Intelligence Units (“OFIUs”); and 46 Requests for Information from a Local Law Enforcement Agency (“LEAs”) and a Competent Authority. Overall, there was a negligible increase in the number of cases received during the Reporting Period compared to the same period in 2020 (1,025 vs 1,021).

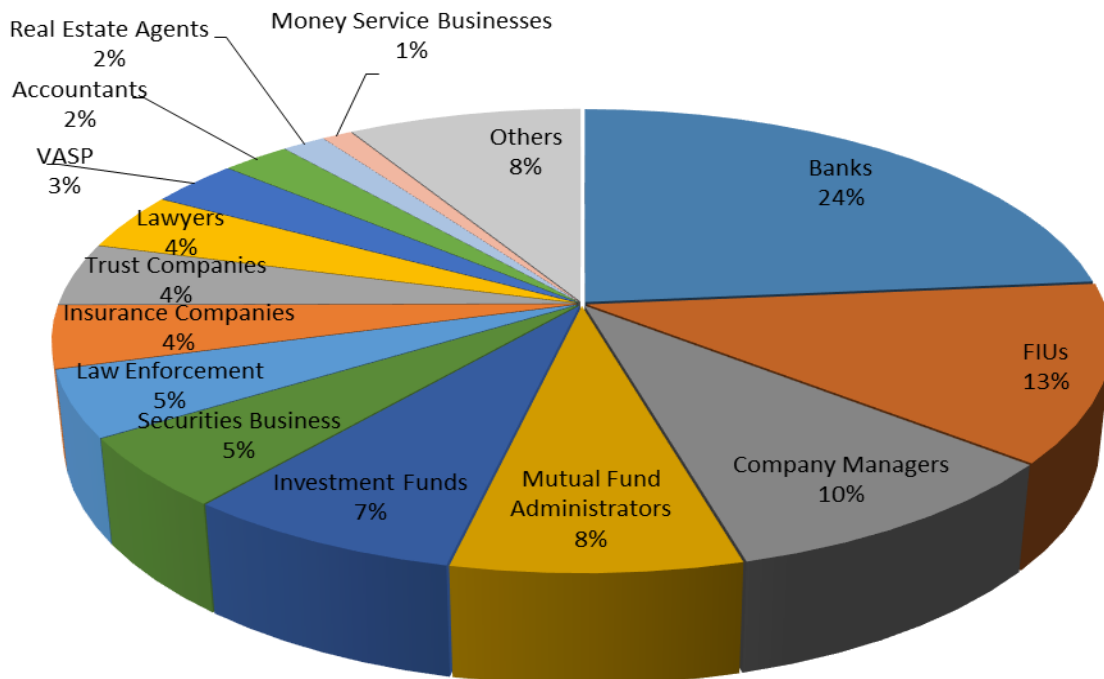
Banks continue to be the largest source of cases (241 cases: 24%), followed by OFIUs (128 cases: 12%), Company Managers/Corporate Services providers (100 cases: 10%), Mutual Fund Administrators (79 cases: 8%), Mutual Funds (76 cases: 7%), Securities Businesses (51 cases: 5%), and Insurance Companies (45 cases: 4%).

Number of Cases



	2016-2017 (18 Months)	2018 (12 Months)	2019 (12 Months)	2020 (12 Months)	2021 (12 Months)
■ Number of Cases	1,164	935	1,138	1,021	1,025

Receipt of Cases by Sector



2021 was the first year that multiple reasons for suspicion for each case could be tracked. For the 1,025 cases, 1,941 reasons for suspicion were recorded. The five most common reasons for cases received were: (i) Suspicious Activity (461 cases: 45%); (ii) Fraud (440 cases: 43%); (iii) Money Laundering (263 cases: 26%); (iv) Tax Evasion (116 cases: 11%); and (v) Declined Business (91 cases: 9%).

In an effort to provide a more detailed breakdown of what types of activities were deemed suspicious by SAR filers, the FRA has broken down the 461 cases of 'Suspicious Activity' by the following sub-categories:

- Unusual conditions or circumstances: 197 cases;
- Inadequate and/or inconsistent information: 144 cases;
- Inconsistent with client profile: 50 cases;
- Activities that appear to lack economic purpose: 26 cases;
- High volume transactions: 25 cases; and
- Transactions that appear to be structured to avoid reporting thresholds: 19 cases.

Analysis of Cases

The FRA completed the analysis of 1,092 cases during the Reporting Period, comprising: 580 of the 1,025 new cases received during the Reporting Period; 129 of the cases carried forward from 2020; 105 of the cases carried forward from 2019; 59 of the cases carried forward from 2018; 112 of the cases carried forward from 2017; 42 of the cases carried forward from 2016/17; 38 of the cases carried forward from 2015/16; and 27 cases carried forward from 2014/15.

Dissemination of Cases

The FRA closed 957 cases during the Reporting Period, comprising: 497 of the 1,025 new cases received during the Reporting Period; 113² of the cases carried forward from 2020; 79 of the cases carried forward from 2019; 49 of the cases carried forward from 2018; 107 of the cases carried forward from 2017; 39 of the cases carried forward from 2016/17; 36 of the cases carried forward from 2015/16; and 37 cases carried forward from 2014/15. Of the 957 cases closed, 246 were included in a disclosure³; 208 were filed as intelligence; 381 were deemed to require no further immediate action; 86 were replies to requests from FIUs; and 36 were replies to requests from LEAs and CA.

² There were 113 cases closed but 115 instances of closing files as two files were reopened during the reporting period.

³ Total number of cases disclosed to local law enforcement agencies, the Cayman Islands Monetary Authority and overseas financial intelligence units.

Financial Sanctions regarding TF and PF

During the Reporting Period the FRA published 98 Financial Sanctions Notices on its website. The FRA subscribes to the Email Alert provided by the Office of Financial Sanctions Implementation within the UK Her Majesty's Treasury, advising of any changes to United Nations, European Union ("EU") and UK financial sanctions in effect. The FRA forwards these notices automatically to local law enforcement agencies and competent authorities, converts it to a Cayman Notice and publishes the Cayman Financial Sanctions Notice on its website. The average turn-around time for converting these notices, distributing them via e-mail and posting them to the FRA's website is between 1-3 hours.

During the Reporting Period the FRA published a Notice on the introduction of the Global Anti-Corruption Sanctions regime and the Myanmar Sanctions regime.

The FRA also updated its Targeted Financial Sanctions Industry Guidance to provide general guidance for financial sanctions under the Sanctions and Anti-money Laundering Act, 2018. The sanctions framework in the UK changed as a result of the UK's exit from the EU and at the end of the transition period on 31 December 2020. New regulations were made under the powers of the Sanctions and Anti-Money Laundering Act, 2018 to replace (with substantially the same effect) EU sanctions regimes. New Overseas Territories Orders in Council ("OOIC") were passed to extend UK sanctions regulations with modifications. It is the UK's Government policy to ensure that the Overseas Territories are legally and practically enabled to implement the sanctions agreed at the UN and in the UK, in order to ensure compliance with international obligations and policy commitments. Therefore, all designations made under UN and UK sanctions measures have immediate effect in the Cayman Islands once the OOIC come into force. All new or amended OOIC's are gazetted in the Cayman Islands.

Receipt of Threshold Reports from Money Service Businesses

On 10 November 2020, the Anti-Money Laundering (Money Services Business Threshold Reporting) Regulations, 2020 were approved by Cabinet. The Regulations required that a quarterly report of transactions carried out by a money services business, including threshold transactions, be submitted to the FRA.

The first of the quarterly reports of transactions became due on 31 January 2021. The combined value of reported threshold transactions for the Reporting Period was approximately US\$26 million for outgoing remittances (22,480 transactions) and US\$730 thousand for incoming remittances (374 transactions).

This additional information is assessed when analysing cases, and has helped amplify the analysis for a handful of cases. The information received from threshold reporting will also be used in future strategic analysis projects where relevant.

Other Key Initiatives

Information Technology

In November 2020 the FRA made significant upgrades to its information technology systems by implementing a new E-Reporting Portal, internal database application and analytical tools.

During the Reporting Period, the FRA spent significant time and effort registering users from reporting entities and familiarising them with using the AMLive Reporting Portal in order to electronically submit their reports. The FRA provided a number of one-on-one demonstrations with users as well as immediate feedback on the reports submitted. There are currently 259 registered users from 144 Reporting Entities. 555 SARs (65%) were filed using AMLive.

The FRA also standardised disclosure templates and i2 charts that are provided to recipients of financial intelligence. The i2 charts not only enhance financial analysis but also visually show linkages and relationships for better appreciation of information contained in the disclosures. The FRA has also been utilising the real-time case management and performance metrics capabilities of iBase to enhance the management of cases and improve the timeliness of analysis and disclosures.

National Risk Assessment

FRA staff spent significant time during the Reporting Period working on the 2021 National Risk Assessment (“the 2021 NRA”), a major multi-agency project that was undertaken to ensure that the jurisdiction has a comprehensive and detailed understanding of the money launder, terrorist financing and proliferation financing risks it faces. Five staff members served on four of the fifteen underlying working groups, including the Director serving as the Co-Chair of the National Threats Working Group and the Sanctions Coordinator serving a Co-Chair of the Proliferation Financing Working Group.

The working groups determined the overall structure of the 2021 NRA, and for each individual section, identified the various data sources and information that needed to be gathered and analyzed. The working groups then drafted the section of the 2021 NRA that they were responsible for and determined the various ratings that were to be assigned for relevant threats, inherent risks, and mitigating measures

The FRA was a significant data source for statistics to facilitate the assessments undertaken by a number of the working groups.

CRTMG Project

The final report on the CFATF Risks, Trends and Methods Group's project regarding Financial Flows from Human Trafficking was presented by the Director of the FRA at the 52nd CFATF Plenary and Working Group Meetings. The Director served as Project Leader.

Outreach Events / Training / Representing the FRA

Outreach

Staff of the FRA engaged in various Outreach events covering one or more topics spanning the functions of the FRA, SAR statistics, SAR reporting obligations, and obligations regarding targeted financial sanctions related to terrorist financing and proliferation financing. The Outreach events were as follows -

- Five (5) presentations at international and domestic industry association events;
- Four (4) presentations at events organised by the Anti-Money Laundering Steering Group, Anti-Money Laundering Unit, a Law Enforcement Agency, Competent Authorities, Self-Regulatory Bodies and the National Coordinator's Office;
- Two (2) presentations to private entities at private sector-organised events;
- Six (6) 1-on-1 meetings with Money Laundering Reporting Officers (MLROs); and
- Twenty three (23) meetings with MLROs to demonstrate AMLive Reporting Portal functionalities.

Training

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

- Interpol Introduction and Capabilities, presented by Interpol Bespoke (five (5) staff attended the 1-day event);
- Counter Proliferation training, presented by RUSI Centre for Financial Crime and Security Studies (nine (9) staff attended the half day virtual event); and
- Staff completed a number of online training provided by the Egmont Group and the Egmont Center for FIU Excellence and Leadership and attended other virtual seminars presented by several training providers on a variety of topics, including:
 - Improving STR/SAR Quality;
 - Tackling Human Trafficking;
 - Public-Private Partnerships in Financial Investigations into Wildlife Crime;
 - Combatting Online Child Sexual Abuse and Exploitation;
 - The Flexible, Consistent Information Exchange Standards; and

- Introduction and Application of the New Egmont Secure Web and Egmont Biennial Census.

Representing the FRA

Staff members represented the FRA at the following events:

- Egmont Group Head of FIUs, Working Group and Regional Group Meetings – Virtual (one (1) staff member attended various working group meetings); and
- 52nd and 53rd CFATF Plenary and Working Group Meetings - Virtual (six (6) staff attended various working group meetings).

PLG 21	Financial Intelligence Services			
DESCRIPTION Provision of financial intelligence services to the Attorney General including: • Receipt of Suspicious Activity Reports (SARs) under the Proceeds of Crime Act (POCA); • Processing requests for information (RFIs) from overseas Financial Intelligence Units (OFIUs); • Processing RFIs from local Law Enforcement Agencies (LLEAs) and Competent Authorities (CAs); • Appropriately disseminate financial intelligence in a timely manner pursuant to the requirements of POCA; • Conduct Industry Outreach events and issue typologies to combat money laundering, terrorist financing and proliferation financing; • Produce periodic statistical reports and an Annual Report relating to financial intelligence services for the Anti-Money Laundering Steering Group (AMLSG); and • Represent the Cayman Islands in the Egmont Group, CFATF and other international forums.				

MEASURES	2021 (12 Months)		
	Budget	Actual	Variance
QUANTITY - Total number of cases (SARs, requests from OFIUs and requests from LLEAs and CAs): - SARs - RFIs from OFIUs - Disclosures from OFIUs - RFIs from LLEAs and CAs - Total - Total number of cases analysed - Total number of cases closed - Number of Industry Outreach events - Produce Annual Report pursuant to Section 11(b) of POCA - Produce Strategic Analysis Report(s) pursuant to Section 4 (1A) (b) of POCA - Number of days spent on representation activities	914 - 952 96 - 120 22 - 36 36 - 48 1,068 - 1,156 1,056 - 1,536 816 - 1,248 28-44 1 1-2 67-87	851 99 29 46 1,025 1,092 957 40 1 - 53	(63 - 101) (63 - 101) - (1 - 2) (14 - 34)
QUANTITY - Perform the FRA's functions in compliance with the requirements of POCA, including: - Maintaining the confidentiality of information submitted to the FRA, pursuant to Section 10 of POCA - Ensuring that all disclosures made by the FRA comply with Section 138 of POCA - Collect and compile statistical information relating to disclosures made to the FRA under POCA and the onward disclosures of the information made by the FRA (Section 4(2)(f) of POCA - Performing high-quality analysis as prescribed by its operating procedures in order to generate high-quality financial intelligence that is useful to LLEAs, CAs and OFIUs - Produce high quality responses for CFATF Mutual Evaluation process - Continuation of high-quality solutions implemented to address CFATF Recommended Actions	100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100%	- - - - -
TIMELINESS - Cases to Director for initial review within 2 days of receipt by the FRA - Cases acknowledged within four days of receipt - Priority 1 cases closed within 35 days of receipt - Priority 2 cases closed within 60 days of receipt - Priority 3, 4 and 5 cases closed within 90 days of receipt - Annual Report produced on or before the 31th March as per Section 11(b) of POCA - Strategic Analysis Report produced by specified date - Meet deadlines set for CFATF Mutual Evaluation process	95 - 100% 90 - 100% 70 - 85% 55 - 75% 50 - 60% 100% 100% 80-100%	94% 97% 37% 23% 49% 100% 70% 100%	(1 - 6%) (33 - 48%) (32 - 52%) (1 - 11%) - (30%) -

The Truman Bodden Law School

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

The Law School has been in operation since 1982, and is an internationally recognised institution, affiliated to the University of Liverpool in the United Kingdom, which validates and awards the undergraduate Bachelor of Laws degree (“the LLB”) and the postgraduate degree and diploma in International Finance (Law and Regulation) (“the LLM”). The Law School is also affiliated with Oxford Brookes University in the United Kingdom which validates and awards the postgraduate Diploma in Legal Practice, following successful completion of the Professional Practice Course (“the PPC”). Thereafter, following the completion of 18 months Articles of Clerkship, trainees will be called to the Cayman Islands Bar as an Attorney-at-Law of the Cayman Islands.

Our Mission

The aim of the Law School, in partnership with Liverpool and Oxford Brookes universities in the provision of its undergraduate and postgraduate programmes, is to provide students with a standard of tertiary level legal education equivalent to that prevailing in the United Kingdom and at other recognized providers of legal education across the common law world. In doing so, the Law School aims to provide an environment for its students that encourages and enables them to achieve their full potential in the pursuit of knowledge and academic excellence.

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

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

As ever, the last academic year has been a busy one for Law School staff and they continue to engage fully with teaching, learning and assessing the students, as well as undertaking research and offering a range of extra curricula activities.

The 2020/21 Academic Year

In September 2020, 92 students enrolled into programmes offered at the Law School, representing growth of approximately 15% over the previous academic year. Particularly pleasing were increased numbers of PPC students, which trebled over those enrolled in 2019/20. 87% of all students were either Caymanian, married to a Caymanian or Permanent Residents.

27 students graduated in July 2021. Of the LLB cohort, nine were admitted to the degree with First Class Honours or with Honours at Class II, Division I. Of the five LLM graduates, four attained either Distinctions or Merits. From the nine graduating PPC cohort, seven achieved either Distinctions or Commendations. These results continue to reflect well on the teaching and learning experience of students at the Law School as well as the effort made by them to achieve their success.

Impact of Covid-19 on Learning, Teaching and Assessment

Thanks to the efforts of the Cayman Islands Government's control and suppression of Covid-19, learning and teaching was able to be delivered face-to-face at the Law School during this academic year. The Law School was one of the very few institutions around the world not to be adversely affected by Covid-19 and there is no doubt that the majority of students benefitted from the continuation of in-person learning. A few students are based overseas and, largely due to restrictions in their own countries, were unable to return to the Islands to continue studying; in these cases, classes were made available to them remotely and those students were encouraged to contact staff if they needed additional assistance with their studies.

Changes to the Professional Practice Course

With the support of the Chief Justice, Attorney General and members of the Legal Advisory Council, the Cayman Islands Legal Practitioners Association and Oxford Brookes University, the PPC was revalidated in May 2021 for another five years. At the same time, more corporate focused subject choices were offered to reflect typical work undertaken by the Islands' international legal community. These changes have proved popular with new PPC students and now mean that the PPC can compete more effectively with equivalent courses offered by UK institutions.

Extra Curricula Activities

Due to Covid-19 restrictions, students did not benefit from the entire range of typical extra curricula activities that have previously been delivered at the Law School. Nonetheless, the Law School's Student Society brought back its Gala, which was held at the Marriott in June 2021. The evening was a tremendous success and raised funds to support students at the Law School as well as for the Alex Panton Foundation. The Society was honoured by the presence of the Hon. Premier and his wife, the Solicitor General and numerous representatives from law firms in the Islands.

General facilities

The Law School's premises have benefited from an external facelift following a change of ownership of the building in which the Law School is situated. Conscious that our competition is

usually Higher Education institutions in the UK, we have also sought to upgrade facilities within the building, such as replacing various flooring and furnishings, to provide students with a more comfortable environment in which to study. The Law School's website has likewise been modernised and now includes a number of new features, including a portal for applicants to make on-line applications to the Law School.

Law School Research Activities

While teaching students is our primary aim at the Law School, it is important that staff continue to be research active so that they can ensure they remain at the leading edge of developments in the law. Colleagues continue to publish in a wide range of peer-reviewed academic journals, as well as present at conferences on subjects such as the law of trusts, banking law, anti-money laundering provisions and public procurement matters.

Human Resources Management Department

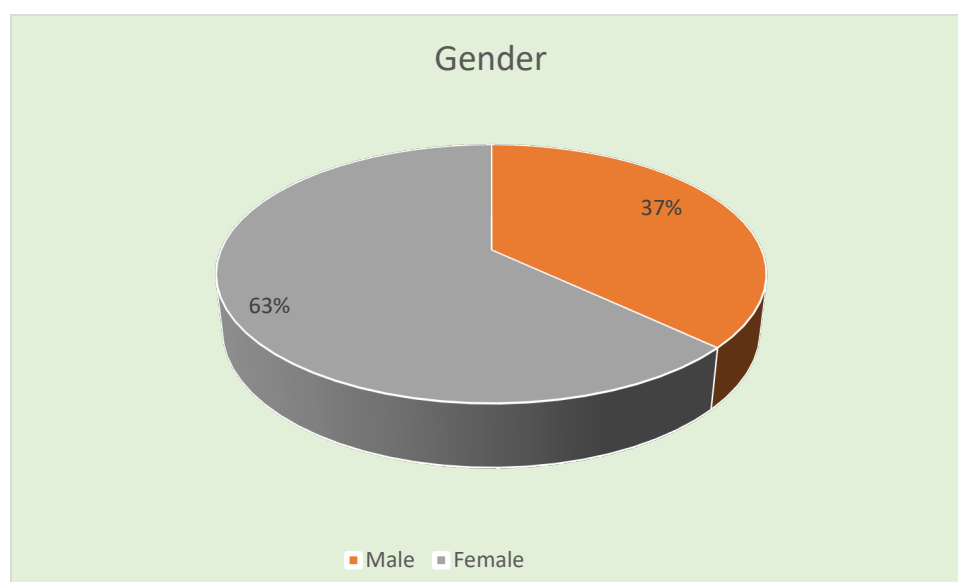
Our adaptable and capable staff have proven themselves once again to be the Portfolio's most valuable asset in 2021. The quality of our services to both our internal and external clients is enhanced by the professionalism, dedication and productivity of our employees in each of the seven entities of the Portfolio.

2021 was a busy but successful year for the Human Resources Management Department. The Portfolio numbered 63 staff at the close of the fiscal year, with a total of 18 new recruits joining the various teams throughout 2021.

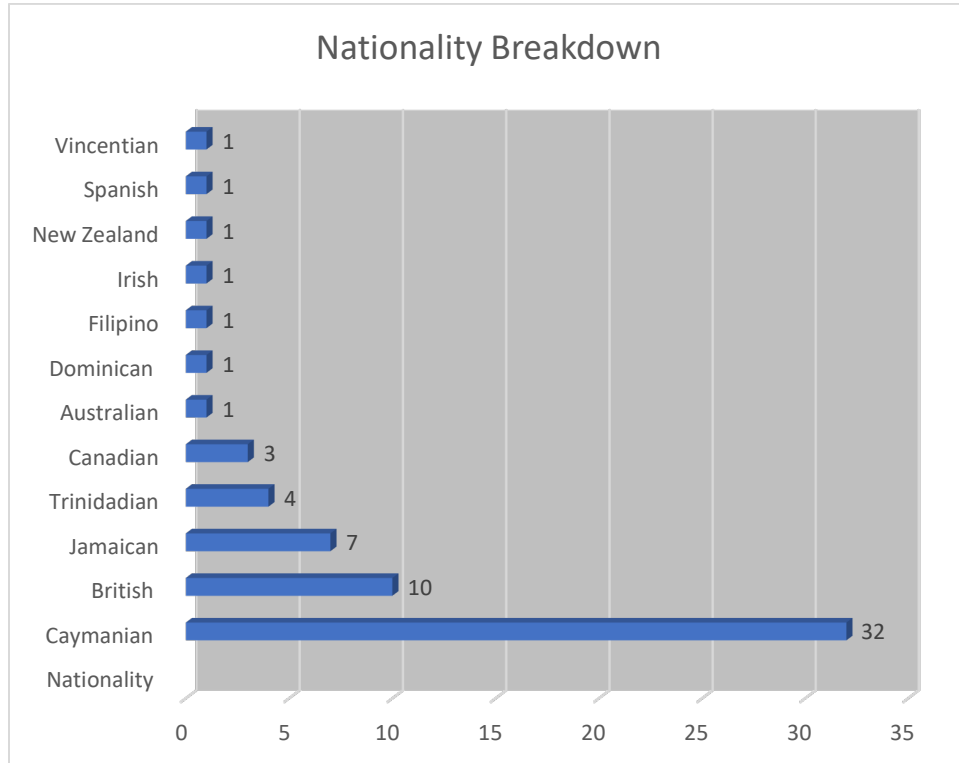
We were successful in recruiting a new Senior Legal and Policy Analyst with the Anti-Money Laundering Unit, a Senior Law Lecturer with the Truman Bodden Law School, and three new Financial Analysts with the Financial Reporting Authority as well as a Paralegal, Administrative Secretary and Senior Legislative Counsel with the Law Reform Commission. The Solicitor General's Office was also able to recruit a new Deputy Solicitor General, Crown Counsel, a Deputy Chief Financial Officer, Human Resources Manager and Human Resources Officer, in addition to hosting three Interns during the year.

A breakdown of some of the demographics for the Portfolio at the end of the fiscal year is as follows:-

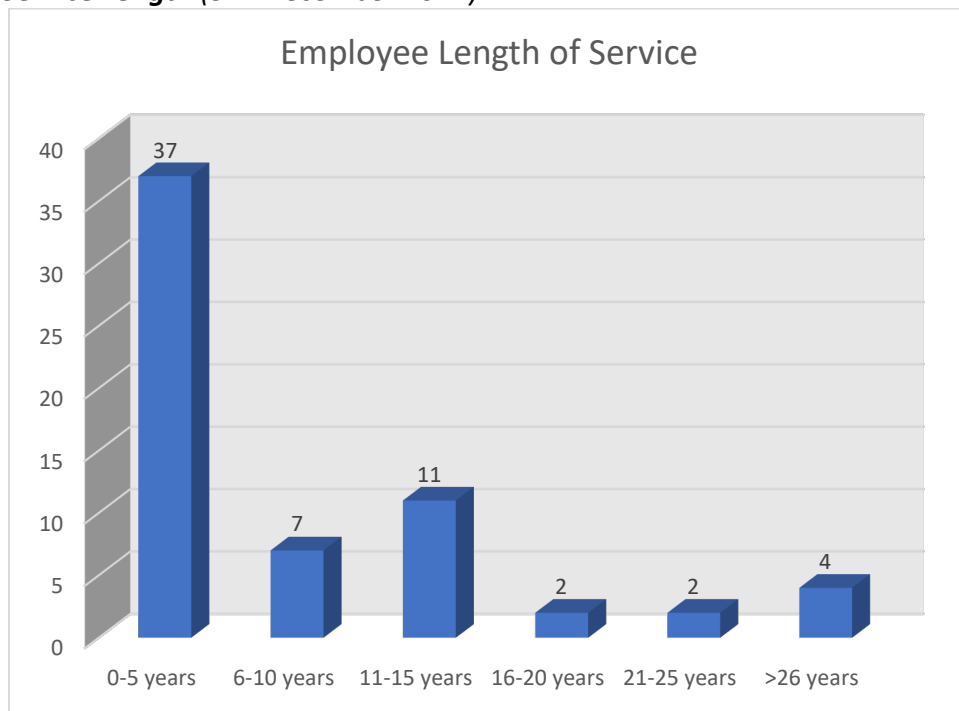
Gender (31st December 2021)



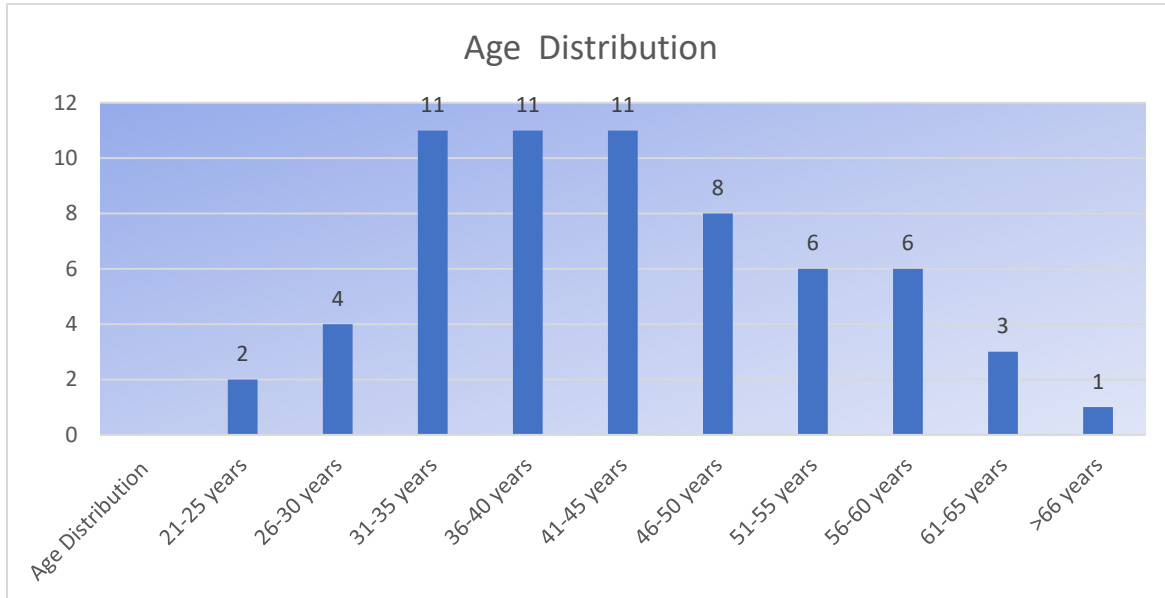
Nationality Breakdown (31st December 2021)



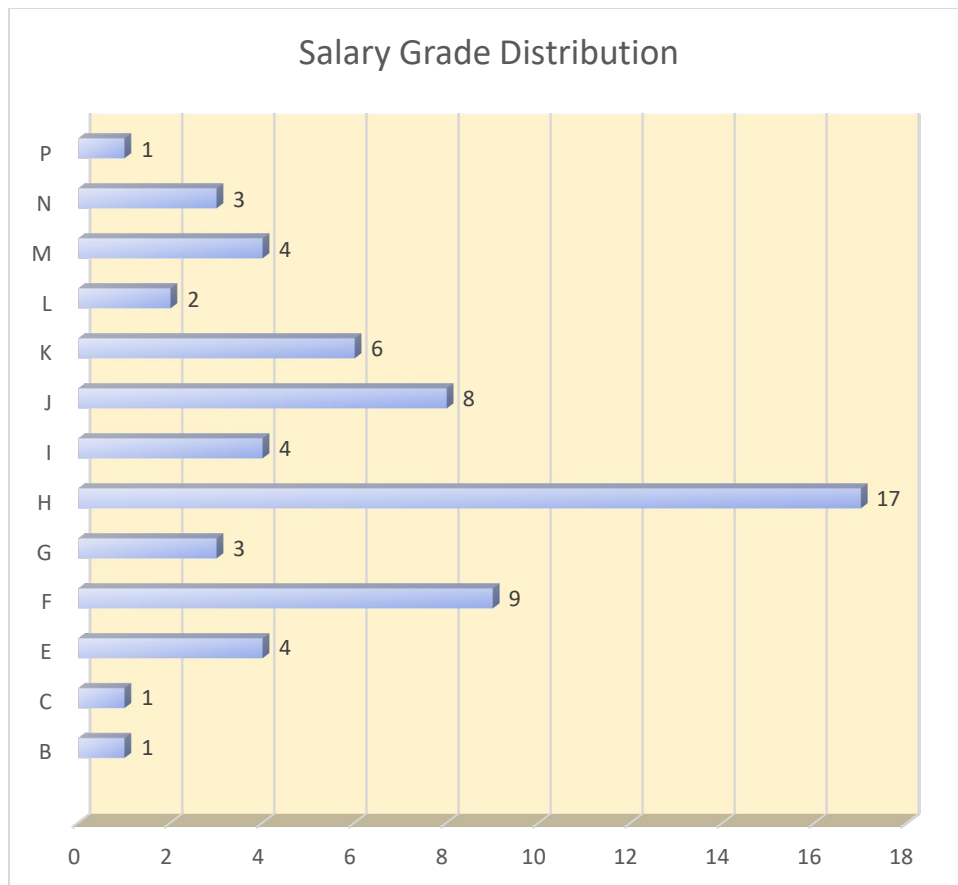
Employee Service Length (31st December 2021)



Age Distribution (31st December 2021)



Salary Grade Distribution (31st December 2021)



Staff Training

The Portfolio is a learning organisation and as such, members of the Portfolio embraced the LinkedIn Learning Challenge that was introduced to the entire civil service in the month of September 2021. There were several instances of stellar enthusiasm for the new high tech learning and development platform in a friendly competition.

Ongoing financial and study leave support was also provided on an individual basis for several members of staff. This included study leave for a Caymanian Paralegal who is completing her Professional Practice Certificate with the Truman Bodden Law School and Oxford-Brooks University, and support for professional memberships, such as with the Chartered Institute of Library and Information Professionals, Society of Human Resources Managers to name a few. The Portfolio further supported the continuing professional education requirements for team members with professional qualifications (i.e. ACCA, SPHR), while other members of staff pursued their undergraduate and post-graduate degrees with several successes celebrated during the past year.

Articles of Clerkship

Articles of Clerkship training is a compulsory and vital stage of a trainee attorney's preparation for a career in law in the Cayman Islands and takes place during a period of recognised training under the supervision of a qualified attorney-at-law pursuant to the Legal Practitioners Act (2015 Revision).

The Portfolio was delighted to enrol three (3) Articled Clerks – Michaiah Bryan, Shari Walton and Everton Spence - between 2019 and 2020. A significant portion of their training therefore occurred during the 2021 Reporting Period.

Articled Clerkship is intended to provide Articled Clerks with practical experience in various areas of law, thereby developing the skills that will be required as future legal practitioners. The Portfolio's Clerkship Program exposes Articled Clerks to the core legal work of the Solicitor General's Office, Legislative Drafting Department and Law Reform Commission. Articled Clerks are also afforded the opportunity to undertake seats with the Office of the Director of Public Prosecutions for experience with criminal law practice and procedure, and the Department of Lands and Survey, which enables them to develop a sound understanding of the practice and procedure of the sections within that Department such as Land Registry, Valuation Office and Office of the Chief Surveyor. At a Clerk's request, the Portfolio agreed to facilitate a seat with a private sector law firm of the Clerk's choice.

With respect to the Solicitor General's Office, the Articled Clerks were exposed to the full range of civil law matters that fall within the Office's daily operations, in both contentious and non-contentious work. This included providing draft legal advice, contract reviews, preparation of court documents and hearing bundles and attending client meetings with their supervisors. In 2021, particular emphasis was placed on developing the Clerks' advocacy skills and their ability to think on their feet by doing regular presentations to the team and responding to questions on the legal issues discussed. The Clerks were also involved in all aspects of litigation, including court attendance with Crown Counsel and strategic meetings with external counsel.

The training with the Law Reform Commission provided Clerks with a deeper understanding of the various stages of the law reform process, namely, policy formulation; research and consultation methods; legislative drafting; preparation of final reports and Cabinet Papers; speaking notes; minute-taking; proof reading and editing; and presentation.

The seat with the Legislative Drafting Department involved a combination of academic learning and practical experience. The Articled Clerks were taught the role of the legislative drafter; the stages of the drafting process; statutory interpretation and the importance of the Cayman Islands Constitution Order in drafting legislation; and the rules relating to the style of legislation. They also learned how to use the Department's legislation template and carry out research for legislative precedents.

At the Office of the Director of Public Prosecutions, the Articled Clerks' training included matters such as bail applications, mentions, trials before the Summary and Grand Courts, sentencing, and appeals. In addition, the Articled Clerks were exposed to matters relating to international cooperation including how to process requests from other jurisdictions for mutual legal assistance under applicable statutes such as the Criminal Justice (International Cooperation) Act (2021 Revision).

The stint with the Lands and Survey Department provided the Articled Clerks with comprehensive, hands-on training in the operation of the Cayman Islands Land Registry from completing official searches, filing stays of registration and removing charges. The Articled Clerks were also involved in research relating to the pending E-Conveyancing system which is to be launched in the near future.



Financial Statements

The audited Financial Statements for the Portfolio for the year ended 31 December 2021 are attached to this report as Appendix A.

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APPENDIX A – Financial Statements



GOVERNMENT OF THE CAYMAN ISLANDS

Portfolio of Legal Affairs

FINANCIAL STATEMENTS

31 December 2021

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STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Portfolio of Legal Affairs in accordance with the provisions of the *Public Management and Finance Act (2020 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 Act (2020 Revision)*.

As Solicitor General 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 Act, and properly record the financial transactions of the Portfolio of Legal Affairs.

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

The financial statements fairly present the financial position, financial performance and cash flows for the year ended 31 December 2021.

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

- (a) Completely and reliably reflect the financial transactions of the Portfolio of Legal Affairs for the year ended 31 December 2021;
- (b) fairly reflect the financial position as at 31 December 2021 and performance for the year ended 31 December 2021;
- (c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

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

Ms. Reshma Sharma
Solicitor General

Date: 30 April 2022

Mrs. Tiffany Ebanks
Chief Financial Officer

Date: 30 April 2022

AUDITOR GENERAL'S REPORT

To the Solicitor General and the Members of Parliament

Opinion

I have audited the financial statements of the Portfolio of Legal Affairs (the "Portfolio"), which comprise the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets/equity and statement of cash flows for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 9 to 28.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Portfolio as at 31 December 2021 and its financial performance and its cash flows for the year ended 31 December 2021 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 Portfolio in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. In rendering my audit opinion on the financial statements of the Portfolio, I have relied on the work carried out on my behalf by a public accounting firm that performed its work in accordance with International Standards on Auditing.

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 and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

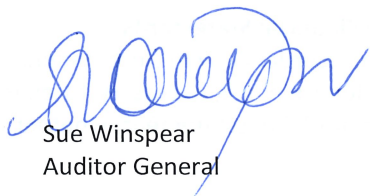
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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.

AUDITOR GENERAL'S REPORT (continued)

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 Portfolio's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Portfolio's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in 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 Portfolio 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 Act (2020 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

30 April 2022
Cayman Islands

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(Expressed in Cayman Islands Dollars)

Prior Year Actual		Note	Current Year Actual	Approved Budget	Variance (Budget vs Actual)
CI\$000			CI\$000	CI\$000	CI\$000
	Current Assets				
3,234	Cash and cash equivalents	2,17	4,701	1,591	(3,110)
1,218	Receivables from exchange transactions	3,17,18	1,698	846	(852)
12	Other receivables	3	6	-	(6)
127	Prepayments		79	75	(4)
<u>4,591</u>	Total Current Assets		<u>6,484</u>	<u>2,512</u>	<u>(3,972)</u>
	Non-Current Assets				
575	Property and equipment	4,17	612	585	(27)
225	Intangible assets	5,17	168	79	(89)
<u>800</u>	Total Non-Current Assets		<u>780</u>	<u>664</u>	<u>(116)</u>
<u>5,391</u>	Total Assets		<u>7,264</u>	<u>3,176</u>	<u>(4,088)</u>
	Current Liabilities				
2	Trade payables	6,17	24	225	201
137	Accruals and other liabilities	6	110	100	(10)
19	Unearned revenue	7	25	-	(25)
249	Employee entitlements	8, 17	248	128	(120)
2,337	Surplus payable	9, 17	4,171	-	(4,171)
<u>2,744</u>	Total Current Liabilities		<u>4,578</u>	<u>453</u>	<u>(4,125)</u>
<u>2,744</u>	Total Liabilities		<u>4,578</u>	<u>453</u>	<u>(4,125)</u>
<u>2,647</u>	Net Assets		<u>2,686</u>	<u>2,723</u>	<u>(37)</u>
	Net Equity				
2,647	Contributed capital		2,686	2,723	(37)
-	Accumulated surplus		-	-	-
<u>2,647</u>	Total Equity		<u>2,686</u>	<u>2,723</u>	<u>(37)</u>

The accounting policies and notes on pages 9-28 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF FINANCIAL PERFORMANCE
AS AT 31 DECEMBER 2021
(Expressed in Cayman Islands Dollars)

Prior Year Actual CI\$000		Note	Current Year Actual CI\$000	Approved Budget CI\$000	Variance (Budget vs Actual) CI\$000
Revenue					
8,937	Sales of outputs to Cabinet	11,18,20	9,032	9,032	-
100	Sale of outputs to other Government Agencies	11,18,20	100	100	-
546	Sale of outputs to others	11,17,20	733	465	(268)
9,583	Total Revenue		9,865	9,597	(268)
Expenses					
5,984	Personnel costs	12,17,20	6,399	7,045	646
919	Supplies and consumables	13,17	1,146	1,688	542
180	Depreciation and Amortization	4,5,17	202	263	61
28	Bad debt expense		1	-	(1)
125	Litigation costs	14,17	284	600	316
7	Loss on disposal of property and equipment		-	-	-
3	(Gain)/loss on foreign exchange transactions		(1)	1	2
7,246	Total Expenses		8,031	9,597	1,566
2,337	Surplus for the year		1,834	-	(1,834)

The accounting policies and notes on pages 9-28 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Cayman Islands Dollars)

	Contributed Capital	Accumulated Surpluses	Total Net Assets/Equity	Approved Budget	Variance (Budget vs. Actual)
	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000
Balance at 1 January 2020	2,400	-	2,400	2,490	90
Equity investment from Cabinet	247	-	247	25	(222)
Surplus for the period 2020	-	2,337	2,337	-	(2,337)
Surplus repayable for the year 2020	-	(2,337)	(2,337)	-	2,337
Balance at 31 December 2020	2,647	-	2,647	2,515	(132)
Balance at 1 January 2021	2,647	-	2,647	2,515	(132)
Equity investment from Cabinet	39	-	39	208	169
Surplus for the period 2021	-	1,834	1,834	-	(1,834)
Surplus repayable for the year 2021	-	(1,834)	(1,834)	-	1,834
Balance at 31 December 2021	2,686	-	2,686	2,723	(37)

The accounting policies and notes on pages 9-28 form part of these financial statements.

PORTFOLIO OF LEGAL AFFAIRS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Cayman Islands Dollars)

Prior Year Actual			Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI \$'000	Note		CI \$'000	CI \$'000	CI \$'000
		Cash flows managed on behalf of Cabinet			
		Operating Activities			
		Cash received			
518		Sale of goods and services - third party	732	403	(329)
96		Sale of goods and services to other government agencies	106	100	(6)
9,604		Sales to Cabinet	8,552	9,024	472
-		Other receipts	-	15	15
		Cash used			
(5,887)		Personnel costs	(6,400)	(7,055)	(655)
(1,194)		Supplies and consumables	(1,380)	(2,384)	(1,004)
		Net cash flows from operating activities	1,610	103	(1,507)
		Investing activities			
		Cash used			
(324)	4	Purchase of property and equipment	(182)	(391)	(209)
(324)		Net cash flow used by investing activities	(182)	(391)	(209)
		Financing activities			
		Cash received			
247		Equity injections from Cabinet	39	208	169
		Cash used			
(524)	9	Repayment of surplus	-	-	-
(277)		Net cash flows from (used by) financing activities	39	208	169
2,536		Net increase in cash and cash equivalents held	1,467	(80)	(1,547)
698		Cash and cash equivalents at beginning of year	3,234	1,671	(1,563)
3,234		Cash and cash equivalents at the end of the year	4,701	1,591	(3,110)

The accounting policies and notes on pages 9-28 form part of these financial statements.

**PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Description and principal activities

The Portfolio of Legal Affairs (the “Entity”) is a Government-owned entity as defined by section 2 of *the Public Management and Finance Act (2020 Revision)* and is domiciled in the Cayman Islands.

The Entity provides a wide range of legal services including legal advice and representation in litigation to the Government, its affiliated entities and some statutory authorities. It is responsible for the provision of other legal services such as legislative drafting, law reform and law revision. It provides financial intelligence services and support to Government and other stakeholders in anti-money laundering initiatives via the Financial Reporting Authority and the Anti-Money Laundering Unit. Legal education and training are provided by the Truman Bodden Law School. The Entity is headed by the Hon. Attorney General. Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Cabinet as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the year ended 31 December 2021.

The principal address of the Entity is located on the 4th Floor of the Government Administration Building, 133 Elgin Avenue, George Town, Grand Cayman. As of 31 December 2021, the Entity had 62 employees (2020: 58).

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.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2021 have not been early adopted by the Entity.

Certain new accounting standards have been published that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the Entity. The Entity’s assessment of the impact of these new standards is set out below.

IPSAS 41, Financial Instruments was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2023. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. It is anticipated that IPSAS 41 will not have a significant impact on the Entity’s financial statements. This will be assessed completely closer to the effective date of adoption.

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 1: Significant accounting policies (continued)

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2023. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognised and how they are measured. It is anticipated that IPSAS 42 will not have an impact on the Entity's financial statements. This will be assessed completely closer to the effective date of adoption.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. There have been no significant changes to the accounting policies during the year ended 31 December 2021.

(a) Basis of preparation

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

(b) Reporting Period

The current reporting period is for the year ended 31 December 2021.

(c) Budget amounts

The 2021 budget amounts were prepared using the accrual basis of accounting and the accounting policies have been consistently applied with the actual financial statement presentation. The 2021 budget was presented in the 2020-2021 Budget Statement of the Government of the Cayman Islands and approved by the Parliament on 5 December 2019.

Section 9(5) of the Public Management and Finance Act (2020 Revision) states "except to the extent otherwise provided by the law, an appropriation lapses at the end of the budget period to which the law by which the appropriation is granted relates." The budget period is defined as a period of appropriation covering two financial years. The 2020-2021 Budget Statement covers the two financial years commencing 1 January 2020 to 31 December 2021.

During the budget period funds can be utilized between the two financial years. In the 2020 financial year capital funds were utilized from the 2021 budget in the amount of \$137 thousand for capital purchases. The 2020-2021 appropriations will lapse at the end of the budget period ended 31 December 2021.

(d) Judgments and estimates

The preparation of financial statements in accordance with IPSAS requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses.

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 1: Significant accounting policies (continued)

(d) 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. The account balances that require judgement are receivables from exchange transactions and property and equipment. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period that is affected by those revisions.

(e) Revenue

Revenue is recognised in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is deferred as a liability until it is earned.

The Entity derives its revenue through the provision of services to Cabinet, to other agencies in government and to third parties. Revenue is recognised at the agreed value of services as set out in the published budget statements.

(f) Expenses

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

(g) Operating leases

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

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in-transit and bank accounts with a maturity of no more than three months at the date of acquisition.

(i) Prepayments

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

(j) Property and equipment

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

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 1: Significant accounting policies (continued)

(j) Property and equipment (continued)

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

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

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

Disposals

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

(k) Employee benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year-end are reported as current liabilities at the amount expected to be paid. Pension contributions for employees of the Entity are paid to the Public Service Pension Fund (the "Fund") and administered by the Public Service Pensions Board (the "Board"). Contributions of 12% on basic salary (employer 6% and employee 6%) are made to the Fund by the Entity. Contributions of 12% on acting and duty allowances (employer 6% and employee 6%) are made to the Fund by the Entity.

(l) Financial instruments

The Entity is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, receivables from exchange transactions, other receivables, trade payables, accruals and other liabilities, employee entitlements and surplus payable, all of which are recognised in the Statement of Financial Position.

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 1: Significant accounting policies (continued)

(l) Financial instruments (continued)

Classification

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

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Recognition

The Entity 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 Statement of Financial Performance.

Measurement

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

De-recognition

A financial asset is derecognised when the Entity realizes the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or has expired.

(m) Provisions and contingencies

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

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

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEARENDED 31 DECEMBER 2021

Note 1: Significant accounting policies (continued)

(n) Foreign currency

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

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

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

(o) Revenue from non-exchange transactions

The Entity 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. Refer to note 10 for further disclosures on non-exchange transactions.

(p) Impairment

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

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 2: Cash and cash equivalents

Prior Year Actual	Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI\$'000		CI\$'000	CI\$'000	CI\$'000
3,011	Operational Current Account - KYD	4,468	1,349	(3,119)
16	Payroll Current Account - KYD	8	17	9
207	Operational Current Account - USD	225	225	-
3,234	Cash and cash equivalents	4,701	1,591	(3,110)

Note 3: Receivables from exchange transactions and other receivables

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

Prior Year Actual	Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI \$'000		CI \$'000	CI\$'000	CI\$'000
745	Sale of outputs to Cabinet	1,505	611	(894)
250	Outputs to other government agencies	21	60	39
280	Sale of goods and services	228	175	(53)
(57)	Provision for doubtful debts	(56)	-	56
1,218	Net Receivables from Exchange Transactions	1,698	846	(852)

As at 31 December 2021 and 2020, the ageing analysis of receivables under exchange transactions is as follows:

Prior Year Actual	Receivables from exchange transactions	Current Year (Gross)	Approved Budget	Variance (Budget vs. Actual)
CI \$'000		CI \$'000	CI\$'000	CI\$'000
1,059	Current	821	808	(13)
7	Past due 31-60 days	15	-	(15)
26	Past due 61-90 days	831	-	(831)
126	Past due 90 and above	31	38	7
1,218	Total Receivables from Exchange Transactions	1,698	846	(852)

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

As of 31 December 2021, receivables from exchange transactions are all due within one year (2020: all due within one year) from the Statement of financial position date.

As at 31 December 2021 and 2020, other receivables are composed of:

Prior Year Actual	Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI\$'000		CI\$'000	CI\$'000	CI\$'000
4	Advances	2	-	(2)
8	Other	4	-	(4)
12	Total Other Receivables	6	-	(6)
-	Less: provision for doubtful debts	-	-	-
12	Net Total Other Receivables	6	-	(6)

Changes in the provision for doubtful debts, in total for receivables from exchange transactions and other receivables, during the year ended 31 December 2021 and 2020 are as follows:

Movements in the provision of doubtful debts are as follows:

Prior Year Actual	Description	Current Year Actual
CI \$'000		CI \$'000
29	Balance at 1 January 2021	57
28	Additional provisions made during the year	1
-	Receivables written off during the year	(2)
57	Provision for Doubtful Debts	56

Note 4: Property and equipment

Cost of Property and equipment

	Furniture and Fittings CI\$000	Computer Hardware CI\$000	Office Equipment CI\$000	Other assets CI\$000	Motor Vehicles CI\$000	Work in Progress CI\$000	Total Property and Equipment CI\$000
Balance as at 31 December 2019	11	26	30	2,530	114	-	2,711
Additions	-	43	6	78	-	-	127
Disposals	-	-	-	(1,545)	-	-	(1,545)
Balance as at 31 December 2020	11	69	36	1,063	114	-	1,293

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 4: Property and equipment (continued)

Cost of Property and equipment (continued)

	Furniture and Fittings CI\$000	Computer Hardware CI\$000	Office Equipment CI\$000	Other assets CI\$000	Motor Vehicles CI\$000	Work in Progress CI\$000	Total Property and Equipment CI\$000
Balance as at 31 December 2020	11	69	36	1,063	114	-	1,293
Additions	7	10	9	153	-	3	182
Disposals	-	(3)	(12)	-	-	-	(15)
Balance as at 31 December 2021	18	76	33	1,216	114	3	1,460
	Furniture and Fittings CI\$000	Computer Hardware CI\$000	Office Equipment CI\$000	Other assets CI\$000	Motor Vehicles CI\$000	Work in Progress CI\$000	Total Property and Equipment CI\$000
<u>Accumulated Depreciation</u>							
Balance as at 31 December 2019	6	20	23	2,029	22	-	2,100
Disposals	-	-	-	(1,537)	-	-	(1,537)
Depreciation Expense	1	10	4	117	23	-	155
Balance as at 31 December 2020	7	30	27	609	45	-	718
Balance as at 31 December 2020	7	30	27	609	45	-	718
Disposals	-	(3)	(12)	-	-	-	(15)
Depreciation Expense	1	15	3	105	21	-	145
Balance as at 31 December 2021	8	42	18	714	66	-	848
Net Book value 31 December 2020	4	39	9	454	69	-	575
Net Book value 31 December 2021	10	34	15	502	48	3	612

As of 31 December 2021, other fixed assets are composed of:

Prior Year Actual	Description	Cost	Accumulated depreciation	Carrying value
CI\$000		CI\$000	CI\$000	CI\$000
451	Library books	1,141	656	485
-	Lease improvements	63	52	11
3	Security System	11	6	5
-	Other	1	-	1
454	Total other fixed assets	1,216	714	502

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 5: Intangible assets

Cost of Intangible Assets

	Computer Software CI\$000	Work in Progress CI\$000	Total Intangible Assets CI\$000
Balance as at 31 December 2019	69	4	73
Additions	198	-	198
Transfer	4	(4)	-
Balance as at 31 December 2020	271	-	271

	Computer Software CI\$000	Work in Progress CI\$000	Total Intangible Assets CI\$000
Balance as at 31 December 2020	271	-	271
Disposal	(2)	-	(2)
Balance as at 31 December 2021	269	-	269

	Computer Software CI\$000	Work in Progress CI\$000	Total Intangible Assets CI\$000
Balance as at 31 December 2019	21	-	21
Amortization Expense	25	-	25
Balance as at 31 December 2020	46	-	46

Balance as at 31 December 2020	46	-	46
Eliminate on Disposal	(2)	-	(2)
Amortization Expense	57	-	57
Balance as at 31 December 2021	101	-	101

Net Book value 31 December 2020	225	-	225
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Net Book value 31 December 2021	168	-	168
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PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 6: Trade Payables, accruals and other liabilities

Prior Year Actual	Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI\$'000		CI\$'000	CI\$'000	CI\$'000
2	Trade payables	24	225	201
114	Accrued expenses	97	100	3
20	Creditors other government agencies	10	-	(10)
3	Other	3	-	(3)
139	Total Trade Payables, accruals and other liabilities	134	325	191

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

Note 7: Unearned revenue

In the latter part of 2021, the Law School collected fees for courses which will be held in 2022. These amounted to \$25 thousand (2020: \$19 thousand).

Note 8: Employee entitlements

Prior Year Actual	Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI\$'000		CI\$'000	CI\$'000	CI\$'000
	<i>Employee entitlements are represented by:</i>			
249	Annual leave	248	128	(120)
249	Total employee entitlements	248	128	(120)

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

Note 9: Surplus payable

Surplus payable represents surplus of \$1,834 thousand as at 31 December 2021 and \$2,337 thousand for the year ended 31 December 2020 which is still payable. Under the *Public Management and Finance Act (2020 Revision)* section 39 (3) (f), the Entity may “retain such part of its net operating surplus as is determined by the Minister of Finance”. The Entity has recorded an accumulated surplus payable to Government in the amount of \$4,171 thousand as at 31 December 2021 which it plans to repay in 2022. Surplus repaid during the year ended 31 December 2021, was nil (2020: \$524 thousand).

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 10: Revenue from non-exchange transactions

During the year ended 31 December 2021, the Entity received services in-kind in the form of accommodation in the central government building as well as computer repairs and software maintenance by the Computer Services Department and human resources management by the Portfolio of the Civil Service. The fair value of these services cannot be determined and therefore were not recognised as revenues and expenses in these financial statements.

Note 11: Revenue

Prior Year Actual	Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI\$'000		CI\$'000	CI\$'000	CI\$'000
8,937	Sale of outputs to Cabinet	9,032	9,032	-
509	Law School Fees	722	450	(272)
100	Sale of outputs to other government agencies	100	100	-
37	Other	11	15	4
9,583	Total Revenue	9,865	9,597	(268)

Note 12: Personnel costs

Prior Year Actual	Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI\$'000		CI\$'000	CI\$'000	CI\$'000
4,948	Salaries, wages and allowances	5,338	5,958	620
658	Health care	733	693	(40)
276	Pension	294	334	40
97	Leave	(1)	12	13
5	Other Personnel related costs	35	48	13
5,984	Total Personnel Cost	6,399	7,045	646

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 13: Supplies and consumables

Prior Year Actual	Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI\$'000		CI\$'000	CI\$'000	CI\$'000
50	Supplies and Materials	41	84	43
190	Purchase of services	481	633	152
58	Utilities	78	115	37
24	Travel and Subsistence	-	140	140
49	Recruitment & Training	12	194	182
369	Lease of property and equipment	366	366	-
115	Reference materials	112	97	(15)
38	Audit and inspection fees	39	41	2
26	Repairs and maintenance	15	13	(2)
-	Other	2	5	3
919	Total Supplies & Consumables	1,146	1,688	542

Note 14: Litigation costs

The Attorney General's Chambers provides litigation and legal advisory services to the Government and its Ministries and Portfolios. During the year ended 31 December 2021, the use of legal services from outside of the Government was authorized by the Attorney General's Chambers to augment the delivery of its litigation and legal advisory services. The costs for these external legal services were \$284 thousand (2020: \$125 thousand).

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

Prior Year Actual	Description	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI\$000		CI\$000	CI\$000	CI\$000
2,337	Surplus for the year	1,834	-	(1,834)
	Non-cash movements			
180	Depreciation and amortization expense	202	263	61
-	Bad debt expense	1	-	(1)
7	(Gain)/loss on foreign exchange transactions	(1)	-	1
	Changes in current assets and liabilities:			
667	(Increase)/decrease in receivables from exchange transactions	(480)	(10)	470
(43)	Decrease/(increase) in other receivables and prepayments	54	-	(54)
(119)	Decrease in trade payables, accruals and other liabilities	(5)	(150)	(145)
11	Increase in unearned revenue	6	-	(6)
97	(Decrease)/increase in employee entitlements	(1)	-	1
3,137	Net cash flows from operating activities	1,610	103	(1,507)

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 16: Commitments

Prior Year Actual CI\$000	Type	One year or less CI\$000	One to five Years CI\$000	Over five Years CI\$000
Operating Commitments				
1,152	Non-cancellable accommodation leases	335	515	-
1,152	Total Operating Commitments	335	515	-

The Entity has one medium-to long-term lease for the term of 5 years for the property occupied by the Truman Bodden Law School at 11 Dr. Roy's Drive, in George Town. The lease expires on 30 June 2024. The amounts disclosed above as future commitments are based on the current rental rates.

Note 17: Explanation of major variances against original budget

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

Statement of Financial Position

Cash and cash equivalents

Cash and cash equivalents is higher than budget by \$3,110 thousand mainly due to the surplus payable for 2021 and 2020 which was not budgeted for.

Receivables from exchange transactions

Receivables from exchange transactions were higher than budget by \$852 thousand, mainly due to an extra month of Cabinet funding for September 2021 equaling \$753 thousand, Capital funding of \$21 thousand as well as a higher-than-expected number of third-party fees which were not received at year-end.

Property and equipment

Property and equipment is higher than budget by \$27 thousand due to less disposals taking place during the two year budget period than anticipated, mainly due to books.

Intangible assets

Intangible assets were higher than budget by \$89 thousand due to the acquisition of new software in 2020.

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Statement of Financial Position (continued)

Trade payables

Trade payables was lower than budget by \$201 thousand due primarily to invoices being paid before year-end and not carried over to be settled in the next year.

Employee entitlements

Employee entitlements were higher than budget by \$120 thousand as a result of staff taking less annual leave than anticipated. This can be attributed to travel restrictions as a result of COVID-19.

Surplus payable

Surplus payable is over budget by \$4,171 thousand which is due to the \$2,337 thousand surplus achieved in 2020, and the \$1,834 thousand surplus for the current year which were not budgeted. This surplus was due to the Entity having a reduction in operating costs but still billing Cabinet and recognising the total amount appropriated for 2020 and 2021 respectively.

Statement of Financial Performance

Revenue

Revenue was higher than budget by \$268 thousand due to increases in Law School revenues of \$272 thousand and a decrease in other revenues of \$4 thousand which was not anticipated at the time of budget preparation. Other revenue includes fees for applications for recognition as Legal Practitioners, invigilation etc.

Personnel costs

Actual personnel costs are lower than budget by \$646 thousand primarily because of the non-fulfillment of budgeted positions or the filling of those positions at later dates than anticipated. A number of vacant posts were not filled during the financial period.

Supplies and consumables

Supplies and consumables were under budget by \$542 thousand primarily due to decreases in purchase of services of \$151 thousand, recruitment and training of \$182 thousand, travel and subsistence of \$140 thousand and utilities of \$37 thousand. These items were largely under budget due to the impact of COVID-19.

Depreciation

Depreciation is under budget by \$61 thousand mainly due to assets being placed in service later in the year than planned; and \$32 thousand of appropriated capital funding which was not used as of year-end.

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Statement of Financial Performance (continued)

Litigation costs

Litigation costs are budgeted as contingencies for the defense of the Government in litigation as well as the provision of legal advice to Government, and vary from year to year depending on the number and complexity of cases. This expense was \$316 thousand lower than budget, due to the variable nature of matters.

Statement of Changes in Net Assets/Equity

Equity Investment

Within a multi-year budget period funds can be utilized between the two financial years. During the 2020 financial year capital purchases were required in excess of the 2020 approved equity investment budget; to cover this shortfall \$137 thousand was brought forward from the 2021 approved budget. As a result, a total of \$71 thousand was available for use in 2021, of which \$39 thousand was utilized for capital purchases during the year.

Note 18: Related party and key management personnel disclosures

Key management personnel

Key management personnel are also considered to be related parties. For the year ended 31 December 2021, there are nine (2020: seven) full-time and one part-time equivalent personnel considered at the senior management level. The total remuneration includes regular salary, allowances, pension contributions and health insurance contributions. Total remuneration for the members of senior management for the year ended 31 December 2021 was \$1,444 thousand (2020: \$1,170 thousand).

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 18: Related party and key management personnel disclosures (continued)

Related party disclosure

The Entity is a wholly-owned entity of the Government from which it derives a major source of its revenue. The Entity transacts with other government entities on a regular basis. These transactions were provided free of cost during the year ended 31 December 2021. They were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

31 December 2020 Actual	Statement of Financial Position	Current Year Actual	Approved Budget	Variance (Budget vs. Actual)
CI\$000		CI\$000	CI\$000	CI\$000
996	Receivables from exchange transactions	1,526	671	(855)
2,337	Surplus payable	4,171	-	(4,171)
524	Surplus paid during the year	-	-	-
-	Trade payables	1	-	(1)
20	Accruals and other liabilities	10	-	(10)
	Statement of Financial Performance			
8,937	Sale of goods and services	9,032	9,032	-
100	Sale of outputs to other government agencies	100	100	-

Note 19: Financial instrument risks

The Entity is exposed to a variety of financial risks including credit risk, exchange risk and liquidity risk. The Entity's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up-to-date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations (2021 Revision) as amended.

Credit risks

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

The Entity is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers to be financially secure and well-managed. The Entity is also exposed to a significant concentration of credit risk in relation to receivables from exchange transactions, significant portions of which are due from other government entities.

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 19: Financial instrument risks (continued)

Credit risks (continued)

No credit limits have been established. As at December 31 2021, a provision of \$56 thousand (2020: \$57 thousand) has been recognised on receivables from exchange transactions which have been outstanding for more than one year, and where a risk of collectability has been identified.

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

Liquidity risk

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

The ability of the Entity to meet its debts and obligation is dependent upon its ability to collect the debts outstanding to the Entity on a timely basis. In the event of being unable to collect its outstanding debts, it is expected that the Government would temporarily fund any shortfalls the Entity would have with its own cash flows. As at 31 December 2021, all of the financial liabilities with the exception of surplus payable were due within three months of the year end date (2020: three months).

Exchange rate risk

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

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 20: Segment reporting

For the year ended 31 December 2021:

	Legal Drafting & Review & Modernization of Acts CI\$000	Litigation & Legal Advice CI\$000	Ministerial Advice to the Attorney General CI\$000	Financial Intelligence Services CI\$000	Law School CI\$000	Total CI\$000
Revenue						
Sale of outputs to Cabinet	1,333	2,238	2,222	1,832	1,407	9,032
Sale of outputs to other Government agencies	-	100	-	-	-	100
Sale of outputs to others	-	3	6	-	724	733
Total Revenue	1,333	2,341	2,228	1,832	2,131	9,865
Expenses						
Personnel costs	1,051	1,702	1,033	1,501	1,112	6,399
Other expenses	36	533	395	137	531	1,632
Total Expenses	1,087	2,235	1,428	1,638	1,643	8,031
Surplus for the year	246	106	800	194	488	1,834

For the year ended 31 December 2020:

	Legal Drafting & Review & Modernization of Acts CI\$000	Litigation and Legal Advice CI\$000	Ministerial Advice to the Attorney General CI\$000	Financial Intelligence Services CI\$000	Law School CI\$000	Total CI\$000
Revenue						
Sale of outputs to Cabinet	1,333	2,151	2,226	1,825	1,402	8,937
Sale of outputs to other Government agencies	-	100	-	-	-	100
Sale of outputs to others	-	2	30	-	514	546
Total Revenue	1,333	2,253	2,256	1,825	1,916	9,583
Expenses						
Personnel costs	1,100	1,196	1,135	1,351	1,202	5,984
Other expenses	28	372	238	60	564	1,262
Total Expenses	1,128	1,568	1,373	1,411	1,766	7,246
Surplus for the year	205	685	883	414	150	2,337

PORTFOLIO OF LEGAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Note 20: Segment reporting (continued)

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

1. Legislative drafting and the review and modernization of Acts: This includes the drafting of legislation and regulations for the Government and the study and review of statutes and other Acts of the Cayman Islands with a view to their systematic development and reform.
2. Litigation and legal advice: The provision of legal advice and representation to Government Ministries, departments and statutory entities on civil matters and the provision of international legal assistance.
3. Advice/secretarial support to the Attorney General: This includes advice and support provided by the Anti-Money Laundering Unit as well as law revision and related policy advice on matters relating to legislation.
4. Financial intelligence services: This includes receipt of financial intelligence (suspicious activity reports (SARs) under the Proceeds of Crime Act, the Misuse of Drugs Act, and Terrorism Act and facilitating requests for financial intelligence from overseas counterparts.
5. Legal education: The Truman Bodden Law School falls under the remit of the Entity. The Law School offers the LL.B (Honours) degree program, part time and full time, the Professional Practice Course ("PPC"), the postgraduate Diploma ("Pg.Dip") and the Master of Arts (LLM) in International Finance (on a full and part-time basis). The Law School is affiliated with the University of Liverpool and also with the Oxford Brookes University in the UK. There are 108 students registered in total as at 31 December 2021 (31 December 2020: 90).

Note 21: Subsequent events

In preparing these financial statements management has evaluated and disclosed all material subsequent events up to 30 April 2022 which is the date that the financial statements were available to be issued.