

GOVERNMENT OF THE CAYMAN ISLANDS

Portfolio of Internal and External Affairs

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2013

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Portfolio of Internal and External Affairs

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STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Portfolio of Internal and External Affairs in accordance with the provisions of the *Public Management and Finance Law (2013 Revision).*

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2013 Revision).*

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

As Chief Officer and Chief Financial Officer we are responsible for the preparation of the Portfolio of Internal and External Affairs financial statements, representation and judgements made in these statements.

The Portfolio does not make any assertion in regards to the non-exchange transactions. The Portfolio is unable to obtain reliable costing information from the relevant government departments for services provided.

With exception to the issue raised in the preceding paragraph, the financial statements fairly present the financial position, financial performance and cash flows of the Portfolio of Internal and External Affairs for the financial year ended 30 June 2013.

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

(a) Completely and reliably reflect the financial transactions of Portfolio of Internal and External Affairs for the year ended 30 June 2013;
(b) fairly reflect the financial position as at 30 June 2013 and performance for the year ended 30 June 2013;
(c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

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

Eric Bush
Chief Officer

May 15, 2015

Vinton Chinsee
Chief Financial Officer

May 15, 2015

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AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly and the Chief Officer of Portfolio of Internal and External Affairs

I have audited the accompanying financial statements of the Portfolio of Internal and External Affairs, which comprise the statement of financial position as at 30 June 2013 and the statement of financial performance, statement of changes in net worth and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 29 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

Liabilities

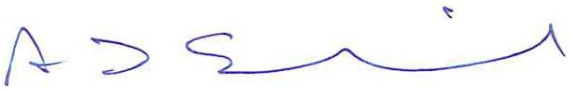
I was unable to determine the completeness, accuracy and existence of the Employee Entitlement amounting to $2.9million due to the absence of well-maintained annual leave records.

Net worth

I was unable to satisfy myself that the net worth balance of $53.5million as recorded in the statement of financial position is fairly stated due to the issue noted above.

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion the financial statements present fairly, in all material respects, the financial position of the Portfolio of Internal and External Affairs as at 30 June 2013 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.



Alastair Swarbrick, MA (Hons), CPFA, CFE
Auditor General

15 May 2015
Cayman Islands

PORTFOLIO OF INTERNAL AND EXTERNAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2013
(Expressed in Cayman Islands Dollars)

2011/12 Actual (Restated) CI$000		Note	2012/13 Actual CI$000	2012/13 Original Budget CI$000	2012/13 Final Budget CI$000	2012/13 (Original vs. Actual) CI$000
	ASSETS					
	Current Assets					
23,537	Cash and cash equivalents	**2**	31,263	26,891	26,891	(4,372)
6,351	Trade receivables	**3**	6,350	6,875	6,875	525
51	Other receivables	**3**	300	(42)	(42)	(342)
167	Inventories	**4**	226	167	167	(59)
95	Prepayments	**5**	54	852	852	798
30,201	**Total Current Assets**		**38,193**	**34,743**	**34,743**	**(3,450)**
	Non-Current Assets					
32,683	Property, plant and equipment	**6**	36,207	32,208	32,208	(3,999)
925	Intangible assets	**7**	558	523	523	(35)
33,608	**Total Non-Current Assets**		**36,765**	**32,731**	**32,731**	**(4,034)**
63,809	**Total Assets**		**74,958**	**67,474**	**67,474**	**(7,484)**
	LIABILITIES					
	Current Liabilities					
2,216	Trade payables	**8**	1,267	4,727	4,727	3,460
9,758	Other payables and accruals	**8**	10,911	15,805	15,805	4,895
-	Bank overdraft	**2**	239	-	-	(239)
5	Unearned revenue	**10**	-	(2)	(2)	(2)
3,939	Employee entitlements	**9**	2,912	7,042	7,042	4,131
3,470	Surplus repayment	**29**	6,078	-	-	(6,078)
19,388	**Total Current Liabilities**		**21,407**	**27,572**	**27,572**	**6,166**
19,388	**Total Liabilities**		**21,407**	**27,572**	**27,572**	**6,166**
44,421	**Net Assets**		**53,551**	**39,902**	**39,902**	**(13,649)**
	NET WORTH					
42,419	Contributed capital		44,419	44,068	44,068	(351)
-	Revaluation reserve		7,541	-	-	(7,541)
2,002	Accumulated surpluses (deficit)		1,591	(4,166)	(4,166)	(5,757)
44,421	**Total Net Worth**		**53,551**	**39,902**	**39,902**	**(13,649)**

The Notes to the Financial Statements on pages 8 to 29 form part of these financial statements.

PORTFOLIO OF INTERNAL AND EXTERNAL AFFAIRS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 June 2013
(Expressed in Cayman Islands Dollars)

2011/12 Actual		Note	2012/13 Actual	2012/13 Original Budget	2012/13 Final Budget	2012/13 (Original vs. Actual)
CI$000			CI$000	CI$000	CI$000	CI$000
	Revenue					
72,824	Sale of goods and services	**11**	76,846	76,676	76,676	(170)
11	Investment revenue	**12**	32	-	-	(32)
49	Donations	**13**	32	-	-	(32)
-	Other revenue		99	-	-	(99)
72,884	**Total Revenue**		**77,009**	**76,676**	**76,676**	**(333)**
	Expenses					
52,200	Personnel costs	**14**	54,909	56,529	56,529	1,620
14,623	Supplies and consumables	**15**	14,521	14,081	14,081	(440)
2,261	Depreciation	**6**	2,871	2,963	2,963	92
150	Amortisation of intangible assets	**7**	422	391	391	(31)
71	Litigation costs	**17**	(147)	95	95	242
-	Impairment of property, plant and equipment	**6**	678	-	-	(678)
-	Impairment of intangibles	**7**	511	-	-	(511)
(7)	(Gains) on foreign exchange transactions	**18**	(29)	9	9	39
115	Losses on disposal of property, plant and equipment	**18**	41	-	-	(41)
-	Loss on revaluation	**18**	624	-	-	(624)
69,413	**Total Expenses**		**74,401**	**74,068**	**74,068**	**333**
3,471	**Surplus for the year**		**2,608**	**2,608**	**2,608**	**-**

The Notes to the Financial Statements on pages 8 to 29 form part of these financial statements.

PORTFOLIO OF INTERNAL AND EXTERNAL AFFAIRS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 June 2013
(Expressed in Cayman Islands Dollars)

	Contributed Capital	Revaluation Reserve	Accumulated Surplus/ (deficits)	Total Net worth (Restated)	2012/13 Original Budget	2012/13 Final Budget	2012/13 (Original vs. Actual)
	CI$000	CI$000	CI$000	CI$000	CI$000	CI$000	CI$000
Balance at 30 June 2011	**39,191**	**-**	**1,584**	**40,775**	**43,776**	**43,776**	**3,001**
Prior year adjustments	**-**	**-**	**418**	**418**	**-**	**-**	**(418)**
Restated balance at 30 June 2011	**39,191**	**-**	**2,002**	**41,193**	**43,776**	**43,776**	**2,583**
Changes in net worth 2011/12							
Equity investment from Cabinet	3,228	-	-	3,228	1,850	1,850	(1,378)
Repayment of surplus to Cabinet **(Note 29)**	-	-	(3,470)	(3,470)	(2,760)	(2,760)	710
Net revenue/ expenses recognised directly in Net worth	**3,228**	**-**	**-**	**(242)**	**(910)**	**(910)**	**(516)**
Surplus for the year 2011/12	-	-	3,470	3,470	2,760	2,760	(710)
Total recognised revenues and expenses for the year	3,228	-	-	3,228	1,850	1,850	(1,378)
Balance at 30 June 2012	**42,419**	**-**	**2,002**	**44,421**	**45,626**	**45,626**	**1,205**
Balance at 30 June 2012 brought forward	**42,419**	**-**	**2,002**	**44,421**	**45,626**	**45,626**	**1,205**
Prior year adjustments	-	-	(411)	(411)	-	-	411
Restated Balance at 30 June 2012	**42,419**	**-**	**1,591**	**44,010**	**45,626**	**45,626**	**1,616**
Changes in Net worth 2012/13							
Gain on property revaluation	**-**	7,541	**-**	7,541	-	-	(7,541)
Equity investment from Cabinet	2,000	**-**	**-**	2,000	2,000	2,000	-
Repayment of surplus to Cabinet **(Note 29)**	-	**-**	**(2,608)**	(2,608)	-	-	-
Net revenue/ expenses recognised directly in Net worth	**2,000**	**7,541**	**(2,608)**	**6,933**	**2,000**	**2,000**	**(4,933)**
Surplus for the year 2012/13	-	-	2,608	2,608	2,608	2,608	-
Total recognised revenues and expenses for the year	**2,000**	**7,541**	**-**	**9,541**	**4,608**	**4,608**	**(4,933)**
Balance at 30 June 2013	**44,419**	**7,541**	**1,591**	**53,551**	**50,234**	**50,234**	**(3,317)**

The Notes to the Financial Statements on pages 8 to 29 form part of these financial statements.

PORTFOLIO OF INTERNAL AND EXTERNAL AFFAIRS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 June 2013
(Expressed in Cayman Islands Dollars)

2011/12 Actual		Note	2012/13 Actual	2012/13 Original Budget	2012/13 Final Budget	2012/13 (Original vs. Actual)
CI$000			CI$000	CI$000	CI$000	CI$000
	CASH FLOWS FROM OPERATING ACTIVITIES					
	Receipts					
70,238	Outputs to Cabinet		71,284	68,633	68,633	(2,651)
37	Outputs to other government agencies		(65)	5	5	70
8,247	Sale of goods and services - third party		8,722	8,038	8,038	(684)
7	Interest received		18	-	-	(18)
49	Donations / Grants		32	-	-	(32)
-	Other receipts		99	-	-	(99)
	Payments					
(51,009)	Personnel costs		(56,122)	(56,529)	(56,529)	(407)
(10,891)	Supplies and consumables		(17,310)	(14,091)	(14,091)	3,219
(6,735)	Other payments		(427)	(95)	(95)	332
9,943	**Net cash provided by operating activities**	**20**	**6,231**	**5,961**	**5,961**	**(270)**
	CASH FLOWS FROM INVESTING ACTIVITIES					
(3,791)	Purchase of property, plant and equipment		(1,015)	(2,000)	(2,000)	(985)
(3,791)	**Net cash used by investing activities**		**(1,015)**	**(2,000)**	**(2,000)**	**(985)**
	CASH FLOWS FROM FINANCING ACTIVITIES					
3,138	Equity investment		2,271	2,000	2,000	(271)
-	Repayment of surplus		-	(2,608)	(2,608)	(2,608)
3,138	**Net cash provided by financing activities**		**2,271**	**(608)**	**(608)**	**(2,879)**
9,290	**Net increase/(decrease) in cash and cash equivalents**		7,487	3,353	3,353	(4,134)
14,247	Cash and cash equivalents at beginning of year		23,537	23,537	23,537	-
23,537	**Cash and cash equivalents at end of year**	**2**	**31,024**	**26,890**	**26,890**	**(4,134)**

The Notes to the Financial Statements on pages 8 to 29 form part of these financial statements.

PORTFOLIO OF INTERNAL AND EXTERNAL AFFAIRS
Notes to the Financial Statements
Year Ended 30 June 2013
(Expressed in Cayman Islands Dollars)

Description and principal activities

The Portfolio of Internal and External Affairs is a Government owned entity as defined by section 2 of the *Public Management and Finance Law (2013 Revision)* and it is domiciled in the Cayman Islands.

Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Deputy Governor as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the financial year ending 30 June 2013.

Note 1: Significant Accounting Policies

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

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of preparation
The financial statements are presented in Cayman Islands dollars and are prepared on the accrual basis of accounting, unless otherwise stated. The measurement base applied to these financial statements is the historical cost basis.

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

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget as required by IPSAS 24 including explanations of material difference between original budget and actual amounts.

The details and presentation of the Statement of Changes in Net Worth has been changed to show greater detail and to reflect changes in accounting policies and corrections of errors and omissions.

Segment reporting has been included in accordance with IPSAS 18.

Note 1: Significant Accounting Policies (continued)

(b) Budget amounts

The original budget amounts for the financial year are as presented in the 2012/2013 Annual Budget Statement and approved by the Legislative Assembly. The exact presentation of few items has been improved to supply more information and conform to future presentation.

(c) Judgments and estimates

The preparation of financial statements is in conformity with International Public Sector Accounting Standards that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

(d) Revenue

Revenue is recognised in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is recognised as a liability (unearned revenue).

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

(e) Expenses

Expenses are recognised in the accounting period in which they are incurred. Non-coercive Interagency costs are not recognised in the expenses of the accounts.

(f) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, where this is representative of the pattern of benefits to be derived from the leased property. Lease payments under operating lease, net of lease incentives received, are recognised as expenses on a straight-line basis over the lease term. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

(g) 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 from the date of acquisition.

(h) Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment and is classified as accounts receivable in these financial statements.

Note 1: Significant Accounting Policies (continued)

(i) Inventories

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

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

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

Costs are assigned to inventories using first in first out method.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance in the period when the write-down occurs.

(j) Property, plant and equipment

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

Effective July 1, 2012 the Government revalued its lands and buildings. The impact of this revaluation has been incorporated in the accounts.

In accordance with IPSAS 17, when an item of property, plant, and equipment is revalued, any accumulated depreciation at the date of the revaluation was eliminated against the gross carrying amount of the asset.

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

Asset Type	***Estimated Useful life***
• Buildings and structures	10 – 60 years
• Building fit-out (when accounted for separately)	5 – 25 years
• Leasehold Improvement	Over the unexpired period of lease or the useful life of the improvement
• Computer Equipment	3 – 10 years
• Developed software	4 – 10 years
• Office equipment and furniture	3 – 25 years

Note 1: Significant Accounting Policies (continued)

Asset Type	***Estimated Useful life***
• Motor vehicles	3 – 20 years
• Boats and marine equipment	3 – 25 years
• Cleaning, refuse and recycling equipment	3 – 15 years
• Construction and other equipment	3 – 25 years
• Telecommunications	5 - 50 years
• Books, Music, manuscripts and works of art	2 – 10 years
• Clothing	0 - 4 years
• Aeroplanes and airport/aviation equipment	5 years
• Firefighting plant and equipment	10 – 12 years
• Other equipment	5 – 20 years
• Medical and medical laboratory equipment	1 – 25 years
• Library assets	5 – 10 years
• Scientific and laboratory equipment	4 – 25 years
• Canine	6 – 8 years

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

(k) Intangible assets
IPSAS 31 (Intangible Assets) has been adopted for use and will impact the statement of financial position for a reclassification between property plant and equipment and intangible assets.

Acquired computer software licenses lasting over a year are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

The carrying value of an intangible asset with a finite life is amortized on a straight line basis over its useful life. Amortization begins when the asset is available for use and ceases at the date that the asset is derecognized. Amortization charge for each period is recognized in the statement of financial performance.

(l) 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.

Note 1: Significant Accounting Policies (continued)

Pension contributions for employees of the Portfolio are paid to the Public Service Pension Fund and administered by the Public Service Pension Board (the "Board"). Contributions of 12.384% - employer 6.192% and employee 6.192% are made to the fund by the Portfolio.

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

(m) Financial instruments

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

When there is objective evidence that a financial asset or group of financial assets is impaired the losses are recognised as an expense in the Statement of Financial Performance.

Classification

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

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

Recognition

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

Measurement

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

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

Note 1: Significant Accounting Policies (continued)

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

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

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

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

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate;
- 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.

(p) Comparative figures
The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget. Comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

(q) Revenue from non-exchange transactions
The Ministry receives various services from other government entities for which payment is made by the Cayman Islands Government. These services include but are not limited to accommodations in the central government building, maintenance and project management by the Public Works Department, fuel and vehicle maintenance from the Department of Vehicles and supplies, exemption of duties and charges from Customs and human resource management from the Portfolio of the Civil Service. The Ministry has designated these non-exchange transactions as services in kind as defined under IPSAS 23 – Revenue from Non-Exchange Transactions. When fair values of such services can be readily estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in kind. Where services in kind offered are directly related to construction of fixed assets, such service in kind is recognised in the cost of the asset.

Note 2: Cash and cash equivalents

Cash and cash equivalents include cash on hand; bank accounts in the name Portfolio of Internal and External Affairs are maintained at Royal Bank of Canada Crown Agents; and short term deposits invested with the Cayman Islands Government Treasury. The Portfolio's unrestricted cash balances as at 30 June 2012 and 30 June 2013 are presented below. No restricted cash balances were held by the Portfolio at 30 June 2013.

2011/12 Actual	Description	Foreign Currency	Exchange Rate	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
$000		$000		$000	$000	$000	$000
8	Cash on hand (IRIS Confirmation Account)	8	1.00	8	8	8	-
173	Cash in transit (IRIS Remittance Account)	414	1.00	414	173	173	(241)
12,034	CI$ Operational Account at Royal Bank of Canada	14,165	1.00	14,165	15,387	15,387	1,222
641	US$ Operational Account at Royal Bank of Canada	961	0.84	961	641	641	(320)
1	Payroll Current Account at Royal Bank of Canada	-	-	-	-	-	-
90	Bank Accounts held at other financial institutions	108	1.00	108	93	93	(15)
10,588	Treasury Internal Deposits	15,607	1.00	15,607	10,588	10,588	(5,019)
23,537	**TOTAL**	**31,263**		**31,263**	**26,890**	**26,890**	**4,373**
-	Bank Overdraft – Payroll Current Account at RBC	(239)	1.00	(239)	1	1	240
23,537	**NET**	**31,024**		**31,024**	**26,891**	**26,891**	**4,133**

Note 3: Trade receivables and other receivables

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

2011/12 Actual	Trade Receivables	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
$000		$000	$000	$000	$000
5,882	Outputs to Cabinet	5,876	5,881	5,881	279
2,547	Sale of goods and services	2,423	2,702	2,702	5
75	Outputs to other government agencies	204	72	72	(132)
(2,153)	Less: provision for doubtful debts	(2,153)	(1,780)	(1,780)	373
6,351	**TOTAL**	**6,350**	**6,875**	**6,875**	**525**

Note 3: Trade receivables and other receivables (continued)

2011/12 Actual	Other Receivables	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
$000		$000	$000		$000
1	Advances (salary, official travel, etc.)	2	1	1	(1)
20	Dishonoured cheques	4	(42)	(42)	(46)
6	Interest receivable	19	6	6	(13)
22	Other receivable	275	(14)	(14)	(289)
-	Loans	-	5	5	5
2	Inter-Entity due from	-	2	2	2
51	**TOTAL**	**300**	**(42)**	**(42)**	**(342)**

2011/12 Actual	Receivables	Trade Receivables	Other Receivable	Original Budget	Final Budget	Variance (Original vs Actual)
$000		$000	$000	$000	$000	$000
-	Current	3,995	300	4,295	6,833	3,995
5,687	Past due 31-60 days	13	-	13	-	13
-	Past due 61 and above	3	-	3	-	3
715	Past due 90 and above	2,339	-	2,339	-	2,339
6,401	**TOTAL**	**6,350**	**300**	**6,650**	**6,833**	**6,350**

Changes in the provision of doubtful debts:

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
$000		$000	$000	$000	$000
(2,153)	Balance at 1 July 2012	(2,153)	(1,780)	(1,780)	373
-	Additional provisions made during the year	-	-	-	-
-	Receivables written off during the year	-	-	-	-
(2,153)	Balance at 30 June 2013	**(2,153)**	**(1,780)**	**(1,780)**	**373**

Note 4: Inventories

The carrying amount of inventories held for distribution as at 30 June 2013 was $226,000.

There was no write down to net realisable value at the year end.

No inventories are pledged as security for liabilities.

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
$000		$000	$000	$000	$000
167	Inventory held for use in the provision of goods and services	226	167	167	(59)
-	Inventory held for sale	-	-	-	-
-	Impairment of Inventory	-	-	-	-
167	**TOTAL**	**226**	**167**	**167**	**(59)**

Note 5: Prepayments

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
$000		$000	$000	$000	$000
95	Accrued Prepayments	54	852	852	798
95	**TOTAL**	**54**	**852**	**852**	**798**

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Note 6: Property, plant and equipment

	Land	Plant & Equipment	Buildings & Leasehold	Furniture & Office Equipment	Computers Hardware	Other Assets	Infrastructure	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction/ development	Total
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
COST or OPENING VALUATION												
Balance at July 1, 2011	**2,906**	**2,577**	**20,791**	**2,598**	**1,530**	**105**	**1,639**	**4,109**	**3,543**	**3,224**	**10,317**	**53,339**
Revaluation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	238	-	54	528	-	523	919	-	-	4,584	6,846
Disposals	-		(1)	(168)	(89)	(17)	(24)	(73)	-	-	(2,930)	(3,302)
Transfers	-	20	-	89	-	-	-	-	-	-	-	109
At June 30, 2012	**2,906**	**2,835**	**20,790**	**2,573**	**1,969**	**88**	**2,138**	**4,955**	**3,543**	**3,224**	**11,971**	**56,992**
Balance at July 1, 2012	**2,906**	**2,835**	**20,790**	**2,573**	**1,969**	**88**	**2,138**	**4,955**	**3,543**	**3,224**	**11,971**	**56,992**
Revaluation	1,064	-	6,455	-	-	-	-	-	-	-	-	7,519
Additions	-	454	7,003	109	693	-	2,106	74	-	-	(10,237)	**202**
Disposals/Transfers	-	(8)	(284)	(80)	(159)	-	-	(413)	-	-	-	**(944)**
At June 30, 2013	**3,970**	**3,281**	**33,964**	**2,601**	**2,503**	**88**	**4,244**	**4,616**	**3,543**	**3,224**	**1,734**	**63,768**

ACCUMULATED DEPRECIATION	Land	Plant & Equipment	Buildings & Leasehold	Furniture & Office Equipment	Computers Hardware	Other Assets	Infrastructure	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction/ development	Total
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance at July 1, 2011	**-**	**770**	**12,147**	**1,781**	**1,358**	**1**	**1,235**	**3,448**	**458**	**432**	**-**	**21,630**
Transfers 2011/12	-	(135)	20	71	78	-	34	(21)	-	-	-	48
Impairment Reserve	-	-	-	-	-	-	-	-	-	624	-	624
Depreciation expense 2011/12	-	380	375	131	262	15	143	408	177	370	-	2,261
Eliminate on disposal 2011/12	-	-	-	(66)	(89)	(1)	(24)	(73)	-	-	-	(253)
At June 30, 2012	**-**	**1,015**	**12,542**	**1,918**	**1,609**	**15**	**1,388**	**3,762**	**635**	**1,426**	**-**	**24,309**

Note 6: Property, plant and equipment (continued)

ACCUMULATED DEPRECIATION	Land	Plant & Equipment	Buildings & Leasehold	Furniture & Office Equipment	Computers Hardware	Other Assets	Infrastructure	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction/ development	Total
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance at July 1, 2012	**-**	**1,015**	**12,542**	**1,918**	**1,609**	**15**	**1,388**	**3,762**	**635**	**1,426**	**-**	**24,309**
Transfers 2012/13	-	-	-	-	11	-	-	-	-	-	-	11
Revaluation Accumulated	-	-	602	-	-	-	-	-	-	-	-	602
Impairment Reserve	-	-	678	-	-	-	-	-	-	-	-	678
Depreciation expense 2012/13	-	280	691	125	365	15	475	371	177	370	-	2,871
Eliminate on disposal 2012/13	-	(7)	(272)	(77)	(170)	-	-	(384)	-	-	-	(910)
At June 30, 2013	**-**	**1,288**	**14,241**	**1,966**	**1,815**	**30**	**1,863**	**3,749**	**812**	**1,796**	**-**	**27,561**
Net book value 30 June 12	**2,906**	**1,820**	**8,248**	**654**	**360**	**73**	**750**	**1,193**	**2,908**	**1,798**	**11,971**	**32,682**
Net book value 30 June 13	**3,970**	**1,993**	**19,723**	**635**	**688**	**58**	**2,381**	**867**	**2,731**	**2,052**	**1,734**	**36,207**

The Impairment classified in aircraft relate to the recognition of the value of the helicopter being below that of the total costs to procure and bring the asset into service. At the time of commissioning of the asset there was other similar equipment on the market for $1.6m pounds which translated to approximately $2.6m Cayman Dollars. $782K Of work in progress relating to the drawings of the Bodden Town Emergency Response Centre was written off because current forecast and cash constraints does not allow for the resurrection of the project in the near future. The drawings were therefore deemed to have very little future economic value at this time due to the uncertainty of the timing of their use. The proposed youth facility which was transferred to the Portfolio in prior years was impaired due to the cancellation of the project and no identified use of the foundations that was built to the tune of $678K.

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Note 7: Intangible assets

	Computer Software	Assets under construction/ development	Total	Original Budget	Final Budget	Variance (Original vs Actual)
	$000	$000	$000	$000	$000	$000
COST						
Balance at July 1, 2011	**1,072**	-	**1,072**	**1,072**	**1,072**	**-**
Additions	663	-	663	-	-	(663)
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At June 30, 2012	**1,735**	-	**1,735**	**1,072**	**1,072**	**(663)**
Balance at July 1, 2012	**1,735**		**1,735**	**1,072**	**1,072**	**(663)**
Additions	457	108	565	500	500	(65)
Disposals/Transfers	-	-	-	-	-	-
At June 30, 2013	**2,192**	**108**	**2,300**	**1,572**	**1,572**	**(728)**
ACCUMULATED DEPRECIATION						
Balance at July 1, 2011	**659**	-	**659**	**658**	**658**	**(1)**
Transfers 2011/12	**-**	-	**-**	**-**	**-**	**-**
Amortisation expense 2011/12	150	-	150	-	-	(150)
Eliminate on disposal 2011/12	-	-	-	-	-	-
At June 30, 2012	809	-	809	658	658	(149)
Balance at July 1, 2012	**809**	-	**809**	**658**	**658**	**(149)**
Disposals/Transfers 2012/13	-	**-**	-	**-**	**-**	-
Impairment Reserves	511	-	511	-	-	(511)
Amortisation expense 2012/13	422	-	422	391	391	(31)
At June 30, 2013	**1,742**	-	**1,742**	1,049	1,049	**(693)**
Net book value 30 June 2012	**926**	-	**926**	**414**	**414**	**(512)**
Net book value 30 June 2013	**450**	**108**	**558**	**523**	**523**	**(35)**

Note 8: Trade payables, other payables and accruals

2011/12 Actual (Restated)	Description	2012/13 Actual (Current)	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		CI$000	CI$000	CI$000	CI$000
805	Creditors	739	4,727	4,727	3,988
1,374	Creditors Ministries/Portfolios	477	-	-	(477)
21	Creditors other government agencies	45	-	-	(45)
16	Operating Lease	6	-	-	(6)
3,897	Accrued Expenses	9,559	15,072	15,072	5,513
5,474	Accrued Expenses Ministries / Portfolios	395	-	-	(395)
(406)	Accrued Expenses other government agencies	2	-	-	(2)
346	Other Payables	555	238	238	(317)
447	Payroll deductions	400	495	495	95
11,974	**Total trade payables, other payables and accruals**	**12,178**	**20,532**	**20,532**	**5,747**

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

Note 9: Employee entitlements

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		CI$000	CI$000	CI$000	CI$000
	Current employee entitlements are represented by:				
1,517	Annual Leave	1,601	1,005	1,005	(596)
1,005	Comp Time	1,010	1,517	1,517	507
1,417	Accrued salaries and wages	301	4,521	4,521	4,220
3,939	**Total employee entitlements**	**2,912**	**7,042**	**7,042**	**4,131**

The retirement and long-service leave entitlements are calculated based on current salary paid to those employees who are eligible for this benefit.

Note 10: Unearned revenue

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000	**Current Portion:**	CI$000	CI$000	CI$000	CI$000
1	Revenue deposits	-	1	1	1
4	Other unearned revenue	-	(3)	(3)	(3)
5	**Total employee entitlements**	**-**	**(2)**	**(2)**	**(2)**

Note 11: Revenue

2011/12 Actual	Revenue type	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		CI$000	CI$000	CI$000	CI$000
64,472	Outputs to Cabinet	68,144	68,633	68,633	489
27	Outputs to other ministries and portfolios	58	-	-	(58)
-	Outputs to other government agencies	6	-	-	(6)
8,325	Outputs to third parties	8,638	8,043	8,043	(595)
72,824	**Total Revenue**	**76,846**	**76,676**	**76,676**	**(170)**

Outputs to Cabinet comprise goods delivered to and services performed on behalf of the Cayman Islands Government. During the financial years ended 30 June 2012 and 2013 the no revenue concessions were granted and off-set against the relevant revenue type.

Note12: Investment revenue

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		CI$000	CI$000	CI$000	CI$000
11	Interest on deposits held with Cabinet	32	-	-	(32)
11	**Total employee entitlements**	**32**	**-**	**-**	**(32)**

Note13: Donations

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		CI$000	CI$000	CI$000	CI$000
49	Other	32	-	-	(32)
49	**Total**	**32**	**-**	**-**	**(32)**

Note 14: Personnel costs

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		CI$000	CI$000	CI$000	CI$000
42,366	Salaries, wages and allowances	43,953	45,177	45,177	1,224
7,058	Health care	8,329	8,995	8,995	666
2,053	Pension	2,230	2,249	2,249	19
430	Leave	185	27	27	(158)
293	Other personnel related costs	212	81	81	(131)
52,200	**Total Personnel Costs**	**54,909**	**56,529**	**56,529**	**1,620**

In 2005 post Ivan the Cabinet awarded an increase in housing allowances to the Officers of the RCIPS by $500 per month. This has become an integral part of their salary package. Although the current Police Regulations in force restricts the amount the Commissioner of Police can give to officers for allowances, it does not place similar restrictions on the Cabinet or the Legislative Assembly. The amount is budgeted each year and passed into the Appropriation Act of each year.

Note 15: Supplies and consumables

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		CI$000	CI$000	CI$000	CI$000
2,196	Supplies and Materials	2,107	2,175	2,175	68
5,613	Purchase of services	5,033	5,627	5,627	594
2,029	Lease of Property and Equipment	2,056	1,936	1,936	(120)
2,850	Utilities	2,919	2,572	2,572	(347)
1,198	General Insurance	1,766	1,031	1,031	(735)
149	Interdepartmental expenses	113	108	108	(5)
181	Travel and Subsistence	174	199	199	25
348	Recruitment and Training	276	353	353	77
59	Other	77	80	80	3
14,623	**Total Supplies & consumables**	**14,521**	**14,081**	**14,081**	**(440)**

Note 16: Finance costs (Bank overdraft)

During the year the Portfolio had no finance cost on the overdraft balance charged to the accounts.

Note 17: Litigation costs

The Attorney General's Office provides litigation services to The Portfolio of Internal and External Affairs. However during the year ended 30 June 2013 the use of legal services from outside of the Government were authorised by the Attorney General's Office. The costs of these services were $168k in 2013. Provisions for legal cost and settlements are evaluated periodically based on the latest information. This resulted in a net overall credit from the reduction of the provision.

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		CI$000	CI$000	CI$000	CI$000
71	Legal Fees	(147)	95	95	(242)
71	**Total litigation costs**	**(147)**	**95**	**95**	**(242)**

Note 18: Gains / (Losses)

During the period the Portfolio disposed of derelict motor vehicles, property and equipment.

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		CI$000	CI$000	CI$000	CI$000
115	Net (gain)/loss on disposal of property, plant and equipment	41	-	-	(41)
-	Loss on revaluation	624	-	-	(624)
(7)	Net (gain)/ loss on foreign exchange transactions	(29)	9	9	39
108		**636**	**9**	**9**	**(626)**

Note 19: Revenue from non-exchange transactions

During the year ended 30 June 2013, the entity received services in-kind in the form of accommodation in the central government building. The fair value of these services cannot be determined and therefore no expense has been recognized in these financial statements.

Note 20: Reconciliation of net cash flows from operating activities to surplus

2011/12 Actual	Description	2012/13 Actual	Original Budget	Final Budget	Variance (Original vs Actual)
CI$000		**CI$000**	**CI$000**	**CI$000**	**CI$000**
3,622	Surplus/(deficit) from ordinary activities	2,608	2,608	2,608	-
	Non-cash movements				
2,110	Depreciation expense	2,871	2,963	2,963	92
150	Amortisation of intangible assets	422	-	-	(422)
-	Loss on revaluation of property	624	-	-	(624)
	Impairment of property, plant and equipment	678	-	-	(678)
	Impairment of intangibles	511	-	-	(511)
(7)	(Gain)/ Loss on foreign exchange transactions	(29)	-	-	29
115	(Gain)/Losses on sale of property plant and equipment	41	-	-	(41)
	Changes in current assets and liabilities:				
5,571	(Increase)/decrease in trade receivables	7	-	-	(7)
(31)	(Increase)/decrease in other current assets	(267)	-	-	267
531	(Increase)/decrease in other receivables	(5)	-	-	5
(2,051)	Increase/(decrease) in trade payables	(364)	-	-	364
(216)	Increase/(decrease) in other payables and accruals	162	-	-	(162)
512	Increase/(decrease) in provision relating to employee costs	(1,028)	-	-	1,028
(363)	Transfer of interagency receivables, prepayments & other non-cash receivables	-	-	-	-
9,943	Net cash flows from operating activities	**6,231**	**5,571**	**5,571**	**(660)**

Note 21: Contingent liabilities and assets

Description	Beginning Balance	Additions	Disbursements	Adjustments	Ending Balance
Legal Proceedings and Disputes	**CI$000**	**CI$000**	**CI$000**	**CI$000**	**CI$000**
Cause against the Crown	3,481	292	(76)	578	4,275
Potential Claims and Causes		-	-		
Total contingent liabilities	**3,481**	**292**	**(76)**	**578**	**4,275**

While the Portfolio has several potential legal disputes pending, it is unreasonable to estimate what if any provisions are necessary for these claims. These will be reviewed on a continuous basis to establish if provisions are necessary. In 2014, the Ministry of Home Affairs settled several significant lawsuits pending against the Portfolio.

NOTE 22: Commitments

2011/12 Actual	Description	One year or less	One to Five Years	Over Five Years	Total
CI$000	**Operating Commitments**	CI$000	CI$000	CI$000	CI$000
1,958	Non-cancellable accommodation leases	539	438	-	977
1,958	**Total Commitments**	**539**	**438**	**-**	**977**

NOTE 23: Related party and key management personnel disclosures

Related party disclosure

The Portfolio is a wholly owned entity of the government from which it derives a major source of its revenue. The Portfolio and its key management personnel transact with other government entities on a regular basis. These transactions were provided free of cost during the financial year ended 30 June 2013 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

Key management personnel

Key management personnel, defined as Ministers of the Government, are also considered to be related parties.

2011/12 Actual	Number of Persons	Description	2012/13 Actual	Number of Persons
CI$000			CI$000	
1,456	13	Salaries & other short term employee benefits	1,892	15
-	-	Other long term benefits	116	-
1,456	**13**		**2,008**	**15**

There were no loans granted to key management personnel and or their close relatives. Janitorial services totalling $6,960 for the year was procured from Affordable assistance. This organisation was declared as owned by a relative of an employee in the contracting department.

NOTE 24: Events occurring after reporting date

The Civil Service Appeals Commission's responsibilities and the Office of Telecommunications were transferred as a going concern to the Portfolio during the 2013 fiscal year. Subsequent to the reporting date three major departments, namely, Fire, Computer Services and the London Office were transferred to the Portfolio and it was renamed as the Ministry of Home Affairs following the May 2013 general elections. In addition the Legislative Assembly, Governor's and Deputy Governor's Office and the Commissions Secretariat were transferred to the Portfolio of the Civil Service as a part of the reorganisation of Government. The Government also settled a major lawsuit with Stewart Kernohan.

NOTE 25: Financial instrument risks

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

Credit risk

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

Currency and interest rate risk

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

Liquidity risk

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

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

Note 26: Financial instruments – fair values

As at 30 June 2013 and 2012, the carrying values of cash and cash equivalents, accounts receivable, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities.

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

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NOTE 27: Segment reporting

2011/12 Actual				2012/13 Actual		
National Security	Good Governance	Total		National Security	Good Governance	Total
CI$000	CI$000	CI$000	**Revenues**	CI$000	CI$000	CI$000
60,530	3,942	**64,472**	Outputs from Cabinet	61,851	6,294	**68,145**
6,312	2,100	**8,412**	Sales of goods and services & other revenue	6,901	1,963	**8,864**
66,842	**6,042**	**72,884**	**Total Revenue**	**68,752**	**8,257**	**77,009**
			Expenses			
48,912	3,288	**52,200**	Salaries and wages	51,137	3,772	**54,909**
13,252	1,479	**14,731**	Supplies and consumables	12,490	2,072	**14,562**
2,206	205	**2,411**	Depreciation and amortization	3,087	206	**3,293**
-	-	**-**	Impairment of property, plant and equipment	577	47	**624**
-	-	**-**	Loss on revaluation	511	678	**1,189**
71	-	**71**	Litigation costs and others	(187)	11	**(176)**
64,441	**4,972**	**69,413**	**Total Expenses**	**67,615**	**6,786**	**74,401**
2,411	**1,072**	**3,471**	**Net Surplus**	**1,137**	**1,471**	**2,608**
			Assets			
5,855	24,347	**30,201**	Current assets	4,779	33,414	**38,193**
29,445	4,163	**33,608**	Non-current assets	17,581	19,184	**36,765**
35,300	**28,510**	**63,809**	**Total Assets**	**22,360**	**52,598**	**74,958**
			Liabilities			
19,317	72	**19,388**	Current liabilities	21,196	211	**21,407**
19,317	**72**	**19,388**	**Total Liabilities**	**21,196**	**211**	**21,407**
15,983	**28,438**	**44,421**	**Net Worth**	**1,164**	**52,387**	**53,551**

The Portfolio reports on two segments of business. The National and Public Safety segment includes all the components in the Portfolio relating to national security and public safety. This segment includes the Royal Cayman Islands Police Service, the Immigration Department, Hazard Management Emergency Service Communications, the Her Majesty's Prison Service and the Department for Community Rehabilitation. The Good Governance segment includes those components supporting good governance and the bill of rights. These include the Governor's Office, the Chief Officer's Office, the Office of the Deputy Governor, The Commissions Secretariat, the Elections Office and the Legislative Assembly.

NOTE 28: Explanation of variances to budget

Statement of financial position

Favourable cash variance to budget has primarily been due to delays in disbursements from capital projects which were implemented later than expected. The negotiation and tender process for the custody suites resulted in significant cash flows being pushed to a later date. The revaluation of land and buildings by a net total of $7.5m above current costs is factored into the property plant and equipment. Along with the along with delays in procuring the custody suites, replacement vehicles and computers resulted in lower property, plant and machinery by over $4.7m and computer software by $0.9m.

Trade receivables from external parties to the Ministry was down by $0.15M and an additional provisions for receivable balances from prior years of $0.4M resulted in an overall favourable variance of $0.5m when compared to budget. Delayed billing in insurances resulted in prepayments being below budget by $0.8m.

Accounts payables and accrued liabilities were reduced not only because of lower than anticipated activities but also the write back of over $5m in capital charges and other liabilities.

Employee liabilities to budget are reduced due to pay out of certain liabilities such as comp time to the RCIPS and prisoner officers back pay to the prison staff which at the time of the preparation of the budget was difficult to foresee. The overall resulting favourable variance was $4.1m.

Net worth improvements above budget was as a result of surpluses accumulated from savings versus budget as well as the impact of the positive revaluation of buildings and some lands in the Portfolio. The total revaluation reserve accounted for in net worth is $7.5m.

Statement of financial performance

Revenues

A $600k favourable variance in fees from police records contributed to the increased revenues above budget. The fee was increased post budget preparation from $10 each to $25 each. This offset the shortfall in cabinet billing by $0.5M.

Expenses

Reduction in personnel costs resulted from delays in employing staff in various departments as well a decision of management not to employ for some vacancies. Personnel costs were $1.6m below budget due to vacancies.

Supplies and consumables was $440K over the budget for the year. This was primarily due to the cost of electricity being $303K more than budgeted, health cost for prisoners $446K above budget and maintenance on the aircraft at $101K above budget. Savings in investigations and post mortems of $244K various other areas offset these larger adverse variances.

NOTE 28: Explanation of variances to budget (continued)

Unbudgeted legal fees above budget of $73K was as a result of legal bills relating to current investigations as well as adjustments to the provisions for estimates of liabilities related to legal suits across the Portfolio of netted off to a credit of $147k.

The loss on revaluation of some lands and buildings totalled $0.6m as the market value of these properties was evaluated to be below the current net book value. This loss was unanticipated. Software acquired for a finger printing projects was impaired to the tune of $511K due to a lack of verifiable economic benefit as well as foundations for a cancelled project at the your facility transferred to the Portfolio prior to the revaluation exercise totalling $678K.

Cash flow statement
Cash was bolstered by delays in disbursements on property, plant and equipment by $1m and the retention of surplus of $2.6m.

NOTE 29: Surplus repayment, restated

Pursuant to Section 39 (3) (f) of the *Public Management and Finance Law (2013 Revision)* any net surplus is transferred to surplus repayable. Surplus payable represents accumulated surplus of $2.61 million as at 30 June 2013 (2012: $3.47 million).