



ANNUAL REPORT 2018

National Drug Council

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#17 Caymanian Village



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Message from Chair of Council

Dear Hon. Alden M McLaughlin Jr., MBE, JP, MLA



As the Chair of the National Drug Council (NDC) and pursuant to section 24 of the National Drug Council Law (2003 Revision), it is my pleasure to present you with the Annual Report of The National Drug Council for the period 1st January to 31st December 2018.

I want to take this opportunity to thank each of you who has supported the NDC throughout this past year and we look forward to continued success at the NDC.

Sincerely,

Mrs. Dorothy Scott
Chairman, NDC

Message from the Director

The National Drug Council (NDC) would like to take this opportunity to thank our stakeholders, friends, colleagues, sponsors and partners for your continuous support throughout 2018.

An immense thank you from the Board and staff of the NDC as we look forward to so much more in 2018!



Please visit our website at www.ndc.ky or contact us for any further information or to find out how you can further support our efforts.

Warmest Regards,

A handwritten signature in black ink, appearing to read 'Joan West-Dacres', with a long horizontal flourish extending to the right.

Joan West-Dacres

2018 HIGHLIGHTS

Strategic Highlights

- ▶ The Cayman Brac National Drug Council office was officially opened to provide full-time services to the Cayman Brac population. This is the first time the NDC has had a full-time presence in the Sister Islands.
- ▶ The NDC began the process to develop a strategic/business plan for the organisation that will ensure that the efforts are streamlined, coordinated and executed in an effective and efficient manner.
- ▶ The Cayman Islands Student Drug Use Survey (CISDUS) in its 20th year provided an opportunity to expand its support to key stakeholders and included a mental health focus not previously included. This was facilitated in consideration of the large dual-diagnosed population in the Cayman Islands.

Financial Highlights

- ▶ Through fundraising, private sector support and commitment, the NDC received CI \$16,786 in 2018 which was primarily used to support youth participation at the International Youth To Youth conference as well as the annual Purple Ribbon Bus.

Operating Highlights

- ▶ Launched Youth to Youth in Cayman Brac and held a local conference.
- ▶ Partnered with YMCA to offer Youth to Youth as an Afterschool Programme.
- ▶ Expanded National Drugs and Alcohol Facts Week (NDAFW).
- ▶ Increased the number of participants in CISDUS by engaging with additional schools/facilities.
- ▶ Developed the scope of the survey and the reporting to increase usability.
- ▶ Supported the Ministry through facilitating evaluation of CAYS Foundation.

Approximately 700 presentations were conducted between schools and the community in 2018.

Looking Ahead - 2019

- ▶ Address NDC legislation to provide for support to the functions of the organisation.
- ▶ Increase our private partnerships in education and the business sector.
- ▶ Develop a comprehensive prevention and education component to substance abuse by obtaining adequate funding.

The National Drug Council – About Us

Nature and Scope of Activities

The scope of the National Drug Council activities includes:

- **Policy and Prevention -:** To formulate policies intended to prevent or reduce drug abuse and to promote and encourage the implementation of such policies and programmes and to advise the Minister on matters of law reform relating to the misuse of drugs.
- **Surveillance, Research and Information Dissemination -:** To conduct or support surveys/research and publish reports or other documentation on drug abuse and maintain a database of information on issues related to the use, misuse and abuse of substances in the Islands;
- **Monitoring and Evaluation-:** To co-ordinate the efforts of drug abuse prevention, treatment and rehabilitation. Through monitoring and evaluation of the implementation of anti-drug programmes within the Cayman Islands.

The National Drug Council activities include

- Review and proposals for legislative/policy change and development
- Advocacy for policy change and development,
- Initiating Research initiatives,
- Publication of reports and other documentation on drug abuse

Governance

- The NDC is a statutory authority under the NDC Law (2010 Revision)

Our People

THE BOARD - (COUNCIL MEMBERS)

as at December 31st 2018

Mrs. Dorothy Crumbley, Chairman

Mr. Rayle Roberts, Vice-Chairman

Hon. Chief Magistrate Nova Hall, Member

Mrs. Esme Watler-Hydes, Member

Chief Officer, Ministry of Health, Youth, & Culture, Ex-Officio

Chief Officer, Ministry of Community affairs, Ex-Officio

Chief Officer, Ministry of Education, Employment & Gender Affairs, Ex-Officio

Minister of Finance & Economic Development, Ex-Officio

Commissioner of Police, Ex-Officio

NDC Coordinator, Mrs. Joan West-Dacres, Ex-Officio

OUR STAFF

as at December 31st 2018

Joan West-Dacres, Director, employed since September 2007

Brenda Watson, Programme Manager, employed since January 2014

Luisa McLaughlin, Research Analyst, employed since January 2008

Simon Miller, Prevention Specialist, employed since June 2000

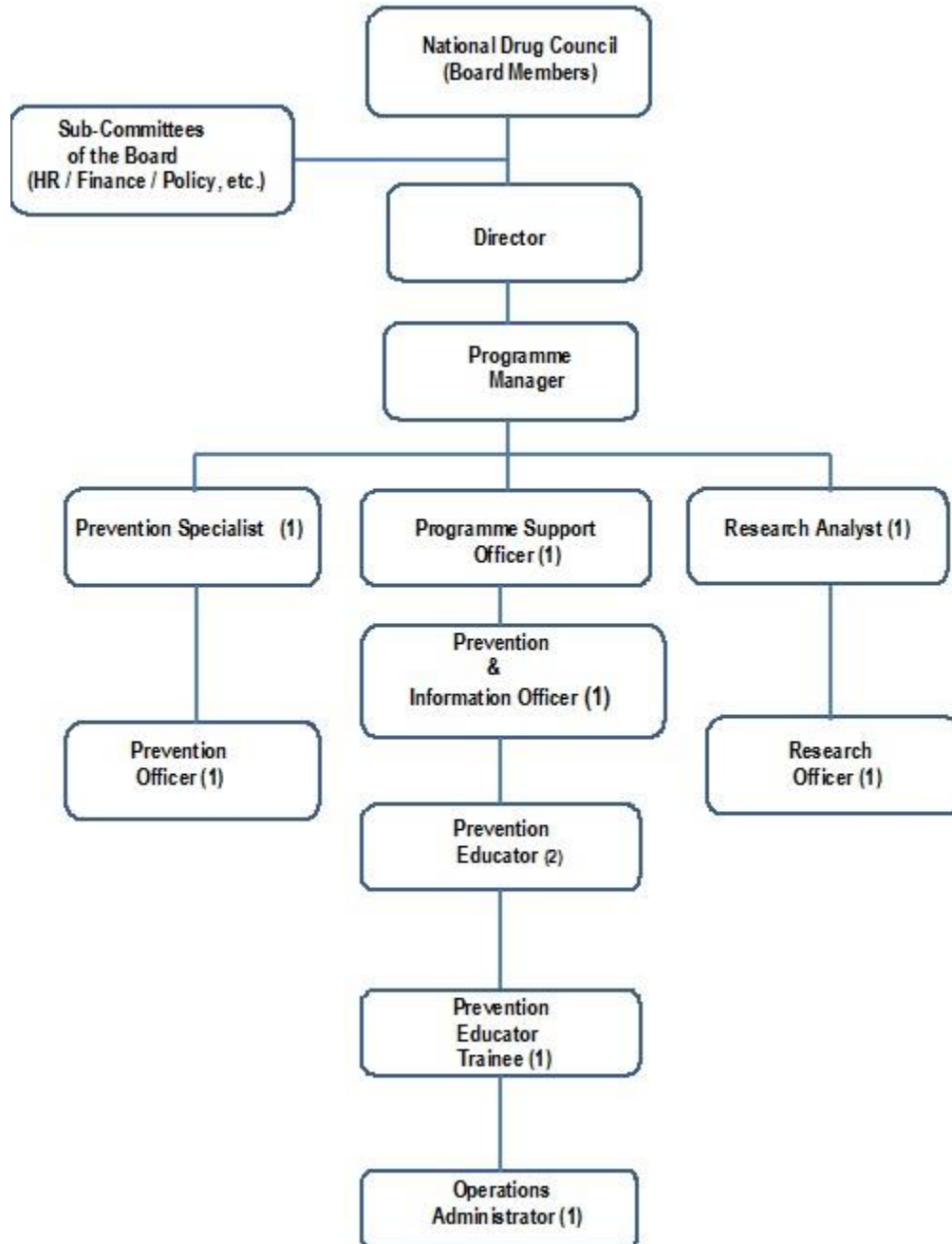
Juneau Barnett, Prevention Officer, employed since November 2016

Julianne Scott, Prevention Educator (CB), employed since December 2016

Amber Smith, Prevention Educator (GCM), employed since June 2018

Donald Hooker, Prevention Educator Trainee, employed since November 2018

ORGANISATIONAL CHART



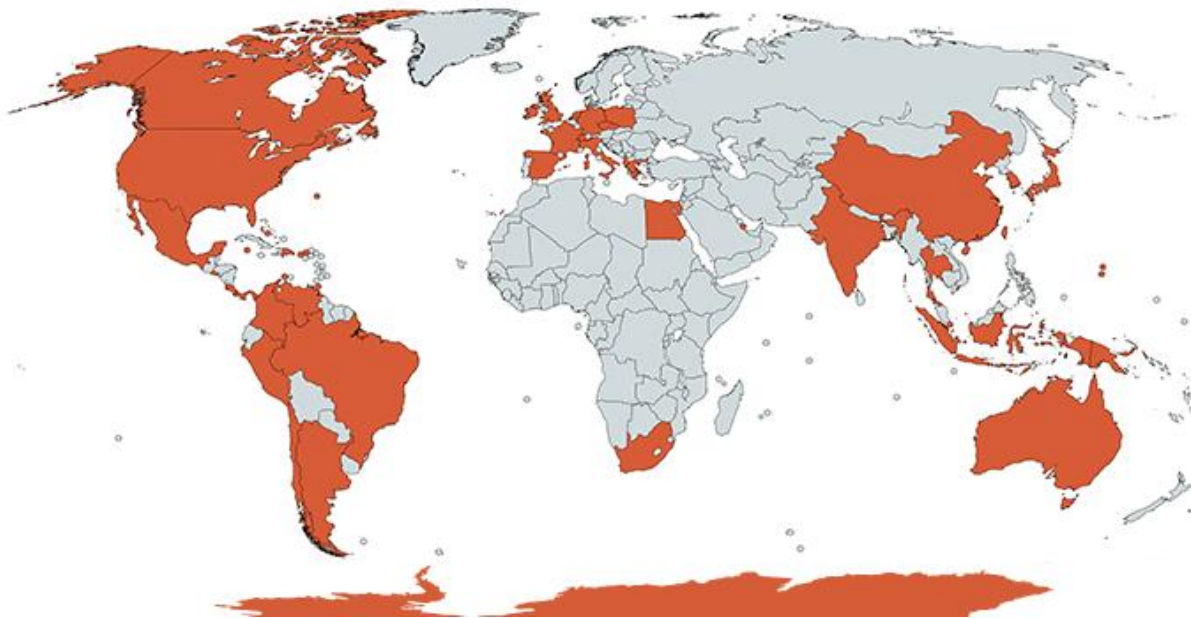
The

. NDC team is completely compiled of Caymanians with the required qualifications for their positions. Ongoing training occurs at local, regional and international forums to ensure professional development and the organisations ability to ensure best practices in its activities.

OUR EFFORTS

POLICY

Policy advocacy and development continues to be a key factor for the National Drug Council. In 2016/17 we provided significant feedback to policies as they relate to liquor licensing practices. In 2018 the NDC continued its advocacy for the revision of the relevant legislative changes and for the support to training of staff who sell and serve alcohol through TiPS (Training for Intervention ProcedureS). Proven effective by third-party studies, TIPS is a skills-based training program designed to prevent intoxication, underage drinking, and drunk driving. Over the past 35 years, TIPS has certified more than 5 million participants and trainers. TIPS training is conducted in all 50 states, the District of Columbia, and in over 50 different countries.



PREVENTION & EDUCATION

Prevention and education are fundamental to addressing the issues related to alcohol, tobacco and other substance misuse and abuse. Through ongoing presentations to youth both in and outside of academic settings, as well as through community-based initiatives in Grand Cayman and Cayman Brac, the NDC conducted approximately 700 sessions in 2018.

A local video was developed for utilization primarily in school settings which provides insight and local context to the impacts of alcohol abuse.

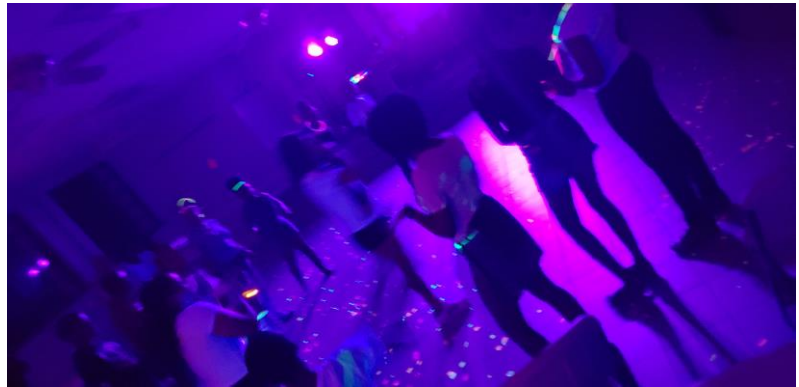
Youth 2 Youth (Y2Y)

The Youth to Youth which was founded in Columbus, Ohio in 1982 is a community-based drug prevention and youth leadership program focusing primarily on middle school and high school students. The primary goal of Youth to Youth is to harness the powerful influence of peer pressure making it a positive force that encourages young people to live free of alcohol, tobacco and other drugs. The groups in both Grand Cayman and Cayman Brac have both had increased numbers in participation in 2018, some of this growth can be attributed to the NDC's partnership with the local YMCA chapter in offering the programme as an "Afterschool" activity.



The youth have also participated in community-based activities in 2018 including:

- Volunteerism at Humane Society
- Hosted a booth at the Alex Panton Foundation Symposium
- Facilitated activities at Red Sky at Night
- Hosted fundraising activities which include glow party, car wash and bake sales.



Youth to Youth also serves for leadership building and employs a Youth Advisory Board (YAB) as a method to develop these skills. The YAB works to promote Youth to Youth's mission and educate their peers on the dangers of alcohol, tobacco and other drugs. YAB teens serve as a link between the youth, their schools and the community. YAB is a place for our teens to express ideas and opinions while building their leadership skills.

Youth 2 Youth (Y2Y) Eastern States Conference

In 2018 the NDC through commitment from private sector partnerships was able to provide five youth (3 from Grand Cayman and 2 from Cayman Brac) the opportunity to again attend the international conference. One participant was identified and participated as a team leader based on her growth and advancement in the programme over the past five years.

CAYMAN ISLANDS NATIONAL DRUGS & ALCOHOL FACTS WEEK ACTIVITIES

National Drug and Alcohol Facts Week (NDAFW) links students with scientists and other experts to counteract the myths about drugs and alcohol that teens get from the internet, TV, movies, music, or from friends. It was launched in 2010 by scientists at the National Institute on Drug Abuse (NIDA) to stimulate educational events in communities so that teens can learn about what science has taught us about drug abuse and addiction.

The culminating activity was for students to create and submit posters, photographs and or video submissions shattering the Myths of Drugs and Alcohol. Of the hundreds of submissions, winners were voted on by professionals and the winning entries in each category received prize packs.



INTERNATIONAL DAY AGAINST DRUG ABUSE AND ILLICIT TRAFFICKING

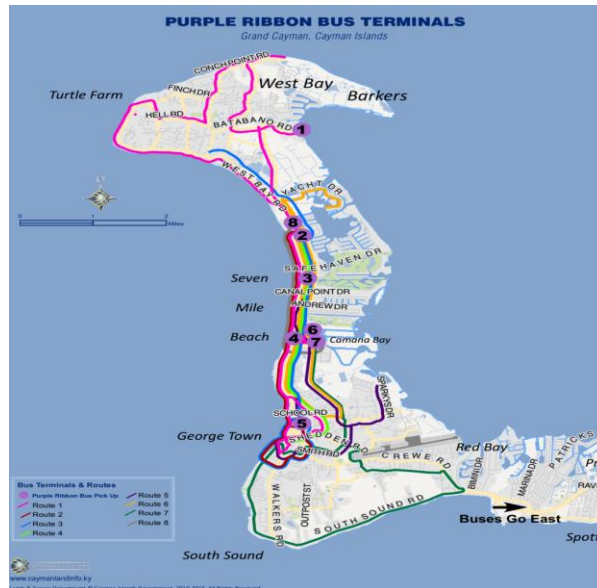
The third annual “Drug March” was held in observance of International Day Against Drug Abuse and Illicit Trafficking. In 2018 the National Drug Council invited all schools to



observe the event which was included all primary & high schools across the Cayman Islands with participation between June 12th and 29th.

PURPLE RIBBON BUS (PRB) & DESIGNATED DRIVER CAMPAIGN

This year marks eighteen (18) years since the inception of the campaign and we were pleased to have an increase in the number of overall participating bars, restaurants and clubs and extended these services to Cayman Brac.



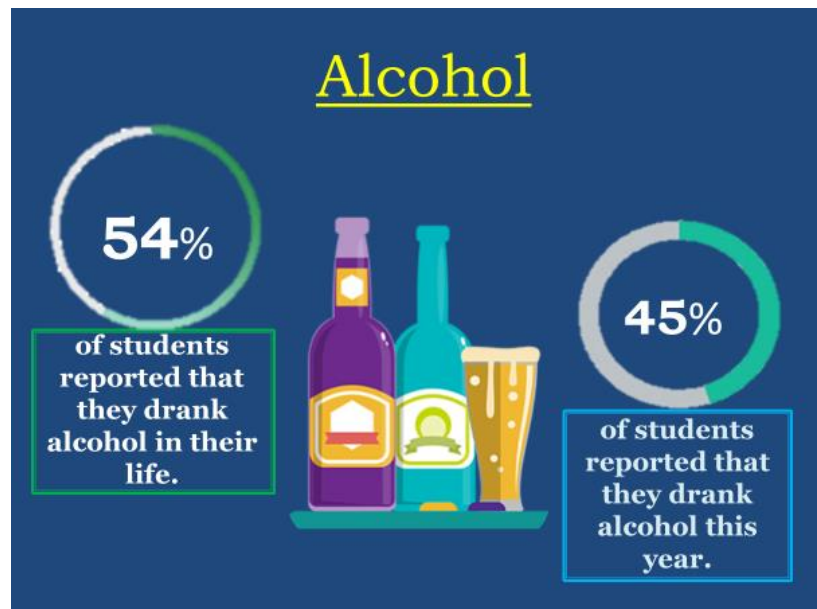
Sponsorship was graciously provided by: **Dart, Jacques Scott Group Ltd, Maples FS, EcayOnline, Caribbean Engineering Company, Foster's Food Fair – IGA, Radio Cayman, Hon. Mr. Moses Kirkconnell, Hurley's Media**, and in partnership with the **Royal Cayman Islands Police Service (RCIPS)**.

RESEARCH & INFORMATION

The NDC continuously seeks to initiate and support research in the area of substance use, misuse and abuse geared at garnering information that will inform programmes and policies. The NDC designs and administers surveys, conducts the data analysis, and writes the reports, using methodology in line with best practices.

Alcohol

The survey average for lifetime alcohol use was 54.4% (table 6). The lifetime prevalence among the district ranged from 45-56 %. The highest rates of lifetime alcohol prevalence (55% or more) were found in Bodden Town (56%), East End (55.2%) and George Town (55.3%). Districts with rates below the survey average were North Side (51.1%), West Bay (53.3%) and Cayman Brac (44.9%).



The lifetime average for boys was 52.9% and for girls 55.8%. This difference was however not statistically significant. A higher proportion for girls than boys was found in all districts. Large differences between girls and boys were observed in East End (58.9% for girls versus 47.4% for boys; a 11.5 percentage points difference) and North Side (54.5% versus 47.9%; a 6.6 percentage points difference).

Alcohol use is an excellent place to start screening for risky health behaviours for two main reasons. First, whether parents or teachers, talking with adolescents about alcohol has the potential to save lives. Drinking is associated with three top causes of death among adolescents, the first being unintentional injury, usually by car crashes, followed by homicide and suicide (CDC, 2008). Second, starting with questions about drinking can help you determine whether asking questions about other risk behaviours is a high priority. Alcohol is the drug used by the greatest

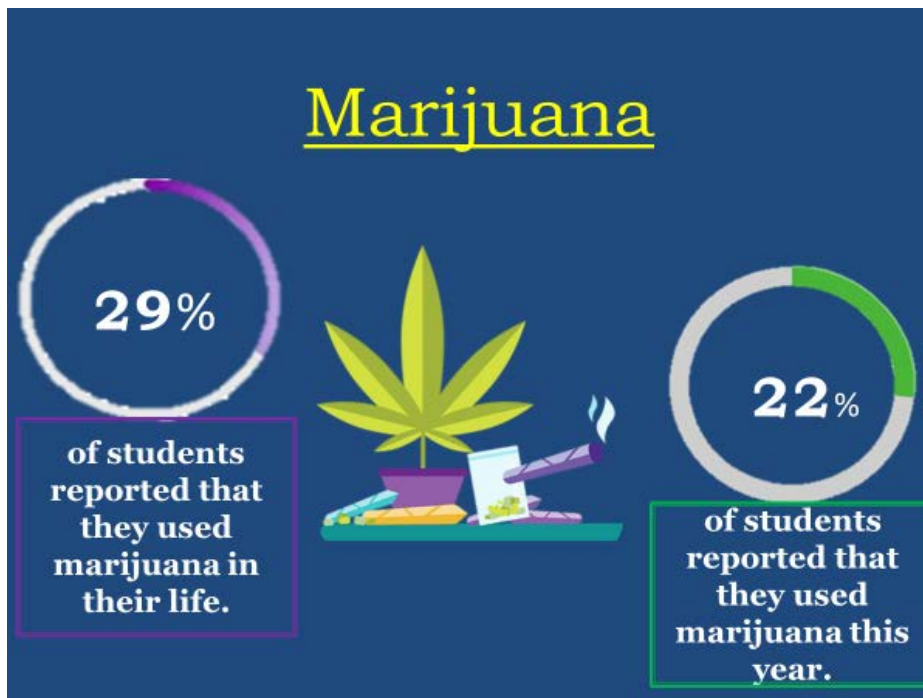
number of students in this survey and for many young people it is also the first substance they try (have access to). Youth who don't use alcohol are unlikely to use any other substances, whereas youth who are heavily involved with alcohol are at increased risk for using other substances and for other risk-taking behaviours¹.

Marijuana

The most prevalent illicit drug reported in the survey is marijuana. On average, 29.8% of the students have used marijuana at least once in their lifetime (Table 6). The district with the highest lifetime prevalence of marijuana use was East End (42.7%). Greater than 25% of students in all districts reported having used marijuana at least once in their lifetime. The lowest levels of marijuana use (26.5%) was reported West Bay.

On average, boys reported similar lifetime use as girls (29.9% versus 29.5%). This was the case in

three of the six districts with exceptions being North Side -12 percentage points difference between boys (43.8% versus girls (31.8%); East End -9.6 percentage points difference between boys (36.8% versus girls (46.4%); and Cayman Brac 4 percentage points difference between boys (28.6% versus girls (24.6%).

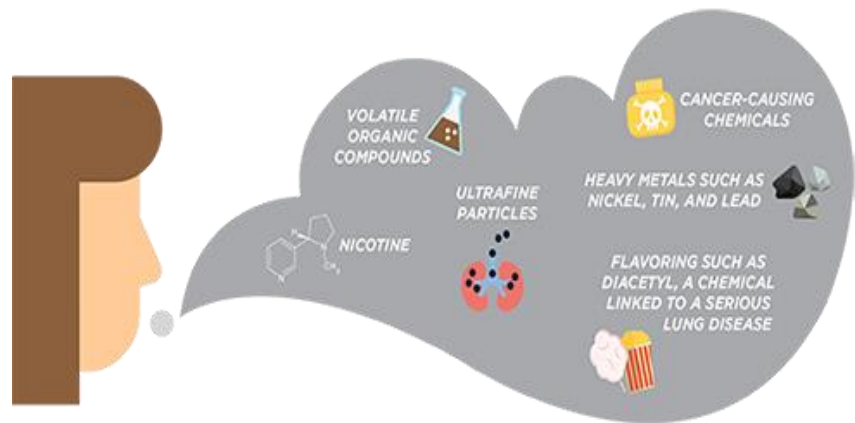


¹ <https://pubs.niaaa.nih.gov/publications/Practitioner/YouthGuide/YouthGuide.pdf>. Alcohol Screening and Brief Intervention for Youth: A Practitioner's Guide. National Institute on Alcohol Abuse and Alcoholism (NIAAA)

E-Cigarettes

Overall lifetime prevalence of e-cigarettes was 32.8% - about one in three students reported having tried e-cigarettes. The average lifetime prevalence of e-cigarette smoking was significantly different by gender: boys (35.1%) and girls (30%). Additionally, the gender rates also varied considerably in most districts and last 30 days or current prevalence difference for boys (15.3%) and girls (9.4%) was statistically significant. However, 148/345 (42.9%) of those who said there was no risk of harm were also currently smoking e-cigarettes compared to only 6.6% who felt there was great risk of harm. Important to note that 77/122 (63.1%) of current cigarettes smokers were also smoking e-cigarettes.

It is important to pay attention to the high prevalence of e-cigarettes use reported in this survey. E-cigarettes produce an aerosol by heating a liquid that usually contains



nicotine—the addictive drug in regular cigarettes, cigars, and other tobacco products—flavourings, and other chemicals that help to make the aerosol. Users inhale this aerosol into their lungs. Bystanders can also breathe in this aerosol when the user exhales into the air. It is difficult for consumers to know what e-cigarette products contain. For example, some e-cigarettes marketed as containing zero percent nicotine have been found to contain nicotine². E-cigarette aerosol can contain chemicals that are harmful to the lungs and youth e-cigarette use is associated with the use of other tobacco products, including cigarettes.

² US Department of Health and Human Services. [E-cigarette use among youth and young adults: a report of the Surgeon General](#) [PDF-8.47 MB]. Atlanta, GA: US Department of Health and Human Services, CDC; 2016.

MONITORING & EVALUATION

Evaluation is a systematic determination of a subject's merit, worth and significance, using criteria governed by a set of standards. It can assist an organization, program, project or any other intervention or initiative to assess any aim, realisable concept/proposal, or any alternative, to help in decision-making; or to ascertain the degree of achievement or value regarding the aim and objectives and results of any such action that has been completed. The primary purpose of evaluation, in addition to gaining insight into prior or existing initiatives, is to enable reflection and assist in the identification of future change.

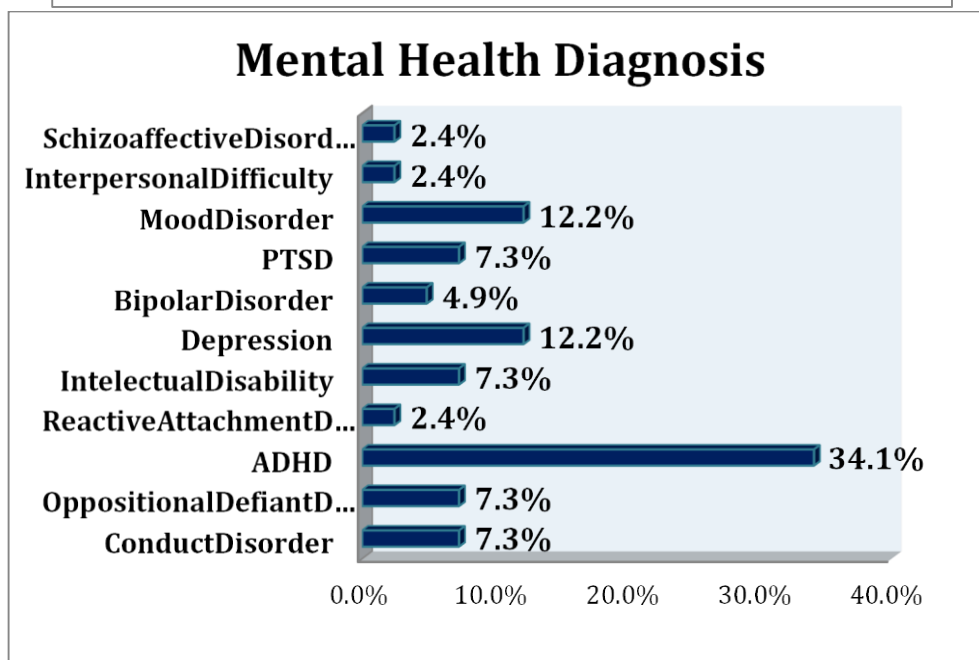
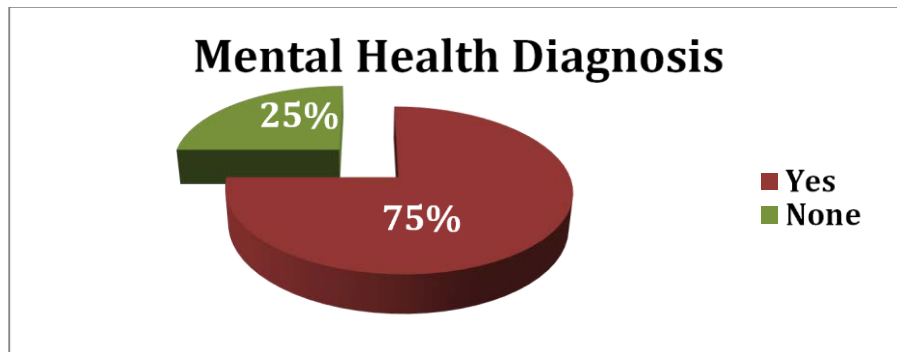
The Children and Youth Services (CAYS) Foundation was established in December 2002 as a private Government Owned Company mandated to manage and operate two Residential Homes (The Frances Boddin Girls Home and the Bonaventure Boys Home) providing 24-hour residential care for at-risk adolescents. Youth are placed in the Homes through the Department of Children and Family Services (DCFS) via Court Orders. At-Risk youth have been cared for by Children and Youth Services (CAYS) Foundation since 2002 and since the programme's inception, an evaluation had not been conducted.

It is evident that there is a need for residential services for youth in need of care and protection as well as those in conflict with the law when all other options have been exhausted. This evaluation concluded that CAYS Foundation has made significant efforts to meet the needs of the changing population of youth in residential care in the Cayman Islands despite facing many challenges along the way. With the changing of the population initially set out to be served, the Foundation has made accommodations to continuously meet the needs of its residents both physically and in review of its operations. An analysis of the data captured indicates that there are greater opportunities for success at BBH than FBCH.

The reported completion rates, feedback from participants and management indicate a need to reassess the programme's current mission, model, objectives and processes of treatment utilized and to improve the engagement of stakeholders in the continuum of care. It is evident that factors such as lack of the continuum of care, limited stakeholder commitment and lack of data affects the achievement of results. Without established mechanisms to; identify valued outcomes and indicate effectiveness management cannot truly determine its success in achieving results of the Foundation.

Francis Bodden Children's Home

The mental health and other health impairment diagnoses for the seventy-five percent (75%) of clients in care is distributed as demonstrated in the following charts.

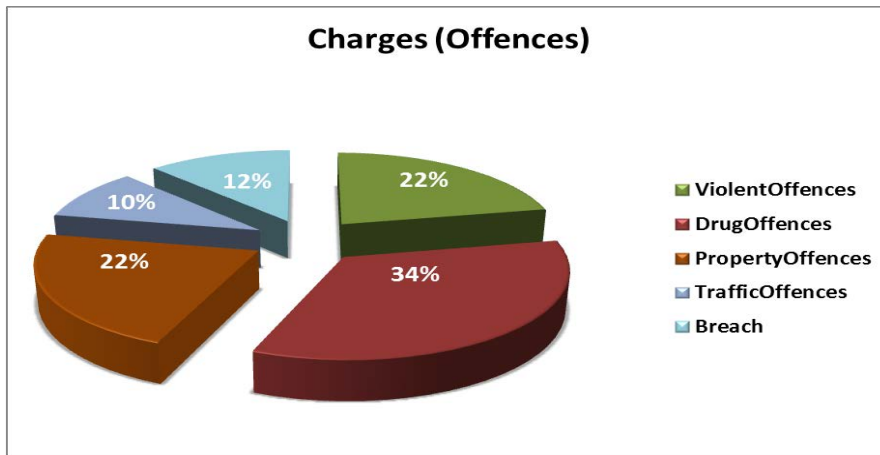


While the majority (67%) of clients presenting at FBCH are there on the basis of needing a care order, some of these clients also have criminal offences contributing to their placement. While only ten percent (10%) of FBCH clients present with charges related to drug offences, it is important to note that further assessments while in placement indicate that fifty percent (50%) present with a history of substance misuse.

Bonaventure Boys Home

Charges Frequencies

		Responses
		Percent
Charges	Violent Offences	22.0%
	Drug Offences	34.1%
	Property Offences	22.0%
	Traffic Offences	9.8%
	Breach	12.2%
Total		100.0%



It is, however, important to note that while 34% of participants presented with charges relating to drug offenses, 100% of all participants between 2015 and 2017 at BBH report with issues of substance abuse.

Management Discussion & Analysis

Challenges

The NDC continues to face the same challenges and limitations as in previous years which include:

1. **Funding** does not allow for the impacts that need to be made in our communities especially when it **relates to education and prevention materials and promotions**.
2. **Lack of an effective and defined legislative framework** to provide the NDC with the ability to function successfully. Current legislation does not support the NDC's activities or **reflect the advancement of the organisation's oversight role** for demand and supply reduction efforts in the Cayman Islands.
 - a. Areas to address in the legislation to improve functioning of the organisation include, but are not limited to:
 - i. Facilitate the collection of national data.
 - ii. Review the composition of the board.
 - iii. Reassess the functions as dictated in the law.
 - iv. Provide for the coordination of DEMAND and SUPPLY reduction efforts in the Cayman Islands.
 - v. Require for the collection, analysis and reporting of data from a National Drug Information Network (CAYDIN).
 - vi. Stipulate conducting, coordinating and providing for the oversight of data collection and reporting of psychotropic and narcotics imported into the Cayman Islands to the International Narcotics Control Board (INCB).
 - vii. Providing or coordinating the licensing of persons in the food and beverage sector of the Cayman Islands through international licensing bodies.
 - viii. Address related ill effects of substance use, misuse and abuse which would include crime.
3. **The absence of a National Anti-Drug Strategy** (a guiding strategy at a national level) to direct the efforts of drug control efforts both for supply and demand reduction.
4. **Dated legislation** in the following areas which need urgent attention and further development as follows:
 - a. **Misuse of Drugs Law (2009 Revision)** – This are of legislation is not currently up to date. The schedules for substances have not been updated in several years and should be brought up to standard.
 - b. **Precursor Legislation** – Does not exist in the Cayman Islands and in light of recent findings of synthetic marijuana by law enforcement this area needs immediate consideration.
 - c. **Prescription Drug Monitoring** – There needs to be policies/controls/legislation to mitigate the abuse of prescribed drugs. There is evidence in the Student Surveys as well as in the collection and reporting of narcotic and psychotropic drugs that suggest the misuse and abuse of prescribed drugs.

Risk Management

1. **Key risks** for the NDC are those which are organisational in nature and include:
 - a. working outside of the necessary framework required for strategically addressing the issues related to alcohol, tobacco and other drugs,
 - b. limited personnel,
 - c. inability to achieve outcomes or targets and delivery of services.

To address risks in item 1., the NDC relies on volunteers, constantly reviews its programming delivery to ensure areas of priority are addressed and works closely with stakeholders. The NDC continues to advocate for an update to the governing legislation and for the implementation of a National Anti-Drug Strategy to address supply and demand control for the Cayman Islands.

2. **Compliance risk** for reporting as required by stakeholders and CIG.
 - a. Lack of segregation of duties.

To address risks in item 2., With limited staffing and a vacancy for the administrative and financial position the NDC relies on external accounting services to ensure sound financial management. In addition, the NDC has recently had the addition of an accounting professional to the board of directors.

3. Financial Performance and analysis

- a. The audit for 2016/17 was completed and signed off prior to the legislated deadline. The NDC received an opinion which reflected that the financial statements present fairly in all material respects and that the financial position and performance of the NDC at 31st December 2017 ended in accordance with IPSAS. In January 2018 on behalf of the Standing Public Accounts Committee the NDC was awarded the Unqualified Audit Opinion Award 2015/2016.

4. Scrutiny by Parliament and Public

- a. To our knowledge no aspects of the NDC was discussed by Parliament.
- b. There were no complaints as at 31st December 2018.

5. Forward looking:

- a. Address NDC legislation to provide for support to the functions of the organisation.
- b. Increase our private partnerships in education and the business sector.
- c. Develop a comprehensive prevention and education component to substance abuse by obtaining adequate funding.

6. The NDC intends to advocate for changes to the following areas of legislation (or further development of policies in these areas):

- a. National Drug Council Law
- b. Liquor Licensing Law
- c. Misuse of Drugs Law
- d. Customs Law



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**Financial Statements
Of the**

National Drug Council

For the 2018 Financial Year

National Drug Council

Financial Statements

Year ended 31 December 2018

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**National Drug Council
Financial Statements
31 December 2018
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS**

These financial statements have been prepared by the National Drug Council in accordance with the provisions of Section 22(1) of the *National Drug Council Law (2010 Revision)* and of the *Public Management and Finance Law (2018 Revision)*. The financial statements comply with generally accepted accounting practice as defined in International Public Sector Accounting Standards.

We accept responsibility for the accuracy and integrity of the information in these Financial statements and their compliance with the *National Drug Council Law (2010 Revision)* and the *Public Management and Finance Law (2018 Revision)*.

As Chairperson and Director, we are responsible for establishing and maintaining a system of internal controls designed to provide a reasonable assurance that the transactions recorded in the financial statements are authorized by law and properly record the output transactions of the National Drug Council.

As Chairperson and Director we are responsible for the preparation of the National Drug Council financial statements and the judgments made therein.

The financial statements fairly present the statement of financial position as at 31 December, 2018, statement of financial performance, statement of changes in net worth and statement of cash flows of the National Drug Council for the year ended 31 December 2018.

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

- a) completely and reliably reflect the financial transactions of the National Drug Council for the year ended 31 December 2018 and
- b) fairly reflect the financial position as at 31 December 2018 and performance for the year ended 31 December 2018 and
- c) comply with International Public Sector Accounting Standards as set by the International Accounting Standards Board

The Office of the Auditor General, conducts an independent audit and expresses an opinion on the accompanying financial statements, which is 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.



Mrs. Dorothy Scott
Chairperson



Mrs. Joan West-Dacres
Director

Date: 3 May 2019

Date: 3 May 2019

AUDITOR GENERAL'S REPORT

To the Board of Directors and the Members of the Legislative Assembly

Opinion

I have audited the financial statements of the National Drug Council (the "Council"), which comprise the statement of financial position as at 31 December 2018, the statements of financial performance, changes in net worth and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Emphasis of Matter – Corresponding information

I draw attention to Note 19 to the financial statements which indicates that the corresponding information presented as at and for the period ended 31 December 2017 has been restated. My opinion is not modified in respect of this matter.

Other Matter relating to non-compliance with laws and regulations

The Cabinet approved additional output funding for the Council of \$7,901, which as at 31 December 2018 has not been approved by the Legislative Assembly in accordance with section 11(6) of the *Public Management and Finance Law (2018 Revision)*.

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

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

In preparing the financial statements, management is responsible for assessing the Council'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 National Drug Council or to cease operations, or has no realistic alternative but to do so.

AUDITOR GENERAL'S REPORT (continued)

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

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

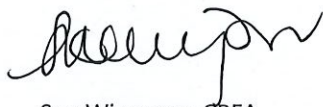
Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, I exercise professional 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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 Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the National Drug Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of section 60(1)(a) of the *Public Management and Finance Law (2018 Revision)*. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear, CPFA
Auditor General

3 May 2019
Cayman Islands

National Drug Council
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(Stated in Cayman Islands Dollars)

ASSETS	Notes	2018	Restated Note 19 2017
Current Assets			
Cash and cash equivalents	2(f)	221,427	308,158
Accounts receivable and prepaid expenses	4	230,527	152,923
Total current assets		<u>451,954</u>	<u>461,081</u>
Security deposit		5,500	5,500
Fixed assets	2(g), 3	7,138	3,071
Total non-current assets		<u>12,638</u>	<u>8,571</u>
Total assets		<u><u>464,592</u></u>	<u><u>469,652</u></u>
 LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		7,243	9,336
Accrued audit fees		15,000	15,000
Accrued accounting fees		7,080	9,025
Accrued payroll liabilities	5	32,903	16,561
Total current liabilities		<u>62,226</u>	<u>49,922</u>
 EQUITY			
Accumulated surplus		402,366	419,730
Total liabilities and equity		<u><u>464,592</u></u>	<u><u>469,652</u></u>

The accompanying notes on pages 8-23 form an integral part of these financial statements.

National Drug Council
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 December 2018
(Stated in Cayman Islands Dollars)

	Notes	2018 (12 Months)	Restated Note 19 2016/2017 (18 Months)
General surplus:			
Revenues			
Outputs to Government	6	644,781	955,000
Other income	7	16,786	42,855
Total revenues		661,567	997,855
Expenses			
Personnel emoluments	8	489,352	667,423
Rent	9	66,000	99,000
Audit and accounting fees	11	26,400	31,022
Utilities	12	16,889	25,084
Surveys and other public information projects	15	15,994	7,504
Supplies & materials		12,347	9,281
Travelling and subsistence	13	12,230	22,475
Grants & contributions – special events	14	8,316	22,329
Operating maintenance		8,251	15,250
Youth development	10	5,889	9,109
Prevention, surveys, monitoring and evaluation		5,498	14,287
Computer services		4,288	10,945
Advertising and promotion		3,855	4,133
Depreciation	3	3,622	4,408
Total expenses		678,931	942,250
(Deficit)/surplus for year/period		(17,364)	55,605

The accompanying notes on pages 8-23 form an integral part of these financial statements.

National Drug Council
 STATEMENT OF CHANGES IN NET WORTH
 For the year ended 31 December 2018
 (Stated in Cayman Islands Dollars)

	Note	Accumulated Surplus/(Deficit)	Total Net worth
Balance as at 30 June 2016		364,125	364,125
Surplus for the period - <i>restated</i>	19	55,605	55,605
Balance at 31 December 2017 - restated	19	419,730	419,730
Deficit for the year		(17,364)	(17,364)
Balance as at 31 December 2018		402,366	402,366

The accompanying notes on pages 8-23 form an integral part of these financial statements.

National Drug Council
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018
(Stated in Cayman Islands Dollars)

	Notes	2018 (12 Months)	Restated Note 19 2016/2017 (18 Months)
Operating activities			
Net (deficit)/surplus from operations		(17,364)	55,605
Adjustment for non-cash transactions:			
Prior Year Adjustment	17	-	5,500
Depreciation Expense	3	3,622	4,408
		(13,742)	65,513
Adjustments to reconcile net (deficit)/ surplus from operations to net cash provided by/(used in) operating activities:			
Increase in accounts receivables and prepaid expenses		(77,604)	(90,469)
(Decrease)/increase in accounts payable		(2,093)	4,651
(Decrease)/increase in accrued payroll liabilities		16,342	(14,794)
(Decrease)/increase in accrued accounting fees		(1,945)	4,665
Increase in audit fees		-	5,000
Net cash used in operations		(65,300)	(97,605)
Investing activity			
Purchase of fixed assets	3	(7,689)	-
Net cash used in investing activities		(7,689)	-
Net change in cash and cash equivalents		(86,731)	(32,092)
Cash and cash equivalents, beginning of period		308,158	340,250
Cash and cash equivalents, end of year		221,427	308,158

The accompanying notes on pages 8-23 form an integral part of these financial statements.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. Organization

The National Drug Council (the “NDC” or “Council”) became a statutory body in the Cayman Islands with the passage of the National Drug Council Law, 1997 and began operations on January 1, 1998. Its functions are diverse and include primary responsibility for the development, implementation and delivery of substance abuse prevention activities; the design and administration of survey and research initiatives as it relates to substance abuse and misuse in our communities; and the facilitation of monitoring and evaluation activities throughout programmes. The organization continuously monitor the situation as it relates to substance misuse and abuse in the Cayman Islands; with the aim of formulating drug prevention, treatment and rehabilitation policies and programmes. This monitoring takes place via ongoing research and the maintenance of data collected via stakeholders. The NDC operated under the Ministry of Health, Environment, Culture & Housing for the year ended 31 December 2018. During the year the NDC satisfied its mandates and obligations as agreed in the Purchase and Ownership Agreement. As at 31 December 2018, the NDC had 8 full time employees (2017: 6 employees). Since May 2017 the council has established an office in Cayman Brac with one full-time employee located there.

2. Significant accounting policies

a) *Statement of Compliance*

In conformity with the Public Management & Finance law (2018 revision), the financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Financial Reporting Standards applicable to the public sector have been used.

b) *Basis of preparation*

The measurement base applied is historical cost adjusted for revaluations of certain assets where assets are revalued. There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will have a significant impact on these financial statements other than enhanced disclosures. These financial statements have been prepared on a going concern basis and the accounting policies set out below have been applied consistently to all periods presented. The financial statements are presented in Cayman Islands dollars which is the functional currency.

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

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

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

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured. It is anticipated that

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

2. Significant accounting policies cont'd

b) Basis of preparation (continued)

IPSAS 42 will not have an impact on the NDC's financial statements, but this will be assessed more fully closer to the effective date of adoption.

c) 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.

d) Corresponding Information

The amounts for 2016/17 financial period are for an 18-month period whereas the amounts reflected for 2018 are for a 12 month reporting period and accordingly the corresponding amounts presented in these financial statements are not entirely comparable. This is as a result of a change during 2016 in the Cayman Islands Government financial year end from June to December.

e) Use of Estimates

The preparation of financial statements in accordance with IPSAS requires management to make 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.

f) Cash and cash equivalents

Cash and cash equivalents include amounts due from bank on demand and interest-bearing deposits with an original maturity of three months or less. All cash and cash equivalents are held with a bank in the Cayman Islands.

g) Fixed Assets

Fixed assets are stated historical cost less accumulated depreciation. Certain assets are donated and are recognised at their fair value at the time of receipt. Depreciation is calculated on a straight-line basis at the rates stipulated below based on the opening cost over the estimated useful lives of the purchased or donated assets as follows:

	Purchased Assets Useful Lives
Office equipment	3 years
Office furniture	6 years
Computer equipment	3 years
Computer Software	3 years
Leasehold Improvement	3 years

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2. Significant accounting policies cont'd

g) Fixed Assets (continued)

Disposals

Gains and losses on disposals of fixed assets 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.

Impairment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the period 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 for use in service.

h) Deferred grant funds and income

Donation and grant income received for specific projects are credited to income in periods in which expenses on such projects are incurred.

i) Outputs to Government

The Cayman Islands Government (the "Government") has agreed to purchase certain outputs from the NDC. These outputs include public education and information campaigns, research and statistics, policy advice and Law reform. Output revenue is recognized as income when earned. As the NDC has no other significant source of funding for its operational expense, its ability to continue as a going concern is contingent on this continued support from Government.

j) Donations (Non-exchange)

Donations are recorded when they are received, unless specifically intended for a certain fiscal year.

k) Financial Instruments

The National Drug Council is party to financial instruments as part of its normal operations.

Classification

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

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 accounts payable and accrued expenses.

Recognition

The National Drug Council recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2. Significant accounting policies cont'd

k) Financial Instruments (continued)

Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition financial assets are recorded at amortized cost using the effective interest rate method.

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.

Short term financial assets and liabilities are recorded at historical cost, which is considered to approximate amortised cost due to the short-term nature of these instruments.

De-recognition

A financial asset is derecognized when the NDC 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 expires.

l) Foreign Currency Translation

Revenue and expense transactions involving currencies other than Cayman Islands dollars are translated to Cayman Islands dollars at the exchange rates ruling at the time of those transactions. Assets and liabilities included in these financial statements are translated to Cayman Islands dollars at the rates of exchange prevailing at the balance sheet dates. Financial gains and losses arising on translation are included in the statement of financial performance.

m) Budget amounts

The original budget amounts for the financial year are as presented in the 2018 Annual Budget Statement and approved by the Legislative Assembly on 15 November 2017. Where the Budget is presented in a format that is different from the financial statements, a statement of comparison of budget and actual amounts is included in the financial statements, see note 20.

n) Expenses

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

o) Operating leases

Operating lease payments net of lease incentives received 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 incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

p) Prepayments

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

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2. Significant accounting policies cont'd

q) Employee Benefits

Employees are entitled to salaries and wages, annual leave, time in lieu and other similar benefits which are recognised in the expected 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 National Drug Council are paid to one agreed Pension Funds provider. Contributions of 5% on behalf of the employees are made to the designated funds by the Council. Employees contribute 5% from their salaries to the funds as well.

Health insurance coverage is paid by the National Drug Council for the employees of the Council. Employees must pay for any dependents covered under the plan.

r) 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.

3. Fixed Assets

	Office Equipment	Office Furniture	Computer Equipment	Computer Software	Lease Improvements	Total
<i>Cost:</i>						
Balance at 1 July 2016	41,114	35,593	39,170	19,139	24,020	159,036
Balance at 31 Dec 2017	41,114	35,593	39,170	19,139	24,020	159,036
Additions during year	1,356	-	6,333	-	-	7,689
Balance at 31 Dec 2018	42,470	35,593	45,503	19,139	24,020	166,725
<i>Accumulated depreciation:</i>						
Balance at 1 July 2016	41,114	29,443	37,841	19,139	24,020	151,557
Depreciation for period	-	3,177	1,231	-	-	4,408
Balance at 31 Dec 2017	41,114	32,620	39,072	19,139	24,020	155,965
Depreciation for year	-	2,117	1,505	-	-	3,622
Balance at 31 Dec 2018	41,114	34,737	40,577	19,139	24,020	159,587
Net book value at 31 Dec 2017	-	2,973	98	-	-	3,071
Net book value at 31 Dec 2018	1,356	856	4,926	-	-	7,138

National Drug Council
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 31 December 2018

4. Accounts receivable & prepaid expenses

	2018	2017
Accounts receivable	221,950	143,829
Prepaid expenses	8,577	9,094
	230,527	152,923

Accounts receivable relate to outputs supplied to the Ministry for which funds had not been received at 31 December 2018.

5. Accrued payroll liabilities

	2018	2017
Accrued vacation	15,273	10,133
Accrued salaries	9,780	-
Accrued other payroll liabilities	6,820	6,428
Accrued pension	1,030	-
	32,903	16,561

6. Outputs to Government

	2018	2016/2017
	(12 Months)	(18 Months)
Outputs to Government	644,781	955,000
	644,781	955,000

NDC's outputs are supplied in the normal course of business to the Ministry of Home Affairs and subsequently the Ministry of Health for 2018. The output relates to all expenses for the year based on activity and time spent on the efforts of the Council and takes into consideration office and programme supplies as well as human resource costs.

7. Other income

	2018	2016/2017
	(12 Months)	(18 Months)
Donations	11,052	34,938
Fundraising activities	4,375	6,223
Fee income	750	900
Boardroom rental	380	240
Discounts	229	554
	16,786	42,855

Donations include specific funds received from the private sector which are earmarked towards the Purple Ribbon bus service.

National Drug Council
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 31 December 2018

8. Personnel emoluments

	2018	Restated
	(12 Months)	Note 19
		2016/2017
		(18 Months)
Salaries & wages	406,073	588,722
Medical insurance	50,435	56,705
Pension	20,062	28,219
Motor car allowance	7,250	9,728
Movement in annual leave provision	5,140	(9,293)
Movement in accrued time-in-lieu	392	(6,658)
	489,352	667,423

During the ordinary course of its business, staff may perform duties beyond their normal working hours. Employees who accumulate any such time are allowed to recover it in subsequent periods when they are not busy. The policy of the NDC is that a maximum of 37.5 hours (5 days) can be taken over to the next annual year. These must be used within the first quarter of the following annual year if it is suitable to the organisation, or it will be written off. The 2018 accrued time-in-lieu reflects the number of hours brought forward and eligible for carry over into the upcoming financial year (2019).

9. Rental expense & future commitments

On 6 April 2015 the NDC entered into an agreement with International Logistics and Consulting LLC (c/o Meri Tarlova) for the premises at Caymanian Village at a rate of \$5,500 per month. Rental payments in 2018 in the amount of \$66,000 (2017: \$99,000) were made payable to Meri Tarlova. The current lease expires on the 5th April 2020. Future commitments for the 16 months total \$88,000.

10. Youth Development

Peer mentoring continues in the schools and the NDC supports this initiative through education and awareness activities as well support to the awards and the Award Ceremony. Youth to Youth is a youth empowerment movement which seeks to help youth develop leadership skills while creatively promoting a drug-free lifestyle. In 2013 the NDC reintroduced the movement to the youth of the Cayman Islands. Portions of the Government grant income have been made to support the following Youth Development projects:

	2018	2016/2017
	(12 Months)	(18 Months)
Peer Mentor	237	473
Youth to Youth	5,652	8,636
	5,889	9,109

11. Audit & Accounting fees

The fees relate to statutory audit fee and professional accountancy services amounting CI\$15,000 (2017: \$15,000) and CI\$11,400 (2017: \$16,022) for the year ended 31 December 2018.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

12. Utilities

	2018 (12Months)	2016/2017 (18 Months)
Electricity	6,246	9,826
Telephone	10,262	14,719
Water	381	539
	<u>16,889</u>	<u>25,084</u>

13. Travelling and Subsistence

Portions of the Government grant income have been made to support training and development initiatives of the Council which included participants who attended the Youth to Youth overseas conference from the local chapter of the Grand Cayman and Cayman Brac Youth to Youth Programme.

	2018 (12 Months)	2016/2017 (18 Months)
Travel expense	9,899	17,012
Staff Development	1,139	552
Executive Director Training	559	361
Prevention Officer Training	433	4,487
Administrative Training	200	-
Programme Manager Training	-	63
	<u>12,230</u>	<u>22,475</u>

14. Grants & Contributions – Special events

A portion of the Government purchases of outputs and public contributions through donations have been made to support the following significant special events:

	2018 (12 Month)	2016/2017 (18 Months)
Purple Ribbon Bus	8,316	22,329
	<u>8,316</u>	<u>22,329</u>

15. Surveys and other public information projects

Portions of the Government grant income and public contributions have been made to support the following significant surveys and other public information projects:

	2018 (12 Months)	2016/2017 (18 Months)
SPSS Expense	978	1,038
Teleform	921	820
Census and Surveys	14,095	5,646
	<u>15,994</u>	<u>7,504</u>

National Drug Council
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 31 December 2018

16. Related parties

The NDC is a statutory body of the Government of the Cayman Islands. The Council is economically dependent upon the Ministry of Health, Environment, Culture and Housing for the purchase of its services in accordance with the purchase agreement with Government. For the year ended 31 December 2018, the Council billed \$644,781 to the Government for services sold (2017: \$955,000). Of the billed amount, \$221,950 was receivable as at 31 December 2018 (2017: \$143,429). This amount is included in the accounts receivable in the Statement of Financial Position.

Key Management Personnel

There is one full time personnel on an open ended employment agreement that is considered to be at the senior management level. The total remuneration includes regular salary, pension contribution and health insurance contribution. The pension and health insurance benefits provided to key management personnel are the same to those provided for all employees. Total remuneration for the 2018 period for senior management was \$111,005 (2017 \$165,000).

Governing Council members

There are currently 10 members that make up the NDC Governing Council. No stipend is paid to any of the members (2017 \$Nil).

17. Prior year adjustment

Prior year adjustment for the period ended 31 December 2017 related to the security deposit of the rental agreement for Caymanian Village.

	2018 (12 Months)	2016/2017 (18 Months)
Prior Year Adjustment	-	5,500
	-	5,500

18. Other Disclosures

Suspected Fraud

During the year 2011/12, management became aware of suspicious activity relating to its cash balances. Specifically, an amount of around C\$ 5,500 had been misappropriated from its bank accounts. A further unquantified amount had been misappropriated through fraudulent time booking leading to wage overpayment to a former employee. The matter is under investigation with the Courts and management awaits its conclusion. During the year ended 31 December 2018 the Council has not been provided with an update on the matter.

19. Restatement for correction of prior period error

During the year ended 31 December 2018 it was identified that the time-in-lieu accrual had not been calculated in line with the Council's policies. The Council's policies state that only a maximum of 5 days

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

19. Restatement for correction of prior period error cont'd

(37.5 hours) may be carried forward at the end of the year and therefore the Council only has an obligation at period end for a maximum of 5 days.

The calculation prepared in the prior year had not applied the 5 day maximum thereby overstating the obligation of the Council by \$21,602 for the period ended 31 December 2017.

The following financial statement line items for the year ended 31 December 2017 were affected by this correction to error:

Statement of Financial Position

2017 (CIS'000)	As Originally Reported	As Adjusted	Effect of Change
Current Liabilities			
Accrued Other Payroll Liabilities	28,030	6,428	(21,602)
Total Current Liabilities	71,524	49,922	(21,602)
Equity			
Accumulated surplus	398,128	419,730	21,602
Total liabilities and equity	469,652	469,652	0

Statement of Financial Performance

2017 (CIS'000)	As Originally Reported	As Adjusted	Effect of Change
Expenses:			
Personal Emoluments	689,025	667,423	(21,602)
Total Expenses	963,852	942,250	(21,602)
Surplus for the period	34,003	55,605	21,602

Statement of Cash Flows

2017 (CIS'000)	As Originally Reported	As Adjusted	Effect of Change
Cash flow From Operating Activities			
Surplus/(Deficit) for the period	34,003	55,605	21,602
Increase in payroll liabilities	14,944	(6,658)	(21,602)
Net cash used in operations	(76,003)	(97,605)	(21,602)

Statement of Changes in Net Worth

2017 (CIS'000)	As Originally Reported	As Adjusted	Effect of Change
Accumulated Surplus at 1 July 2016	364,125	364,125	0
Surplus/(Deficit) for the period ended 31 December 2017	34,003	55,605	21,602
Accumulated Surplus 31 December 2017	398,128	419,730	21,602

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

20. Financial instrument risks

The Entity is exposed to a variety of financial risks including credit risk, exchange rate 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 (2018 Revision).

Credit risks

Credit risk refers to the risk that counterparty 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.

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 transactions, all of which are due from the Cayman Islands Government. No credit limits have been established. As at 31 December 2018, no provision for doubtful debts (2017: \$0) has been made on these receivables as management considers these debts to be recoverable in full.

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

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.

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 entity maintains sufficient cash balances held in bank accounts which enables the entity to meet its payment obligations as they are due.

National Drug Council
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 31 December 2018

21. Statement of comparison of budget and actual amounts

For the year ended 31 December 2018

	Variance Notes	2018 Actual	2018 Budget	Variance
General surplus:				
Revenues				
Outputs to Government	a	644,781	637,000	7,781
Other Income	b	16,786	17,500	(714)
Total revenues		<u>661,567</u>	<u>654,500</u>	<u>7,067</u>
Expenses				
Personnel emoluments	c	489,352	495,484	(6,132)
Rent		66,000	66,000	-
Prevention, surveys, monitoring and evaluation	d	5,498	23,500	(18,002)
Travelling and subsistence	e	12,230	15,050	(2,820)
Audit and accounting fees	f	26,400	15,833	10,567
Utilities	g	16,889	18,740	(1,851)
Computer services	h	4,288	-	4,288
Operating maintenance		8,251	8,550	(299)
Youth development	i	5,889	-	5,889
Advertising & promotion	j	3,855	-	3,855
Depreciation		3,622	2,513	1,109
Supplies & materials		12,347	8,830	3,517
Surveys and other public information projects	k	15,994	-	15,994
Grants & contributions – special events	l	8,316	-	8,316
Total expenses		<u>678,931</u>	<u>654,500</u>	<u>24,431</u>
Net (Deficit)/surplus for the year		<u>(17,364)</u>	<u>-</u>	<u>(17,364)</u>

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

21. Statement of comparison of budget and actual amounts cont'd

ASSETS	Variance Notes	2018 Actual	2018 Budget	Variance
Current Assets				
Cash and cash equivalents	m	221,427	215,800	5,627
Funds Due from Cabinet	n	222,350	144,750	77,600
Prepaid expenses and other receivables	n	8,177	6,927	1,250
Total current assets		451,954	367,477	84,477
Security Deposit		5,500	-	5,500
Fixed assets	o	7,138	5,174	1,964
Total assets		464,592	372,651	91,941
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts Payable	p	7,243	10,500	(3,257)
Accrued Vacation	q	15,273	-	15,273
Accrued Audit Fees		15,000	10,000	5,000
Accrued Salaries	r	9,780	-	9,780
Accrued Pensions	r	1,030	-	1,030
Accrued other payroll liabilities	s	6,820	19,360	(12,540)
Accrued consultancy		7,080	5,040	2,040
Total current liabilities		62,226	44,900	17,326
EQUITY				
Accumulated Surplus		402,366	215,778	186,588
Total current liabilities and equity		464,592	372,651	91,941

National Drug Council
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 31 December 2018

21. Statement of comparison of budget and actual amounts cont'd

Forecast Statement of Cash Flows	2018 Actual	2018 Budget	Variance
Net cash provided by operations	(65,300)	-	(65,300)
Investing activity			
Purchase of fixed assets	(7,689)	-	(7,689)
Net cash (used in) investing activities	(7,689)	-	(7,689)
Net change in cash and cash equivalents:			
Cash and cash equivalents, beginning of year	308,158	233,377	74,781
Net Change in Cash and cash equivalents	(86,731)	(17,577)	(69,141)
Cash and cash equivalents, end of year	<u>221,427</u>	<u>215,800</u>	<u>5,627</u>

- a. Outputs to Government (over by \$7,781) - Supplementary funding approved by Cabinet on 15 November 2018 for FY 2018 for the trainee post by Ministry of Health, Environment, Culture and Housing.
- b. Other Income (under by \$714) - Donations and fundraising events fell under expected target.
- c. Personnel emoluments variance (under by \$6,132) – In 2018, the Council budgeted for 7 full-time employees which included a vacancy for the position of Prevention Officer. The vacant post was not filled until mid-year and was filled in the capacity for Prevention Educator (lower salary scale) and not Prevention Officer. This reduced the costs to salaries, pensions, motor car upkeep and health payments. The additional employee (8) was not budgeted for but through the support of the Ministry of Health the additional post was developed, and supplemental funding received.
- d. Prevention surveys monitoring and evaluation and other public information projects variance (under by \$18,002) – The NDC reallocated funds specific to the advancement of its Cayman Islands Student Survey initiative (see note k.) Additionally funds were reallocated to the area of Youth Development specific to the Youth To Youth International Conference in 2018 (see note i).
- e. Travelling and Subsistence (under by \$2,820) – Overseas travel expenses were reduced due to sponsorship of Youth to Youth participants and limited overseas training for NDC staff.
- f. Audit and accounting fees variance (over by \$10,567) – The Council was unaware that the increased fee from the OAG in 2017 was a revised fee moving forward. The budget set for 2018 was in line with the previous 12-month budget cycles. Additional accounting support was utilised in 2018.
- g. Utilities (under by \$1,851) – The NDC continues to seek methods to reduce its utility expenses. This includes implementation of practices for the use of air conditioning, lighting and all efforts are utilised to manage usage of telephone services.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

21. Statement of comparison of budget and actual amounts cont'd

- h. Upgrades, service and support to the computer network due to failing server were undertaken in 2018 along with maintenance for the copy equipment. The previous server was approximately 10 years old and was no longer functioning at capacity. The copier required replacement of parts and the NDC had to upgrade the server to ensure ongoing operations of the organisation
- i. Youth Development represents the efforts of the organisation in its Youth To Youth, Peer Mentoring and Boys2Men Programming development. These cost in 2018 were separated from the overall theme of prevention in order to accurately demonstrate the development activities in these areas.
- j. The NDC posted ads in newspapers for recruitment of the Prevention Officer post which unexpectedly became vacant in 2018 as well as placed an ad for the Purple Ribbon Bus and Designated Driver Campaign. With the addition of the post supported by the Ministry a script was developed, and a local video was produced for use in the area of prevention and education. Signage for the NDC office in Cayman Brac was purchased for local events and office use.
- k. Surveys and Other Public Information Projects included costs related to the Cayman Islands Student Drug Use Survey administration in Grand Cayman and Cayman Brac (travel) printing of over 3,000 surveys for the administration and the final analysis and reporting. The NDC adopted a new direction for the analysis and reporting of the data to increase usability for stakeholders and the broader community. There was additional analysis of significant Mental Health findings for policy and programming development by relevant stakeholders. Reporting cost were outsourced in completion for 2018. Funds were reallocated from the line item of Prevention, surveys, monitoring and evaluation (see note d).
- l. Grants & Contributions reflects the Purple Ribbon Bus programme operated in 2018. Funds received outside of budgeted government funding but through private and corporate sector funding specifically for this event was then utilised to facilitate the programme in 2018.
- m. Cash and Cash equivalents (over by \$5,627) – Funds accrued from previous year that was budgeted for expenses in 2018 was not utilized in full.
- n. Prepaid Expenses and Other Receivables (over by \$78,850) – The NDC completes and invoice for services as they are delivered. Receivables due from Government were based on outputs delivered in the last quarter of 2018. Increased insurance and software license expenses are reflected in prepaid expenses.
- o. Fixed Assets (over by \$1,964) – New server and phones were purchased in 2018 due to significant failures in both systems.
- p. Accounts Payable (under by \$3,257) – All efforts were made to ensure that all invoices were received by the Council by close of fiscal year to ensure timely payments to vendors.
- q. Accrued Vacation (over by \$15,273) – Employees are due and expected to take leave in the year assigned. Due to staff shortages and organisational commitments employees were not always able to leave as requested in 2018.
- r. Accrued Salaries (over by \$9,780) and accrued pension (over by \$1,030)– CoLA awarded in 2018 in alignment with Cabinet approval for retro pay for 1 July to 31 December 2018 and associated pension expense of \$1,030.

National Drug Council
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

21. Statement of comparison of budget and actual amounts cont'd

- s. Accrued other payroll liabilities includes the accrual of "Time-In-Lieu" (under by \$12,540) – The variance is due to prior period correction as a result of incorrectly calculating the time-in-lieu (for the additional hours worked by the employees due to constant staff shortages). Refer to Note 19 for the effect of the restatement of the prior period amounts.

22. Subsequent events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events up to 3 May 2019 which is the date that the financial statements were available to be issued.