

# **Report of the Auditor General**

on the Work of the  
Office of the Auditor General  
and on the Accounts of the  
**Government of Bermuda**

for the Financial Years  
April 1, 2008 to March 31, 2009  
and  
April 1, 2009 to March 31, 2010

**December 2010**



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December 2010







### OUR MISSION

**The mission of the Office of the Auditor General,  
derived from its legislative mandate, is  
to add credibility to the Government's financial reporting and  
to promote improvement in the financial administration  
of all Government Departments and controlled entities  
for which the Government is accountable to Parliament.**





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The Honourable Stanley Lowe, JP, MP  
Speaker of the House of Assembly  
Bermuda

Sir:

In accordance with Section 101(3) of the Bermuda Constitution Order 1968 and Section 10 of the Audit Act 1990, I have the honour to submit herewith the Annual Report for the two years ended March 31, 2010.

Respectfully submitted

A handwritten signature in black ink, followed by a horizontal line.

Heather A. Jacobs Matthews, JP, CA, CFE  
Auditor General

Hamilton, Bermuda  
December 2010



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# 1. INTRODUCTION

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## 1.1 Reporting Authority

This is my Annual Report to the House of Assembly for the two year period ending March 31, 2010. It is issued pursuant to Section 101 of the Bermuda Constitution Order 1968 (Appendix 5) and the Audit Act 1990 (the Audit Act) (Appendix 8). As required by the Constitution and legislation, the report is addressed to the Speaker of the House of Assembly.

Previous annual reports of the Auditor General have focused not only on the work of the Office for the preceding financial year but also on the results of audits of the financial statements of Government's Consolidated Fund and other Government Funds and organizations for the same financial year. This has meant that the annual reports were not finalized until the audits were completed – typically many months after the year-end.

In order to provide as timely information as possible, I have decided to change the focus of the Auditor General's annual report. As of April 1 2011, the annual report will focus only on the work of my Office for the prior financial year, and will include the findings from any audits completed during that year. This change of focus will allow me to report reasonably quickly after the financial year is over. My target is to have my annual report ready for submission to the Speaker of the House of Assembly, the Governor and the President of the Senate by November 30 each year.

To make this change viable and to provide continuity of reporting, this report includes information about the administration of my Office for the two years ended March 31, 2010. It also reports findings from audits completed for the period from March 2009 to March 31, 2010. The previous Annual Report of the Auditor General for the year ended March 31, 2008 was tabled in January 2010 and included commentary on the administration of the Office for year ended March 31, 2008 and findings from the audits completed up to February, 2009. Hence, there are some areas of common overlap although these have been minimized to the extent possible.

In the future, I plan to release a Report on my audit of the Government's Consolidated Fund financial statements shortly after they are issued by Government. Other reports containing the results of each of my performance audits will be issued as soon as possible after completion.



I trust that the relevance and timeliness resulting from this change of reporting focus will be helpful to Parliamentarians, as they go about their deliberations, and to the general public.

### 1.2 General Comments

I assumed the position of Auditor General on September 1, 2009. Most of the work in this report was started under the auspices of my predecessor, Mr. Larry Dennis, CA. Mr. Dennis retired in 2009 after serving 31 years as Auditor General of Bermuda. In January 2010, his “services to good governance in Bermuda” were acknowledged by Her Majesty, the Queen of England who awarded him the title of CBE (Commander of the Most Excellent Order of the British Empire) in the Queen’s New Year’s Honours 2010 List. I congratulate Larry for this achievement and wish him well in his retirement.

Within the first two months of my appointment, I commissioned a formal review of the operations of my Office. The review was undertaken by a former Deputy and Acting Auditor General of British Columbia who also was a former National President of the Institute of Public Administration in Canada. The review, which included discussions with all staff, was completed in February 2010 and culminated in a formal Report. The report highlighted thirty four key recommendations to strengthen our Office and to enhance the value it provides to Parliament and the people of Bermuda.

These recommendations will be invaluable as I move to ensure that the structure, standards, policies, procedures and work programs of the Office, along with the development of our Bermudian staff, are geared to optimizing our role in improving the integrity and accountability in public financial management to the level the public expects. There is much to be done and our plans over the next two years are outlined in section 2 of this report.

### 1.3 Increased Resources for the Office

In December 2009, I met with the Parliamentary Standing Committee on the Office of the Auditor General to present and discuss my funding request for the year beginning April 1, 2010. I requested an increase in funding of \$0.5 million (over a base amount of \$2.97 million) to allow me to:

- carry out the audits of the Consolidated Fund and other Government funds and organizations on a more timely basis (assuming that the organizations present timely,

auditable and fully supported financial statements for audit);

- develop a robust performance audit program (i.e., design methodology and training for staff to conduct audits and prepare reports); and
- improve and modernize the Office's working environment (i.e., accommodation and other facilities).

I was very pleased with the Committee's positive response and recommendation to the Minister of Finance. Unfortunately, the Minister reduced the Committee's recommendation by \$126,000. Nevertheless, I appreciate the increased support provided by the Government.

## **1.4 Strategic Focus**

Since assuming my responsibilities as Auditor General, I have given much thought regarding where I wish to focus my efforts over the coming years. I have concluded that I can best serve the people of Bermuda by focusing on three broad areas:

- promoting the availability of accurate and comprehensive financial information to support decision making;
- examining (and where necessary making appropriate recommendations) on the extent to which Government programs are designed and carried out with due regard to value-for-money (i.e., economy, efficiency and effectiveness) in accordance with legislation and regulations; and
- reviewing the extent to which Government ministries and departments are measuring and reporting on the effectiveness of their programs (i.e., what the programs are supposed to achieve versus what they are actually achieving).

These three areas are discussed in section 2 of this report.

## **1.5 Matters of Special Importance**

The results of matters arising during our audits of the Consolidated Fund, Government-controlled organizations, other public funds, parish councils and aided schools are highlighted in section 3 of this report. Matters of special importance include the following:

- Consolidated financial statements for the whole of Government
- Financial statement discussion and analysis

- International Financial Reporting Standards
- Working with the Parliamentary Committee on the Public Accounts
- Concern regarding the appropriate value of certain development projects
- Recommendations outstanding
- Late financial reporting and qualified or denied audit opinions
- Pension contributions and taxes in arrears

### **1.5.1 Consolidated financial statements for the whole of Government**

The Consolidated Fund of the Government of Bermuda is the entity through which the majority of Government business is carried out. It is into this Fund that taxpayers pay revenue such as Payroll Tax, Customs Duties and Land Tax, and from which the Government funds its many programs such as public education, public transportation, financial assistance and public works.

However, a large and increasing amount of Government business is transacted through other public funds and Government-controlled organizations. Examples of such organizations are the Public Service Superannuation Fund and the Bermuda Housing Corporation.

The recommendations of the Public Sector Accounting Board and the Accounting Standards Board of the CICA (which are promoted by the Institute of Chartered Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda) are the source for the disclosure basis of accounting. According to Generally Accepted Accounting Standards, *Financial statements should provide an accounting of the full nature and extent of the financial affairs and resources which the Government controls, including those related to the activities of its agencies and enterprises.*

The standard goes on to state that:

- *Government financial statements should consolidate the financial statements of organizations comprising the Government reporting entity, except for Government business enterprises.*
- *The Government reporting entity should comprise the organizations that are controlled by the Government.*

The standard defines “control” as being the power to govern the financial and operating policies of another organization with

expected benefits or the risk of loss accruing to the Government from the other organization's activities.

The previous Auditor General had for some time called upon Government to prepare and issue consolidated financial statements for the whole of Government. I strongly endorse this recommendation.

In a report tabled in December 2006, the Parliamentary Standing Committee on the Public Accounts also endorsed the need for consolidated financial statements for Bermuda. The Minister of Finance has indicated a commitment to provide consolidated statements and I am hoping that this will be achieved for the year ended March 31, 2011. When it happens, it will represent a significant enhancement of Government's accountability.

Until consolidated financial statements are produced, however, there is a risk that users of the financial statements of Bermuda's Consolidated Fund may mistakenly view them as the consolidated financial statements of the Government.

To assist in avoiding misunderstandings, I have continued the former Auditor General's practice of including the following explanatory paragraphs in my auditor's report on the Consolidated Fund's financial statements for the year ended March 31, 2009:

*As described in Note 2, these financial statements represent the financial transactions of the Consolidated Fund and have been prepared primarily to provide accountability for the financial resources appropriated by the Legislature of Bermuda. These financial statements are not the summary consolidated financial statements, as contemplated by the Institute of Chartered Accountants of Bermuda and the Canadian Institute of Chartered Accountants, that would report the financial position and results of operations of the Government of Bermuda. Significant financial activities of the Government occur outside the Consolidated Fund.*

*In the absence of consolidated summary financial statements for the Government of Bermuda, I am of the opinion that the financial statements of the Consolidated Fund are intended and used to represent for all practical purposes the financial position of the Government of Bermuda and the results of its operations, its change in net debt and its cash flows. As such, in my opinion, the accounting policies used to prepare these*

*financial statements are inappropriate to present fairly the financial position of the Government of Bermuda and the results of its operations, its changes in net debt and its cash flows.*

### **1.5.2 Financial statement discussion and analysis**

Annual financial statements are, and will continue to be, a key accountability document for Government. However, financial statements alone cannot provide the breadth of information needed for users to fully understand Government finances.

The Canadian Institute of Chartered Accountants (CICA) has issued a Statement of Recommended Practice (SORP) entitled “Financial Statement Discussion and Analysis”. It states that a Government's (annual) report should include financial statements and financial statement discussion and analysis.

The SORP indicates that the purpose of Financial Statement Discussion and Analysis (FSD&A) is to expand on and explain information contained in financial statements, making them more understandable to the general public.

The SORP suggests that FSD&A should include:

- a. a highlights section that provides a brief, concise summary of the significant events affecting the results and financial position reflected in the financial statements; and
- b. an analysis section that:
  - (i) includes information on known significant risks and uncertainties inherent in the Government's financial position and changes in financial position, and briefly outlines the strategies, policies and techniques adopted to manage those risks and uncertainties;
  - (ii) identifies and explains:
    - significant variances between current year actual results and budget;
    - significant variances between current year actual results and prior year actual results; and
    - changes that have occurred but that are not readily apparent from the quantitative analysis; and

- (iii) includes an analysis of significant trends related to financial assets, liabilities, net debt, tangible capital assets, net assets, revenues, expenses / expenditures, net revenues and cash flows.

I strongly endorse the idea of Government publishing a Financial Statement Discussion and Analysis document at the same time as it publishes its financial statements. If the FSD&A were done in conjunction with consolidated financial statements for the whole of Government as previously discussed, this would represent another significant enhancement of the Government of Bermuda's accountability.

***Recommendation No. 1:***

***Government should develop and publish a Financial Statement Discussion and Analysis document at the same time as its annual financial statements. (Appendix 2 – No. 6)***

**1.5.3 International Financial Reporting Standards**

International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), are global accounting standards that require transparent and comparable information in financial statements and other financial reporting.

Both Canada and Bermuda will be adopting IFRS as generally accepted accounting standards for publicly accountable enterprises. This move to IFRS will also have some impact on the accounting standards to be followed by some Government-controlled organizations.

The Introduction to Canadian Public Sector Accounting Standards, as amended in October 2009, directs Government organizations as follows:

- Government business enterprises are to follow the standards that apply to publicly accountable enterprises in the CICA Handbook – Accounting. As of January 1, 2011, the applicable standards will be IFRS.
- Government not-for-profit organizations are to follow the standards for not-for-profit organizations in the CICA Public Sector Handbook – Accounting.
- Other Government organizations are to consider the needs of the users of their general purpose financial statements

in determining whether standards in the CICA Public Sector Accounting Handbook or IFRS are more appropriate.

For those organizations which must or choose to adopt IFRS, it must be done for fiscal years beginning on or after January 1, 2011.

In accordance with the Canadian Public Sector Accounting Standards, it is expected that the financial statements of at least one Government business enterprise will be prepared in accordance with IFRS in the coming year.

### **1.5.4 Working with the Parliamentary Committee on the Public Accounts**

The Parliamentary Committee on the Public Accounts (the PAC) is a committee of five members and is chaired by a member of the Opposition.

The members of the PAC are:

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Mr. Everard T. Richards, JP, MP, Chairperson	Shadow Minister of Finance
Mrs. Patricia J. Gordon Pamplin, JP, MP	Shadow Minister of Public Works
Mr. Walter M. Lister, JP, MP	Member of Parliament
Ms. Lovita F. Foggo, JP, MP	Government Whip
Mrs. P.K. Minors, JP, MP	Member of Parliament

The PAC is assisted by the Deputy  
Clerk to the Legislature Mr. Clark  
Somner

---

According to the Standing Orders of the House of Assembly, the PAC is to examine, consider and report on:

- (i) the accounts showing the appropriation of the sums granted by the Legislature to meet the public expenditure of Bermuda;
- (ii) such accounts as may be referred to the Committee by the House; and
- (iii) the report of the Auditor for any such accounts.

After the audited financial statements of the Consolidated Fund and the Auditor General's annual report are tabled, the PAC reviews them and issues a report to the House of Assembly. Those reports ask the Minister of Finance to respond to recommendations contained therein.

The PAC tabled its report in March 2009 covering the previous Auditor General's 2005 to 2006 Annual Reports, a copy of which is included at Appendix 4. The Committee did not disagree with any of the recommendations in the Auditor General's Reports, and specifically endorsed several.

The Minister of Finance provided a detailed response to the House of Assembly on the 2005 and 2006 Annual Reports on March 13, 2009. The Minister's response is also included in this report at Appendix 4.

At March 31, 2010 the status of the Consolidated Fund's financial statements, the Auditor General annual reports and responses thereto is as follows:

	2009	2008	2007	2006	2005
Consolidated Fund Audit completed	Yes	Yes	Yes	Yes	Yes
Financial Statements tabled in the House	Yes	Yes	Yes	Yes	Yes
Auditor General's Annual Report issued	No	Yes	Yes	Yes	Yes
PAC Report issued	No	No	No	Yes	Yes
Minister of Finance's Reply issued	*	*	*	Yes	Yes

\* Note: The Minister cannot reply until the PAC issues its report.

An effective PAC is an important factor in the work of an Auditor General. If the Committee and the Auditor General continue to work together to achieve timely, public discussion of the Auditor General's reports and effective follow-up of the Auditor General's recommendations, the positive impact of the Auditor General's work will be significantly enhanced.

In the introduction to my comments, I discussed a change in focus which would result in my annual and other reports being more timely and useful. I will continue to encourage and support the PAC to meet on a regular basis, subject to available resources, to increase the effectiveness of Parliamentary oversight.

#### **1.5.5 Concern regarding the appropriate value of certain development projects**

As explained in Section 3.2.1 of this report, our audit of the Consolidated Fund financial statements for the year ended March



31, 2009 revealed deficiencies in internal controls in the management of various major capital development projects. I was unable to determine whether the underlying value of the recorded assets was appropriate. As a result, I issued a qualified audit report on the Fund's financial statements for the year ended March 31, 2009.

### **1.5.6 Recommendations outstanding**

I inherited some 70 recommendations from the previous Auditor General which had not been satisfactorily implemented as at January 2009, some dating as far back as 1993 (see Appendix 2 of this report). As well, this report contains some new recommendations. These recommendations are designed to correct serious internal control deficiencies or to significantly enhance processes, procedures, accountability and Government performance.

The Auditor General is not empowered to implement recommendations. It is the responsibility of the Permanent Secretaries, Department Heads, Board Members and Chief Executive Officers to take these recommendations seriously and to oversee their implementation at the earliest opportunity unless there is a legitimate reason why the recommendations cannot or should not be implemented.

Because other priorities consumed my limited resources, I was not able to review the current status of the recommendations outstanding, although I have deleted a few of the recommendations where they are clearly no longer valid. Going forward and subject to a proposed Memorandum of Understanding between my Office and the Department of Internal Audit, it is intended that the Department of Internal Audit will follow up on each of the recommendations outstanding to ascertain:

- (a) whether the organization to which the recommendation was addressed agrees with the recommendation (and, if not, why not);
- (b) the current status of implementation of the recommendation; and
- (c) to the extent that the recommendation was not fully implemented, the action plan for implementation (including dates).

Based on the feedback received from the Director of Internal Audit, I will decide on the best course of action regarding the recommendations.

Additionally, as indicated above, I will continue to support the PAC in its role of holding officers accountable for their timely implementation of our recommendations.

#### **1.5.7 Late financial reporting and qualified or denied audit opinions**

There has been a marked improvement in the quality and timeliness of information presented to us for audit with respect to the 2009 Consolidated Fund financial statements. As a result, my audit opinion regarding the statements was issued on October 4, 2009, earlier than has been the case in recent years. Unfortunately, although the financial statements were available for tabling in the House of Assembly shortly after that date, they were not tabled until December 16, 2009. This delay is not in keeping with the principles of transparency and accountability.

#### ***Recommendation No. 2:***

***The Minister of Finance should table the annual financial statements of the Consolidated Fund in the House of Assembly and release them to the public as soon as they are finalized. (Appendix 2 – No. 7)***

The improvement in the quality and timeliness of the Consolidated Fund information did not, however, extend to the Government-controlled entities, other funds, parish councils and aided schools' financial statements. In total, there are 38 (out of 40) funds, controlled organizations, parish councils and aided schools that are at least one year behind in their financial statements. The 38 entities collectively have 110 financial years of financial statements to produce.

The failure to prepare financial statements and submit them for audit (within at least twelve months of the year end) is totally unacceptable and represents a fundamental failure in both the governance and management areas of responsibility. In those cases where financial statements have been submitted on a timely basis, I fully acknowledge that the limited capacity of my Office in some cases has contributed to the delays. As explained in Section 3.5, I am aware of, and support, initiatives in place to rectify the situation with respect to Parish Councils but still find it necessary to repeat my predecessor's recommendation regarding this serious deficiency.

Of grave concern is the deplorable and unacceptable state of accounting and reporting of the Government's pension funds. The funds hold in excess of \$1 billion of investments and other public assets which fall under the administrative responsibility of

the Ministry of Finance.

As the former Auditor General stated in his annual reports, although financial statement audits are not designed to detect fraud, they can help to deter fraud. When financial statement audits are as far in arrears as some of the Government-controlled organizations, public funds, parish councils and aided schools, this deterrence is lost. Weak internal and accounting controls and delayed audits create opportunities for misappropriation and fraud to occur and remain undetected.

Aside from the risk of fraud, late financial reporting indicates that there is a fundamental lack of compliance with legislative requirements for accountability and effective governance. Without timely accurate and reliable financial information, decision-making is severely compromised and resources cannot be effectively managed.

In a March 2009 report to the House of Assembly, the Parliamentary Standing Committee on the Public Accounts recommended that *“an intense effort be undertaken by the Accountant-General’s department to ensure that (financial statements) are submitted on a timely and correct basis and that the entities are held accountable for bringing their outstanding audits up to date”*.

***Recommendation No. 3:***

***The Permanent Secretaries responsible for the organizations concerned and the respective Boards should take all possible steps to bring financial statement preparation up to date as soon as possible. (Appendix 2 – No. 8)***

During the audit period covered by this report (April 1, 2008 to March 31, 2010), there were 34 sets of audited financial statements issued by Government-controlled organizations, other funds, parish councils and aided schools. Of the auditor’s reports issued, 8 had opinions denied and 11 had qualified opinions. The significance of denied and qualified audit opinions is explained in Section 3.1 of this report. But, in a general sense, they mean that all is not well and that, typically, appropriate, sufficient documentary support for amounts recorded in the financial statements is not available.

This is not surprising, given the time that has passed between transactions taking place and the financial statements being prepared for audit. In the short term, even with significant effort to bring financial statements up to date, there are likely to be many more opinions qualified and denied.

In my view, it is important to reduce the backlog. In recognition of the fact that there are a number of circumstances which have resulted in this backlog, I intend in the first instance to dialogue with the appropriate accounting officers with a view to determining the way forward. However, I will not rule out issuing timelier denials of opinion on those entities that do not comply with statutory requirements to provide auditable accounts by a specific date.

### **1.5.8 Pension contributions and taxes in arrears**

Despite the efforts of the Director of Social Insurance and the Tax Commissioner over the years, arrears of pension contributions as well as payroll and land taxes have grown. The following figures represent Pension Contributions (at July 31), and Payroll and Land Tax (at June 30) which were greater than 90 days in arrears:

Year	2009	2008	2007	2006	2005	2004	2003	2002	2001
	(Millions of Dollars)								
Pension Contributions	18.1	15.9	14.8	14.4	15.4	14.9	9.2	13.1	11.0
Payroll Tax*	25.4	23.8	24.1	17.8	14.5	17.0	16.2	9.6	8.8
Land Tax	<u>14.7</u>	<u>11.6</u>	<u>10.8</u>	<u>10.0</u>	<u>8.2</u>	<u>7.0</u>	<u>5.7</u>	<u>4.6</u>	<u>4.2</u>
	<u>58.2</u>	<u>51.3</u>	<u>49.7</u>	<u>42.2</u>	<u>38.1</u>	<u>38.9</u>	<u>31.1</u>	<u>27.3</u>	<u>24.0</u>

*\*Excludes estimated assessments for employers who have not filed tax returns in the current year*

These amounts would be even greater if uncollectible accounts were not written off. When taxes are written off, Government loses revenue. When pension contributions are not collected, employees lose pension benefits for which they have made contributions. Timely collection of outstanding revenue by Government helps to reduce the need for borrowing along with its associated finance costs.

A number of outstanding recommendations in Appendix 2 deal with aspects of this important issue and I look forward to pursuing the recommendations with those responsible for their implementation.

## **1.6 Audit Committee**

The Audit Committee established under Section 5 of the Audit Act 1990 reviews my reports. The Committee's role includes reviewing and discussing with me drafts of my public reports, and communicating to Cabinet any matters the Committee believes should be brought to Cabinet's attention. This helps ensure that Cabinet is aware of, and not surprised by, the contents of my public reports.

The members of the Audit Committee who reviewed this report are:

Name	Position	Employer
Mr. Raymond C. Medeiros, FCA, JP, Chairman	Retired Partner	
Mr. Kirk L. Davis, CA, MioD, Deputy Chair	President & CEO	Pin High Limited
Mr. Larry Mussenden, LLB, ED, JP	Partner	Mussenden Subair
Mr. Ottiwell Simmons, JP	Consultant	
Mr. Andrew Griffith, CPA	Chief Financial Officer	BAS Group
Mr. Cyril H. Whitter, Jr.	President & CEO	Independent Management Ltd.

### 1.7 Acknowledgements

I want to express my sincere appreciation for the work and professionalism of my staff, without whose dedicated efforts I would have been unable to discharge my legislative responsibilities and complete this report. I also want to thank them for supporting and embracing the changes that are being implemented with respect to how the Office operates. I look forward to the next year with much anticipation.



Hamilton, Bermuda  
December 2010

Heather A. Jacobs Matthews, JP, CA, CFE  
Auditor General

## 2. THE OFFICE OF THE AUDITOR GENERAL

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### 2.1 Legislative Mandate

The mandate of the Office of the Auditor General is provided by the Bermuda Constitution Order 1968 and the Audit Act 1990 (Appendices 5 and 8). The Auditor General is the auditor of all Government departments and offices, the Senate, the House of Assembly, the Public Service Commission and the Courts. The revenues and expenditures of these entities flow through the Consolidated Fund. The Auditor General also audits the Government's pension and other public funds, and all Government-controlled entities.

### 2.2 Audit Mission

The Auditor General serves Parliament and the people of Bermuda by providing independent, objective audit opinions and recommendations on the accountability and overall management performance of Government. This work includes the audit of the financial statements of Government and its organizations, as well as examinations related to Government accountability and performance. The recommendations that result from our work are intended to help Government enhance its management and accountability practices.

The mission of the Office, which is derived from the legislative mandate, is:

*to add credibility to the Government's financial reporting and to promote improvement in the financial administration of all Government departments and controlled entities for which the Government is accountable to Parliament.*

Financial statement audits address the first part of this mission - to add credibility to the Government's financial reporting. That credibility is provided by the auditor's report attached to each set of financial statements tabled in the House of Assembly. Financial statement audits also generate recommendations for improved financial reporting and control, and are the source of most of the recommendations in this report. The second part of the mission – promoting improvements in financial administration – is addressed partly by performance audits.

### **2.3 Importance of Oversight by the House of Assembly**

The oversight role by Members of the House of Assembly is critical. Members carry out an important role in our system of governance by holding Government accountable for the economical, efficient and effective use and management of public money. In order to do so, they need access to relevant and accurate information and independent assurance that the information is reliable.

The Audit Act 1990 provides Parliament with strong support for holding Government accountable for the annual delivery of over \$1 billion in programs and services to and for the people of Bermuda and how it manages billions of dollars in revenues, assets and liabilities. Unlike any other organization in Bermuda, the Auditor General is able to provide independent and objective public reports on the accountability and overall administrative performance of Government. The Auditor General's mandate is broad and covers audits of the financial statements of the Government as well as Government's delivery of programs and services and its performance reports thereon. The Auditor General's role is key to Government transparency and accountability and vital to the process of democratic Government.

Public appetite for accountable and transparent Government is increasing. Parliamentarians and the public want to be informed about the short and long-term financial health of the country. They are also concerned about whether public business is being conducted fairly and ethically and whether the operations of Government are being carried out efficiently and effectively. We believe that the public has a keen interest, in the answers to the following questions, relating to Government's performance:

- Is Government achieving its financial objectives and managing its financial affairs according to sound financial and management controls?
- To what extent are Government programs achieving their planned results and taxpayers receiving good value for their money?
- Is Government carrying out its business in accordance with appropriate standards of conduct and in compliance with legislation and regulations governing its activities?

A strong system of accountability with meaningful public performance reporting by Government, in answer to all these questions, is critical if Government is to be held accountable as our system requires.

## **2.4 Strategic Focus**

As noted in the Introductory Comments, we intend to focus on three main areas:

- promoting accurate and comprehensive financial information;
- examining value for money in Government programs; and
- reviewing Government measurement and reporting of program performance.

### **2.4.1. Promoting accurate and comprehensive financial information**

Having an accurate and comprehensive picture of Government finances is essential for those making key decisions about Government activity and for the public's understanding of the financial impact of Government activity. It is also required under Generally Accepted Accounting Principles for the public sector.

However, financial statements can be quite complicated and on their own may be insufficient to provide the understanding required. The Public Sector Accounting Board of the CICA has recommended that a Financial Statement Discussion & Analysis document should be prepared and published by Governments along with Consolidated Financial Statements, presenting:

- a summary of the significant events that affected the financial statements;
- a discussion of the significant risks and uncertainties underlying the financial statements; and
- an analysis of annual variances and trends focusing on a number of key "Indicators of Government Financial Condition".

We will encourage Government to provide the required information and the Auditor General will provide an audit opinion on the consolidated financial statements when they are produced by Government.



The Auditor General will supplement Government's public financial information where it is considered necessary and practical to do so.

### **2.4.2. Examining value for money in Government programs**

Such examinations are known as value-for-money or performance audits. They may be investigations into particular areas where poor management is suspected or systematic audits covering key areas of Government activity. Performance audits provide assessments of how well Government and its organizations are managing the key risks associated with delivering programs and services.

In the past, the Office has not been sufficiently resourced on a regular basis. We need to build the capacity of the Office to undertake such examinations as permitted by the Audit Act 1990. In the short term, this will entail developing an appropriate methodology, as well as hiring additional staff and providing training. The performance audits we plan to undertake will cover many types of examinations across different parts of the public sector.

### **2.4.3 Reviewing Government measurement and reporting of program performance**

Having clear, measurable objectives and then measuring and reporting on the extent to which those objectives have been met are critical components of achieving value for money. If ministries and departments do not have clear plans and objectives it is difficult to imagine that they can truly be managing public money wisely.

The Auditor General intends to carry out a general review of what ministries and departments are doing to plan, measure and report on their performance and then recommend a way forward.

## **2.5 Critical Success Factors**

To achieve our strategic focus, we must pay attention to the factors that are critical to our Office's ability to carry out its work in the most efficient and effective manner. Critical to our success will be:

- **Credibility:** Our work must be done in an efficient, effective and professional manner.

- ***Independence***: Our Office must be independent from political parties and our work must be carried out with an objective state of mind.
- ***Relevance***: Our work program must be relevant to the needs of the public.
- ***Capacity***: We must have the human and other resources required to complete our work effectively.
- ***Working environment***: Our workplace environment must support our audit process and help make the Office an attractive place to work.

It is important to understand that our critical success factors are interlinked. Our credibility is affected by our capacity (i.e. whether we have the right resources to do the job and do it well), our independence (perceived or actual), our objectivity and the relevance of our work to the public.

#### **2.5.1. Credibility**

##### **The Challenge**

To maintain our credibility it is essential that our reports and opinions are considered to be accurate and reliable. We achieve this by ensuring that our work is conducted in conformity with generally accepted auditing standards promoted by the Institute of Chartered Accountants of Bermuda as prescribed by the CICA.

##### *Generally accepted auditing standards*

Generally accepted auditing standards are used by auditors to ensure the appropriateness of auditing procedures in relation to the audit objectives to be attained, the quality and extent of their application, and the suitability of the resulting auditor's report.

These standards require auditors to plan and perform audits to obtain reasonable assurance whether financial statements are free of material misstatement. They require an examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, and an assessment of the accounting principles used, any significant estimates made by management, and the overall financial statement presentation. Generally accepted auditing standards recognize that management is responsible for preparing financial statements, and that auditors are responsible for expressing opinions on those statements based on their audits.

This means that we must have in place appropriate and robust audit methodologies to ensure that our work is meeting the demanding requirements of Canadian Auditing Standards (now converging with International Auditing Standards).

This is why our work takes time to complete. We also have to provide the entities we audit an opportunity to respond to our findings although the findings and conclusions in the reports are ours and ours alone to make.

### **The current status**

The Office uses the Practice Engagement Manual (PEM) issued and maintained by the CICA. The PEM is a comprehensive guide to conducting audits, reviews and other assurance and compilation engagements. The Office also uses Case-Ware, a Canadian document management software package that integrates with PEM.

In a move to converge with international standards, the Canadian Auditing and Assurance Standards Board has adopted 36 International Standards on Auditing as Canadian Auditing Standards and one standard on quality control. These standards come into effect for engagements with periods ending on or after 14 December, 2010, except the Quality Control standard, which came into effect on 15 December, 2009.

It is critical that the Office understand the impact of these new standards and take the necessary steps to fully comply with them. With respect to the new Quality Control standard, the Office needs to understand the requirements, document how its own policies and procedures comply with the standard, and if necessary, introduce new policies and procedures.

Similarly, with respect to generally accepted accounting standards, there has been a tremendous amount of change in recent years, compounded by the soon-to-be-introduced International Financial Reporting Standards (discussed in the Auditor General's Comments). It is also critical that the Office understand these new accounting standards.

While various staff members have attended a variety of courses over the last three years, the core training needs of the Office (i.e., what staff need to know to be able to carry out their work to the standards required by the Office) have not been identified. Consequently, there has not been a structured training programme to help staff keep abreast of current developments in auditing and accounting standards.

The methodology that we have used in the past for performance audits (what we used to call management systems audits) needs to be updated to reflect general evolution of such work and to reflect recent changes in auditing standards.

**Plans for the next two years**

We plan to introduce a customized staff appraisal system and formal development programs. We will also define the core training needs of the Office and develop a training program which covers the key areas (as discussed under “capacity” below).

We will formally implement a risk based financial statement audit methodology to ensure compliance with the new Canadian Auditing Standards and the new Quality Control Standard. The new standards require auditors to perform truly “risk-based auditing” which is a fundamental shift in methodology and approach. We need to ensure that we have in place a learning program for staff at all levels to assist them as they re-think the way they approach audits. Risk based auditing, which will require an annual risk assessment of our entire audit universe, will result in increased audit effectiveness and efficiency if properly executed.

We will review and update our performance audit methodology to ensure that it provides adequate guidance to staff who may be inexperienced in the conduct of such audits and that it is in accordance with the new Canadian auditing standards.

**2.5.2 Independence and objectivity**

**The Challenge**

The value of what we do relates directly to the public’s confidence in our ability to undertake our audit work, free from the influence of others (notably Government organizations which are the subject of our audits). Accordingly, a significant challenge for us is to ensure that our independence and objectivity remain intact.

Independence is vital to the effectiveness of an Auditor General. Unless he or she is, and is seen to be, completely independent of those whose affairs are being audited, his or her credibility and effectiveness are compromised.

It is also critical that the Auditor General’s staff carry out their work with an objective mindset.

### **The current status**

The Bermuda Constitution Order (the Constitution) and the Audit Act 1990 (the Audit Act) together provide a sound legislative framework to ensure our independence.

Section 88 of the Constitution addresses the appointment, term, dismissal and independence of the Auditor General. A Regulation under the Constitution delegates responsibility to the Auditor General for hiring, employing and disciplining staff (Appendix 7). Further, Section 34 (4) of the Standing Orders of the House of Assembly (Appendix 6) creates a Select Standing Committee of five members of the House of Assembly responsible for reviewing the Office's annual budgets, staffing needs and salaries, thereby reducing the risk that those we audit can impair our effectiveness by withholding needed resources.

Section 18 of the Audit Act states clearly that in the exercise of her functions, the Auditor General is not subject to the direction or control of any other person or authority. However, through a number of administrative connections to Government, the fact is that the Government is in a position, if it so chooses, to significantly constrain and compromise our operations through the budget process by limiting our resources including staff, funding and accommodations. It has been acknowledged elsewhere in this report that we have received some support over recent months with respect to our funding request. But this support does not remove the structural issue regarding independence.

The objectivity of the Office is preserved by many checks and balances we have instituted to guide how we carry out our work. We monitor closely the state of our objectivity to safeguard the value of the Office's audits. These steps are time consuming to apply but absolutely necessary if we are to maintain the quality of the Office's work and continue to instill public confidence in our audit findings and recommendations. Not only is such objectivity required by the standards of the auditing profession, it is also fundamental to the Auditor General's role.

### **Plans for the next two years**

We plan to pursue with the Parliamentary Standing Committee on the Office of the Auditor General the establishment of the Office as a legal, independent entity and will seek the official assignment of authority to enable the Office to operate its own bank account, payments and payroll systems and to negotiate and be responsible for its own accommodation arrangements.

We also plan to pursue the amendment of the Audit Act 1990 to modernize certain provisions in keeping with best practice for legislative audit offices.

### **2.5.3 Relevance**

#### **The Challenge**

The third challenge is to ensure that our work is of the highest relevance to the House of Assembly and the public by focusing on issues that matter to them. Over time, we should be looking not only at cases of possible waste or fraud but also examining on a cyclical basis, all major areas of Government activity.

Unfortunately, the breadth of public sector activities far exceeds the Office's capacity to undertake a performance audit of every significant area within Government, even over many years. The challenge for us is to provide as much coverage as possible across Government to keep the public and Members of Parliament informed, within our financial constraints, while maintaining our high standards.

#### **The current status**

The current focus of our work has been to clear the backlog of financial statement audits. Performance audits have had to be scheduled around the financial statement audit work. This approach is not sustainable in the long term, and we need to build a group of staff dedicated exclusively to performance audit work.

#### **Plans for the next two years**

In the past, the Office has devoted significant time and attention to the audits of parish councils and other organizations whose accounting records are woefully out of date (sometimes by a number of years). While this is not an acceptable situation, there are other areas where the resources available to the Office should be focused. As stated above and hopefully with additional resources, we plan to focus more of our attention on the establishment of a robust performance audit program. In this way, we believe we will maximize the value of our Office to Parliamentarians and the people of Bermuda.

### **2.5.4 Capacity**

#### **The Challenge**

The fourth, and currently perhaps most pressing, challenge is to maintain our capacity. Fundamental to our capacity to carry out audit work that is relevant and credible is the number of audit professionals on staff and their collective knowledge, skills and abilities. But also important are the audit methodologies we employ, the quality of staff training and professional development we provide, and the efficiency and effectiveness of

our management processes and administration systems.

Auditing is a knowledge-based business. The Office needs experienced staff skilled in audit and accounting practice as well as having expertise in the subject matter of our audits. Given the broad range of audits we expect to undertake, it will be very challenging for us to develop and maintain this technical capacity from year to year. Our organization structure and our staffing numbers have remained fairly static for many years despite our demanding and ever-increasing workload. As an example, the Consolidated Fund audit with its increasing complexity consumes the majority of our audit staff for at least five months each year but our staffing levels have been virtually unchanged. Similarly our job descriptions have not been reviewed or updated to meet changing requirements and do not clearly differentiate between positions at different levels.

### **The current status**

It is unclear whether the Office has the right number and mix of staff because there has not been a detailed analysis of the knowledge, skills and abilities required to carry out the financial statement and performance audit work of the Office nor has there been an analysis of the knowledge, skills and abilities of existing staff. We recognize, however, that if we can establish such a competency, it would guide our recruiting, retention and training efforts and, if used in audit scheduling, would help provide assurance that the audit work was being carried out by the appropriate level of staff.

In recent years, although the Office has supported as best as it can requests from staff members for specific training, it has not had a structured training program, nor the funding designed to ensure that staff are up to date with constantly changing standards. Keeping staff current with Canadian accounting and auditing standards will become more challenging given the advent of International Financial Reporting Standards in 2011. We anticipate having to spend more on training in the next few years than has been the case in the past.

For many years, the Office has been reliant on importing its professionally qualified staff from overseas on a contract basis. These professionals have served the Office well and will continue to do so. However, we are most encouraged and delighted with the success of Bermudian Zaynab Brown who passed the CPA exams in 2009 and was immediately promoted to the post of Staff Auditor II.

**Plans for the next two years**

We have already begun the process of restructuring our Office and addressing the competencies required by all levels of staff. This is necessary not only to support our workload but to ensure that we meet the new standards including quality control standards. Critical to our success is the prioritization of hiring and training young Bermudian accountants. Success in this area could have lasting benefits not only for this Office but also for Bermuda as a whole.

We will be reviewing our job descriptions and related job grades. As mentioned earlier, we plan to introduce a customized staff appraisal system and development plans. We will also define the core training needs of the Office and develop a training program that covers the key areas.

**2.5.5 Working environment**

**The Challenge**

The last major challenge is to ensure our key resources – our staff – have the tools and support they need to pursue excellence in their work. The necessary tools and support include up-to-date computer systems and appropriate work space.

**The current status**

Some years ago, the Office was forced by Government to move to its current premises. Besides compromising its independence, the move has resulted in the Office working in totally inadequate and insecure premises considering the extent of confidential information retained in the Office's audit files.

While it is important to update the Office's computer equipment on a regular basis, we believe that generally the office does provide the necessary equipment for existing staff.

**Plans for the next year**

The Auditor General will continue to work with the Parliamentary Standing Committee on the Office of the Auditor General and with Government to secure more appropriate accommodation for the Office.

## **2.6 What We Achieved**

During the period March 2009 to March 31, 2010 we completed 5 financial statement audits as listed below. Much of the focus during March 2009 to October 2009 was placed on the audit of the Consolidated Fund which due to its size and increasing complexity consumed most of our time. We also completed one Special Report and an investigation into financial irregularities in W&E which was referred to the Bermuda Police Service for



further investigation. As at March 31, 2010, we had 39 financial statement audits and two Special Reports in progress.

### **Audits Completed During the Reporting Period**

	Consolidated Fund	2009
<b>Government-Controlled Organizations</b>		
Bermuda Hospitals Board		2008
Bermuda Land Development Company Limited		2008
CedarBridge Academy		2008
West End Development Corporation		2009

Note: Statements included in Appendix 9

## **2.7 2008/09 and 2009/10 Statement of Operations**

The following statement of operations of the Office of the Auditor General for the years ended March 31, 2009 and March 31, 2010 reflects actual expenditures and revenues for those periods and the budgeted amounts for the year ended March 31, 2010:

	Actual 2008/09	Actual 2009/10	Budget 2009/10
<b>CURRENT ACCOUNT</b>	\$	\$	\$
<b>EXPENDITURES</b>			
Salaries, training and recruiting	1,832,373	1,918,522	1,922,418
Professional services	540,476	660,341	644,000
Rentals	265,225	331,335	270,000
Annual report and compilation	79,382	1,711	60,000
Commonwealth Auditors' Conference 2008	133,651	-	-
Receipts credited to Programme	-	(92,212)	-
Materials and supplies	25,406	20,110	19,000
Travel and hospitality	17,857	15,967	14,500
Maintenance	11,735	21,721	22,000
Communications	11,101	15,676	20,600
Small equipment purchases	<u>12,856</u>	<u>1,709</u>	<u>1,000</u>
<b>Total Current Expenditures</b>	<b><u>2,930,062</u></b>	<b><u>2,894,880</u></b>	<b><u>2,973,518</u></b>

**CAPITAL ACQUISITIONS**

Office furniture/equipment	<u>8,670</u>	<u>14,418</u>	<u>34,627</u>
<b>REVENUES</b>	<u>732,109</u>	<u>511,998</u>	<u>716,200</u>

Expenditures

During 2008/09 and 2009/10, the most significant area of current expenditure relates to salaries and professional services. Professional service expenditures represent fees paid for services from local accounting firms for secondments and agent work. A 22% increase in the cost of professional services in 2010 relates to increased rates for professional services to assist in clearing the backlog of audits. Receipts credited to programme represents funding provided by a Ministry for the completion of a specific Fund audit.

Revenues

Revenues comprise audit fees charged for audit services provided by the Office of the Auditor General during the year. During 2010, audit revenues decreased by 30% due to a combination of increased complexity of some audits requiring greater time commitment and a lack of resources to conduct audits.

**2.8 Internal Audit**

I am very pleased that our role has been augmented by the formal establishment of the Department of Internal Audit under the direction of Heather Thomas, CPA, CFE. Mrs. Thomas has returned home after a highly successful Internal Audit career in the U.S. spanning 18 years – most recently as a Global Internal Audit Manager with a major international telecommunications company. Mrs. Thomas was appointed to the post of Director of Internal Audit on September 1, 2009 and has already made a significant impact. I am also encouraged that Parliament has recognized the important role of Internal Audit, having recently enacted the Internal Audit Act 2010 on February 25, 2010. The Auditor General and Director of Internal Audit enjoy a very strong working relationship and this will be solidified by the signing of a Memorandum of Understanding. This bodes well for the Government as we join forces to promote good governance.



## **3. AUDIT OBSERVATIONS & RECOMMENDATIONS**

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### **3.1 Reservations in audit reports**

Section 9(2)(a) of the Audit Act 1990 ( Appendix 8) requires the Auditor General to report annually on any reservation of opinion in auditor's reports on financial statements.

#### **3.1.1 Reservation of audit opinion**

Under generally accepted auditing standards, an auditor must express a reservation of opinion if the financial statements are affected by a departure from generally accepted accounting principles (GAAP), or if there has been a scope limitation.

#### **Departure from GAAP**

A departure from GAAP may occur when the financial statements are prepared using an inappropriate accounting treatment, when there is an inappropriate valuation of an item in the financial statements or when there is a failure to disclose essential information or to present information in an appropriate manner. In any of these cases, the auditor's reporting objective is to inform the reader about a departure from GAAP that materially affects the financial statements. A reservation of opinion is the method of achieving this objective.

#### **Scope limitation**

The term "scope limitation" is used to describe the circumstances where the auditor has been able to conduct his or her examination in accordance with generally accepted auditing standards, except that he or she has not been able to apply all the tests and procedures considered necessary in the circumstances. The result is that he or she does not have sufficient appropriate audit evidence to form an opinion as to whether the financial statements are presented fairly in accordance with generally accepted accounting principles. This situation may occur even though the entity is satisfied with a particular matter. The auditor, however, is unable to perform an audit procedure he or she considers necessary and is, therefore, unable either to support or refute the organization's position.

When the auditor has a scope limitation, his or her reporting objective is to inform the reader that he or she has been unable to perform specific tests and procedures and obtain certain audit evidence. Accordingly, he or she is unable to determine whether there is a departure from generally accepted accounting principles that affects the financial statements. A reservation of opinion is the method of achieving this objective.

#### **Types of reservations**

A reservation of opinion may take the form of:

- (a) a qualified opinion, where the auditor forms a positive opinion on the financial statements as a whole, but qualifies that opinion with respect to a departure from generally accepted accounting principles (GAAP) or a limitation in the scope of his or her examination;
- (b) an adverse opinion, where the auditor forms an opinion that the financial statements are not presented fairly in accordance with GAAP; or
- (c) a denial of opinion, where the auditor is unable to form an opinion on the financial statements because of a limitation in the scope of his or her examination.

#### **Reservations of audit opinion between March 1, 2009 and March 31, 2010**

During the period covered by this report, the Auditor General issued 3 qualified opinions on the financial statements of the following entities for the fiscal years indicated:

- Consolidated Fund – 2009 (see report section 3.2.1)
- Bermuda Hospitals Board – 2008 (see report section 3.3.6)
- CedarBridge Academy – 2008 (see report section 3.3.12)

## **3.2 Audit of the Consolidated Fund**

The Consolidated Fund accounts for the financial affairs of Bermuda's ministries, departments, Legislature and other offices. The audited financial statements of the Consolidated Fund are included in Appendix 9.

The Accountant-General's Department operates the Government's central payments, payroll and revenue recording systems. Individual departments are responsible for maintaining their own accounting records and controls, and ensuring that their financial information on the central systems is accurate and complete. At year-end, they report to the Accountant-General's Department such information on accounts receivable, accounts payable and other balance sheet amounts needed to prepare the Consolidated Fund's annual financial statements.

The Public Treasury (Administration and Payments) Act 1969 requires the Accountant-General to sign and deliver the accounts of the Consolidated Fund to the Minister of Finance and the Auditor General by July 31 of each year. The Minister may approve an extension of the statutory deadline to September 30.

Note 3 to the Consolidated Fund financial statements for the year ended March 31, 2009 explains that the recommendations of the Public Sector Accounting Board and the Accounting Standards Board of the CICA (which are promoted by the Institute of Chartered Accountants of Bermuda) are the basis for the significant accounting policies applied to the Consolidated Fund financial statements.

The Office of the Auditor General conducts its work in accordance with Canadian generally accepted auditing standards which are also the auditing standards used in Bermuda.

#### **3.2.1 The results of our audit of the Consolidated Fund financial statements for the year ended March 31, 2009**

During our audit of the Consolidated Fund financial statements for the year ended March 31, 2009, we discussed a number of significant issues with the Accountant-General's Department, most of which were resolved satisfactorily.

However, there was one significant area – capital development projects – where we were not able to obtain sufficient, appropriate audit evidence. This resulted in a scope limitation reservation in the Auditor General's opinion with respect to the Consolidated Fund financial statements for the year ended March 31, 2009.

#### **3.2.2 General commentary on our audit of the Consolidated Fund's financial statements**

In accordance with legislation, the Accountant-General is responsible for preparing the Consolidated Fund's financial statements and for ensuring that the information therein is accurate. This applies regardless of whether that information is generated by the Accountant-General's Department or by others. Our 2009 audit saw a significant improvement in the timeliness and the quality of the information prepared by the Accountant-General's Department, although there is still room for improvement.

We worked closely with the Accountant-General's Department to better plan and coordinate the preparation of the financial statements, supporting documentation and the audit.

In 2009, the Accountant-General was able to deliver the final, signed financial statements on October 4, 2009, just four days past the deadline. We congratulate the Accountant-General for this achievement, given that the statutory deadline has not been close to being met in recent years. The Auditor General's audit opinion was signed on September 25, 2009 which is the date that the audit was substantially complete.

Our agreed-plan anticipated three drafts of the financial statements being prepared by the Accountant-General's Department. In the end, there were actually six drafts produced. Each draft added to the audit time incurred.

Between the production of the first set of financial statements to the final sign off, there were 168 adjusting entries made. In addition, there were a number of other items that the Accountant-General chose not to adjust which we did not consider to be collectively material.

This was an improvement over the previous year when almost 300 adjustments were required. However, the high number of adjusting entries suggests that more work still needs to be done by the Accountant-General's Department to ensure that information used to prepare the financial statements and information provided to us in support of the statements are of good quality.

***Recommendation No. 4:***

***The Accountant-General's Department should implement a quality control system to ensure that the Consolidated Fund financial statements comply with the CICA Public Sector Handbook and are properly reviewed before being submitted to the Office of the Auditor General for audit. (Appendix 2 – No. 4)***

*The Accountant-General indicated that quality control requirements will be documented and implemented as part of the year-end training for all relevant Accountant-General staff. Appropriate scheduling will include time for review and signoff of the financial statements by senior members of the Accountant General's Department prior to submission to the Auditor General.*

**3.2.3 Observations and recommendations arising from the audit**

We reported a number of internal control weaknesses and other observations together with our recommendations for improvement to the Accountant-General's Department and other departments of the Government. Set out below are the matters that we believe should be brought to the attention of the House of Assembly.

**Financial statement presentation and disclosure**

The presentation of the Statement of Operations of the Consolidated Fund is not in accordance with the CICA Public Sector Handbook as it does not report the expenses of the period by function or major programs such as Health, Education, Social Services, Transportation, etc. In addition, there should be a supporting note or schedule that provides details of expenses by type such as salaries and benefits, debt servicing costs, transfer payments (including grants) to other Government entities as well as the amortization of the cost of tangible capital assets.

***Recommendation No. 5:***

***The Accountant General's Department should ensure that the presentation and disclosure of the Statement of Operations included in the Consolidated Fund financial statements complies with the CICA Public Sector Handbook and thus provides more accurate and relevant information about Government's operations. (Appendix 2 – No. 5)***



*The Accountant General's Department indicated that it will review CICA and PSAB requirements and adopt any changes necessary.*

#### **Control over bank accounts**

##### ***Timeliness of bank reconciliations***

The adequacy and timeliness of bank reconciliations have been problematic for years. Of particular concern have been delays of many months in preparing and reviewing month-end bank reconciliations. Control weaknesses of this nature contributed to a misappropriation of \$1.9 million from a bank account in 2004. Despite this, similar delays were reported following the March 31, 2005 to 2008 audits.

At March 31, 2009, the majority of the bank accounts administered by the Accountant-General's Department were being reconciled and reviewed within the 30 day timeframe as required by the Financial Instructions. Based on the sign-off dates on the reconciliations, only six bank accounts had not been reconciled within 30 days of the year-end. They had, however, been reconciled within 60 days of the year-end. This represents an improvement in the timeliness of bank reconciliations compared to prior years.

##### ***Recommendation No. 6:***

***Despite the improvement in the timeliness of bank reconciliations compared to prior years, all bank accounts should be maintained in compliance with section 20 of Financial Instructions. (Appendix 2 – No. 25)***

*The Accountant General's Department agrees and has indicated that it continues to make bank reconciliations a high priority and will work toward reconciling all accounts within a 30-day time frame.*

##### ***Unreconciled items***

Approximately \$2.8 million of unreconciled items appeared on the bank reconciliations. Of this, approximately \$1.7 million resulted from deposits which were not recorded in the general ledger but were reflected on the bank statements. \$1.1 million were wire payments or cheque payments. The net result was a cash understatement of \$600,000 which was included in the

Summary of Unadjusted Differences. These items related to both 2009 and 2008 financial year ends, with some items simply being brought forward from the prior year.

Although undesirable to have such differences on the bank reconciliations, the reconciliations process as at March 31, 2009 represented a major improvement compared to prior years. We acknowledge that a great effort has been made to correct the large accumulations of unrecorded transactions from prior years.

***Recommendation No. 7:***

***Continued effort is needed to clear all unrecorded bank deposits and wires to unmatched general ledger entries. (Appendix 2 – No. 26)***

*The Accountant-General's Department indicates that it seeks to resolve all reconciling items in accordance with Financial Instructions.*

***Bank overdraft – Non-compliance with legislation***

As at March 31, 2009, the Temporary Loans Act 1973 limited Government borrowing from any bank by way of overdraft to \$15 million. Government was not in compliance with the Act as the bank overdraft at March 31, 2009 was \$147 million, exceeding the legislated limit by \$132 million.

The Ministry of Finance informed us that during the current fiscal year it was virtually impossible to borrow from international capital markets due to the unprecedented credit crisis. Accordingly, Government had to meet some of its borrowing requirements by increasing overdraft facilities with local financial institutions. We were advised that these amounts were raised under the Government Loans Act 1978 which provides the Minister with the authority to borrow in such manner and on such terms and conditions as may be agreed with the lenders; provided overall borrowing does not exceed \$1 billion.

With effect from April 1, 2009, the Temporary Loans Act 1973 was amended to increase the overdraft borrowing limit to 10% of the estimate of expenditures approved by the House of Assembly for the financial year in which the borrowing takes place.

**Expenditures and accounts payable**

***Contract not signed***

During the course of our audit, we noted that a contract in the Ministry of Works and Engineering for the supply of services to the Government in the amount of US\$1,674,900 was not signed. This is not in compliance with Financial Instructions and management policies. This practice also exposes the Government to serious contract risk.

***Recommendation No. 8:***

***All contracts should be signed by all relevant parties. All ministries and departments should closely examine their current practices with regard to the purchase and procurement of goods and services. (Appendix 2 – No. 27)***

*The Ministry of Works and Engineering noted the recommendation and indicated that it “will improve its processes to eliminate a similar occurrence. No payment requests will be processed until all supporting documentation is complete”.*

***Contract approved retroactively***

In another instance at the Ministry of Works and Engineering, a contract for \$2 million awarded to a construction company for the Pender Road/Cockburn’s Cut Widening Works capital project was sole-sourced as approved by Cabinet. However, work began on the project in November 2008 and was completed in May 2009, but the contract was not prepared or signed until April 14, 2009, after the majority of the work was completed. Retroactive approval of the contract was obtained from Cabinet on March 20, 2009.

***Recommendation No. 9:***

***The Ministry of Works and Engineering should take steps to ensure that signed contracts are in place prior to work being started. (Appendix 2 – No. 28)***

*The Ministry has noted the recommendation and is committed to improving its processes to reduce similar occurrences.*

**Unapproved expenditures**

Some ministries and departments exceeded the limits imposed on their annual expenditures by the House of Assembly.

Each year, the House passes an Appropriations Act that provides funding for Government ministries and departments. Where it becomes apparent that:

- an amount appropriated is insufficient;
- a need has arisen for which funds were not appropriated;
- moneys have been spent in excess of the amount appropriated; or
- there was no amount appropriated,

section 96 of the Bermuda Constitution Order requires a supplementary estimate to be laid before the House of Assembly. Where, in respect of any financial year, supplementary estimates have been laid before the House, a supplementary Appropriation Bill must be introduced to the House as soon as practicable.

There is a process by which ministries and departments can avoid current over-spending without obtaining supplementary estimates. Legislation allows unused current budget allocations to be vired (transferred) from one department to another within the same ministry with the written approval of the Minister concerned and the Minister of Finance.

During 2009, 27 ministries and departments (16 in 2008) collectively overspent the appropriations provided for them by approximately \$43.7 million (2008 - \$34.1 million) without providing the necessary supplementary estimates to the House of Assembly or viring unused budgets. These ministries and departments are listed below:

	2009	2008
Accountant-General's Department	\$9,730,538	\$6,053,151
Police Services	8,487,921	11,581,326
Department of Social Insurance	6,336,593	5,885,224
Department of Education	5,740,754	933,743
Operations & Engineering	2,707,304	-
Hospitals	2,462,361	-
Corrections	1,069,598	-
Department of Child and Family Services	1,048,950	830,290
Information Technology Office	885,134	283,275
Sinking Fund	822,075	-
Financial Assistance	785,568	-
Department of Airport Operations	758,655	413,181
Department of Tourism	502,992	1,731,412
Public Transportation	489,207	-
Governor and Staff	475,235	-
Department of Marine and Ports	388,522	260,983
Ministry of Labour, Home Affairs and Housing		
HQ	246,258	1,741,030
Defense	150,248	-
Transport Control Department	141,414	-

### 3. AUDIT OBSERVATIONS & RECOMMENDATIONS

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Department of Youth, Sport and Recreation	140,290	595,398
Libraries	111,397	-
Post Office	103,720	-
Security Services And Delegated Affairs	62,497	-
Immigration	46,276	-
Office of the Auditor General	6,854	-
Maritime Administration	6,853	-
Civil Aviation	2,988	-
Department of Works and Engineering	-	2,910,537
Ministry of Finance - Interest on debt	-	858,177
Registrar of Companies	-	19,338
Department of Environment Headquarters	-	14,206
Public Service Commission	-	4,690
	<u>\$ 43,710,202</u>	<u>\$34,115,961</u>
Total unapproved operating expenditures		

***Recommendation No. 10:***

***As required by the Bermuda Constitution Order, the Ministry of Finance should, as soon as possible, lay the supplementary estimates relating to the 2009 over-spending before the House of Assembly. (Appendix 2 – No. 11)***

***Recommendation No. 11:***

***As required by the Bermuda Constitution Order, when the supplementary estimates have been laid before the House of Assembly, the Ministry of Finance should prepare a Supplementary Appropriation Bill to enable the House of Assembly to approve all of the supplementary estimates. (Appendix 2 – No. 12)***

The constant overspending by Government ministries and departments raises questions about the credibility of the budget process and the expenditure control function carried out by the Ministry of Finance. Furthermore, in a report tabled in the House in December 2006, the PAC expressed concern about these overspendings and stated “*failure to rectify this process renders ineffective the entire budgeting process, and compromises the House of Assembly’s ability for proper oversight and approval*”.

**Capital Expenditure Appropriations**

Several departments also overspent expenditure limits imposed by the House for capital expenditure appropriations. The overspending totalled more than \$3.6 million in 2009 (2008 - \$7 million). These are unauthorized expenditures similar to those listed above.

In 2002, the Ministry of Finance impressed on ministries and departments the seriousness of over-spending appropriations. This included requiring departments to submit formal explanations for their overspending, and threatening sanctions against those which exceeded their spending limits for two consecutive years. For a while, matters improved. It appears, however, that the Ministry needs to reinforce its message to offending ministries and departments and perhaps carry through on its threat of sanctions.

### **3.3 Audits of Government-controlled Organizations**

The Auditor General audits the annual financial statements of Government-controlled organizations pursuant to Section 6 of the Audit Act 1990, and the statutes under which the organizations operate. Organizations are deemed Government-controlled if Government has, by whatever means, the power to require their affairs to be conducted in accordance with its wishes.

At the conclusion of each audit, we provide to the governing board or council, a management letter containing our observations and recommendations with respect to areas where we believe that internal controls could be improved. We also report any other matters that we believe should be brought to the attention of the boards or councils.

Included in this section are those matters arising from the audits that the Auditor General believes are significant enough to warrant the attention of the House of Assembly.

The 16 Government-controlled organizations operating at March 31, 2010 were:

- African Diaspora Heritage Trail (ADHT) Bermuda Foundation (The)
- Bermuda Arts Council
- Bermuda College
- Bermuda Educators Council
- Bermuda Health Council
- Bermuda Hospitals Board
- Bermuda Housing Corporation
- Bermuda Housing Trust

- Bermuda Land Development Company Limited
- Bermuda Small Business Development Corporation
- Board of Trustees of the Golf Courses
- CedarBridge Academy
- Financial Intelligence Agency
- Pension Commission
- Trustees of the National Sports Centre
- West End Development Corporation

As of March 31, 2010, all the above organizations, (with the exception of the Financial Intelligence Agency), should have issued audited financial statements for the year ended March 31, 2009. Those organizations which have not done so for the fiscal year 2009, or earlier in some cases, are listed below. The years marked with an asterisk (\*) indicate that, at March 31, 2010, 13 out of 29 audits were substantially complete.

- African Diaspora Heritage Trail (ADHT) Bermuda Foundation (The) (2008 and 2009)
- Bermuda Arts Council (2008 and 2009)
- Bermuda College (2005\*, 2006, 2007, 2008 and 2009)
- Bermuda Educators Council (2005\*, 2006\*, 2007\*, 2008\* and 2009\*)
- Bermuda Health Council (2009\*)
- Bermuda Hospitals Board (2009\*)
- Bermuda Housing Corporation (2009\*)
- Bermuda Housing Trust (2009\*)
- Bermuda Land Development Company Limited (2009\*)
- Bermuda Small Business Development Corporation (2008 and 2009)
- Board of Trustees of the Golf Courses (2006, 2007, 2008 and 2009)
- CedarBridge Academy (2009)
- Pension Commission (December 31, 2007\* and 2008)
- Trustees of the National Sports Centre (2009\*)

### **3.3.1 African Diaspora Heritage Trail (ADHT) Bermuda Foundation (The)**

The principal objectives of the ADHT are to promote, advance and develop the concept of an African Diaspora Heritage Trail; to conserve and promote historic sites and venues throughout the African Diaspora; to promote and develop relationships between countries of the African Diaspora; to promote and advance the education of visitors to Bermuda and other countries of the African Diaspora; to provide for the expression and exchange of views and to engage in research of all kinds.

The ADHT was incorporated as a local company limited by guarantee on July 27, 2006. As at March 31, 2010, financial statements from inception had not been submitted for audit.

### **3.3.2 Bermuda Arts Council**

The principal objectives of the Bermuda Arts Council (the Council) are to develop and improve the knowledge, understanding and practice of the arts; to increase the accessibility of the arts whether by means of Festivals of the Arts, or otherwise, to the public throughout Bermuda; and advise and cooperate with Government departments, art groups and societies in Bermuda and other bodies on any matters concerned whether directly or indirectly with the foregoing objectives.

The last audited financial statements of the Council were for the year ended March 31, 2007, issued in February, 2009.

As at March 31, 2010, the audit for the year ended March 31, 2008 was in progress. As in previous years, the audit was delayed by incomplete accounting records, unavailable supporting documentation and slow responses by management to requests for information.

### **3.3.3 Bermuda College**

Bermuda College (the College) provides full and part-time education and training for persons over the compulsory school age.

Annual financial reporting by the College is still seriously in arrears. The last audited financial statements of the College were for the year ended March 31, 2004, issued in December, 2008.



At March 31, 2010, the audit of the financial statements for the year ended March 31, 2005 was substantially complete but work on subsequent events had brought to light possible further disclosures being required.

#### **3.3.4 Bermuda Educators Council**

The principal objectives of the Bermuda Educators Council (the Council) are to improve standards of teaching so as to enhance the quality of learning and to maintain and improve standards of professional conduct of educators in the public interest. The Council commenced operations on April 1, 2004.

At March 31, 2010, our audits of the first five years' financial statements (for the years ended March 31, 2005, 2006, 2007, 2008 and 2009) were substantially complete and awaiting the final review processes within our Office.

#### **3.3.5 Bermuda Health Council**

The Bermuda Health Council (the Council) is mandated to regulate, coordinate and enhance health services.

The last audited financial statements of the Council were for the year ended March 31, 2008, issued in February, 2009.

At March 31, 2010, our audit of the Council's financial statements for the year ended March 31, 2009 was substantially complete.

#### **3.3.6 Bermuda Hospitals Board**

The Bermuda Hospitals Board (the Board) is responsible for operating the King Edward VII Memorial Hospital (KEMH), Mid-Atlantic Wellness Institute (MWI) and Healthcare Partners Ltd., (HPL). KEMH is an inpatient acute and extended care hospital and the MWI is a psychiatric facility. HPL is a holding company created to provide a vehicle for the Board to participate in partnerships and/or joint venture businesses.

The Board's audited financial statements for the year ended March 31, 2008, were issued in February, 2010. The Auditor General's report on the statements contained a qualified opinion because the Board receives donation revenue which, by its nature, cannot be audited satisfactorily. This qualification does not necessarily reflect adversely on the Board's financial records.

We noted a number of internal control weaknesses and other observations to the Board, along with our recommendations for improvement. The control weaknesses and observations included:

- lack of clear guidelines and documentation procedures in the Board's capital asset procurement policy;
- lack of a comprehensive and viable business contingency plan; and
- non-compliance with the Board's formal tendering process for large construction projects.

At March 31, 2010, our audit of the financial statements for the year ended March 31, 2009, was substantially complete.

#### **3.3.7 Bermuda Housing Corporation**

The primary functions of the Bermuda Housing Corporation (the Corporation) are to provide housing in Bermuda, to promote home ownership, to undertake and carry out housing schemes, and to undertake such other functions in connection with housing as the Minister responsible for housing may require.

The last audited financial statements of the Corporation were for the year ended March 31, 2008, issued in February 2009.

At March 31, 2010, our audit of the Corporation's financial statements for the year ended March 31, 2009, was substantially complete.

#### **3.3.8 Bermuda Housing Trust**

The Bermuda Housing Trust (the Trust) initiates and administers programs for the relief of poverty, suffering and misfortune among elderly persons in Bermuda by providing accommodation for such persons on favourable terms.

The last audited financial statements of the Trust were for the year ended March 31, 2008, issued in October 2008.

At March 31, 2010, our audit of the Trust's financial statements for the year ended March 31, 2009, was substantially complete.

### **3.3.9 Bermuda Land Development Company Limited**

The general purpose of the Bermuda Land Development Company Limited (the Company) is to manage and develop the land entrusted to it in a manner that will integrate the land into the economic and social fabric of Bermuda and create opportunities for increased employment now and in the future.

The Company's audited financial statements for the year ended March 31, 2008, were issued in August 2009.

We reported a number of internal control weaknesses to the Company, along with our recommendations for improvement. None of the items were significant enough to bring to the attention of the House of Assembly.

At March 31, 2010, our audit of the Company's financial statements for the year ended March 31, 2009, was substantially complete.

### **3.3.10 Bermuda Small Business Development Corporation**

The Bermuda Small Business Development Corporation (the Corporation) is empowered to grant loans or give other forms of financial assistance, including the guarantee of loans, to assist persons resident in Bermuda in establishing, carrying on, or expanding small businesses and to provide technical advice to persons who are seeking, or who are granted, financial assistance.

The last audited financial statements of the Corporation were for the year ended March 31, 2007, issued in February 2009.

At March 31, 2010, our audit of the Corporation's financial statements for the year ended March 31, 2008, was in progress.

### **3.3.11 Board of Trustees of the Golf Courses**

The functions of the Board of Trustees of the Golf Courses (the Board) are to have general control, management and administration over the Port Royal, Ocean View and St. George's Golf Courses, and to maintain the golf courses in good and proper condition.

The last audited financial statements of the Board were for the year ended March 31, 2005, issued in February, 2009.

At March 31, 2010, our audit of the Board's financial statements for the year ended March 31, 2006, was in progress, and we were awaiting supporting information from the Board with respect to expenses, payroll, capital assets and inventory to enable the audit to be completed.

#### **3.3.12 CedarBridge Academy**

CedarBridge Academy (the Academy) is a public senior school, which provides education in accordance with the provisions of the Education Act 1996 and subsequent amendments.

The Academy's audited financial statements for the year ended March 31, 2008, were issued in March 2010.

The Auditor General's report on the statements contained a qualified opinion because there were deficiencies in the records of amounts paid for capital assets by the Government of Bermuda on behalf of the Academy. Accordingly, it was not possible to verify the completeness of revenues, expenses, capital assets and deferred capital contributions.

The following were among matters reported to the Academy at the conclusion of the 2008 audit:

#### **Deferred capital contributions**

As in previous years, we noted that a separate itemized capital asset register is not maintained for assets purchased using the operating grant income. Therefore, a record of capital assets which have been fully amortized does not exist. Currently, the amortization of assets acquired using Government grant income has been calculated using the appropriate straight-line basis on the total cost of the assets held, without regard for any items included in cost that may already be fully amortized.

This makes it difficult to determine accurately the amortization of deferred capital contributions, and further, overstates the amount of revenue recognized into income in any one accounting period.

We have previously recommended that a separate itemized capital asset register with all assets purchased using capital grant revenue be maintained. This may involve assigning particular types of capital asset identification codes to items acquired using capital grant funding. This will allow the amortization due on such items to be separately identifiable and the amount to be recognized as capital contribution revenue to be determined accurately.

Management has accepted this recommendation in the past but has not implemented it. This year, management informed us that to implement our recommendation would be a “massive” project and will require additional funding to engage the services of a firm to perform the task.

#### **Ruth Seaton James Auditorium**

Under Section 36 (1) and (2) of the Education Act 1996, the Board of Governors of the Academy (the Board) may, with the prior approval of the Minister, enter into such arrangements for the use of any premises or facilities at the school as the Board may determine and charge such fee as the Minister considers appropriate. Any income accruing to the Board shall be held and applied by it for the benefit of the Academy.

During the year ended March 31, 2008, the Ruth Seaton James Auditorium was remediated and became a revenue-generating facility for the Academy. The Board minutes document requests to lease the auditorium and the Board’s goal to meet certain performance measures regarding the rental of the aforementioned facility.

However, we were not provided with evidence of the Minister’s approval of rental agreements, a Ministry-approved schedule of fees, or estimates of the actual and expected income generated from bookings. In addition, we noted that, in most instances, organizations were already using the auditorium without a signed contract in place.

We recommended that, in order to permit the Board and management to maximize the revenue generating ability of the auditorium:

- a schedule of fees be set and approved for each type of organization (i.e., for religious, charitable, political and business organizations) in light of current market rental conditions;
- recurring rentals be secured by a legally enforceable contract before permitting the renter(s) to use the facility;
- a budget to actual schedule of rental income be maintained, and
- communications between facilities and financial management, the Board and the Ministry of Education be improved so as to maximize rental revenue of the auditorium and ensure compliance with the legislation.

*Management has agreed with the recommendation.*

At March 31, 2010, our audit of the Academy's financial statements for the year ended March 31, 2009 was in progress

#### **3.3.13 Financial Intelligence Agency**

The Financial Intelligence Agency (the FIA) was established by the Financial Intelligence Agency Act 2007 to act as an independent agency authorized to receive, gather, store, analyze and disseminate information relating to suspected proceeds of crime and potential financing of terrorism. The FIA may also disseminate such information to the Bermuda Police Service and foreign financial intelligence authorities.

The FIA became operational on November 15, 2008, and its first financial statements will be for the sixteen and one half month period ended on March 31, 2010.

#### **3.3.14 Pension Commission**

The primary functions of the Pension Commission (the Commission) are to administer the Pension Scheme (Occupational Pensions) Act 1998 and the related regulations, to consider and determine applications for the registration of pension plans and to promote and ensure compliance with the provisions of the Act and the regulations.

The last audited financial statements of the Commission were for the year ended December 31, 2006, issued in December, 2007.

At March 31, 2010, our audit of the Commission's financial statements for the year ended December 31, 2007 was substantially complete and awaiting the final review processes within our Office. The audit for the year ended December 31, 2008 was in progress.

#### **3.3.15 Trustees of the National Sports Centre**

The Trustees of the National Sports Centre (the Trustees) are responsible for maintaining the Centre's facilities and making the facilities available for sporting and other events.

The last audited financial statements of the Trustees were for the year ended March 31, 2008, issued in February, 2009.

At March 31, 2010, our audit of the Trustee's financial statements for the year ended March 31, 2009, was substantially complete and awaiting the final review process within our Office.

#### **3.3.16 West End Development Corporation**

The general function of the West End Development Corporation (the Corporation) is to manage and develop all designated land in the western end of the Island with a view to the progressive improvement of social and economic conditions.

The audited financial statements of Corporation for the year ended March 31, 2009, were issued in August, 2009.

We reported a number of internal control weaknesses to the Board, along with our recommendations for improvement. None of the items are significant enough to bring to the attention of the House of Assembly.

### **3.4 Audits of Public Funds**

The Auditor General audits the Government of Bermuda's Public Funds pursuant to Section 6 of the Audit Act 1990, and the statutes under which the funds operate.

At the conclusion of each audit we provide observations and recommendations to the governing boards regarding areas where we believe that internal controls could be improved. We also report any other matters that we believe should be brought to the attention of the boards.

Matters arising from the audit of the Consolidated Fund financial statements for the year ended March 31, 2009 are dealt with in section 3.2 of this report. Since audited financial statements were not issued for any of the other Public Funds during the period April 1, 2009 to March 31, 2010, there are no related matters to bring to the attention of the House of Assembly, other than the unacceptable lateness of reporting by the various Funds as noted in section 1.5.7 in this report.

**The 12 Public Funds operating at March 31, 2010 were:**

- Bermuda Department of Tourism North America Retirement Plan
- Confiscated Assets Fund
- Consolidated Fund
- Contributory Pension Fund
- Future Care Fund
- Government Borrowing Sinking Fund
- Government Employees Health Insurance Fund
- Government Reserves Fund
- Health Insurance Fund
- Ministers and Members of the Legislature Pensions Fund
- Mutual Re-insurance Fund
- Public Service Superannuation Fund

With the exception of the Consolidated Fund, we were unable to complete the audits of any Public Funds during the period April 1, 2009 to March 31, 2010.

As of March 31, 2010, all the above organizations, with the exception of the Future Care Fund, should have issued audited financial statements for the year ended March 31, 2009. Those organizations which have not done so for the fiscal year 2009, or earlier in most cases, are listed below. The years marked with an asterisk (\*) indicate that, at March 31, 2010, our audit was substantially complete.



- Bermuda Department of Tourism North America Retirement Plan (2007\*, 2008 and 2009)
- Confiscated Assets Fund (2007, 2008 and 2009)
- Contributory Pension Fund (July 2005\*, 2006, 2007, 2008 and 2009)
- Government Borrowing Sinking Fund (2009\*)
- Government Employees Health Insurance Fund (2006, 2007, 2008 and 2009)
- Government Reserves Fund (2008\* and 2009)
- Health Insurance Fund (2005\*, 2006, 2007, 2008 and 2009)
- Ministers and Members of the Legislature Pensions Fund (2007\*, 2008 and 2009)
- Mutual Re-insurance Fund (2005, 2006, 2007, 2008 and 2009)
- Public Service Superannuation Fund (2007, 2008 and 2009)

#### **3.4.1 Bermuda Department of Tourism North America Retirement Plan**

The Bermuda Department of Tourism North America Retirement Plan (the Plan) is a pension plan that provides retirement benefits for the employees of the Department of Tourism's North American offices.

The last audited financial statements of the Plan were for the year ended March 31, 2006, issued in January, 2008.

At March 31, 2010, our audit of the Plan's financial statements for the year ended March 31, 2007, was substantially complete and awaiting the final review processes within our Office.

#### **3.4.2 Confiscated Assets Fund**

The Confiscated Assets Fund (the Fund) holds monies detained and forfeited by Court Orders under the Proceeds of Crime Act 1997, the Misuse of Drugs Act 1972 and monies paid to the Government of Bermuda by a foreign jurisdiction in respect of confiscated assets. Forfeited monies are expended for purposes authorized in legislation.

The last audited financial statements of the Fund were for the year ended March 31, 2006, issued in November 2007.

At March 31, 2010, our audit of the Fund's financial statements for the year ended March 31, 2007, was still in abeyance, as it has been for over two years, pending receipt of documentation from the Accountant-General's Department.

#### **3.4.3 Contributory Pension Fund**

The Contributory Pension Fund (the Pension Fund) receives pension contributions from persons employed in Bermuda, the self-employed and employers, and pays retirement benefits.

The last audited financial statements of the Pension Fund were for the year ended July 31, 2004, issued in January 2008.

At March 31, 2010, our audit of the Pension Fund's financial statements for the year ended July 31, 2005, was substantially complete.

#### **3.4.4 FutureCare Fund**

The FutureCare Fund (the Fund) was established on April 1, 2009 by an amendment to the Health Insurance Act 2009. The Fund receives premiums and pays claims in respect of the FutureCare plan. The FutureCare plan provides benefits to persons over the age of 65 years which include hospital, dental and vision care as well as prescription, prosthetic, laboratory, in-home and overseas care.

The Fund's first financial statements will be for the period ended March 31, 2010.

#### **3.4.5 Government Borrowing Sinking Fund**

The Government Borrowing Sinking Fund (the Sinking Fund) receives and holds monies that may be used in future to reduce or cancel public debt.

The last audited financial statements of the Sinking Fund were for the year ended March 31, 2008, issued in February 2009.

At March 31, 2010, our audit of the Sinking Fund's financial statements for the year ended March 31, 2009, was substantially complete and awaiting the final review processes within our Office.

#### **3.4.6 Government Employees Health Insurance Fund**

The Government Employees Health Insurance Fund (the Fund) provides health insurance benefits for Government employees, Ministers and Members of the Legislature, and their enrolled dependents and covers medical expenses, such as hospital stays, doctor's visits and prescription drugs.

The last audited financial statements of the Fund were for the year ended March 31, 2005, issued in February 2009.

At March 31, 2010, our audit of the Fund's financial statements for the year ended March 31, 2006, was delayed as we were still awaiting revised financial statements and working papers from the Accountant General.

#### **3.4.7 Government Reserves Fund**

The Government Reserves Fund (the Fund) holds monies received under the United States Bases (Termination of Agreements) Act 2002, less amounts paid from those monies as directed by the Minister of Finance.

The last audited financial statements of the Fund were for the year ended March 31, 2007, issued in January, 2009.

At March 31, 2010, our audit of the Fund's financial statements for the year ended March 31, 2008 was substantially complete and awaiting the final review processes within our Office.

#### **3.4.8 Health Insurance Fund**

The Health Insurance Fund (the Fund) – formerly the Hospital Insurance Fund - was established to provide hospital and medical insurance for all residents of Bermuda, irrespective of age and state of health.

The last audited financial statements of the Fund were for the year ended March 31, 2004, issued in January, 2009.

At March 31, 2010, our audit of the Fund's financial statements for the year ended March 31, 2005, was substantially complete and awaiting the final review processes within our Office.

#### **3.4.9 Ministers and Members of the Legislature Pensions Fund**

The purpose of the Ministers and Members of the Legislature Pensions Fund (the Fund) is to provide retirement pensions for the ministers, members and officers of the Legislature of Bermuda.

The last audited financial statements of the Fund were for the year ended March 31, 2006, issued in February, 2009.

At March 31, 2010, our audit of the Fund's financial statements for the year ended March 31, 2007, was substantially complete.

#### **3.4.10 Mutual Re-insurance Fund**

The Mutual Re-insurance Fund (the Fund) was authorized for the purpose of spreading the cost of certain claims amongst all licensed insurers and approved schemes. The following risks are covered: haemodialysis treatment, long-stay hospital care, home health care, kidney transplants and the required anti-rejection drugs, and MRI.

The last audited financial statements of the Fund were for the year ended March 31, 2004, issued in January, 2009.

At March 31, 2010, our audit of the Fund's financial statements for the year ended March 31, 2005, was in progress.

#### **3.4.11 Public Service Superannuation Fund**

The purpose of the Public Service Superannuation Fund (the Fund) is to provide retirement pensions for retired employees of the Government of Bermuda and the employees of various quasi-autonomous non-Governmental organizations.

The last audited financial statements of the Fund were for the year ended March 31, 2006, issued in January, 2008.

At March 31, 2010, our audit of the Fund's financial statements for the year ended March 31, 2007, was in progress.

### **3.5 Audits of Parish Councils**

The Auditor General audits Bermuda's nine parish councils pursuant to the Parish Councils Act 1971.

As at March 31, 2010, none of the councils had issued audited statements for 2009 and only one (Paget Parish) had issued audited statements for 2008. As indicated below, most of the Councils are several years in arrears with their financial reporting.

As at March 31, 2010, the following parish councils had not issued audited financial statements for the years ended:

- Devonshire Parish (2007, 2008 and 2009)
- Hamilton Parish (2006, 2007, 2008 and 2009)
- Paget Parish (2009)
- Pembroke Parish (2003, 2004, 2005, 2006, 2007, 2008 and 2009)
- Sandys Parish (2007, 2008 and 2009)
- Smith's Parish (2007, 2008 and 2009)
- Southampton Parish (2006, 2007, 2008 and 2009)
- St. George's Parish (2006, 2007, 2008 and 2009)
- Warwick Parish (2007, 2008 and 2009)

At March 31, 2010, the only parish council audits in progress were those for Warwick Parish Council for the years ended March 31, 2007, 2008 and 2009.

It is the Council's role to undertake the accounting and preparation of the financial statements and the Ministry has a vital role to ensure that the appropriate accounting occurs or, if it does not, to take corrective action.

In a report to the House of Assembly in February, 2007, the Minister of Finance stressed the importance of up-to-date financial reporting. She stated that *"Those organizations that do not respond in a timely manner will be at risk of having funding withheld until their financial records are current."*

In response to concerns raised in 2008, the Ministry informed us that a Parish Councils' Coordinator (Consultant) had been contracted to work directly with parish councils to improve their financial reporting practices. The Ministry also stated that all parish councils should be up-to-date with their financial reports by the end of the 2009 fiscal year. Needless to say, this has not happened. Further discussions need to be held with the Parish Councils in order to resolve this long standing issue.

### **3.5.1 Other pervasive problems**

Aside from not meeting their accountability responsibilities, there are other pervasive legislative responsibilities which are not being complied with in accordance with the requirements of the Parish Councils Act 1971. These include requirements regarding the minimum number of council members, frequency of meetings, quorums, and minuting of meetings. Also in non-compliance are the statutory requirements to report to the Minister on the exercise and performance of their functions during the year, and on their policies and proposals for the following year.

In 2002 the Auditor General questioned whether Parish Councils served a useful purpose and recommended that a review be carried out. Despite subsequent reviews and a change of Ministries, these challenges still exist.

## **3.6 Aided School's Capitation Accounts**

Capitation accounts record grants provided to aided schools by the Ministry of Education, expenditures paid from those grants, and the capitation accounts' financial assets and liabilities. Capitation accounts do not record most donations and other income, payments from that income, or the schools' capital assets.

The Auditor General audits the capitation accounts of Bermuda's four aided schools as required by the Education Act 1996.

As at March 31, 2010, financial reporting for the Berkeley Institute and St. George's Preparatory School Capitation Accounts was relatively up to date. However, financial reporting for the Sandys Secondary Middle School Capitation Account was four years in arrears and the Whitney Educational Trust was five years in arrears.

As well as failing in their responsibility to provide timely financial accountability to the Minister and to the House of Assembly, two of the four aided schools are contravening the Education Act 1996 which requires them to submit their accounting records and financial statements for audit within three months of fiscal year-ends.

#### **3.6.1 Berkeley Institute Capitation Account**

The last audited financial statements of the Berkeley Institute Capitation Account (the Account) were for the year ended March 31, 2007, issued in February 2009.

At March 31, 2010, our audits of the Account's financial statements for the years ended March 31, 2008 and 2009 were substantially complete.

#### **3.6.2 Sandys Secondary Middle School Capitation Account**

The last audited financial statements issued for the Sandys Secondary Middle School Capitation Account (the School) were for the year ended March 31, 2005, issued in December 2007.

The School indicated that its accounts for the year ended March 2006 were ready for audit. Our review indicated the accounts as presented were not auditable and they were returned. As at March 31, 2010, we have not received the School's accounts for 2006, 2007, 2008 and 2009.

#### **3.6.3 St. George's Preparatory School Capitation Account**

The last audited financial statements of St. George's Preparatory School Capitation Account (the Account) were those for the year ended March 31, 2008, issued in March, 2009.

At March 31, 2010, our audit of the Account's financial statements for the year ended March 31, 2009, was substantially complete and awaiting the final review processes within our Office.

#### **3.6.4 Whitney Educational Trust**

By virtue of appointment by the Board of Trustees, I am the auditor of the Whitney Educational Trust (the Trust), not just its capitation account.

The last audited financial statements of the Trust were for the year ended March 31, 2004, issued in February, 2009.

### 3.6.5 Other Concerns

The following concerns relate to all aided schools:

#### *Capital costs incurred by Government*

Government entered into an informal agreement with aided schools in 1965. Under this agreement, the Government assumed responsibility for the capital construction costs of the aided schools. The agreement requires that any aided school which opts out of the Government system shall refund the unamortized portion of its capital construction costs to the Government.

The execution of this agreement has raised a number of concerns. On a fundamental level, an agreement which requires future repayment to the Government should be legally executed. Additionally, all aided schools should record and amortize in their financial statements the capital construction costs incurred by Government on their behalf since 1965.

However, to date the schools have been unable to do so because Government has not provided the necessary cost information. As a consequence, there is inadequate disclosure in the annual financial statements of aided schools with respect to this potential future commitment.

## **3.7 Other Audits**

### 3.7.1 Office of Ombudsman for Bermuda

The Auditor General is the auditor of the Office of Ombudsman for Bermuda (the Ombudsman) pursuant to the legislation under which the Ombudsman operates. The Ombudsman is independent of Government and reports directly to the Speaker and to the House of Assembly.

The last audited financial statements for the Ombudsman were for the year ended March 31, 2006, issued in October 2008.

At March 31, 2010, our audits of the Ombudsman's financial statements for the years ended March 31, 2007, 2008 and 2009 were substantially complete and awaiting the final review processes within our Office.



### **3.7.2 Bermuda Monetary Authority**

The Bermuda Monetary Authority Amendment Act 2001 allows the Minister of Finance to approve an auditor for the Authority other than the Auditor General. On the recommendation of the Authority's Board, the Minister of Finance has approved the Auditor General as auditor of the Authority.

### **3.7.3 Sporting Organizations**

The Office previously accepted appointment as auditor of the following entities:

- Bermuda Cricket Board of Control
- Bermuda Football Association
- Bermuda Police Association
- Bermuda Rowing Association

The Auditor General is not the auditor by virtue of the provisions of the Audit Act 1990 or any other legislation although each of these entities receives grant funding from the Government of Bermuda.

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## **APPENDIX 1**

### **2010 Annual Report Recommendations**

*The following recommendations appear in this report in the sections indicated. My reporting policy is to include in the body of annual reports only new recommendations. Matters in this report that are addressed by recommendations made in previous annual reports are cross referenced to Appendix 2 which lists all unresolved recommendations, including the following:*

#### **1.5.2: Financial Statement Discussion and Analysis**

**No.1** Government should develop and publish a Financial Statement Discussion and Analysis document at the same time as its annual financial statements. (Appendix 2 – No. 6)

#### **1.5.7: Late Financial reporting**

**No.2** The Minister of Finance should table the annual financial statements of the Consolidated Fund in the House of Assembly and release them to the public as soon as they are finalized. (Appendix 2 – No. 7)

**No.3** The Permanent Secretaries responsible for the organizations concerned and the respective Boards should take all possible steps to bring financial statement preparation up to date as soon as possible. (Appendix 2 – No. 8)

#### **3.2.2: Quality of Draft Consolidated Fund Financial Statements**

**No.4** The Accountant-General's Department should implement a quality control system to ensure that the Consolidated Fund financial statements comply with the CICA Public Sector Handbook and are properly reviewed before being submitted to the Office of the Auditor General for audit. (Appendix 2 – No. 4)

#### **3.2.3: Financial Statement Presentation and Disclosure**

**No.5** The Accountant General's Department should ensure that the presentation and disclosure of the Statement of Operations included in the Consolidated Fund financial statements complies with the CICA Public Sector Handbook and thus provide more accurate and relevant information about government's operations. (Appendix 2 – No. 5)

#### **3.2.3: Control over Bank Accounts**

**No.6** Despite the improvement in the timeliness of bank reconciliations compared to prior years, all bank accounts should be maintained in compliance with section 20 of the Financial Instructions. (Appendix 2 – No. 25)

**No.7** Continued effort is needed to clear all unrecorded bank deposits and wires to unmatched general ledger entries. (Appendix 2 – No. 26)

#### **3.2.3: Contract Management**

**No.8** All contracts should be signed by all relevant parties. All ministries and departments should closely examine their current practices in regard to the purchase and procurement of goods and services. (Appendix 2 – No. 27)

**No.9** The Ministry of Works and Engineering should take steps to ensure that signed contracts

are in place prior to work being started. (Appendix 2 – No. 28)

### **3.2.3: Unapproved Expenditure**

- No.10** As required by the Bermuda Constitution Order, the Ministry of Finance should, as soon as possible, lay the supplementary estimates relating to the 2009 over-spending before the House of Assembly. (Appendix 2 – No. 11)
- No.11** As required by the Bermuda Constitution Order, when the supplementary estimates have been laid before the House of Assembly, the Ministry of Finance should prepare a Supplementary Appropriation Bill to enable the House of Assembly to approve all of the supplementary estimates. (Appendix 2 – No. 12)

## **APPENDIX 2**

### **Status of Outstanding Audit Recommendations**

*In addition to recommendations addressed in this report, Appendix 2 includes recommendations included in previous annual reports which have not been satisfactorily resolved. Each recommendation indicates the year in which it first appeared. Ministry responses have not been audited. Recommendations which have been removed this year are listed at the end of this Appendix along with the rationale for their removal.*

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Consolidated Financial Statements		
1.	<p>To provide a full and understandable overview of the Government's financial results and affairs, and to comply with reporting standards for governments, the <b>Ministry of Finance</b> should prepare and publish annual consolidated financial statements for the Government. (1992)</p>	<p><i>Consolidation cannot be accomplished until the current accounting system is upgraded. (January 2002)</i></p> <p><i>We agree there are benefits to issuing consolidated financial statements, but this cannot be accomplished until legislation is amended making consolidated statements a statutory requirement and giving the Accountant-General authority over the accounting systems of all Government-controlled organizations. (January 2004 &amp; December 2005)</i></p> <p><i>The Accountant-General's Department will be working to recruit the resources to put this process in place within two years pending budget approvals. (January 2007)</i></p> <p><i>The Accountant-General has identified a dedicated resource to lead this initiative and consolidated financial statements should be issued by March 2010. (January 2008)</i></p> <p><i>The Accountant-General is leading discussions with Controllers etc., aimed at consolidation in 2010. (January 2009)</i></p>
2.	<p>To enable consolidated financial statements to be prepared for Government, the <b>Accountant-General's Department</b> should:</p> <ul style="list-style-type: none"> <li>• improve the accounting for inter-departmental transactions, capital assets, other revenues, and total external debt;</li> <li>• give priority to removing the obstacles currently hindering the preparation of consolidated statements; and</li> <li>• develop a plan for the consolidation process that sets out the responsibilities and timelines of all parties involved in the process.</li> </ul> <p><i>(This summarizes recommendations from 1995 to 2001)</i></p>	<p><i>Significant strides have been made. Most capital assets are disclosed on the Consolidated Fund balance sheet at March 2003. Inter-departmental and inter-quango transactions are also disclosed in the 2003 statements. Elimination of related revenue and expense amounts is planned for 2004. Until legislation is amended, we cannot proceed further with preparing of consolidated financial statements. (January 2004)</i></p> <p><i>Infrastructure costs will be disclosed in the financial statements in the coming fiscal year. (November 2004)</i></p> <p><i>Infrastructure costs were not capitalized in the 2005 statements due to delays in the obtaining software needed to calculate historical costs. These costs will be capitalized in 2006. (December 2005)</i></p> <p><i>We are working to add all remaining capital assets to the financial statements for the year ended March 2007. (January 2007)</i></p> <p><i>The remaining capital assets will be in the financial statements at March 2008, except for infrastructure which will be added at March 2009 (January 2008)</i></p> <p><i>The Accountant-General is leading discussions with Controllers etc., aimed at consolidation in 2010. (January 2009)</i></p>
3.	<p>To enable consolidated financial statements to be prepared, the <b>Ministry of Finance</b> should seek legislative authority:</p> <ul style="list-style-type: none"> <li>• for the preparation and issuance of consolidated financial statements, and</li> <li>• to enable the Accountant-General to require all Government-controlled Organizations (quangos) to provide the information needed. (2003)</li> </ul>	<p><i>Consideration must be given to resources, accounting systems, management roles and other factors that are critical in the accomplishment of this task. This is not a simple legislative fix. (January 2004)</i></p> <p><i>Whilst legislative changes are required, they are only one aspect of a complex approach required to achieve this accounting objective. Whereas accounting standards call for consolidated statements, the Ministry of Finance believes there are associated issues that first need addressing before consolidation can progress. Once these issues are addressed, the consolidation process can be progressed. (December 2005 and January 2007)</i></p>

		<p><i>The Accountant-General has identified a dedicated resource to lead this initiative and Consolidated Financial statements should be issued by March 2010. (January 2008)</i></p> <p><i>The Accountant-General is leading discussions with Controllers etc., aimed at consolidation in 2010. (January 2009)</i></p>
<b>Consolidated Fund Financial Statements</b>		
4.	<p>The <b>Accountant-General's Department</b> should implement a quality control system to ensure that the Consolidated Fund financial statements comply with the CICA Public Sector Handbook and are properly reviewed before being submitted to the Office of the Auditor General for audit. (2010)</p>	<p><i>The Accountant-General indicated that quality control requirements will be documented and implemented as part of the year-end training for all relevant Accountant-General staff. Appropriate scheduling will include time for review and signoff of the financial statements by senior members of the Accountant-General's Department prior to submission to the Auditor General.</i></p>
5.	<p>The <b>Accountant-General's Department</b> should ensure that the presentation and disclosure of the Statement of Operations included in the Consolidated Fund financial statements complies with the CICA Public Sector Handbook and thus provides more accurate and relevant information about Government's operations. (2010)</p>	<p><i>The Accountant-General's Department indicated that it will review CICA and PSAB requirements and adopt any changes necessary.</i></p>
<b>Accountability</b>		
6.	<p>Government should develop and publish a Financial Statement Discussion and Analysis document at the same time as its annual financial statements. (2010)</p>	<p><i>Response not provided.</i></p>
7.	<p>The <b>Minister of Finance</b> should table the annual financial statements of the Consolidated Fund in the House of Assembly and release them to the public as soon as they are finalized. (2010)</p>	<p><i>Response not provided.</i></p>
8.	<p>To improve financial management, governance and accountability, the <b>Ministry of Finance</b> should use its authority to require Government and Government-controlled entities to bring their accounting up-to-date and, to make their annual financial statements available for audit in a timely manner. (1996)</p> <p>The Permanent Secretaries responsible for the organizations concerned and the respective Boards should take all possible steps to bring financial statement preparation up to date as soon as possible. (2010).</p>	<p><i>The Accountant-General's Department uses its quarterly meetings with financial controllers to communicate the importance of timely financial statements. (January 2002)</i></p> <p><i>Efforts are ongoing to encourage Government-controlled entities to produce annual financial statements at the earliest opportunity. (January 2004)</i></p> <p><i>The Ministry continues to encourage entities towards timely completion of year-end financials. (November 2004)</i></p> <p><i>The Ministry will do all in its power to ensure that entities accounting is brought up-to-date. The importance of completing audits of their accounts promptly will continue to be stressed to these entities. (December 2005).</i></p> <p><i>This matter has been discussed at the Civil Service Executive level and Permanent Secretaries have been directed by the Cabinet Secretary to constantly monitor this problem within their respective Ministries and to use their authority to ensure that accounts are brought up to date. (January 2007).</i></p>



		<p><i>The Ministry of Finance has been closely monitoring this situation and can report that steady progress is being made. (January 2008)</i></p> <p><i>Ongoing meetings and discussions are held to emphasize the importance of the timely preparation of year-end financial information. (January 2009)</i></p>
9.	To improve accountability, governance and operational effectiveness of Government-controlled Organizations and Public Funds, the <b>Ministry of Finance</b> should publish guidelines requiring Boards and Management Committees to establish and operate under terms of reference that call for comprehensive stewardship roles and responsibilities. (2002)	<p><i>The Ministry of Finance supports this recommendation and in conjunction with the Accountant-General will review the existing terms of reference used by Boards and Management Committees and, where appropriate, amendments will be made to improve corporate governance. (January 2004)</i></p> <p><i>The Ministry of Finance supports this recommendation and has recently conducted a governance review of the Public Funds Investment Committee which resulted in improved policies, procedures, and documentation, providing better governance and better control for the Public Funds. (December 2005)</i></p> <p><i>The Ministry of Finance will continue to advise members of Boards and Management Committees of their roles and responsibilities. (January 2007 &amp; 2008)</i></p>
10.	The Head of the Civil Service should bring a complaint against those public officers who failed to carry out their oversight responsibilities in respect to the Faith-Based Tourism project. (2008)	
<b>Financial Management</b>		
11.	As required by the Bermuda Constitution Order, the <b>Ministry of Finance</b> should, as soon as possible, lay the supplementary estimates relating to the 2009 over-spending before the House of Assembly. (2010)	<i>Response not provided.</i>
12.	As required by the Bermuda Constitution Order, the <b>Ministry of Finance</b> should prepare Supplementary Appropriation Bills to agree approved expenditures with actual amounts per the financial statements for 2002 and succeeding years. (2008 and 2010)	<i>Response not provided.</i>
13.	The <b>Ministry of Finance</b> should prepare a Supplementary Appropriation Bill for \$88 million in respect to monies paid out of the Consolidated Fund in excess of that received on behalf of the PSSF and subsequently forgiven in the form of grants. (2008)	
14.	The <b>Ministry of Finance</b> should consider disciplinary action, including written warnings, penalties, and in significant or continuing situations, dismissals of Chief Executive Officers, Chief Financial Officers, Controllers,	<i>The Ministry of Finance will continue to advise members of Boards and Management Committees of their roles and responsibilities. (January 2008)</i>

	and Accounting Officers whose entities receive qualifications or denials of opinion in auditor's reports on their financial statements due to the unavailability of evidential documentation supporting disbursements of public funds. (2007)	
15.	The <b>Accountant-General's Department</b> should enforce better compliance by Ministries and Departments with the contract tendering requirements in <i>Financial Instructions</i> , and the <b>Ministry of Finance</b> should require Government-controlled Organizations (quangos) to adopt procurement and tendering standards at least equal to those contained in <i>Financial Instructions</i> . (2002)	<p><i>Financial Instructions deal with the Consolidated Fund. The Accountant-General does not have jurisdiction over Quangos. (January 2004)</i></p> <p><i>The Accountant-General's Department will review this process to ensure that effective controls are in place. (December 2005)</i></p> <p><i>The Ministry of Finance will continue to advise members of Boards and Management Committees of their roles and responsibilities. This has been included in the latest release of the Financial Instructions. (January 2007)</i></p> <p><i>The Accountant-General's Department has contacted all Quangos stating that Financial Instructions form the minimum requirement and will automatically apply where they do not have other controls in place. (January 2008)</i></p>
16.	The <b>Accountant-General's Department</b> should include in <i>Financial Instructions</i> guidelines for who should be notified (including the Auditor General) and other courses of action to be followed or considered, when fraudulent activities are detected or strongly suspected. (2003)	<p><i>Financial Instructions address the notification of irregularities or system deficiencies. If fraud is suspected or detected, the department head or accounting officer is responsible for notifying the Accountant-General, who can then advise others of the results of the investigation. (January 2004)</i></p> <p><i>An internal audit section is being established and guidelines developed for how to best disseminate this information. (January 2007)</i></p> <p><i>A decision on this is in abeyance pending separation of the Internal Audit function from the Accountant-General's Department. (January 2009)</i></p>
17.	The <b>Ministry of Finance</b> should consider seeking "whistleblower" legislation to encourage public employees to report apparent malpractice or other wrongdoings, and to protect employees who do so. The legislation should be supported by practices that demonstrate that reported malpractices are investigated fully without fear or favour that whistleblowers are protected, and that perpetrators of misappropriations and fraud are dealt with firmly. (2004)	<p><i>The recently passed Ombudsman Act 2004 provides for redress for "whistleblowers" through the Human Rights Act. This recognizes that persons who complain should feel free to complain without suffering discrimination of any kind. At present, there has not been a decision taken whether or not to proceed. With an independent Whistleblowers Act. (December 2004)</i></p> <p><i>The comment above still applies. (December 2005, January 2007 and 2008)</i></p> <p><u>Auditor General's comment:</u> The Ombudsman Act 2004 provides neither opportunity nor protection for whistleblowers.</p>
18.	To reduce the risk of inaccuracies and delays in producing pension liability valuations, the <b>Accountant-General's Department</b> should periodically reconcile the information on pension plan databases and perform other procedures to ensure that the information is reliable and complete. (2004)	<p><i>The deficiencies in the database are recognized and a new section within the Accountant-General's Department has been proposed. (November 2004)</i></p> <p><i>This section has been approved and staffing should be completed in the upcoming months. (December 2005)</i></p> <p><i>A new benefits section has been created and information has now been entered in to JDEdwards and an RPF issued for a</i></p>

		<p><i>pension database. Actuaries have been engaged to conduct annual data reconciliations. (January 2007)</i></p> <p><i>The RFP has been completed for a new pension system and a vendor has been selected. The anticipated date of implementation is March 2009. (January 2008)</i></p>
19.	<p>Through its regular meetings with Ministry controllers or by other means, the <b>Accountant-General's Department</b> should spearhead the strengthening and efficient operation of internal controls in other departments. (2005)</p>	<p><i>Controls are discussed with controllers at quarterly meetings. Spearheading the strengthening and efficient operation of internal controls throughout Government Departments is a mandate of the newly re-established Internal Audit Section. We agree with this recommendation but full implementation is dependent on resources available. (December 2005 &amp; January 2007)</i></p> <p><i>We are rescheduling internal control training and recommending that a section on Financial Instructions be included in orientation for new employees (January 2008)</i></p>
20.	<p>To improve security over access to data stored on computer systems, and to promote appropriate access and restrictions to access by users, the <b>Information Technology Office</b> should:</p> <ul style="list-style-type: none"> <li>• develop, approve, communicate and implement formal policies, standards, guidelines and procedures governing its program and data security practices,</li> <li>• configure its main processing equipment at a higher security level,</li> <li>• establish more rigorous password protocols, and</li> <li>• institute periodic monitoring to determine the appropriateness of user profiles and to identify and remove disabled profiles. (2006)</li> </ul>	<p><i>The Information Technology Office (ITO) responded that a formal IT security policy has been approved by the Civil Service Executive and a communication scheme containing guidelines and procedures for individual users and department management is being development and will be initiated during the first quarter of 2007. (January 2007)</i></p> <ul style="list-style-type: none"> <li>• <i>The security policy remains in effect. The training package has been developed but was rescheduled to 2008 to coincide with implementation of the complex password policy.</i></li> <li>• <i>Complete as of November 2007 with installation of new I-Series.</i></li> <li>• <i>Self-help password management technology that will facilitate practical implementation of complex passwords has been procured and tested. Beta testing and full rollout is scheduled for 2008. The roll out was delayed from 2007 to allow concentration on the I-series installation project.</i></li> <li>• <i>User profiles are updated on a weekly basis. Annual reconciliations with departments was initiated during the first quarter of 2007 with some success. The second annual reconciliation will be carried out during 2008 with a revised process (January 2008)</i></li> </ul>
21.	<p>To increase the probability of a successful recovery and business resumption following a major disaster, the <b>Information Technology Office</b> should:</p> <ul style="list-style-type: none"> <li>• complete the development of a disaster recovery plan, communicate it to all concerned, then test it and the related back-up processing arrangements,</li> <li>• execute a service level agreement to confirm the responsibilities of the offsite data storage facility and back-up data centre, and</li> <li>• monitor the activities of the off-site storage operation. (2006)</li> </ul>	<p><i>Proposals are being considered to address these points. (January 2007)</i></p> <ul style="list-style-type: none"> <li>• <i>Disaster Recovery exercises were conducted for the Accountant-General and e-mail. Plans are being developed to extend the number of departments based on a real time recovery DR site currently being implemented.</i></li> <li>• <i>A new Disaster Recovery location is being brought on stream during 2008 supporting a real time back up model. A Standard SLA is in place, but details to support specific Government processes need to be developed.</i></li> <li>• <i>Offsite storage is visited on weekly basis when tapes are delivered. New processes and technology based on real time model will be introduced during 2008 (January 2008)</i></li> </ul>

22.	<p>To prevent unauthorized changes to computer programs, the <b>Information Technology Office</b> should:</p> <ul style="list-style-type: none"> <li>• establish procedures that prevent programmers having access to the production environment, and</li> <li>• collect information from user Departments on the results of their testing of maintenance changes.</li> </ul>	<p><i>Proposals and modifications are being considered to address these points. (January 2007)</i></p> <ul style="list-style-type: none"> <li>• <i>The Change Process logs and approves implementation of changes into production, but it is not practical to fully prevent programmer access to the production environment due to resource constraints and diversity of systems. The Change Process is being refined to reduce programmer involvement to an exception basis and the granting and revocation of access will be recorded as events in the change log.</i></li> <li>• <i>Requests for Changes are approved and filed by departments. The Request for Change Form will be modified to include a statement that the sponsoring department has tested and approves the implementation of the change. (January 2008)</i></li> </ul>
23.	<p>Confidentiality agreements should include a clause that the confidentiality does not apply to those who have a Constitutional or legal right to know or have access to the information they contain. (2008)</p>	
24.	<p>The <b>Attorney-General's Chambers</b> should develop and obtain Cabinet approval for guidelines for the use of confidentiality agreements with ex-civil servants, together with a mechanism by which the guidelines are monitored by an independent officer of the Legislature. (2008)</p>	
25.	<p>Despite the improvement in the timeliness of bank reconciliations compared to prior years, all bank accounts should be maintained in compliance with section 20 of the Financial Instructions. (2010)</p>	<p><i>The Accountant-General's Department agrees and has indicated that it continues to make bank reconciliations a high priority and will work toward reconciling all accounts within a 30-day time frame.</i></p>
26.	<p>Continued effort is needed to clear all unrecorded bank deposits and wires to unmatched general ledger entries. (2010)</p>	<p><i>The Accountant-General's Department indicates that it seeks to resolve all reconciling items in accordance with Financial Instructions.</i></p>
<b>Contract Management</b>		
27.	<p>All contracts should be signed by all relevant parties. All ministries and departments should closely examine their current practices with regard to the purchase and procurement of goods and services. (2010)</p>	<p><i>The Ministry of Works and Engineering noted the recommendation and indicated that it "will improve its processes to eliminate a similar occurrence. No payment requests will be processed until all supporting documentation is complete".</i></p>
28.	<p>The <b>Ministry of Works and Engineering</b> should take steps to ensure that signed contracts are in place prior to work being started. (2010)</p>	<p><i>The Ministry has noted the recommendation and is committed to improving its processes to reduce similar occurrences.</i></p>

<b>Central Payroll System</b>		
29.	<p>Through the work of the FIMS Steering Committee, or by other means, the <b>Accountant-General's Department</b> should establish an ongoing process to identify opportunities for automating processes and reducing clerical inefficiencies, and thereby ensure the full and efficient use of the central payroll system. (2000)</p>	<p><i>Opportunities to automate processes and reduce inefficiencies have been identified. Management is moving to an upgraded version of the computer software that will allow workflow, streamlining and more efficient processing of information. Interim changes to the process would not be efficient or cost-effective before a new system is implemented. When the new system is in place, systems and procedures will be enhanced etc. as necessary. (January 2002)</i></p> <p><i>In-depth testing and investigation of the capabilities of JDE are planned. It was found that basic hours can be pulled into payroll system, but when amendments are made to that time card, all information is lost for that individual and re-entered. The investigation will determine whether this process can be done effectively. (January 2004)</i></p> <p><i>Testing on this function is still pending. Hopefully this will be implemented in 2005. (November 2004)</i></p> <p><i>A system review is currently underway and should be completed by March 31, 2006, with any revisions required taking place in the subsequent months. (December 2005)</i></p> <p><i>The review noted above is still ongoing due to staffing and other system issues. In addition, funding has been requested to move to the new server and upgrade the JDEdwards system to utilise certain features in the new release (version) of the software. (January 2007)</i></p> <p><i>We are currently reviewing JDEdwards and comparing it to three other ERP systems. Part of this project will be to identify opportunities to improve internal controls and make tasks and procedures more efficient. We will be looking for ways to automate tasks where appropriate. This is a multiphase project that will take at least two years (January 2008)</i></p>
<b>Debt Collection (particularly payroll taxes and pension contributions)</b>		
30.	<p>The <b>Office of the Tax Commissioner</b> should continue to develop initiatives and intensify efforts to encourage delinquent employers to remit past-due taxes, including ensuring that legislated penalties are levied promptly. <i>(This recommendation, first made in 1998, has been modified to reflect recent Government-wide initiatives to assist with the collection of tax arrears)</i></p>	<p><i>The Debt Enforcement Unit (the DEU) has had a significant impact on our ability to collect outstanding receivables. The timely processing and publicizing of writs has seen a significant increase in our collections for the first seven months of this fiscal year. (December 2005)</i></p> <p><i>The Office continues to develop initiatives to encourage taxpayers to pay their outstanding taxes. Cabinet has considered and approved recommendations to; (1) establish a Tax Court, (2) outsource the collection of land tax and (3) allow for a Payroll Tax Amnesty whereby taxpayers are permitted to pay their outstanding tax liability without penalty. (January 2007)</i></p> <p><i>The Tax Court (TC) has been approved by Cabinet but has not yet been established. Needless to say, the TC will greatly assist the Tax Commissioner in the collection of outstanding debt. The outsourcing of collections from the most difficult tax offenders has been temporarily put on hold. We have drafted an agreement with a Collection Agency but have not finalized the agreement. We are currently reviewing the success of writing to tenants of delinquent landlords. The payroll tax</i></p>

		<i>amnesty has not yet been approved by Finance (January 2008)</i>
31.	The <b>Director of Social Insurance</b> should intensify efforts to encourage delinquent employers to remit past-due pension contributions. <i>(This recommendation, first made in 2002, has been modified to reflect recent Government-wide initiatives to assist with the collection of tax arrears)</i>	<p><i>As a result of the establishment of the DEU, to date, \$670K has been collected and directly attributed to the efforts of the DEU. This has proven to be effective in encouraging delinquent employers to remit past due contributions. In addition, excellent Departmental liaisons with TCD and the Department of Immigration have also proven to be quite effective in collecting arrears and continue to be improved. (December 2005)</i></p> <p><i>Several strategies have been implemented to make the debt recovery process more aggressive and efficient including: 1. Installing Debt Management Software (TIGER) to better manage the debt collection process. 2. Reorganizing the DOSI Compliance and Contributions Sections to more effectively follow up delinquent employers. The Contributions section is now responsible for 30 and 60 day delinquencies. Compliance is responsible for over 60 day delinquencies. DEU is utilized for legal action and 3. DOSI is in the process of hiring a senior debt collector to coordinate the debt recovery process. We expect the person to start in March 2008 (January 2008)</i></p>
32.	The <b>Ministry of Finance</b> should formally remind senior management in all Ministries and Government-controlled Organizations of their responsibility to comply with Section 8.2 of <i>Financial Instructions</i> which, in effect, prohibits doing Government business with companies that are in arrears with their payroll tax and pension contribution obligations. <i>(2008)</i>	
<b>Identifying taxpayers</b>		
33.	The <b>Office of the Tax Commissioner</b> should retain evidence of the nature, extent and results of procedures used to identify potential taxpayers. Consideration should be given to establishing common identifier numbers or similar for all people and organizations that have dealings with Government, and using them to identify those who are not on the register of taxpayers. Computer comparisons/matching should be used wherever possible. <i>(1998)</i>	<p><i>It is agreed that the Office is responsible for identifying potential taxpayers. Establishing taxpayer ID numbers would enable checking that vendors to Government are registered taxpayers and have valid payroll tax ID numbers. (October 2000)</i></p> <p><i>Newspapers and other publications are vetted daily to identify potential taxpayers, which leads to new registrations. Information is provided from Departments and sources and is acted upon. Significant progress in identifying potential taxpayers can only be achieved once a register of all businesses is set up, as recommended by the Tax Commissioner many years ago. (January 2003).</i></p> <p><i>The Director of Consumer Affairs and the Tax Commissioner have discussed recently the establishment of a business registry. (November 2004)</i></p> <p><i>The Bermuda Small Business Development Corporation has agreed to host and maintain the Business Registry. A draft Cabinet Paper has been prepared and approval is pending. (December 2005).</i></p> <p><i>The Business Registry proposed by the Bermuda Small</i></p>

		<p><i>Business Development Corporation does not meet our needs because its focus is primarily on small businesses. As such, we have recently partnered with the Department of Social Insurance and the Statistics Department to merge and match our respective databases. This will allow us to identify potential and unregistered taxpayers. Further enhancements to the Business Registry will be addressed during the re-engineering of our computer systems. (January 2007)</i></p> <p><i>A registry that will meet the needs of the Tax Commissioner, Social Insurance and other departments has not been established. The business registry established by The Bermuda Small Business Development Corporation does not meet the needs of the Office and we have not had any further discussions with the Social Insurance Department with respect to the merger of our databases. The Office is in the process of procuring funds for the reengineering of our computer system (January 2008)</i></p>
<b>H.M. Customs</b>		
34.	<p><b>H.M. Customs</b> should have better procedures to ensure that the true value of imported goods is assessed consistently and in accordance with the Revenue Act 1898. Since Bermuda is a signatory to the GATT Agreement (through the United Kingdom), the procedures established should encompass the valuation guidance contained in the GATT Agreement. (1998)</p>	<p><i>A new automated process (CAPS) will be implemented in January 2001 and GATT amendments will be introduced in the summer of 2001. (October 2000)</i></p> <p><i>Due to delays in implementing CAPS, replacement valuations will be enacted in 2002. Meanwhile a notice will be issued to advise customers of current valuation rules. The target date for the amendments is summer 2002. (January 2002)</i></p> <p><i>The CAPS project recommenced in November 2002. Legislation has been drafted to implement the GATT valuation rules and is expected to be enacted in February 2003. (January 2003)</i></p> <p><i>Due to delays in the legislative process, the GATT valuation rules are being presented for enactment in February 2004. (January 2004)</i></p> <p><i>GATT valuation rules were enacted in 2004 and will be implemented in March 2005. Training for staff and traders will be conducted from September 2004 to February 2005. (November 2004)</i></p> <p><i>The CAPS will be implemented in the Arrivals Hall in February 2005 and in the commercial areas later this year. (January 2005)</i></p> <p><i>The CAPS was implemented in the Arrivals Hall in February 2005 and will be implemented in the commercial areas in September 2005. (June 2005)</i></p> <p><i>The CAPS was implemented in the Hamilton Commercial Operation area as a pilot program in December 2005. Due to several traders not having electronic capabilities, the date of the full roll out is unknown (December 2005).</i></p> <p><i>The CAPS is still in the pilot program phase due to AS400 constraints. ITO have been mandated to up-grade the system, in order to meet our requirements. The anticipated full roll out of Phase 1 is unknown at this time. (January 2007)</i></p> <p><i>CAPS is still in the pilot program phase. ITO has fulfilled their</i></p>

		<i>mandate by completing their upgrade of the AS400 system. The full roll out of Phase I of CAPS, is expected in December 2008. (January 2008 and 2009)</i>
35.	To safeguard the collection of duties, <b>H.M. Customs</b> should ensure compliance with all legislative requirements and procedural policies relating to the administration of bonded warehouses, particularly those relating to setting and periodically reviewing bonds, and ensuring that warehouses are appropriately licensed. H.M. Customs' information system should be expanded to capture and provide the current information needed to monitor and control the movement of inventory on which duty is payable. (1998)	<p><i>H.M. Customs is nearing the end of a two-year project to review all practices and procedures at bonded warehouses and oil docks. New procedures will be introduced in 2001. (October 2000)</i></p> <p><i>Due to delays in implementing CAPS, the new bonded procedures have not been enacted. The new target date is summer 2002. (January 2002)</i></p> <p><i>The CAPS project recommenced in November 2002. Revisions to the bonded warehouse procedures are now planned for 2003 and 2004. We plan a full external audit of the major bonded operators in the spring of 2003. (January 2003)</i></p> <p><i>Phase 1 of the CAPS project is due for implementation in April 2004. Phase 2 (bonded operations) is scheduled for implementation in 2005-06. The audit of the major bonded operators was not done in 2003 due to budget restraints. Funding has been requested for 2004. (January 2004)</i></p> <p><i>Phase 1 of the CAPS project was postponed and is due to go live in April 2005. Phase 2 (bonded operations) is scheduled for development in 2006-07. Funding for an audit of the major bonded operators was not granted, but the Department has reviewed all bonded operators to ensure that their warehouses are appropriately licensed. (November 2004)</i></p> <p><i>CAPS will be implemented in the Arrivals Hall in February 2005 and in the commercial areas later this year. (January 2005)</i></p> <p><i>The CAPS was implemented in the Arrivals Hall in February and will be implemented in the commercial areas in September 2005. (June 2005)</i></p> <p><i>CAPS was implemented in the Hamilton Commercial Operation area as a pilot program in December 2005. Due to several traders not having electronic capabilities, the date of the full roll-out is unknown. (December 2005)</i></p> <p><i>CAPS is still in the pilot program phase due to AS400 constraints. ITO has been mandated to up-grade the system, in order to meet our requirements. The anticipated full roll out of Phase I is unknown at this time. (January 2007)</i></p> <p><i>CAPS is still in the pilot program phase. ITO has fulfilled their mandate by completing their upgrade of the AS400 system. The full roll out of Phase I of CAPS, is expected in December 2008 (January 2008 and 2009)</i></p>
36.	<b>HM Customs</b> should take urgent steps to eliminate the serious control weaknesses in its procedures for handling and recording customs duty. (2006)	<p><i>This matter will be addressed when the CAPS is implemented in the near future. (January 2007)</i></p> <p><i>This matter will be addressed when CAPS is implemented in December 2008. (January 2008 and 2009)</i></p>



<b>Department of Financial Assistance</b>		
37.	<p>The <b>Department of Financial Assistance</b> should accelerate the development and implementation of the new Financial Assistance Information System, and mitigate the difficulties that caseworkers and others will face delivering the new program before the new system is implemented. (2002)</p>	<p><i>The Department knows the shortcomings of its information systems and will continue to do everything to ensure that operating and information needs are satisfied. (January 2003)</i></p> <p><i>Prospective vendors are short-listed and are being interviewed for final selection. (2004)</i></p> <p><i>The contract for the new IT system was signed in November and the Department is revamping existing forms to minimize/eliminate difficulties experienced by workers. This should take between 10-12 months. Meetings with the Department and Gateway will commence in December 2004. (November 2004)</i></p> <p><i>The Department has been involved in ongoing meetings with Gateway re. the building and implementation of our new IT system. We anticipate the system being operational in early 2006. (December 2005)</i></p> <p><i>Many unforeseen delays have the Department awaiting testing of our new system in February, 2008. We are anticipating going live shortly thereafter.(January 2008 and 2009)</i></p>
38.	<p>In preparation for the new Financial Assistance Act and Regulations, and the proposed new Financial Assistance Review Board, the <b>Department of Financial Assistance</b> should continue to plan for the related operational changes as well as assess the adequacy of human resources (particularly caseworkers) to carry out all its legislated duties and responsibilities. (2002)</p>	<p><i>Agreed. Recovery of overpayments has improved with the appointment of the Investigations Officer, who is also helping to ensure that recoveries remain active. (January 2003)</i></p> <p><i>Changes in policy and procedures, mandatory home visits and a greater vigilance in monitoring public monies point to a need for additional staff. Based on a recent feasibility study, the Department seems likely to be the Government's official assessor of need. (2004)</i></p> <p><i>The Department is currently re-establishing the Review Board as mandated by the Financial Assistance Act 2001. This should be in place by the end of December 2004. (November 2004)</i></p> <p><i>The Review Board was selected and gazetted in December 2004. The Department continues to assess its manpower in terms of our mandated role and our ability to carry out our legislated duties. We have requested Management Services to complete a further survey to assess the need for additional workers.(December 2005)</i></p> <p><i>The Financial Assistance Review Board is fully operational. The Department has requested an additional six (6) workers to handle the influx of new cases as a result of closure of the Medical Clinic in April 2007. A subsequent request for space was also made to accommodate the additional workers. (January 2008)</i></p>
<b>Department of Immigration</b>		
39.	<p>The <b>Department of Immigration</b> should expand its documentation of staff duties and responsibilities to cover all revenue-generation and collection processes, and include information to enable staff to understand the controls inherent therein.</p>	<p><i>The documentary example provided by the Audit Office will be a useful guide to document the controls. With the assistance of Management Services, the Department has begun documenting the processes of its various sections and this should be complete by the end of the year. (January 2005 &amp; December 2005)</i></p> <p><i>The production of guidelines with the assistance of Manage-</i></p>

		<i>ment Services has had to be postponed until the current phase of the IT systems has been implemented. (January 2008 and 2009)</i>
40.	To provide assurance that revenues are collected and accounted for, the <b>Department of Immigration</b> should, where possible and cost-effective, periodically reconcile the numbers of licenses, passports and permits issued (or applied for) to the revenues derived from those sources.	<p><i>This will be done immediately for land licenses and passports. However, the volume and varying types of work permits, together with cancellations and refunds, would make monthly reconciliations for these extremely clerically intensive. A new computer system (currently in the planning stage) will include the functionality to perform revenue reconciliations. Meanwhile, receipt of fees will continue to be checked before work permits are issued. (January 2005 &amp; December 2005)</i></p> <p><i>Land license fees are periodically reconciled to the 5A forms. Similar reconciliations for other application types are impractical because of the manual work required. The new computer systems currently being developed will have the functionality to perform revenue reconciliations. (January 2008)</i></p>
<b>Ministry of Works and Engineering</b>		
41.	The <b>Ministry of Works and Engineering</b> should update and re-issue its purchasing and procurement policies, and the procedures designed to ensure compliance with those policies should be reviewed. (2002)	<p><i>The Ministry is updating these policies and is seeking to complete this process within the first quarter of 2004. (January 2004)</i></p> <p><i>Policy updating is still in process. (November 2004)</i></p> <p><i>The Ministry has concluded this process and has now undertaken the creation of an on-line tendering web-site as well as the enactment of approved vendor and contractor lists as a result. We expect the new process to be rolled out on or before April 2006. (December 2005)</i></p> <p><i>The Procurement document has been revised and is currently being reviewed by the department heads and will be signed off on by the end of February 2008. (January 2008)</i></p> <p><i>The procurement document is currently awaiting Ministerial approval. (January 2009)</i></p>
<b>Contributory Pension Fund</b>		
42.	To help reduce arrears in pension contribution remittances, the <b>Department of Social Insurance</b> should consider seeking legislative amendments to allow it to charge interest on such arrears. (2000)	<p><i>The Director of Social Insurance agrees with charging interest on delinquent accounts and will work towards implementing the technical support to process this. (January 2003)</i></p> <p><i>At present, the Department has limited technical resources to implement changes to an already complex system. (January 2004 and November 2004)</i></p> <p><i>The Director will start the process of legislative changes before the end of fiscal 2005-06. (December 2005)</i></p> <p><i>A change in the Legislative Review Committee in early 2006 delayed this exercise. The new Committee completed its findings which were provided to the Director of Social Insurance in December 2006. The results are to be forwarded to the Ministry of Finance for review in early 2007. Included in their recommendations are interest penalties. (January 2007)</i></p> <p><i>Recommended legislative changes have been forwarded to the</i></p>

		<i>Ministry of Finance and are expected to be placed before the House in the next legislative session. (January 2008)</i>
43.	<p>The <b>Department of Social Insurance</b> should ensure that Government contribution payments are recorded by the Fund on a timely basis, at which time employee contribution records should be updated. The records of the Fund should be reconciled to the Accountant-General's records on a regular basis. (1993)</p>	<p><i>Work is ongoing with the Accountant-General's Department to reconcile the Fund's records with the Government account. (February 2001).</i></p> <p><i>Agreed. The Director plans to set up a task force during 2004 to deal with this backlog. Limited resources have prevented the Department from tackling this sooner. (January 2004)</i></p> <p><i>A task force was established in September 2004. An employee from the Accountant-General's Department is assisting with this effort. (November 2004)</i></p> <p><i>The task force decided that the project should be handled in three phases. An official seconded from the Accountant-General's Department worked with us for eight months to October 2005:</i></p> <ol style="list-style-type: none"> <li><i>1. Phase I was to reconcile accounts using a starters, leavers and transfer report with information based on 1995 – 2004 data. All departments and quangos from this phase have been reconciled with the exception of the Ministry of Education.</i></li> <li><i>2. Phase II was to reconcile accounts and quangos with information based on 1985 – 1995 data. To date nineteen accounts have been reconciled. It is expected that this project will take another three to six months to complete.</i></li> <li><i>3. Phase III involves ongoing maintenance following recommendations given.</i></li> </ol> <p><i>Limited staff resources became a problem again when the seconded official left. The Director intends to try to complete the outstanding items of Phase I and much of Phase II by July 2006. (December 2005)</i></p> <p><i>DOSI and the Accountant-General's Department have jointly engaged a pension software developer to deliver a new pension system that will address this problem. Expected delivery is January 2009. In the interim, the Compensations section of the Accountant-General's Department has agreed to review monthly DOSI billings for Government Departments and to provide the required statistical reports to allow a complete reconciliation prior to data migration to the new system. (January 2008)</i></p>
44.	<p>The <b>Department of Social Insurance</b> should seek amendments to the Contributory Pensions Act 1970 to delete references to superceded methods of contribution collection. Regulations should be issued governing the administration of contributions. (1993)</p>	<p><i>The recommendation has been noted and appropriate action will be taken. (April 1997)</i></p> <p><i>The Director agrees with this recommendation. Efforts will be made to make the necessary amendments with respect to outdated procedures during the fiscal year ending July 2004. (January 2004)</i></p> <p><i>To be pursued during the financial year ending July 31, 2005. (November 2004)</i></p> <p><i>The Director established a Legislative Review Committee for the CP Act 1970 in September 2005 to identify outdated procedures, language, etc. as well as to identify possible anomalies therein, particularly with respect to benefits. Its findings should be available in January 2006. (December 2005)</i></p>

		<i>Recommended legislative changes have been forwarded to the Ministry of Finance and are expected to be placed before Parliament in the next legislative session (January 2008)</i>
45.	The <b>Department of Social Insurance</b> should reconcile the Contributory Pension Fund's monthly pension payment reports to the previous month's report to ensure that all necessary additions and deletions have been recorded on the system. (2007)	
<b>Government Employees Health Insurance Fund</b>		
46.	The <b>Accountant-General's Department</b> should take immediate action to address the serious and long-standing deficiencies in the accounting records and controls of the Government Employees Health Insurance Fund, to bring the Fund's financial reporting and accountability responsibilities up-to-date, and to comply with all legislated requirements. (2000 and before)	<p><i>The Fund's administrative and accounting issues are currently under review and daily operations are being assessed. (January 2002)</i></p> <p><i>A new accountant started in January 2003, and has undertaken a key IT project that will alleviate long-standing deficiencies in the accounting records and controls of GEHI. (January 2004)</i></p> <p><i>A new GEHI computer system is being developed with a target completion date of April 2005. This system will alleviate many of the accounting and system errors currently experienced. (November 2004)</i></p> <p><i>The new GEHI computer system is being operated simultaneously with the old system to ensure that it has been fully debugged. Draft statements have been prepared for 2005. (December 2005)</i></p> <p><i>Draft financial statements have been prepared for all years through March 2006, but, the Auditor General is only currently working on the 2003 statements. (January 2007)</i></p> <p><i>The audited financial statements for 2004 were issued in January 2008. (January 2008)</i></p> <p><i>The 2005 statements have been audited and the Accountant-General's Department is preparing the statements for 2006 and 2007. (January 2009)</i></p>
47.	The <b>Ministry of Finance</b> should set a deadline by which time the annual financial reporting, with unqualified audit opinions, of the Government Employees Health Insurance Fund should be brought up-to-date and, if the deadline is not met, the Fund's administration and accounting should be contracted out to a service provider. (2007)	

<b>Hospital Insurance Fund</b>		
48.	<p>The <b>Health Insurance Department</b> (Hospital Insurance Commission) should eliminate the numerous accounting and financial control deficiencies that are causing inaccuracies in the Hospital Insurance Fund's accounting records, and delays in its financial reporting. (1993) (This summarizes a number of audit recommendations that target the numerous accounting and control deficiencies identified.)</p>	<p><i>Computerization of the Hospital Insurance Plan's records is planned for 2001. The individual audit recommendations that support this recommendation are now being addressed. (1999)</i></p> <p><i>Limited resources have delayed the computerization of accounting records. A re-organization is underway that will ensure that appropriate resources are allocated. Financial reporting is now more up-to-date and only the Fund's 2000 financial statements are outstanding. (January 2000)</i></p> <p><i>Re-organization was approved by Cabinet in January 2002. A new policyholder maintenance system for HIP was completed in 2001. Procedures are currently underway for the implementation of a claims processing system. Claims processing is currently being done manually.</i></p> <p><i>Un-audited financial statements have been prepared to March 2003. (January 2004)</i></p> <p><i>Current un-audited financial statements continue to be prepared. (November 2004)</i></p> <p><i>The Director of Social Insurance stated that additional permanent staff have been hired and funding for temporary staff has been made available to bring the audits up to date. (January 2007)</i></p> <p><i>All working papers for both HIF and MRF are up to date to the year ended March 2007. Responses to RFPs for the automation and outsourcing of claims processing have already been received and a Cabinet paper has been prepared for discussion in January 2008. The Department is already utilizing an interim software system for certain claims types. In addition, several temporary staff have been hired within the past 6 months to assist in clearing the backlog with significant progress. Implementation of full automation initiatives is expected to start in 2008. (January 2008)</i></p>
49.	<p>The <b>Ministry of Finance</b> should set a deadline by which time the annual financial reporting, with unqualified audit opinions, of the Hospital Insurance Fund should be brought up-to-date and, if the deadline is not met, the Fund's administration and accounting should be contracted out to a service provider. (2007)</p>	
<b>Public Service Superannuation Fund</b>		
50.	<p>If inter-fund indebtedness of the <b>Public Service Superannuation Fund</b> to the Consolidated Fund is to be forgiven, to comply with legislative requirements the Ministry of Finance should include the Fund's anticipated annual cash flow deficits each year in annual approp-</p>	<p><i>The Ministry of Finance will consider this recommendation during annual budget submissions.</i></p> <p><i>Agree. Going forward the Ministry of Finance will budget each year for these annual deficits as cash expenditures of the Consolidated Fund (December 2005).</i></p> <p><i>Commencing April 2006, contribution rates were increased and will be increased again in April 2007 and 2008. These</i></p>

	riations bills (or obtain supplementary estimates) because such a forgiveness represents a Government contribution under Section 10A(2) of the Public Treasury (Administration and Payments) Act 1969. (2000 and before)	<i>increases will enhance the cash flow of PSSF resulting in positive cash flow, thus eliminating annual pension deficits. (January 2007).</i> <i>In its revised form, this recommendation is accepted. (January 2008)</i>
<b>Bermuda Arts Council</b>		
51.	The <b>Bermuda Arts Council</b> should ensure that annual reports are tabled in the House of Assembly as required by legislation. (2003)	<i>A report for 2003 was submitted to Minister Dale Butler in January 2004 and was delivered to the House of Assembly shortly thereafter. (December 2005)</i>
<b>Bermuda College</b>		
52.	To improve accountability and financial management, the Board of <b>Bermuda College</b> should improve its accounting records and controls, and bring its financial and account-ability reporting up-to-date as required by legislation. (2008)	
53.	The Board of <b>Bermuda College</b> should enable the Minister to table annual reports in the House of Assembly as required by legislation. (2003)	<i>The College's Annual Reports are submitted to the Ministry of Education. (January 2004)</i> <i>Noted. (November 2004 and December 2005)</i> <i>The Bermuda College submits its report to the Ministry of Education on an annual basis to be tabled. (January 2008 and 2009)</i> <u>Auditor General's comment:</u> Since the College's financial reporting is four years in arrears, these reports are of limited value
<b>Bermuda Housing Corporation</b>		
54.	The <b>Bermuda Housing Corporation</b> should review its organizational, accounting, reporting and control needs as a basis for replacing its antiquated and unstable general ledger accounting system. (2005)	<i>The need for a new system is recognized. Resource availability is a concern but we are assessing the suitability of similar systems being implemented by other Quangos to determine whether their pricing and functionality could meet the Corporation's needs. (2005)</i> <i>The Corporation continues to progress replacing its software. Options are being assessed jointly with the Bermuda Land Development and the West End Development Corporations. All three are involved in property rental, maintenance and development and could share training and support opportunities. We expect a replacement system to be identified by the end of fiscal 2007. The needs assessment recommendation has been incorporated into the ongoing selection process. (January 2007)</i> <i>The Corporation has purchased a new operating and financial system software (MRI-IRES) which is currently being implemented with parallel testing to begin in May 2008. (January 2008)</i> <i>Parallel testing is pending; it is very comprehensive. (January</i>

		2009)
55.	<p>The <b>Bermuda Housing Corporation</b> should develop a disaster recovery and business resumption plan to address the loss of critical computer equipment, programs or data. This should include arrangements to use servers and other vital equipment, and off-site storage of programs and data. The plan should be updated and tested periodically, communicated to relevant staff, and training should be provided where appropriate. (2005)</p>	<p><i>Most processing is performed at the Government's main data centre, over which the Corporation has no control. Back-up in the event of loss of the Corporation's server, however, is a continuing concern, and additional hardware and software protection is being provided. A bank safe deposit is being rented to store back-up tapes and DVDs. (2005)</i></p> <p><i>Steps have been taken to ensure adequate backup processes are followed and that the backup media is protected offsite in addition to in-house storage. The formal documentation and regular testing of a disaster recovery plan is being incorporated in the contract to re-house the Corporation's server. (January 2007)</i></p> <p><i>The Corporation has developed a disaster recovery and business resumption plan that addresses these issues. This plan is in draft form and a simulated test run will be conducted by the end of February 2008. Once completed the plan will be reviewed for effectiveness and any necessary changes will be made. Once this process has been completed, this plan will be formally approved by the Corporation's Board. It is anticipated that this will be completed by the end of the current fiscal year March 2008. (January 2008)</i></p>
56.	<p>The <b>Bermuda Housing Corporation</b> should systematically investigate and either obtain title deeds or vesting orders for all real assets recorded on its balance sheet. (2005)</p>	<p><i>Documentation in this area is a long-term problem with its origins in history and the recent period when management controls were inoperative. It is a problem that will be addressed, but not in the short-term, due to the complexities involved and the resources currently available. (2005)</i></p> <p><i>The asset files and supporting vesting orders and deeds are a long term problem. This problem cannot be successfully addressed within the short term with current staffing, financial and physical resources. Steps have been taken to ensure that proper title and any encumbrances are established prior to developing any property. (January 2007)</i></p> <p><i>As part of the implementation process, a review of all properties owned and rented by the BHC will be undertaken and a list of properties which lack adequate documentation will be intensified and an action plan for resolution will be made. This problem will be very time consuming and can only be addressed within the current staffing, financial and physical resources of the Corporation. The Corporation has requested a significant operating grant from Government for the next budget year. This request included an increase for staffing levels including the hiring of a full time in-house lawyer whose responsibilities would include investigating and resolving vesting orders and title deeds that are missing or are in dispute. In the interim, steps have been taken to ensure that proper title and any encumbrances are established prior to developing any property within the Corporation's portfolio. The only risk is that vested properties will be withdrawn from the portfolio by Government after design or development has begun or that political interest will alter any Capital program established by the Corporation. The ownership records of the Corporation continue to be researched as resources allow and</i></p>

		<i>with some limited success (January 2008)</i>
57.	<p>To reduce the risk of failing to obtain or retain critical documentation relating to property management contracts, property leases and mortgage loans, the <b>Bermuda Housing Corporation</b> should establish post-closing file review practices and documentation retention policies. (2005)</p>	<p><i>Inadequate documentation in files often reflects non-compliance with documentation standards in past years. The Board has been informed of these concerns and management is reviewing its documentation practices with a view to further developing practices to deal with the noted problems. (2005)</i></p> <p><i>Existing documentation still reflects the age of the underlying application system and past practices. Significant effort has been expended reorganizing but management accepts that further effort is required. The Board has been informed of this concern and is committed to replacing outdated information and filing systems. The document retention issue remains a particular concern with the limited archival and filing space available to the Corporation. (January 2007)</i></p> <p><i>The process of maintaining rental files remains a challenge at this time and is primarily a result of the legacy process (see above). The process is manual and given the growth in the number of clients and properties without a corresponding increase in staffing levels, it has been difficult for all files to be complete and up to date given the complexity of the work that is required (i.e. legal agreements between multiple parties who are not all necessarily all residing in Bermuda and are under differing terms and conditions).</i></p> <p><i>The solution to these problems has, however, been addressed as the new operating and financial system software that is being implemented for the BHC has software modules to electronically track rental clients, agreements, expiration dates of leases and agreements, etc. The files will be electronic and procedures whenever possible will be embedded into the system to create the standards of documentation, review processes and other controls to improve the completeness and timeliness of rental file documentation. As part of the implementation process, a review of the documentation of all clients and properties will be completed in order to transfer the data into the new system. Any shortfall in the documentation will be identified at this time and appropriate action will take place to obtain the necessary information (January 2008).</i></p>
<b>Bermuda Hospitals Board</b>		
58.	<p>To improve financial management and control, the <b>Bermuda Hospitals Board</b> should strengthen or establish procedures to control and protect the assets and resources under its stewardship. (1997)</p> <p><i>(this summarizes a number of audit recommendations that target accounting and control deficiencies identified)</i></p>	<p><i>The Board has maintained steady progress in recent years in improving internal controls and, in March 2005, initiated an Internal Audit function. We anticipate the completion of three internal audits by the end of March 2006. Each year we expect to complete three audits and this, along with the external audit, will help the Board focus on addressing key financial management and control issues. (December 2005)</i></p> <p><i>The Board continues to address its control deficiencies through the introduction of an Internal Audit function in March 2005. Since that time five internal audits have been completed and the implementation of the recommendations continues. (January 2008)</i></p>



<b>Bermuda Post Office</b>		
59.	<p>The <b>Bermuda Post Office</b> should review its legislation and regulations and, where necessary, seek updates to reflect current requirements and practices. (2004)</p>	<p><i>Agreed. Legislation will be reviewed and complied with or amendments sought as necessary. (April 2004, November 2004 &amp; December 2005)</i></p> <p><i>Draft amendments to the Post Office Act and Regulations were submitted to the Ministry of Finance for review in September 2006. (January 2007)</i></p> <p><i>In November 2007, the Bermuda Post Office was transferred from the Ministry of Finance to the Ministry of Public Safety and Housing. Draft amendments to the Post Office Act and Regulations were re-submitted to the new Ministry for review in October 2007. Effective December 2007 the Post Office was transferred to the Ministry of Labour, Home Affairs and Housing, but retained the same Minister and Permanent Secretary. The review of draft amendments to the Post Office Act and Regulations should continue uninterrupted following the latest ministerial move. (January 2008)</i></p> <p><i>The amendments are drafted but have not yet been tabled. (January 2009)</i></p>
<b>CedarBridge Academy</b>		
60.	<p>To limit the impact of continuing operating losses of the Ruth Seaton James Auditorium on the financial resources of <b>CedarBridge Academy</b>, the reasons for such losses should be investigated and cost-saving measures implemented where possible. Alternative funding arrangements for the Auditorium should also be pursued. (2005)</p>	<p><i>A feasibility study of alternative funding arrangements for the Auditorium is nearing completion and controls over cash revenues have been improved. (2005)</i></p> <p><i>The feasibility study is complete and has been reviewed by the Board of Governors, which has forwarded its recommendations to the Ministry of Education for a final decision as to the future funding and management of RSJ. (January 2008)</i></p>
<b>Aided Schools</b>		
61.	<p>The <b>Ministry of Education or the Ministry of Works &amp; Engineering</b> should establish systems to record and control capital costs expended for the four aided schools, and the liability for unamortized construction costs of the schools. (1995)</p> <p>In this regard, the <b>Ministry of Education</b> should explore the practicality of using the Ministry of Works and Engineering's "book value calculator" methodology to establish estimates of capital costs for assets that were paid for by Government and transferred to aided schools. (2005)</p>	<p><i>The Ministry of Finance agrees and will request the Ministry of Education to establish such a system, with appropriate information provided by the Ministry of Works and Engineering. (November 1998)</i></p> <p><i>No progress has been made on this issue. (January 2001, 2002, 2003 &amp; 2004)</i></p> <p><i>Following discussions with W&amp;E, no capital costs are expended on a regular basis for aided schools. In cases such as Berkeley (a new construction) costs are recorded as WIP by the Accountant-General until they are capitalized, and then amortized in line with government amortization policy. (November 2004).</i></p> <p><i>Moving forward, we have put systems in place to capture capital cost to aided schools by coding the expenses in a separate account. (December 2005)</i></p>

Parish Councils	
62.	<p>The <b>Ministry of Culture and Social Rehabilitation</b> should consider dispensing with Parish Councils for parishes that traditionally have shown little interest in local issues. (2001)</p> <p><i>The Ministry will review the role of Parish Councils to align their role with the needs of the community. (January 2003)</i></p> <p><i>A proposed Rest Homes Board will be established and Parish Councils will be relieved of the administration and financial management of Rest Homes. (January 2004)</i></p> <p><i>Cabinet has approved the establishment of a Rest Homes Board to oversee the Parish Council Rest Homes and move the Parish Councils proper, under the Ministry of Community Affairs and Sport. This would put a layer of trained Management in place that did not previously exist and should complete the two-pronged approach that was missing. (January 2005)</i></p> <p><i>The Ministry of Health and Family Services makes every effort to appoint individuals who are committed to the community involvement. The Cabinet decision to move the Parish Councils to the Ministry of Community Affairs and Sports is still pending. (December 2005)</i></p> <p><i>Responsibility for Parish Councils was transferred to the Ministry of Community and Cultural Affairs as of November 2006. However, the administration of the Rest Homes is still being reviewed. (Jan 2007)</i></p>
63.	<p>With respect to Parish Councils to which it pays annual grants, the <b>Ministry of Culture and Social Rehabilitation</b> should heed the comments of the Minister of Finance who stated in a report to the House of Assembly in February 2007, “For accountability purposes it is important that organisations which receive grant funding from Government have their financial records up to date ... and those organisations that do not respond in a timely manner will be at risk of having funding withheld until their financial records are current.” (2007)</p>
64.	<p><b>Devonshire Parish Council</b> should take urgent and immediate action to address the serious deficiencies in its accounting records and controls so that future annual financial statements can be audited and issued promptly in accordance with legislated requirements. (2006)</p> <p><i>The Council agrees that immediate action is needed to address the above and other deficiencies revealed by the audit. (January 2007)</i></p>
65.	<p>The <b>Ministry of Culture and Social Rehabilitation</b> should give <b>Devonshire Parish Council</b> a deadline for the setting up of internal control systems that protect public money and other property, the establishment of proper accounting records and supporting documentation, and the issuance of up-to-date annual financial statements that enable unqualified audit</p>

	opinions. The Parish Council should be informed that failure to meet this deadline will result in withholding public funding and the transfer of responsibilities to the Ministry of Culture and Social Rehabilitation. (2007)	
66.	<b>Hamilton Parish Council</b> should take urgent and immediate action to bring its annual financial reporting up-to-date as required by legislation. (2008)	
67.	The <b>Ministry of Culture and Social Rehabilitation</b> should make immediate arrangements to withhold annual grant funding from <b>Pembroke Parish Council</b> and transfer its responsibilities to the Ministry. (2007)	
68.	<b>Sandys Parish Council</b> should take urgent and immediate action to address the serious deficiencies in its accounting records and controls so that future annual financial statements can be audited and issued promptly in accordance with legislated requirements. (2006)	<p><i>Most of the deficiencies raised by the audit were the responsibility of the bookkeeping firm employed by the Ministry to maintain the Council's financial records. (January 2007)</i></p> <p><u>Auditor General's comment:</u> Employing a contractor does not relieve the Council of its legislated responsibilities to maintain accounting records and be accountable for the financial resources it receives and consumes.</p>
69.	The <b>Ministry of Culture and Social Rehabilitation</b> should give <b>Sandys Parish Council</b> a deadline for the setting up of internal control systems that protect public money and other property, the establishment of proper accounting records and supporting documentation, and the issuance of up-to-date annual financial statements that enable unqualified audit opinions. The Parish Council should be informed that failure to meet this deadline will result in withholding public funding and the transfer of responsibilities to the Ministry of Culture and Social Rehabilitation. (2007)	
70.	<b>St. George's Parish Council</b> should take urgent and immediate action to bring its annual financial reporting up-to-date as required by legislation. (2008)	
71.	<b>Southampton Parish Council</b> should take urgent and immediate action to address the serious deficiencies in its accounting records and controls so that future annual financial statements can be audited and issued promptly in accordance with legislated requirements. (2006)	<i>The Council will make every effort to provide supporting documentation for the Auditor General's Office and our accountants going forward. (January 2007)</i>

72.	<b>Warwick Parish Council</b> should take urgent and immediate action to address the serious deficiencies in its accounting records and controls so that future annual financial statements can be audited and issued promptly in accordance with legislated requirements. (2006)	<i>The Council accepts the denial of opinion as stated. This is viewed very seriously and action is being taken to address this and other recommendations put forward by the auditors. We are confident that our 2004-05 fiscal year will be much better as we are working closely with newly appointed accountants. (December 2006)</i>
73.	The <b>Ministry of Culture and Social Rehabilitation</b> should give <b>Warwick Parish Council</b> a deadline for the setting up of internal control systems that protect public money and other property, the establishment of proper accounting records and supporting documentation, and the issuance of up-to-date annual financial statements that enable unqualified audit opinions. The Parish Council should be informed that failure to meet this deadline will result in withholding public funding and the transfer of responsibilities to the Ministry of Culture and Social Rehabilitation. (2007)	

### **Audit Recommendations removed from Appendix 2 this year**

<p>The Permanent Secretary of the Ministry of Tourism and Transport and/or the Director of BDOT should ask the Police Services to investigate the affairs of Harvest Investment Ltd.</p> <p>If the investigation supports charges of criminal activity, the Permanent Secretary of the Ministry of Tourism and Transport and/or the Director of BDOT should make a complaint against the President of Harvest Investment Holdings Ltd. (2008)</p>	<p>Legal action is in progress.</p>
<p>To improve accountability and financial management, the <b>Board of Bermuda College</b> should improve its accounting records and controls, and bring its financial and account-ability reporting up-to-date as required by legislation. (2008)</p>	<p>Duplicate recommendation.</p>
<p>Without further delay, the <b>Accountant-General's Department</b> should bring monthly reconciliations of all bank accounts up-to-date and maintain reconciliations in compliance with the requirements of section 21 of <i>Financial Instructions</i>. (2005)</p>	<p>Significant improvement achieved this year but see recommendations 25 and 26.</p>
<p>To enhance and help safeguard the Constitutional independence of the Office of the Auditor General, the <b>Ministry of Finance</b> should assign authority to the Office to establish and operate its own bank account and payments and payroll processing systems. Eventually this authority should be enshrined in legislation. (2006)</p>	<p>Recommendation regarding the Office of the Auditor General removed from this report. It will be discussed with the Parliamentary Standing Committee on the Office of the Auditor General.</p>
<p>To enhance and help safeguard the Constitutional independence of the Office of the Auditor General, the <b>Ministry of Works and Engineering</b> should formally assign authority to the Office to negotiate and be responsible for its own accommodation arrangements. Eventually this authority should be enshrined in legislation. (2006)</p>	<p>Recommendation regarding the Office of the Auditor General removed from this report. It will be discussed with the Parliamentary Standing Committee on the Office of the Auditor General.</p>
<p>To provide a legal framework for independence for the operations of the Auditor General, the <b>Minister of Finance</b> is hereby requested to seek legislation to establish the Office of the Auditor General as a legal, independent entity. (2006)</p>	<p>Recommendation regarding the Office of the Auditor General removed from this report. It will be discussed with the Parliamentary Standing Committee on the Office of the Auditor General.</p>

## **APPENDIX 3**

### **Organizations Falling Within the Mandate of the Auditor General**

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<b>Funds</b>	
Bermuda Department of Tourism North America Retirement Plan	March 31
Confiscated Assets Fund	March 31
Consolidated Fund	March 31
Contributory Pension Fund	July 31
Future Care Fund	March 31
Government Borrowing Sinking Fund	March 31
Government Employees Health Insurance Fund	March 31
Government Reserves Fund	March 31
Hospital Insurance Fund	March 31
Ministers and Members of the Legislature Pensions Fund	March 31
Mutual Re-insurance Fund	March 31
Public Service Superannuation Fund	March 31
<b>Government-Controlled Organizations</b>	
African Diaspora Heritage Trail (ADHT) Bermuda Foundation (The)	March 31
Bermuda Arts Council	March 31
Bermuda College	March 31
Bermuda Educators Council	March 31
Bermuda Health Council	March 31
Bermuda Hospitals Board	March 31
Bermuda Housing Corporation	March 31
Bermuda Housing Trust	March 31
Bermuda Land Development Company Limited	March 31
Bermuda Small Business Development Corporation	March 31
Board of Trustees of the Golf Courses	March 31
CedarBridge Academy	March 31
Financial Intelligence Agency	March 31
Pension Commission	December 31
Trustees of the National Sports Centre	March 31
West End Development Corporation	March 31
<b>Parish Councils</b>	
Devonshire Parish Council	March 31
Hamilton Parish Council	March 31
Paget Parish Council	March 31
Pembroke Parish Council	March 31
Sandys Parish Council	March 31
Smith's Parish Council	March 31
Southampton Parish Council	March 31
St. George's Parish Council	March 31
Warwick Parish Council	March 31
<b>Aided Schools</b>	
Berkeley Institute Capitation Account	March 31
Sandys Secondary Middle School Capitation Account	March 31
St. George's Preparatory School Capitation Account	March 31
Whitney Educational Trust	March 31
<b>Other</b>	
Office of Ombudsman for Bermuda	March 31



## **APPENDIX 4**

### **REPORT OF THE PARLIAMENTARY STANDING COMMITTEE ON THE PUBLIC ACCOUNTS FOR THE FINANCIAL YEARS ENDED MARCH 31<sup>st</sup>, 2005 AND MARCH 31<sup>st</sup>, 2006**

TO HIS HONOUR THE SPEAKER AND THE MEMBERS OF THE HONOURABLE  
HOUSE OF ASSEMBLY:

The Parliamentary Standing Committee on the Public Accounts has the honour to submit  
the following Report:

#### **A. INTRODUCTION**

1. Your Committee is pleased to report that we have reviewed the outstanding Annual Reports of the Auditor General submitted in 2007 and prior, and we are reporting thereon to the Honourable House of Assembly. Our deliberations have been directed to following up on previous findings and concerns of Your Committee and to making inquiries of Department Heads and Managers of various Government Departments and organizations relevant to issues and problems mentioned in the Auditor General's Reports for the Years 2005 and 2006. Your Committee's work is not closed on these audit reports and there will be further review of issues raised in them, particularly respecting the performance bond for the Berkeley Institute Senior School Capital Project and disruptions to the Office of the Auditor General. The last Report of the Committee covering the 2003 and 2004 Reports of the Auditor General was tabled in the House on 1 December 2006, along with a Special Report of the Public Accounts Committee relating to Bermuda College up to March 31, 2005. Since the last report, Your Committee has met on 12 occasions.
2. The Auditor General's 2005 and 2006 Reports were tabled in the Legislature on May 5, 2006 and March 2007, respectively.
3. The concerns of the Auditor General's Report comprised the following main areas: Consolidated financial statements for Bermuda; late financial reporting; unapproved expenditure; government computer environment and controls; fraud and misappropriation of Government funds and resources; pension contribution and tax remittances in arrears; unaddressed Audit recommendations; performance bond for the Berkeley Institute Senior School Capital Project along with Disruptions to the Office of the Auditor General.



## **B. CONSOLIDATED FINANCIAL STATEMENTS**

Your Committee recommends that the necessary legislation be enacted to require the production of consolidated statements. This would enable the Accountant General to possess clear authority to go about acquiring the additional resources and staffing necessary to produce consolidated financial statements. The support behind this recommendation is based upon more stringent GAAPs coming into force over the next 2 or 3 years, which will mandate that the Auditor General qualify the opinions on the Government's Accounts if consolidated financial statements are not produced. In previous reports, your Committee has repeatedly called for the implementation of consolidated financial statements.

## **C. LATE FINANCIAL REPORTING**

Your Committee continues to express concern that there are inordinate delays in completing accounts to be presented for audit by many government entities. The absence of timely reporting gives rise to potential for misappropriation of funds and prevents the ability for consolidated accounts to be prepared.

For 2005, most audit schedules were not available when promised, and when they were submitted, there were problems with accuracy or completeness.

For 2006, problems with accuracy were more pronounced, and many schedules were materially inaccurate, causing many post-closing audit adjustments to be booked, which resulted in a disproportionate number of audit hours for completion.

Only 9 of 36 government entities had submitted timely annual financial statements for audit, a further deterioration on the previous year. The most egregious delinquencies for audit of Public Funds were The Hospital Insurance Fund which was in arrears by 5 years (2002-2006), GEHI and Mutual Reinsurance both of which were in arrears by 4 years (2003-2006). Pembroke Parish Council continues to be a challenge with 5 years delinquencies (2002-2006), followed by St. George's with 4 years (2003-2006). Whitney Educational Trust Middle School Capitation Account is also behind by 4 years (2003-2006).

Your Committee notes the progress in reducing the backlog of accounting of Bermuda Hospitals Board, Bermuda Housing Corporation, Bermuda Land Development Company Ltd, CedarBridge Academy, Pension Commission, Trustees of the National Sports Centre, the Consolidated Fund, Government Borrowing Sinking Fund and the St. George's Preparatory School Capitation Account.

Your Committee recommends that an intense effort be undertaken by the Accountant General's Department to ensure that audit files are submitted on a timely and correct basis, and that the entities are held accountable for bringing their outstanding audits up to date.

**D. UNAPPROVED EXPENDITURE:**

Your Committee notes unapproved expenditure for 2005 and 2006 of \$17.7M and \$10.7M respectively. These unapproved amounts show the continuation of a trend in which \$48M was expended from 1998 through 2004, without Parliamentary oversight. Your Committee recommends that the Ministry of Finance makes a greater effort to properly budget expenditure in the statement of Revenue and Expenditure. The experience of the last few years suggests a fundamental weakness in the budgetary process.

**E. FRAUD AND MISAPPROPRIATION OF GOVERNMENT FUNDS AND RESOURCES**

Your Committee noted that despite repeated earlier warnings from the Auditor General of inadequate control over Government bank accounts which had resulted in major misappropriations, the controls were still unsatisfactory in 2006.

Notwithstanding the approval of recommendations for enhanced control functions from 2004, and the Special Report by the Auditor General in 2005 that accounts be reconciled and approved within 30 days of month-end, the 2006 audit showed that administration of and controls over bank accounts had not improved. Accounts were reconciled late and were not reviewed by senior Department officials, and reconciling adjustments totaling \$9.9M were required to correct reconciliations.

In addition, deposits were made during 2006 that were not recorded in the general ledger, and in some instances, missing documentation restricted identification of such deposits. Furthermore a \$26M estimate for the environmental clean up of the bases has not been revised for at least 4 years.

Your Committee recommends that detailed attention be given to ensuring bank accounts are reconciled on time, that documentation adequacy be addressed, that suspense items be appropriately investigated, and that liabilities be reviewed to determine adequacy.

**F. PENSION CONTRIBUTION & TAX REMITTANCES IN ARREARS**

Your Committee was given an aged analysis of the outstanding tax and pension contributions. It was noted that 90-day past due Land Tax balances increased steadily from 2004 when it stood at \$7.2M, growing to \$8.2M in 2005 and \$10M in 2006. Pension contribution 90-day past due balances increased from \$14.9M in 2004 to \$15.4M in 2005, but showed a \$1M improvement in 2006 when it stood at \$14.4M. Payroll Taxes, however, showed the efforts of collection between 2004 and 2005 when the outstanding balance for 90-day past due amounts went from \$17M down to \$14.5M, but those improvements were negated in 2006 when the comparative balance increased to \$17.8M.

Your Committee notes that some of the balances may have been greater if uncollectible accounts had not been written off. It is important to note that unpaid pension contributions impact on the employee's ability to enjoy full pension benefits.

Your Committee strongly recommends that aggressive action continue in the Debt Collection Unit to ensure the collection of delinquent taxes and pensions, including where necessary, prosecutions by the Attorney-General's Chambers.

## **G. UNADDRESSED AUDIT RECOMMENDATIONS**

The Auditor General has reported that some of his unaddressed recommendations were well on the way to being resolved, resulting in their removal from his report. The improvements were due to the efforts of the Head of the Civil Service who sought assistance from Permanent Secretaries to respond to and correct specific challenges.

As of 2005, there were 61 outstanding recommendations, 16 of which were dropped as stated above.

Your Committee notes the intervention of the Head of the Civil Service and the cooperation of the Permanent Secretaries in resolving these issues.

There were however, 12 new recommendations, leaving a balance of 57 in 2006.

Your Committee notes that many recommendations originated several years ago, and stem from failure to comply with legislation, poor accountability, inadequate management processes and accounting controls. Although management responses year after year indicated that these deficiencies were in the process of resolution, there was no apparent resolution and no closure.

Your Committee strongly recommends that dates-certain be appended to action steps and that such dates become auditable targets for compliance.

## **H. ACCOUNTING STAFF UNDER STRESS IN VARIOUS MINISTRIES**

Your Committee noted the growing problem with cross-Ministry Controllers coming under increasing stress, resulting in a number of the Controllers taking extended medical leave. Accounting work is being negatively affected and some accountants are now leaving government in frustration. This problem has extended to the Office of the Auditor General, where the result is an unacceptable backlog in audits.

The situation is further exacerbated by the inability of certain departments to bring their accounts up to date. For example, the National Drug Commission's accounts seem to be totally out of control. The accounting systems for the

Hospital Insurance Fund are very poor and it appears that record-keeping and claims processing are still being done manually and financial statements have not been audited. The Parish Council audits have been so problematic that the task has even been rejected by private sector audit firms.

Although the Financial Secretary has given clearance for temporary staff to be hired, finding appropriately qualified individuals has proved to be challenging.

Your Committee believes that failure to have accounts brought up to date by staff possessing an appropriate degree of professionalism will have serious financial implications, and recommends that the Ministry of Finance give this matter its serious attention.

## **I. COMPUTER SYSTEMS**

Many departments spoke to the issue of inadequate computer systems which precluded effective recording and updating of information. In some cases, new systems were being considered, however your Committee noted that the continuing problem of outdated computer systems have been identified in many of our previous reports.

Departments considering new systems were: the Bermuda Housing Corporation where the anticipated merger of B.H.C., the West End Development Corporation and the Bermuda Land Development Company was imminent; the Tax Commissioner's office; and the Accountant General's office.

Your Committee strongly recommends that the computer systems in all departments be examined with a view to ridding the system of antiquated platforms and all the attendant problems that they bring.

## **J. PUBLIC ACCOUNTS COMMITTEE MEETINGS**

In the last two reports of your Committee, there was unanimous support for the membership of the PAC to be increased to seven members.

**In the Honourable Member's 2006 response, your Committee notes that the Minister of Finance agreed that the number of members of the PAC should be increased to seven. However, this has not yet been effected.**

**Your Committee strongly recommends that in order to ensure that the quorum of three can be met and meetings can proceed in a timely fashion that the additional appointments are made forthwith.**

## **K. CEDARBRIDGE ACADEMY & RUTH SEATON JAMES AUDITORIUM**

Your Committee noted that this was the first ever meeting of the PAC with representatives from the CedarBridge Academy. The problems confronting this entity were the deficiencies in the capital assets register as well as a failure to complete physical asset verification. This shortcoming can cause inaccurate financial reporting. It was noted that the CBA board raised this problem with the Ministry of Education who promised to liaise with the Ministry of Works & Engineering to establish the necessary register.

Your Committee recommends that CBA adopt a tagging system to identify its physical assets, including furnishings, equipment, school and student supplies and such assets be recorded in a register.

Your Committee noted the concern of the CBA Board that the Ruth Seaton James Auditorium was operating at a loss, and furthermore that these cost overruns were borne by CBA. As a result, CBA experienced budgetary shortfalls which impacted its academic programmes.

Your Committee also noted that for a period of time, CBA was required to absorb the overflow of students who were displaced because of the late completion of the Berkeley Institute Senior Secondary School project. The resulting strain on their budget contributed to the CBA operating fund deficit of \$245K. The Board had no indication as to how this shortfall would be eliminated.

Your Committee recommends that the Ruth Seaton James auditorium be regarded as a separate cost centre and that it be incorporated in the budget of the Department of Community and Cultural Affairs. In addition your Committee recommends that the budget of CBA be re-examined to ensure that the school has appropriate and adequate funding.

Your Committee also noted that the CBA Board raised the issue of funding to enable lunches to be provided for needy students as there was a problem with students coming to school without proper nutrition. In addition, there is an issue of school uniforms and other student supplies which some students may not be able to afford.

Your Committee undertook to bring this matter to the attention of the Ministry of Finance for its consideration.

## **L. NATIONAL DRUG COMMISSION**

Your Committee learned that the NDC merged into the Ministry of Health and Family Services as provided under the National Drug Commission Repeal Act 2005, and that it now operates as the Department of National Drug Control. As part of this merger, an agreement had been reached that the NDC's bank accounts and assets would be transferred to the control of the Ministry of Health which

would keep them separate and distinct from any other Ministry of Health accounts and assets.

Your Committee discovered that due to poor controls and inadequate documentation, fraudulent or criminal behaviour may have been a factor in some NDC expenditures. Management control systems and oversight were simply not working properly, and it appears that there may have been some collusion between certain staff members resulting in fraudulent or improper purchases and transactions. A Police investigation was initiated as a result of the serious problems in the NDC accounts and records, including missing invoices and destroyed documents.

Your Committee noted the inability of certain staff to appropriately handle the accounting functions. Even with the out-sourcing of some projects, the result was still inadequate. Your Committee also noted that the Accountant General had taken the necessary steps to advise the Ministry of Finance regarding the problems, and the resulting denial of opinion on the financial statements.

Your Committee expressed serious concern that performance bonuses were paid to the former Executive Director. Given the state of the accounts and the other apparent financial misappropriations, your Committee believes that these performance bonuses were entirely inappropriate and should be carefully reviewed and reclaimed by Government if necessary.

## **M. ACCOUNTING OVERSIGHT OF QUANGOS**

Your Committee heard that many of the boards or committees that have direct responsibility for overseeing the management and operations of quangos simply do not seem to understand the full extent of their duties vis-à-vis management oversight, accounting controls and financial reporting.

Your Committee recommends that the Secretary to the Cabinet should step in to ensure that quango boards and senior civil servants are fully versed in their responsibilities.

## **N. CONCLUSION:**

1. Your Committee wishes to record its appreciation of the advice and co-operation of the Auditor General and his staff throughout its deliberations, of the assistance of the various Heads of Department and their staff who appeared before your Committee, and also of the extensive work done on our behalf by the Deputy Clerk to the Legislature, Mr. Clark Somner.
2. Your Committee would also like to acknowledge the contributions of former M.P. George Scott along with Dr. the Hon. E. Grant Gibbons. who served on your Committee and contributed to these deliberations.

3. Your Committee also wishes to advise the Honourable House of Assembly that this report has been shared with former members of your Committee who were integral to the interview process, but who are no longer members – George Scott, Dr. the Hon. E. Grant Gibbons and the Hon. Glenn Blakeney. There were minor observations made by two of these former members, but none that were material that might change the content or presentation of this report.
4. Your Committee recommends that the Minister of Finance be requested to inform the Honourable House of Assembly of the action to be taken on the points raised in this report.

ALL OF WHICH IS RESPECTFULLY SUBMITTED



Mr. Everard T. Richards, J.P., M.P. – Chairman

Mr. Zane J. S. DeSilva, J.P., M.P.



Mrs. Patricia J. Gordon-Pamplin, J.P., M.P.

Mr. Walter M. Lister, J.P., M.P.



Hon. Patrice K. Minors, J.P., M.P.

Sessions House,  
11<sup>th</sup> March, 2009.

## **APPENDIX 4**

### **Minister of Finance Response on the Report of the Parliamentary Standing Committee on the Public Accounts For the Financial Years ended March 31, 2005 and March 31, 2006**

#### **Introduction**

**Mr. Speaker,** I am grateful for this opportunity to respond to the Public Accounts Committee Report on the Public Accounts for the financial years ended 31 March, 2005 and 2006. This Government appreciates that this process is an important component of the financial reporting accountability cycle within Government and will fulfill its duty to ensure that Government's financial reporting is raised to its optimal level.

Mr. Speaker, before I go into my formal response I would like to comment on the role of the Public Accounts Committee (PAC) and parliamentary procedure in general.

When the Auditor General tables a report in the House it is automatically referred to the PAC, Parliament's Standing Audit Committee. The Committee then selects the portions of the report it wants to scrutinise and calls public servants from audited organisations to appear before it to respond to the Auditor General's findings. The PAC also reviews any other Special Auditor Reports that have been tabled, and attempts to identify financial shortcomings of the Government in light of issues raised in the Auditor General's reports. The Committee then tables its report and makes recommendations to the Government for improvements in spending practices and request that the Minister of Finance formally replies to the points raised in the Report and it is debated including input from the relevant and accountable Ministries and Ministers.

Mr. Speaker, this PAC report is an historical document. While media reporting of the PAC Report conveys a sense of immediacy, nothing could be further from the truth. Yet, too often the PAC Report is thought to represent the status quo when in fact it has been overtaken by events and real progress has occurred.

In fact usually by the time a PAC Report is released more than two years has lapsed. Very often Government officials or boards of public sector entities – who have the fiduciary responsibility for their own accounts – have taken action already to address weaknesses or to make enhancements to financial systems and controls.

As Government we have expended considerable effort to address the outstanding recommendations of the Auditor General. We have set a realistic timetable for action and committed to effecting systemic improvements to Government's accounting and financial control systems.



For ease of reference, I have adopted the same order as the PAC Report, which I attach as Annex I. Please note that the latest PAC Report relates to the year ending March 31, 2006, clearly some of my comments may already be in the public domain.

### **Consolidated Financial Statements**

Mr. Speaker, I note the repeated Auditor General's call for the Government to produce consolidated financial statements for Bermuda. The recommendation refers back to 1992. While legislative changes are required to effect consolidated reporting, they are simply one aspect of a complex approach that would be required to achieve this accounting objective. As an update, the Accountant General has identified a dedicated resource to lead this initiative. A legislative framework has been proposed. We intend to use our best efforts to achieve a target date of March 2010 for the issuance of Consolidated Financial statements. So progress is being made on this important initiative, but it should be emphasised that consideration must be given to resources, accounting systems, management roles and other factors that are critical in the accomplishment of this task. The timely preparation of financial statements of all public funds and Government organisations is also a key requirement to progress this initiative.

### **Late Financial Reporting**

Government understands the importance of timely financial information across the entire public sector and is pleased that there has been demonstrable improvement. However, this does not equate to satisfaction or complacency. Much more needs to be done and is required by all of us who are accountable for actions that need to be accelerated across the board. As the Minister of Finance I consider it vital that all public sector entities use their best efforts to prepare annual financial statements on a timely basis.

Mr Speaker, let me advise that the Consolidated Fund Financial Statements (the Fund through which Government conducts the majority of its transactions) have been completed, audited, published and have been tabled in the House of Assembly for the years ending March 31, 2005 and 2006, with clean audit opinions.

Mr. Speaker, during the reporting period ending March 31, 2007, the audited financial statements of 42 entities were issued and made available to the House of Assembly. This reflects an increase in volume of 26 reports from the prior year. The Auditor-General commended Government and public sector boards for this 62 per cent increase in the filing of audited statements. Indeed, the turnaround was described by the Auditor-General as "an excellent year-over-year achievement".

Mr. Speaker, the public sector entities that met the test of timeliness in the Audit Report for the financial year 2006/07 include:

- The Consolidated Fund which received a clean audit opinion. This involved more than \$1 billion of expenditure on current programmes and capital outlays as well as \$884 million of revenue.
- Other entities that filed audited statements for the same financial year included the Bermuda Hospitals Board, the Bermuda Housing Corporation, the Bermuda Land Development Company Limited, Trustees of the National Sports Centre, the West End

Development Corporation, the Government Borrowing Sinking Fund and the Pension Commission.

- Thirty-four other entities including some Parish Councils, school capitation accounts and the Bermuda Small Business Development Corporation filed accounts.

Mr. Speaker further progress is being made. Management accounts have been prepared and significant progress has been made to bring all public fund accounts up to date.

Progress has been made on the financial statements of other public sector entities as well.

Mr. Speaker, relevant government entities, such as Parish Councils, school boards and countless others are also keen to address any backlog and to deliver outstanding accounts in an auditable state to the Office of the Auditor General.

Mr. Speaker, the Ministry of Culture and Social Rehabilitation, is a prime example. This Ministry has administrative responsibility for Parish Councils, which have been heavily criticised by the Auditor General in his Annual Reports.

The Ministry of Culture and Social Rehabilitation has contracted the services of a Parish Council Coordinator to act as a liaison between the Parish Councils and the Ministry. The purpose of this engagement is to provide direct guidance and assistance to Parish Councils in the conduct of their affairs, and to improve their financial reporting standards.

In 2008 the Minister of Culture and Social Rehabilitation requested that the records of all Parish Councils be provided to the Ministry Headquarters for review. The Ministry's Financial Controller is reviewing available financial records and minutes of meetings that have been collected so far. The Financial Controller is compiling a report on the status of accounting and audits for each Parish Council. The target is to bring both up to date on or before June 1<sup>st</sup>, 2009. Most of the financial accounts that are available for review at this time relate to fiscal years 2006 through 2008.

The Ministry has decided to issue a Minute Book to all Parish Councils in 2009 and is also planning to issue a common "book" of accounting to each Parish Council, even though some Parish Councils may be capable of using computerised accounting processes.

The Auditor General has issued a draft financial statement package with an unqualified (clean) opinion pertaining to Paget Parish Council for fiscal years 2007 and 2008. Further, Hamilton Parish Council and Smith's Parish Council were each issued a qualified opinion for audited financial statements for the fiscal year 2005 and 2006, respectively. Some progress has been made.

The Ministry has limited its funding to Parish Councils that do not operate a rest home and will continue this practice until all Parish Councils are in full compliance in terms of financial reporting.

In order to enhance financial reporting and other record-keeping by Parish Councils, the Parish Councils Coordinator, with Ministry support, is organising three workshops for all Parish

Councils - one for western Councils (already held on December 4<sup>th</sup>, 2008), one for central Councils (scheduled for March 26<sup>th</sup> 2009), and one for eastern Councils (date to be determined).

The purpose of these workshops is to a) ensure that Parish Councils understand their obligations under the Parish Councils Act 1971 b) bring to the attention of Parish Councils the importance of maintaining proper financial records and keeping records up-to-date generally c) update Parish Councils on their audit status, and d) provide guidance to Parish Councils on any other matters pertinent to their statutory mandate.

The Ministry has plans to develop a Financial Instruction manual, patterned after that issued by the Office of the Accountant General, for issuance to Parish Councils on or before June 1<sup>st</sup>, 2009.

Mr. Speaker, this is only one example, of an entity making a concerted effort to improve its financial reporting and management oversight.

Mr. Speaker, it is also significant to note that to assist with the actual auditing of outstanding accounts the Government approved the Auditor General's request for additional budgeted funds for fiscal 2007/08.

### **Unapproved Expenditures**

Mr. Speaker, annually, the House of Assembly approves the Government of Bermuda's National Budget for funding the delivery of a wide range of programmes and services to the community. Budgets are dynamic funding plans that are subject to change and variation according to actual circumstances associated with the pricing of resources (including labour and materials) and other factors that impact programme implementation or service delivery. Section 96 of the Bermuda Constitution recognises the dynamic nature of budgets. The Constitution provides for supplementary estimates to be presented to the House of Assembly for authorisation either before the commitment of expenditure or after the funds have been spent – see section 93(3)(b).

Lapses where they do occur, are due to management issues, not the lack of robust controls. The Civil Service Executive is addressing this in the annual performance review process. It should be noted also that at an overall level, the variance of actual expenditure on current account compared to budget typically has been in the range of 1.5 per cent to 6.0 per cent in recent years.

### **Regular reconciliation of bank accounts**

Mr. Speaker, the regular reconciliations of the Governments' bank accounts, continues to be a high priority. The ever increasing number of Government bank accounts, 62 at the present time, coupled with the volume and types of transactions flowing through each account makes this a time consuming and, at times, a complex process.

Since our last report, the Accountant General's Department has completed the hiring of full time staff for the Bank Reconciliations Section, consisting of; a qualified Management Accountant, 1 Supervisor, 4 Reconciliations Administrators, and 1 Reconciliations clerk. Currently 70% of the bank accounts are being reconciled within 30 days, 24% are being reconciled within 60 days. The current mandate for the section is to have 100% of Government accounts fully reconciled as at the fiscal year end by April 30<sup>th</sup> 2009.

### **Pension Contributions & Tax Remittances in Arrears**

Mr. Speaker, another concern noted by the PAC in their annual report and shared by the Government is the matter of pension contributions and taxes in arrears. As previously stated, this Government places a high priority on collecting outstanding amounts owed. Let me share some of the initiatives that this Government instituted to address this long-standing issue of outstanding pensions and tax arrears.

Mr. Speaker, the Debt Enforcement Unit (DEU) within the Attorney General's Chambers was established by the Government to assist the Department of Social Insurance and the Office of the Tax Commissioner to recover unpaid social insurance contributions and payroll tax, land tax and other taxes owed to the Government. The DEU is operating aggressively and during the current fiscal year approximately 31 summonses were issued and served. The DEU obtained 21 Judgments for a total of \$698,956.12. Letters before action and/or summonses assisted in negotiated payment plans totaling \$439,820.42. This initiative has again produced positive results with funds collected in excess of one million five hundred thousand dollars. Once again letters before action written on behalf of the Department of Social Insurance and the Office of the Tax Commissioner to delinquent employers has improved collections.

The Tax Commissioner's Office has, under this administration, been given the much needed resources to conduct audits of delinquent tax payers. These audits have uncovered previously unknown amounts of taxes due to Government. In addition in December 2006, the Government introduced the Taxes Management Amendment Act 2006, its purpose being to make either a director or an officer of a company liable for payroll taxes owed to the Government. Directors and Officers of a Company could now be held jointly and severally liable for the outstanding payroll tax obligation of the company. The legislation also provides the authority to pursue past directors of a delinquent company.

The Office of the Tax Commissioner collects the majority of the Consolidated Fund's annual revenue. To ensure all revenue is collected the Tax Commissioner's office has dedicated staff to vigorously pursue the collection of monies owed to Government. In 2002, the Department established a Debt Management Section consisting of three staff. To date this section has been responsible for collecting in excess of \$23 million at a cost of \$235,000 for fiscal 2007/2008. They have successfully instituted garnisheeing of salaries and rents in relation to land tax. They have also used the offsetting provision in the legislation that allows them to claw back any monies due to Government from companies who are awarded Government contracts (i.e. Work and Engineering contracts). They have set up installment plans and have successfully progressed matters in the courts through the Debt Enforcement Unit( DEU). In addition, they are supported by the Departments of Immigration and Transport Control in a joined-up Government initiative to combat this problem. Despite this concerted effort to reduce the outstanding liability for both payroll tax and land tax, the debt at December 31, 2008 was \$24,562,000 and \$10,500,000 respectively

There are 3 initiatives that will be introduced in 2009/2010 that should have a profound effect on the collection of both payroll tax and land tax.

### The Outsourcing of land tax debt to Debt Collectors

This initiative was first suggested in 2006 and an MOU was forwarded to Chambers for review in 2007. In November 2008, the Office of the Tax Commissioner received the approval from Chambers and negotiations with Credit Companies and a Pilot Project with these companies is set to commence in April 2009. The project will entail the transfer of the most delinquent taxpayers to the credit companies.

### Amnesty

An amnesty program for delinquent taxpayers with respect to payroll tax will be initiated by September 2009. This program will waive, under certain conditions, the penalties and additional taxes that may be associated with outstanding payroll tax. Sections 16(2) and 22(2) of the Taxes Management Act 1976 provides the Tax Commissioner with the authority to remit these amounts.

Mr. Speaker, I should also like to confirm at this time that the Ministry of Finance will continue to support the Tax Commissioner in his efforts to expedite the purchase and installation of the new accounting software package. Mr. Speaker I can report that both the Project Manager and the company which will write the RFP have been selected and vendor selection should be completed by September 2009. Funding for this project has been provided for in the 2009/2010 Budget with project completion slated for Spring 2011.

Mr. Speaker the Department Of Social Insurance, is ever aware and cognizant of the increasing contribution arrears and the negative impact it has for future pensioners. The Department continues to work with the DEU to assist in following up with delinquent employers. Currently the DEU handles all litigation on behalf of the DOSI for amounts in excess of \$10,000. This includes issuing letters before action and processing of all summonses and court appearances. Also to date, two directors for two different companies have been served summonses to appear in court in accordance with amended legislation to the CPF Act 1970 which allows for the prosecution of Directors and Officers of delinquent companies either jointly or severally. This collaborative effort with the DEU has proven to be quite effective. In addition, DOSI has for a number of years maintained excellent working relationships with the Transport Control Department and the Department of Immigration in establishing policy initiatives to provide more aggressive tactics in collecting outstanding contributions. Collaboration with these two Departments has been extremely successful.

Mr. Speaker, DOSI is currently in the process of establishing an internal debt collection section within the Compliance Section to be staffed with a full time debt collector and clerical staff who will target their efforts on the collection of 90 day and over delinquent accounts as well as providing more timely follow up on 30-90 day accounts. This would involve the addition of staffing and the process of a structural reorganization. In addition, an aggressive PR campaign will be carried out with particular emphasis towards employees being made more aware of their contribution entitlements by checking their contributions online through DOSI's improved and more user friendly website. This allows the employee to be more accountable regarding their own contribution records and be able to follow up with their employer on a regular basis for any outstanding contributions. In addition, employers would be made more aware of their social responsibility to keep their contribution payments current.

### **Unaddressed Audit Recommendations**

The Accountant General's Department is working with Controllers in Ministries to ensure audit recommendations that have been noted in prior years are addressed expeditiously.

### **Accounting Staff Under Stress in Various Ministries**

Mr. Speaker, the Accountant General in conjunction with the Ministry of Finance has worked with Management Services to review the controller positions throughout government. A Cabinet Paper is currently being finalised which will standardise the controller function across Government. The standardised procedures for controllers will help to ensure that all controllers are clearly aware of their job functions. They also would have a dotted line reporting to the Accountant General which should ensure that all accounting needs of the Accountant General are met on a timely basis. In addition, controller posts will be established in each ministry which should result in all controllers having an equal and manageable workload. Previously some controllers were responsible for more than one Ministry.

Mr. Speaker, The Accountant General has advised that the recruitment and retention of qualified Bermudian accountants continues to be a struggle. To address this problem the Accountant General has had to advertise overseas.

### **Computer Systems**

Mr. Speaker, the Ministry of Finance recognises that technology is critical in order for Departments to improve their efficiency and effectiveness. To this end I am pleased to report on the following IT initiatives.

#### **New Financial Information Management System for Government**

A vendor has been selected pursuant to a request for proposal for a new/upgraded Financial Information Management System for Government. This system will address 90% of the gaps identified in the current system, and will be the primary enterprise resource planning system (ERP) Government-wide. The Accountant General is working under the direction of an ERP Steering Committee to progress this project and obtain the necessary assistance throughout government to ensure this system is implemented effectively. The system will be implemented in three phases over the next three years. Phase one has already begun and it is anticipated that this phase will be completed by September 2010.

#### **System Initiatives within the Department of Social Insurance**

In April 2009, the Health Insurance Section, which administers the Health Insurance Plan and the Mutual Reinsurance Fund, will implement phase one of its automated system. This will include automation of the general ledger, enrollment, eligibility and cash receipting functions for the two funds. This provides the baseline automation that will support electronic adjudication of claims in phases two to four of the project, which will be completed in 2009. The automation vendor was selected in 2008, after a series of Requests for Proposals in 2007. The automated system will provide the administration for all policyholder and claims functions and contains a built-in

general ledger. The system will produce the required financial statements for the two funds. Administrative expenses will continue to be captured through the government's AS400 system, which will provide itemized reports by cost center and object code.

#### Claims Processing and Record-keeping

The automated system will also utilize a high degree of electronic submission and payment of claims. All documents will be scanned at the point of receipt from 2009 onwards. The systems electronic workflows will allow DOSI staff to administer the two funds entirely through the system with minimal reliance on paper. Policyholders will have the ability to verify eligibility, billing and claims online beginning from late 2009. Auditors will have the ability to remotely access the system through the internet to perform audit testing.

#### Health Insurance Plan

Following on from above, the Health Insurance section of DOSI is currently undergoing system implementation procedures with an overseas vendor for the automation of policyholder records, fund accounting and all claims processing. Expected go live date will be in the Fall of 2009.

#### Pensions

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DOSI and the Accountant General's Department are currently engaged in the implementation of joint pension administration systems that will provide for enhanced reporting and accountability together with increased inter department information sharing. The systems are scheduled to go live this year. (ACG in June 2009, DOSI in November 2009).

#### TIGER Debt Management System

In January 2009 DOSI implemented a debt management system that will allow more rigorous and efficient debt collection by the Compliance Section. In addition, the reporting tools contained within the system will allow for greater management oversight and control and a more focused debt collection effort. Staff are currently being trained on the use of this software.

#### Bermuda Housing Corporation (BHC) MRI Implementation

Mr. Speaker, the BHC has reported that they are progressing with the implementation of their new property management and real estate software – MRI-IRES. They have indicated the key dates for the full implementation of MRI and identified all aspects of the project.

In addition to the MRI computer system the BHC has implemented Great Plains Software to handle and record Payroll and other HR items (Attendance, vacation, sick days, CURE reporting, etc.).

### **Public Accounts Committee Meetings**

Mr. Speaker, while I agree that it may be beneficial for the PAC to be increased to seven, Mr. Speaker, this decision is not the Minister of Finance's and is for the House of Assembly or Speaker to determine.

### **Cedarbridge Academy (CBA) & Ruth Seaton James(RSJ)**

The RSJ Auditorium reopened in April, 2008 after 18 months of remediation work. The Ministry of Education has advised that they have not made a final decision as to the future funding and management of RSJ. Accordingly, RSJ continues to be a part of the CBA Budget at the present time. This matter will be revisited by the Ministry of Education and if there are any changes they will be reported in the next response to the PAC Report. Also, the task of identifying assets acquired using capital grants has not been undertaken due to the continuing remediation work at CBA.

### **National Drug Commission (NDC)**

Mr. Speaker as mentioned in the PAC Report the NDC merged into the Ministry of Health and Family Services as provided under the National Drug Commission Repeal Act 2005.

Mr. Speaker, I can report that from February, 2005 to September 2005 the Accountant General seconded a trainee management accountant to the NDC to assist in the completion of the financial statements for the years 2002 to 2005 pursuant to a request made by the controller of the Ministry of Health at the time. During this process some lapses in internal controls were identified. Consequently the Accountant General's Department conducted an investigation and prepared a report with recommendations to prevent recurrences, and appropriate disciplinary action was taken.

The Ministry of Finance has assumed responsibility to having all NDC accounts brought up to date. A consultant accountant was engaged by the Ministry, and I am please to report that the NDC's 2003, 2004, 2005 and 2006 accounts were prepared together with supporting working papers, using the information available. However I note that not all the required supporting documentation was available when the accounts were referred onto the Office of the Auditor General.

### **Accounting Oversight of Quangos**

Mr. Speaker, I would like to commend all persons who take time out of their busy schedules to serve on various Government boards. Their service is greatly appreciated by the Government. The majority of these persons are diligent and fulfill their oversight roles competently. However, the Government will continue to advise members of Boards and Management Committees of their roles and responsibilities.



### **Conclusion**

Nothing would please me more than to write only one simple sentence for the Response: "The Government has done everything that needs to be done and there is nothing more to add." However that is not to be- Government and governance is dynamic and just as the international regulatory environment has a shifting and changing landscape so too it is with the process of government. More is being required of all civil servants, Permanent Secretaries/Chief Accounting Officers and of the Ministers of the Government and associated agencies.

Mr. Speaker, we thank the members of the Public Accounts Committee for their work in identifying various issues and bringing forth their observations and recommendations to the attention of this Honourable House. We also would like to thank the many dedicated public officers who have worked diligently and professionally in correcting and addressing the outstanding issues raised.

The Government is committed to strengthening the way in which it manages and controls Bermuda's public finances and I have every confidence that continued improvements will be achieved. Under this administration, there is every expectation that Government's financial reporting and stewardship will reach the highest possible standards.

13 March 2009

## **APPENDIX 5**

### **Extracts from the Bermuda Constitution Order**

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88. (1) Power to make appointments to the Office of the Auditor General is vested in the Governor acting in his discretion.
- (2) Subject to the following provisions of this section, the Auditor General shall vacate his office when he attains the age of sixty-five years:  
Provided that the Governor, acting after consultation with the Premier, may permit an Auditor General who attains the age of sixty-five years to continue in office until he has attained such later age, not exceeding the age of seventy years, as may have been agreed between the Governor and that Auditor General.
- (3) The Auditor General may be removed from office only for inability to discharge the functions of his office (whether arising from inability of body or mind or any other cause) or for misbehaviour, and shall not be so removed except in accordance with the provisions of subsection (4) of this section.
- (4) The Auditor General shall be removed from office by the Governor if the Governor, acting in his discretion, is satisfied that he ought to be removed from office for inability as aforesaid or for misbehaviour.
- (5) During any period when the questions of removing the Auditor General from office for inability as aforesaid or for misbehaviour is being investigated by, or in pursuance of directions given by, the Governor, the Governor, acting in his discretion, may suspend the Auditor General from performing the functions of his office.
- (6) References in subsections (2) to (5) of this section to the Auditor General do not include references to a person appointed to act in the office of the Auditor General during any period when it is vacant or the holder thereof is unable to perform the functions thereof; and the appointment of such a person may be revoked by the Governor, acting in his discretion, at any time before the expiration of that period.

101. (1) There shall be an Auditor General whose office shall be a public office.
- (2) The accounts of the Senate, the House of Assembly, all government departments and offices (including the Public Service Commission) and all courts of Bermuda shall be audited and reported on annually by the Auditor General, and for that purpose the Auditor General or any person authorized by him in that behalf shall have access to all books, records, returns and other documents relating to such accounts.
- (3) The Auditor General shall submit his reports made under subsection (2) of this section to the Speaker of the House of Assembly who shall cause them to be laid before the House; and the Auditor General shall also send a copy of each report to the Governor and to the President of the Senate and the President shall cause the copy sent to him to be laid before the Senate.
- (4) In the exercise of his functions under the provisions of this section, the Auditor General shall not be subject to the direction or control of any other person or authority.

## **APPENDIX 6**

### **Extracts from the Standing Orders of the House of Assembly Standing Order 34 (4): Committee on the Office of the Auditor**

- (a) of reviewing annual and any supplementary estimates requested by the Auditor General and of making recommendations thereon to the Minister of Finance
- (b) of reviewing the establishment, including both numbers and gradings of posts comprising the Office of the Auditor and any changes proposed by the Auditor and of making recommendations thereon to the Minister responsible for Management Services;
- (c) of reporting to the House of Assembly the potential effects on the Auditor's ability to carry out his functions in a timely manner of any changes to either estimates, including supplementary estimates, or establishment of the Office of the Auditor from those recommended by the Committee;
- (d) of reviewing General Orders, Financial Instructions or other directions so far as they may impinge on the independence of the Auditor and his ability to carry out his functions and of recommending how those directions might be amended in their application to the Auditor;
- (e) of recommending to the Minister of Finance the basis and circumstances in which the Auditor General should levy fees as income to the Consolidated Fund;
- (f) where the Auditor is requested to carry out duties in addition to the function set out in the Audit Act, 1990 then of recommending to the Minister of Finance the additional resources required to undertake those duties;
- (g) of establishing the dates by which the Auditor must present his reports to the Speaker of the House of Assembly if, in the opinion of the Committee, the submission times set by the Act cannot be met for good reason;
- (h) of recommending to the Minister of Finance the auditor who will audit the revenues and expenses of the Office of the Auditor;
- (i) of receiving and considering in consultation with the Auditor General the reports of any practice reviews performed on the Office of the Auditor General, such reports to remain confidential to the Auditor General and Members of the Committee.

The **Committee on the Office of the Auditor** shall be appointed for the duration of the life of the Parliament. It shall consist of five members, inclusive of the Chairman thereof, appointed by the Speaker, who may discharge and replace any Member. The Committee shall have the duty:



## **APPENDIX 7**

### **BR /2001 BERMUDA CONSTITUTION ORDER 1968 THE PUBLIC SERVICE (DELEGATION OF POWERS) REGULATIONS 2001 ARRANGEMENT OF REGULATIONS**

1	Citation and commencement	5	Reference to Commission
2	Definitions	6	Appeals
3	Delegation of powers	7	Revocation of BR No. 34/1979
4	Delegated powers to be exercised in accordance with Public Service Commission Regulations	8	Transitional provision SCHEDULE

The Governor, in exercise of the powers conferred upon him by section 83(1) of the Constitution and acting in accordance with the recommendation of the Public Service Commission, makes the following Regulations:

#### **Citation and commencement**

1. These Regulations may be cited as the Public Service (Delegation of Powers) Regulations 2001 and come into operation on 2001.

#### **Definitions**

2. In these Regulations -

"the Code" means the Conditions of Employment and Code of Conduct made by the Governor

"the Commission" means the Public Service Commission for Bermuda established under section 81 of the Constitution;

"Department" means a department of the Government and includes any other organ or branch of the Government;

"Director" means the most senior personnel officer in the Department of Personnel Services;

"disciplinary offence" means misconduct or gross misconduct by a public officer as set out in the Code;

"disciplinary penalty" means a penalty for a disciplinary offence and "misconduct penalty" and "gross misconduct penalty" have the meanings assigned to those expressions in the Code;

"established office" means an office determined by the Governor acting on the advice of the Cabinet to be permanent;

"Head of Department" means the officer who manages and supervises a Department;

"non-established office" means an office that is not an established office;

"office" means a public office within the meaning given to that expression by section 102 of the Constitution;

"officer" means the holder of an office.

### **Delegation of powers**

3. The powers vested in the Governor by section 82 of the Constitution in relation to the offices specified in Column 1 of the Schedule are delegated to the public officer specified in Column 2 of the Schedule to the extent set out in Column 3 of the Schedule and subject to the conditions set out in Column 4 of the Schedule.

### **Delegated powers to be exercised in accordance with Public Service Commission Regulations**

4. The public officer to whom powers are delegated under these Regulations shall, in exercising those powers, act in accordance with the Public Service Commission Regulations 2001 as if references in those Regulations to the Commission were references to the public officer.

### **Reference to Commission**

5. Where any power is by these Regulations delegated to any persons acting jointly, if those persons fail to agree on the exercise of the power the matter shall be referred to the Commission and the Commission shall exercise the power.

### **Appeals**

6. The holder of an established office who is aggrieved by any disciplinary penalty imposed by a person to whom disciplinary powers are delegated by these Regulations may appeal in accordance with the Public Service Commission Regulations 2001:

Provided that where provision is made for an appeal in any statutory instrument specified in Column 4 of the Schedule relating to the exercise of disciplinary control that provision shall apply.

### **Revocation of BR No. 34/1979**

7. The Public Service (Delegation of Powers) Regulations 1979 are revoked.

### **Transitional provision**

8. Notwithstanding Regulation 7, any matter which is being dealt with under the regulations revoked by that regulation ("the revoked regulations") on the day these Regulations come into force shall be continued under the revoked regulations as if these Regulations had not been made.

### **SCHEDULE (Reg. 3)**

<b>Column 1 Public Offices</b>	<b>Column 2 Public Officer to whom Powers are Delegated</b>	<b>Column 3 Extent of Delegation</b>	<b>Column 4 Conditions of Delegation</b>
7. For posts in the Office of the Auditor General below Assistant Auditor	Auditor General	All the powers of the Governor	





**APPENDIX 8**  
**AUDIT ACT 1990**

**BERMUDA**  
**1990 : 56**

[17 July 1990]

*[preamble and words of enactment omitted]*

**Short title**

- 1 This Act may be cited as the Audit Act 1990.

**Interpretation**

- 2 (1) In this Act—

"the Audit Committee" means the committee established by section 5;

"function", unless the context otherwise requires, means function whether under this Act or under some other provision of law;

"Government-controlled", in relation to an entity, has the meaning set forth in subsection (2);

"member of the Auditor General's staff" means the Auditor General and any person appointed as mentioned in section 3(1) or engaged as mentioned in section 3(2);

"the Minister" means the Minister of Finance;

"the Parliamentary Standing Committee" means the Parliamentary Standing Committee on the Office of the Auditor General provided for by the Rules of the House of Assembly *[title 2 item 1(b)]* ;

"public officer" means the holder of an office in the civil service of the Government;

"record" includes any device by which information is recorded or stored.

- (2) An entity is Government-controlled for the purposes of this Act if the Government has the power—

(a) by virtue of rights conferred by the constitution of that entity or by some other document regulating that or some other entity; or

(b) by means of possession of voting power or the holding of shares in or in relation to that first-mentioned entity; or

- (c) by some other means, to secure that the affairs of that first-mentioned entity are conducted in accordance with the wishes of the Government.

### **Staff of the Auditor General**

- 3 (1) Without prejudice to subsection (2), there shall be appointed to assist the Auditor General in the discharge of his functions such number of public officers as may be required.
- (2) The Auditor General may, in addition, engage such further number of persons at such remuneration (deriving from funds provided for that purpose) and on such terms and conditions as he considers necessary for assisting him in the discharge of his functions.
- (3) Every person appointed as mentioned in subsection (1) or engaged as mentioned in subsection (2) is subject to the Auditor General's direction and control.
- (4) Subject to subsection (5), anything under which the authority of the Constitution or any statute is to be done by or to the Auditor General may be done by or to a duly authorised member of the Auditor General's staff.
- (5) The delegation of the Auditor General's functions provided for by subsection (4) does not extend to the expression of an opinion on any accounts, or to the signing or submission of any report.

### **Remuneration of Auditor General**

- 4 (1) The salary or other remuneration of the Auditor General shall not be less than that of a Puisne Judge.
- (2) The expression "salary or other remuneration" in its reference in subsection (1) to a Puisne Judge does not extend to any allowances of a Puisne Judge or to any special treatment of a Puisne Judge's salary or remuneration for pension purposes.

### **Audit Committee**

- 5 (1) There shall be established and maintained a committee, to be known as the "Audit Committee", for the purpose of performing the functions assigned to that committee by this Act.
- (2) The Audit Committee ("the Committee") shall consist of —
- (a) the Minister *ex officio*; and
- (b) such other members (not fewer than five in number) as the Governor, acting in accordance with the advice of the Premier, may appoint, but so that no such member may be a public officer or an officer or a member of either House of the Legislature or an employee of any Government-controlled entity.
- (3) The Governor, so acting, shall appoint a member to be the Committee's Chairman or, in case of need, acting Chairman, but the Minister may not be appointed, or act, as such.

- (4) The Committee shall meet when summoned by the Chairman or acting Chairman—
  - (a) to consider any urgent matter proposed by the Minister or the Auditor General for the Committee's consideration; or
  - (b) otherwise for the discharge of the Committee's functions under this Act.
- (5) Subject to this section, the Committee may regulate their own procedure.

### **Audits of public accounts**

- 6 (1) The Auditor General shall in every year—
  - (a) audit—
    - (i) the accounts referred to in section 101(2) of the Constitution [*title 2 item 1*]; and also
    - (ii) the accounts of every Government-controlled entity whose accounts are not referred to in section 101(2) of the Constitution; and
  - (b) include in every such audit a report setting forth the Auditor General's opinions in accordance with subsection (3).
- (2) The Auditor General's primary functions are those specified in subsection (1), and he is not to exercise his powers under section 16 or 17, or to perform any other function, if to do so would or might impair his ability to discharge his functions under subsection (1).
- (3) A report for the purposes of subsection (1)(b)—
  - (a) shall include the matters specified in Part I of the Schedule;
  - (b) may, if the Auditor General thinks fit, include any or all of the matters specified in Part II of the Schedule.
- (4) Accounts that have been audited under subsection (1) shall not be published unless there is or are attached to them any report or reports that the Auditor General prepared in relation to those accounts under subsection (1)(b).
- (5) The Auditor General shall prepare accounts in respect of the work of the Office of the Auditor General during each financial year, and those accounts shall be audited by such Auditor General as the Minister may select after consultation with the Parliamentary Standing Committee.

### **Procedure for audits**

- 7 (1) The Auditor General shall as soon as may be deliver to the relevant Minister a report on every audit conducted by the Auditor General pursuant to section 6(1)(a)(ii), and that Minister shall lay the report before the House of Assembly as soon as may be thereafter.

(2) In subsection (1) the expression "the relevant Minister" means the Minister responsible for the Government-controlled entity to which the accounts in question relate or, if there is no such Minister, then the Minister of Finance.

(3) If any difficulty arises in determining for the purposes of subsection (2) of this section or section 11(1)(b) the Minister who is responsible for a Government-controlled entity, then that difficulty shall be resolved by the Premier after consultation with the Attorney-General.

(4) Every report delivered by the Auditor General to a Minister, or laid by a Minister before the House of Assembly, pursuant to subsection (1) shall have attached to it a copy of the accounts to which the report relates.

(5) Subsections (1) and (4) of this section apply *mutatis mutandis* in relation to audits conducted pursuant to section 6(5) as those subsections apply in relation to audits conducted by the Auditor General.

### **Ad hoc reports in connexion with audits**

8 (1) Notwithstanding section 6, where it appears to the Auditor General at any time in the course of the discharge of his functions under section 6(1) and (3) that a matter to which this section applies requires some action in the public interest, the Auditor General shall report the matter to the entity in question and, if the circumstances in his judgment so warrant, also to the Minister; and, where the matter appears to the Auditor General to be one requiring immediate or urgent action, he shall report under this section immediately.

(2) This section applies to any matter affecting an entity whose accounts are referred to in section 6(1).

### **Annual reports of Auditor General**

9 (1) The Auditor General shall in every financial year make a report under this section on the work done by the Office of the Auditor General during the next preceding financial year.

(2) A report under this section shall—

(a) set forth details of every case in which the Auditor General has qualified or reserved his opinion on, or on anything in, accounts referred to in section 6(1); and

(b) report on every case in which the Auditor General has observed that—

(i) a collection of public money, or a disbursement of public money—

(aa) has not been made, or has been made otherwise than, as required by any enactment, regulation, rule, order or directive applicable to that collection or disbursement; or

- (bb) has not been accounted for, or has not been properly reflected, in any relevant accounts; or
- (ii) property has not been adequately safeguarded or accounted for; or
- (iii) any accounting or management control system (or any system designed to ensure economy and efficiency in the collection of public money or the making of disbursements, or in the preservation or use of assets, or in the determination of liabilities) was not in existence when it should have been, or was inadequate or had not been complied with; or
- (iv) although appropriate and reasonable procedures could have been used to measure and report on the effectiveness of programmes, such procedures either had not been established or were not being complied with:

Provided that the Auditor General need not report on any matter which in his opinion is not significant, or on any error or deficiency which in his opinion has been, or is being, satisfactorily rectified; and

- (c) call attention to any other case that the Auditor General considers merits attention.
- (3) A report under this section may include such comments as the Auditor General may think fit to make
- (a) on the effect on the work of the Office of the Auditor General of any changes made in relation to staffing or money sought by the Auditor General for the operation of that Office; and
  - (b) on whether in the carrying out of that work the Auditor General received all the information or assistance that he required.
- (4) A report under this section may also include, in relation to the accounts of any entity whose accounts are referred to in section 6(1), such comments as the Auditor General may think fit to make
- (a) on the accounting policies employed by the entity;
  - (b) on whether the substance of any significant matter that came to his attention was adequately disclosed; and
  - (c) on the suitability of the form of any estimates prepared by the entity for controlling disbursements.
- (5) Where a report under this section deals with any accounts, there may be included in, or attached to, the report copies or summaries of or extracts from those accounts if the Auditor General deems that necessary or convenient for the purposes of the report.

### **Time limit for annual reports of Auditor General**

- 10 (1) An annual report under section 9 shall be addressed to the Speaker of the House of Assembly, and, subject to subsection (2) of this section and to section 11, it is the Auditor General's duty to deliver each such report to the Speaker, and send a copy of the report to the Governor and the President of the Senate, on or before 30th November in the financial year next following the financial year to which the report relates.
- (2) Where in any case the Auditor General will be unable to fulfil his duty under subsection (1), he shall so inform the Speaker of the House of Assembly in writing beforehand, giving his reasons; and he shall then use his best endeavours to deliver the report to the Speaker as soon after 30th November as he is able.

### **Procedure for annual reports of Auditor General**

- 11 (1) The Auditor General shall as soon as may be in every year complete the final draft of his proposed report under section 9 and—
- (a) send a copy of the draft report to—
    - (i) the Chairman of the Audit Committee for circulation to the Committee; and
    - (ii) the Minister for his information; and
  - (b) where any part or parts of the draft report deals or deal with any matter concerning a Government-controlled entity for which any other Minister is responsible, send copies of that part or those parts to that Minister for his information.
- (2) The Audit Committee shall study every draft report sent to them under subsection (1)(a); and the Auditor General shall make himself and his staff fully available to the Committee, and shall give to the Committee all the assistance that the Committee may reasonably require for the purpose of studying the draft report.
- (3) The Audit Committee—
- (a) shall consult the Auditor General and may make to him such observations and recommendations on the draft report as they may think appropriate; and
  - (b) shall inform the Cabinet of any matters in the draft report that in the Committee's opinion ought to be brought to the Cabinet's attention.
- (4) The Auditor General may, but need not, give effect to any recommendations made to him by the Audit Committee under subsection (3)(a).
- (5) The Audit Committee and the Auditor General shall use their best endeavours so that the process of scrutiny, study and consultation provided for by subsections (1) to (3) may be completed in time to enable section 10(1) to be complied with.

### **Special reports by Auditor General**

- 12 (1) Notwithstanding sections 9 to 11, where at any time in the course of the performance of the Auditor General's functions a matter arises to which this section applies, the Auditor General shall make an immediate report under this section.
- (2) This section applies to any matter—
- (a) of a nature described in sections 9(2)(b)(i) to (iv); and also
  - (b) such, in the Auditor General's opinion, as to warrant his making in the public interest an immediate report under this section in accordance with section 13.

### **Procedure for special reports by Auditor General**

- 13 (1) A special report under section 12 shall be addressed to the Speaker of the House of Assembly, and, subject to subsection (2) of this section, the Auditor General shall deliver any such report to the Speaker, and send a copy of the report to the Governor and the President of the Senate, as soon as may be.
- (2) The provisions of section 11 apply *mutatis mutandis* in relation to a special report under section 12 as those provisions apply in relation to an Auditor General's annual report under section 9.

### **General powers of Auditor General**

- 14 The Auditor General is entitled in the exercise and for the purpose of his functions—
- (a) to request that he be supplied with any explanation, information or assistance which he may reasonably require for the performance of his functions;
  - (b) to require access to all property of any entity whose accounts are referred to in section 6(1), and to all records relating to those accounts;
  - (c) to call for reasonable accommodation to be provided to any member of the Auditor General's staff; and
  - (d) to seek from the Attorney-General in writing an opinion on any question regarding the interpretation of any statutory provision;
- and any person to whom a reasonable demand by the Auditor General in that behalf is properly directed shall comply with the demand with all reasonable despatch.

### **Power to charge fees in certain cases**

- 15 (1) Where the Auditor General acting under this Act audits the accounts of an entity whose accounts do not form part of the accounts of the Consolidated Fund, he may charge for the audit such reasonable fees as he thinks fit.



- (2) Fees charged pursuant to subsection (1) shall be paid to the Accountant-General as public money.

***Ad hoc investigations, etc***

- 16 (1) Where any public money has been paid by way of grant or contribution to any person, or been placed by way of investment with any person, being in either case a person who is not an entity whose accounts are referred to in section 6(1), then the Auditor General may direct to that person such enquiries, and in connexion with those enquiries make such investigations, as the Auditor General thinks necessary or expedient for determining to what extent the public money so paid or placed has been used for the purposes for which it was so paid or placed and not otherwise.
- (2) The Auditor General—
- (a) shall report the results of any enquiries or investigations that he makes under subsection (1) to the Minister; and
  - (b) may report those results, or any part of them, to any other person or authority (being a person of *(sic)* authority affected by the grant, contribution or investment) to whom or to which the Auditor General considers it necessary or expedient to make such a report.

**Power to give advice**

- 17 The Auditor General may, if requested to do so by an entity whose accounts are referred to in section 6(1), render to that entity any technical advice or assistance that he is competent to render by virtue of his professional qualifications and experience.

**Independence of Auditor General**

- 18 The Auditor General is not subject to the direction or control of any other person or authority in the exercise of his functions, but he shall take into account any proposals or recommendations made to him by the Parliamentary Standing Committee in relation to the expenditure of public money by the Office of the Auditor General.

**Confidentiality**

- 19 (1) Where any information is obtained—
- (a) by any member of the Auditor General's staff while acting as such; or
  - (b) by any person by reason of that information having been included in a draft report prepared pursuant to section 11 and conveyed (whether directly or indirectly) to him,
- that information is confidential and shall not be disclosed by him except—

- (aa) to the Minister or a public officer or, but so far only as may be necessary or expedient for the proper discharge or any function to be performed under this Act, to other persons; or
- (bb) for the purpose of any criminal or civil proceedings.

(2) A person shall not make working papers of the Office of the Auditor General available to any person who is not a member of the Auditor General's staff.

### **Criminal offences**

20 A person who—

- (a) contravenes section 6(4) or section 19(1) or (2); or
- (b) fails or refuses to fulfil his duty under section 14 in relation to a demand properly directed to him under that section,

commits an offence against this Act for which he may be prosecuted summarily; and, if convicted of such an offence, he is liable to a fine not exceeding \$3,000 or to imprisonment for a period not exceeding twelve months or to both.

### **Repeal of Act No. 343 of 1968**

21 The Audit Act 1968 [*former title 14 item 4*] is repealed.

### **Commencement and transitional**

- 22
- (1) The provisions of this Act commence on such day as the Minister may be notice published in the Gazette appoint; and different days may be so appointed for different provisions or for different purposes.
  - (2) The arrangements for auditing provided for by sections 6 and 7 ("the new arrangements") apply on and after commencement day in relation to any Government-controlled entity (whether or not constituted by or under any statutory provision) that was in being immediately before that day; and, if any arrangements in force in relation to any such entity immediately before commencement day are inconsistent with the new arrangements, the former arrangements cease to have effect to the extent of the inconsistency, and are superseded by the new arrangements, on commencement day.
  - (3) The expression "commencement day" in subsection (2) means the day appointed pursuant to subsection (1) for sections 6 and 7 to commence.

## THE SCHEDULE

(Section 6(3))

### PART I

#### **Matters that an Auditor General's Report under Section 6(1)(b) Must Contain**

In relation to each entity whose accounts have been audited—

- (a) a statement that the audit was conducted in accordance with generally accepted auditing standards;
- (b) a statement whether in the Auditor General's opinion the accounts
  - (i) were prepared in accordance with the accounting principles (if any) stated in the accounts, being principles appropriate to the case;
  - (ii) were prepared on a basis consistent with that on which the last preceding accounts were prepared;
  - (iii) present fairly the financial position, results of operation, and changes in the financial position since the preparation of the last preceding accounts, of the entity;
- (c) where the audit report contains a reservation of opinion by the Auditor General —
  - (i) a statement of the Auditor General's reasons for that reservation;
  - (ii) where the reservation has been made on account of some deficiency, a statement of the effect of the deficiency on the accounts;
- (d) where the Auditor General has been unable to form an opinion because of a limitation on the scope of the audit, a reservation by the Auditor General in the form of a denial of an opinion on the accounts.

In paragraphs (b), (c) and (d) above and in Part II of this Schedule, "accounts", in relation to an entity, means the following statements (in so far as they exist), that is to say—

- (a) the balance sheet;
- (b) the statement of income and expenditure;
- (c) the statement of retained earnings;
- (d) the statement of changes in financial position;
- (e) the Auditor General's report;
- (f) any other statement that the accounting principles (if any) stated in the accounts call for if the entity's financial position is to be fairly presented,

prepared for the entity in respect of the accounting period stated in the respective statement.

## **PART II**

### **Matters that an Auditor General's Report under Section (6)(1)(b) May Contain**

In relation to each such entity as aforesaid—

- (a) the Auditor General's comments on the accounting policies employed in preparing the accounts;
- (b) any other comments arising out of the accounts that the Auditor General considers appropriate.

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## **APPENDIX 9**

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**THE FINANCIAL STATEMENTS OF THE RELATED ORGANISATIONS  
AND FUNDS (THE PUBLIC ACCOUNTS)  
of the  
GOVERNMENT OF BERMUDA  
for the  
FINANCIAL YEAR APRIL 1, 2008 TO MARCH 31, 2009**

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**PART A**

**FINANCIAL STATEMENTS**

**FOR THE YEAR**

**APRIL 1, 2008 TO MARCH 31, 2009**







## *Office of the Auditor General*

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### AUDITOR'S REPORT

To the House of Assembly, the Governor and the Senate

I have audited the statement of financial position of the Consolidated Fund of the Government of Bermuda as at March 31, 2009, and the statements of operations and accumulated deficit, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

My examination indicated serious internal control deficiencies in the management of various capital development projects which carry a book value of \$90 million at March 31, 2009 and total authorized funding of \$152 million. These deficiencies led me to question the appropriateness of certain transactions and the underlying value of the assets at March 31, 2009. As a consequence, I was unable to determine whether adjustments might be necessary to tangible capital assets, assets under construction, capital development expenses, deficit and accumulated deficit and if additional note disclosure was necessary.

In my opinion, except for the effect of adjustments and additional note disclosure, if any, which I might have determined to be necessary had I been able to verify tangible capital assets, assets under construction and capital development expenses as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Consolidated Fund of the Government of Bermuda as at March 31, 2009 and the results of its operations, its change in net debt and its cash flows for the year then ended, in accordance with the stated accounting policies disclosed in Note 3 to the financial statements, which conform with generally accepted accounting principles in Bermuda and Canada as at March 31, 2009. As required by Section 6 of the Audit Act 1990, I also report that, in my opinion, these stated accounting policies have been applied, in all material respects, on a basis consistent with the preceding year.

As described in Note 2, these financial statements represent the financial transactions of the Consolidated Fund and have been prepared primarily to provide accountability for the financial resources appropriated by the Legislature of Bermuda. These financial statements are not the summary consolidated financial statements, as contemplated by the Institute of Chartered Accountants of Bermuda and the Canadian Institute of Chartered Accountants, that would report the financial position and results of operations of the Government of Bermuda. Significant financial activities of the Government occur outside the Consolidated Fund.

In the absence of consolidated summary financial statements for the Government of Bermuda, I am of the opinion that the financial statements of the Consolidated Fund are intended and used to represent for all practical purposes the financial position of the Government of Bermuda and the results of its operations, its change in net debt and its cash flows. As such, in my opinion the accounting policies used to prepare these financial statements are inappropriate to present fairly the financial position of the Government of Bermuda and the results of its operations, its change in net debt and its cash flows.

Hamilton, Bermuda  
September 25, 2009

A handwritten signature in dark ink, appearing to read 'HJM', followed by a long horizontal line extending to the right.

Heather A. Jacobs Matthews, CA, CFE  
Auditor General



GOVERNMENT OF BERMUDA

Ministry of Finance

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**Government of Bermuda  
Consolidated Fund  
Statement of Responsibility for the Financial Statements  
March 31, 2009**

The Accountant General, subject to the general direction and control of the Minister of Finance, is responsible for the preparation of the financial statements of the Consolidated Fund.

The financial statements of the Consolidated Fund are prepared by the Accountant General in accordance with the requirements of governing legislation. The financial statements are based upon information provided by Government departments and, where necessary, information is based upon best estimates and judgement.

In order to fulfil accounting and reporting responsibilities, the Accountant General maintains systems of financial management and internal control to provide reasonable assurance that transactions are properly authorised by the Legislature, executed in accordance with prescribed regulations and properly recorded to maintain accountability of public money and safeguard the assets and properties under Government administration.

The audited financial statements are tabled before the Legislature annually and are referred to the Public Accounts Committee, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of Bermuda.

Donald Scott  
Financial Secretary  
Ministry of Finance

Joyce Hayward, CPA  
Accountant-General  
Ministry of Finance

Hamilton, Bermuda  
September 25, 2009

# **Government of Bermuda - Consolidated Fund Statement of Financial Position**

As at March 31		2009	2008
		Actual	Actual
		\$	\$
<b>Liabilities</b>	<b>Schedule</b>		
Bank Overdraft (Note 17)		147,250,826	-
Accounts Payable and Accrued Liabilities	5	149,355,749	163,392,523
Deferred Revenue	6	87,139,725	88,578,000
		<u>383,746,300</u>	<u>251,970,523</u>
Interest Bearing Debt - Net of Sinking Fund	7	335,219,239	277,169,888
Pensions and Other Employee Future Benefits			
- Pensions and Retirement Benefits (Note 9(h))		834,409,234	748,131,128
- Compensated Absences (Note 8)		19,586,264	18,010,709
		<u>853,995,498</u>	<u>766,141,837</u>
<b>Other Liabilities</b>			
Due to Government Funds and Agencies	3(a)	60,487,014	35,047,211
<b>Total Liabilities</b>		<b>1,633,448,051</b>	<b>1,330,329,459</b>
<b>Financial Assets</b>			
Cash and Cash Equivalents		19,432,104	23,543,990
Accounts Receivable	1	136,826,810	150,176,960
Due from Government Funds and Agencies	3	22,006,507	20,644,623
Long-Term Receivables	4	2,255,744	4,260,139
<b>Total Financial Assets</b>		<b>180,521,165</b>	<b>198,625,712</b>
<b>Net Debt</b>		<b>1,452,926,886</b>	<b>1,131,703,747</b>
<b>Non-Financial Assets</b>			
Tangible Capital Assets (Note 3(f)) (Note 15)	12	599,263,650	471,937,023
Assets under Construction (Note 3(f))	12	112,730,687	24,711,237
Prepaid Supplies (Note 3(f))	2	14,645,051	13,156,994
Prepaid Expenses		6,402,004	4,415,677
		<u>733,041,392</u>	<u>514,220,931</u>
<b>Accumulated Deficit</b>		<b>719,885,494</b>	<b>617,482,816</b>

Contingent Liabilities, Non-Contractual Operational Commitments and Contractual Commitments (Notes 10, 11, 12 and Schedule 16)

The accompanying notes and schedules are an integral part of these financial statements.

**Government of Bermuda - Consolidated Fund  
Statement of Operations and Accumulated Deficit**

For the year ended March 31

		2009 Original Estimates	2009 Actual	2008 Actual
		\$	\$	\$
	<u>Schedule</u>			
<b>Revenue</b>	8,10	985,273,000	<b>952,866,165</b>	<b>928,499,854</b>
<b>Expenses</b>				
Current	9,11	961,840,000	<b>1,112,193,073</b>	1,022,899,708
Capital Development (Note 3(f))	13		<b>62,745,702</b>	108,867,283
Capital Acquisition (Note 3(f))	14		<b>12,088,994</b>	11,980,267
			<b>1,187,027,769</b>	1,143,747,258
<b>Annual Deficit</b>			<b>(234,161,604)</b>	(215,247,404)
<b>Accumulated Deficit, Beginning of Year</b>			<b>(617,482,816)</b>	(414,881,954)
Recognition of Tangible Capital Assets (Note 15)			<b>131,758,926</b>	12,646,542
<b>Accumulated Deficit, End of Year</b>			<b>(719,885,494)</b>	(617,482,816)

The accompanying notes and schedules are an integral part of these financial statements.

**Government of Bermuda - Consolidated Fund  
Statement of Change in Net Debt**

<b>For the year ended March 31</b>	<b>2009</b>	<b>2008</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Annual Deficit	(234,161,604)	(215,247,404)
Change Due to Tangible Capital Assets:		
Net Additions to Tangible Capital Assets	(29,505,668)	(21,351,507)
Net Additions to Assets under Construction	(88,019,450)	(8,771,529)
Amortization of Tangible Capital Assets	33,937,967	25,923,153
Total Change Due to Tangible Capital Assets	(83,587,151)	(4,199,883)
Net (Additions to) Reduction in Prepaid Supplies	(1,488,057)	373,415
Net Additions to Prepaid Expenses	(1,986,327)	(1,235,987)
Total Change Due to Prepaid Supplies and Prepaid Expenses	(3,474,384)	(862,572)
<b>Increase in Net Debt</b>	<b>(321,223,139)</b>	<b>(220,309,859)</b>
<b>Net Debt, Beginning of Year</b>	<b>(1,131,703,747)</b>	<b>(911,393,888)</b>
<b>Net Debt, End of Year</b>	<b>(1,452,926,886)</b>	<b>(1,131,703,747)</b>

The accompanying notes and schedules are an integral part of these financial statements.

**Government of Bermuda - Consolidated Fund**  
**Statement of Cash Flow**

For the year ended March 31	2009	2008
	Actual	Actual
	\$	\$
<b>Operating Activities</b>		
Annual Deficit	(234,161,604)	(215,247,404)
Items not affecting cash:		
Amortization of Tangible Capital Assets	33,937,967	25,923,153
Increase in Pension and Retirement Benefits Liability	86,278,106	76,888,099
Increase in Compensated Absences Liability	1,575,555	1,831,303
Increase in Non-Cash Working Capital	20,483,031	68,373,941
Cash Applied to Operating Activities	(91,886,945)	(42,230,908)
<b>Capital Activities</b>		
Net Additions to Tangible Capital Assets	(29,505,668)	(21,351,507)
Net Additions to Assets under Construction	(88,019,450)	(8,771,529)
Cash Applied to Capital Activities	(117,525,118)	(30,123,036)
<b>Financing Activities</b>		
Loan Proceeds	70,000,000	90,000,000
Increase in Sinking Fund	(11,950,649)	(9,490,989)
Cash Provided By Financing Activities	58,049,351	80,509,011
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(151,362,712)</b>	<b>8,155,067</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>23,543,990</b>	<b>15,388,923</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>(127,818,722)</b>	<b>23,543,990</b>
<b>Cash and Cash Equivalents, End of Year</b>		
Cash and Cash Equivalents	19,432,104	23,543,990
Bank Overdraft (Note 17)	(147,250,826)	-
<b>Cash and Cash Equivalents, End of Year</b>	<b>(127,818,722)</b>	<b>23,543,990</b>

The accompanying notes and schedules are an integral part of these financial statements.



**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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## **1. Authority**

The Consolidated Fund (the "Fund") operates under the authority of the Bermuda Constitution Order 1968 and amendments, and the Public Treasury (Administration and Payments) Act 1969 and amendments.

All public money is paid into the Fund and Legislative authority must be obtained for any expenditure out of the Fund.

The Legislature provides authority to make payments out of the Fund in annual Appropriation Acts, Supplementary Estimates and other statutes. Unused spending authority for current account appropriations lapses at the end of the fiscal year. Unused spending authority for uncompleted capital projects is carried forward to subsequent fiscal years, subject to the approval of the Minister of Finance.

## **2. Reporting Entity**

The Fund's financial statements report the financial position, results of operations and change in net debt and cash flow resulting from the activities of the Fund only, which comprise the accounts of the Senate, the House of Assembly, all Government departments and offices (including the Public Service Commission) and all courts. The Fund is established and defined pursuant to section 94 of the Bermuda Constitution Order 1968.

These financial statements are not summary consolidated financial statements of the Bermuda Government. Separate audited financial statements are prepared for all other Government organizations.

These financial statements are prepared in accordance with the legislative requirements as outlined in sections 5 and 32A of the Public Treasury (Administration and Payments) Act 1969 and amendments.

The Government adheres to the general practice of using a Consolidated Fund as its general operating fund. Schedules 10 to 14 (excluding Schedule 12) provide information concerning the operations, tangible capital assets, and capital expenses of individual Government departments and funds and agencies comprising the Fund.

## **3. Summary of Significant Accounting Policies**

The recommendations of the Public Sector Accounting Board and the Accounting Standards Board of the Canadian Institute of Chartered Accountants (which are promoted by the Institute of Chartered Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda) are the source for the disclosure basis of accounting.

The preparation of financial statements in accordance with the disclosed basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**3. Summary of Significant Accounting Policies (cont'd)**

earned and expenses incurred during the year. Actual results could differ from these estimates.

The significant accounting policies are as follows:

**(a) Method**

The financial statements are prepared on the accrual basis of accounting.

**(b) Revenue**

Revenues are accounted for in the fiscal year in which the transactions or events occurred that gave rise to the revenues.

Revenues not practicably measurable until cash is received are accounted for upon receipt.

Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are reported as deferred revenue.

**(c) Expenses**

Expenses are accounted for in the fiscal year that goods and services are acquired, a liability is incurred or grant payments are due.

Contributions to Government funds and agencies are expensed in the year the expenditure is made.

Classification of expenses between current account items and capital account items follows the classification in the Approved Estimates.

**(d) Interdepartmental Revenues and Expenses**

Interdepartmental revenues and expenses are not eliminated but have been identified as explained in Note 14(c).

**(e) Financial Assets**

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash and cash equivalents, accounts receivable, amounts due from Government funds and agencies and long term receivables.

Accounts receivables are recorded at cost. A valuation allowance is recorded when collection of the receivable is considered doubtful.

Long term receivables are recorded at unamortized cost.

**(f) Non-Financial Assets**

Non-Financial assets are resources that are employed for future services. They include tangible capital assets, prepaid supplies and prepaid expenses.

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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**3. Summary of Significant Accounting Policies (cont'd)**

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized over the estimated useful lives of the assets. Where original acquisition documents were difficult to retrieve, the Book Value Calculator (BVC), developed by the Chief Appraiser of Public Works and Government Services Canada (as modified by them to address the Bermuda Government situation), was used to establish reasonable estimates of the Net Book Values in order to develop opening balances.

Other tangible capital assets that do not meet the minimum threshold requirements for their respective asset class have continued to be charged to capital expenses in the year of purchase, which is consistent with prior years. These expenses are currently classified as capital development and capital acquisition expenses on the Statement of Operations and Accumulated Deficit. They include significant items including capital grants, repairs and maintenance, professional fees and other items which are expensed as they are incurred. Tangible capital assets that have not yet been disclosed include historical treasures.

Amortization is recorded on a straight-line basis for all assets, according to the following:

Buildings	40 years
Betterments	Remaining life or lease period of the related asset
Building Systems	7 years
Vehicles & Heavy Equipment	
\$10,000 to \$99,999	5 years
\$100,000 and above	7 years
Light Equipment, Boats & Vessels	
\$10,000 to \$99,999	5 years
\$100,000 and above	10 years
Leased Equipment	3 - 5 years
Computer Hardware	3 years
Computer Software	10 years
Furniture & Fixtures	7 years
Office Equipment	5 years
Plant, Machinery & Equipment	10 – 30 years
Infrastructure	10 – 40 years

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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**3. Summary of Significant Accounting Policies (cont'd)**

The Ministry of Works and Engineering is primarily responsible for Government's tangible capital assets. Amortization expense is reported under that Ministry. Since amortization is a non-cash expense, it is removed for appropriation reporting purposes.

Assets under construction relate to the development of buildings, building betterments, vehicles and vessels. Upon completion, the balance of assets under construction will be transferred to tangible capital assets and amortized based on the appropriate useful life.

Prepaid supplies are comprised of spare parts and supplies that are held for future program delivery and are not intended for resale. They are valued at cost. Prepaid supplies that no longer have service potential are valued at the lower of cost or net realisable value. Items for which the costs are not readily available have been valued using management's best estimates of original cost based on available information.

**(g) Liabilities**

Liabilities are recorded for financial obligations to organizations and individuals occurring as a result of transactions and events arising on or before the year-end. They occur as a result of contracts, agreements and legislation in force at year-end that require the Government to repay borrowings or to pay for goods and services acquired or provided on or before the year-end. Liabilities also include grant payments due where no direct value is received in return.

**(h) Translation of Foreign Currencies**

The financial statements are reported in Bermuda dollars. The Bermuda dollar is valued at par with the United States dollar. Assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year-end date. Revenues and expenses originating in foreign currencies are translated at the exchange rate in effect on the date the specific transactions occurred. Translation gains and losses are included in the Statement of Operations and Accumulated Deficit.

**4. Approved Estimates of the Government of Bermuda**

**(a) Budget Process**

Annually, the government presents a Budget ("Estimates") of expected revenues and expenditures for the following fiscal year.

The Government's spending Estimates for the fiscal year commencing April 1, 2008 were presented to the Members of the Legislature by the Minister of Finance. The Estimates outline the spending plans of each Ministry/Department submitted for approval to the Legislature in the Appropriations Act.

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**4. Approved Estimates of the Government of Bermuda (cont'd)**

The Estimates referred to in the financial statement schedules are from the original Approved Estimates of Revenue and Expenditure for the fiscal year 2008/09 and do not reflect changes arising from the tabling of Supplementary Estimates, except for the Adjusted Estimates referred to in Schedule 15 which include the original Approved Estimates and any tabled Supplementary Estimates.

**(b) Comparison of Expenses to Estimates for Expenditure**

The Ministry of Finance prepares annual Estimates on the modified cash basis. These financial statements are prepared on an accrual basis. Due to the difference in accounting, Schedule 15 restates actual expenses to the modified cash basis for comparative and analytical purposes against the adjusted estimates. The most significant differences are as follows:

- (i) Bad Debts – For financial statement purposes, a provision is established and expensed for accounts receivable where collection is doubtful. For budget purposes, no such provision is made.
- (ii) Pension – The financial statement pension-related expense is explained in Note 9. For budget purposes, pension expense is equal to its funding requirements.
- (iii) Government Borrowing Sinking Fund (Note 5) – Transfers to the Sinking Fund are recorded as cash transfers. For budget purposes, the Sinking Fund contribution is considered an expenditure.
- (iv) Compensated Absences – Certain Government employees are entitled to pre-retirement leave benefits, as explained in Note 8. For budget purposes, retirement pay is estimated based on anticipated salary spending for the current year.

**5. Government Borrowing Sinking Fund**

Effective March 31, 1993, the Government Borrowing Sinking Fund (GBSF) was established as a separate legal entity for the repayment of government borrowing under the provisions of the Government Loans Act 1978, as amended.

During each financial year, the Fund must pay to the GBSF 2.5% of the public debt outstanding in the Fund at the end of the preceding year. Under section 12AA of the Government Loans Act (1978) as amended, the Minister may, by Order, suspend the annual contribution for a period of twelve months.

The GBSF assets may only be applied to reduce, cancel or pay interest on public debt. The assets are invested in accordance with the Public Funds Act 1954 and are shown as a reduction of debt issued on the Fund's Statement of Financial Position.

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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**5. Government Borrowing Sinking Fund (cont'd)**

The following is a schedule of projected contributions to the GBSF by the Fund up to March 31, 2014, based on estimated debt levels to March 31, 2010:

	2009
	\$
2010	-
2011	28,625,000
2012	18,250,000
2013	18,250,000
2014	18,250,000

Under the provisions of Section 12AA of the Government Loans Act 1978, as amended, the Bermuda Government intends to suspend the GBSF contribution for the fiscal year end 2010. The contributions for fiscal years 2010 and 2011 are included in the contribution for fiscal year 2011.

Separate audited financial statements are prepared for the GBSF which readers should refer to for further information.

**6. Contingencies Fund**

On March 14, 1979 the House of Assembly passed a resolution to withdraw \$1 million from the Fund to set up a Contingencies Fund under the provisions of Section 10(1) of the Public Treasury (Administration and Payments) Act 1969, as amended.

The purpose of the Contingencies Fund is to allow the Minister of Finance to authorize urgent and unforeseen expenditures up to \$1 million prior to the approval of the Legislature by supplementary estimate. The Contingencies Fund balance is not segregated from general operating cash and deposits and accumulated deficit.

**7. Unemployment Insurance Fund**

The Unemployment Insurance Fund (the Insurance Fund) was established March 18, 2002 by amendment to the Public Treasury (Administration and Payments) Act 1969 under the provisions of Section 10B. The Legislature authorized \$1 million to be set aside within the Fund to set up the Insurance Fund.

The Minister of Finance will pay amounts approved by the Legislature as Government's contribution to the Insurance Fund. Monies paid into the Insurance Fund will be invested in accordance with the Public Funds Act 1954 and the interest earned on such

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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**7. Unemployment Insurance Fund (cont'd)**

investments will be paid into the Insurance Fund. As of March 31, 2009, no amounts have been paid into the Insurance Fund.

**8. Compensated Absences**

Certain Government employees are entitled to paid retirement leave under the various union agreements that exist with the Government. Paid retirement leave is available to those eligible employees with a minimum of ten years credited service, who are retiring on the basis of age. The leave is paid at the salary level immediately preceding the date of retirement, to a maximum eligibility of twelve weeks.

An actuarial valuation of the Government's obligation for retirement leave was extrapolated to March 31, 2009, using similar long-term assumptions as the Public Service Superannuation Fund pension plan (Note 9). The valuation determined that the accrued benefit obligation for retirement leave is currently \$19,586,264 (2008 - \$18,010,709), as defined in the table below.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Accrued benefit obligation, beginning of year	18,010,709	16,179,406
Amortization of experience loss	80,974	80,974
Current period benefit cost	970,378	930,818
Interest accrued	1,242,062	1,139,922
Less: Benefit payments	(717,859)	(320,411)
Accrued benefit obligation, end of year	<u>19,586,264</u>	<u>18,010,709</u>

**9. Pensions and Other Retirement Benefits**

**(a) Contributory Defined Benefit Pension Plans**

The Government administers contributory defined benefit pension plans for substantially all of its employees, quasi-autonomous non-governmental organization (QUANGO) employees and all ministers and members of the Legislature. There are two plans currently in operation – the Public Service Superannuation Fund (PSSF) and the Ministers and Members of the Legislature Pensions Fund (MMLPF).

For the PSSF, a service pension is available with a minimum of eight years credited service. Subject to exceptions as outlined in the Public Service Superannuation Act 1981, it is based on the number of years of service times 1.5% of the salary payable

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**9. Pensions and Other Retirement Benefits (cont'd)**

immediately preceding the date of retirement. Additional benefits are provided to special groups such as police, prison wardens, fire service and regiment employees.

For the MMLPF, a service pension is generally available to contributors who have reached age 60 and have served for at least 8 years, or to contributors who have reached age 55 and have served for at least 20 years. The rate of pension is 3/1000<sup>th</sup> of the monthly salary payable to a minister, member or officer, on the date on which the contributor becomes entitled to receive a pension, for each month of service rendered up to a maximum of 25 years. Cost of living increases are calculated by reference to the Consumer Price Index on a biennial basis.

Employees contribute 8.0% of their basic salary for PSSF and Ministers and Members contribute 12.5% of their salary for MMLPF. The Government matches the participant's contribution in each plan. The amount of Government contributions made during the year for each plan was as follows: PSSF 2009 - \$30,937,337 (2008 - \$22,384,273), MMLPF 2009 - \$446,060 (2008 - \$406,734). The Public Service Superannuation Act 1981 and the Ministers and Members of the Legislature (Salaries and Pensions) Act 1975, as amended, provide that, if at any time the funds are insufficient to meet the payments chargeable against them, the deficiency shall be made up out of the Consolidated Fund.

**(b) Pension Liability**

The pension liability is calculated on an actuarial basis. Actuarial valuations are performed triennially using the projected benefit method, pro-rated on services. An actuarial valuation was performed on both the PSSF and the MMLPF as at March 31, 2008, the results were then extrapolated to March 31, 2009, using the same assumptions, to produce the estimates included in these financial statements.

Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, employee turnover and mortality. The assumptions used reflect Government's best estimates of expected long-term rates and short-term forecasts.

The most significant assumptions are that the average investment return will be greater than the average rate of salary increase by approximately 2.25% (prior valuation – 2.25%) and the cost of living increase will average 3.0% (prior valuation - 3.0%) per annum.

The 1994 Group Annuity Mortality Table was used for the mortality assumption.

For the PSSF, pension fund assets consist primarily of listed stocks and bonds and short-term investment funds. Market-related asset values, which recognize the differences between the actual return on assets and the expected return on assets over a period of five years, have been used to determine the pension liability and pension-related expenses for the PSSF.



**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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**9. Pensions and Other Retirement Benefits (cont'd)**

Due to the fluctuation in the market place, a 15% corridor has been imposed in the market-related value by the Government to ensure the market-related value is not

significantly higher or lower than the market value of the assets. The market-related value of assets for the PSSF was \$360,551,315 as at March 31, 2009 (2008 - \$395,509,684) compared to a real market value of \$313,522,883 (2008 - \$408,135,628).

For the MMLPF, there is no difference between the market value of plan assets and the market-related value. As at March 31, 2009, the value was \$8,496,421 (2008 - \$8,867,000). The actual return on plan assets during the year was -24.8% (2008 - 4.5%) for the PSSF and 7.0 % (2008 - 7.0%) for the MMLPF.

As at March 31, 2009, \$5,960,246 was payable to the PSSF in respect of contributions received in excess of benefits paid by the Fund (2008 - (\$2,382,816)).

**(c) Non-Contributory Defined Benefit Pension Plan**

The Bermuda Department of Tourism North America Retirement Plan (BDTRP) provides retirement, disability and death benefits for Department of Tourism employees residing in North America.

A service pension was available based on the number of years of service times 2.4% of the last five years' average salary up to a maximum of 60% of the annual salary.

The BDTRP had its own unique set of assumptions which were used to prepare the actuarial valuation. The most significant assumptions were an interest rate of 6.5% and a salary increase rate of 4.5%. Due to the small size of the scheme, no staff turnover assumptions were made. The mortality assumptions were the same as those used for the PSSF. Pension fund assets consist primarily of listed stocks and short-term investment funds.

At a meeting of the Bermuda Department of Tourism Overseas Pension Plan Trustees on February 19, 2009, the decision was taken to wind down the plan effective March 31, 2009. The plan currently has five members to which benefits have accrued, all other members were terminated. The actuarial report treated the plan as if all benefits were paid by March 31, 2009 and therefore carried a zero fund balance for the year ending in 2009.

Previously, in accordance with the BDTRP agreement, the Government was required to provide funding necessary to ensure that benefits based on actuarial valuations would be fully provided for at retirement. The Government contribution for the prior year was \$306,970. A valuation was performed on the BDTRP as of March 31, 2008 to produce the estimates included in prior financial statements.

**(d) Pension-Related Expenses**

Pension-related expense recognized by the Consolidated Fund comprises the cost of pension benefits earned by employees during the year, interest on the pension benefit liability (net of interest on pension plan assets) and amortization of the Government's

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**9. Pensions and Other Retirement Benefits (cont'd)**

share of any experience gains or losses, less contributions made by the employees. The estimated total cost of the Government's share of plan amendments related to past service is expensed in the year the plan is amended. The pension-related expense is disclosed in Note 9(h) and included in Schedule 9 as a component of retirement benefit expenses.

A net unamortized experience loss of \$245,511,000 (2008 - \$205,434,000) is reported in the following schedule. The amount comprises a total unamortized experience loss on the pension liability of \$168,880,000 (2008 - \$195,156,000) and a total unamortized experience loss on the asset valuation of \$76,631,000 (2008 - \$10,278,000). The period of amortization is ten years.

Aggregate information about the PSSF, MMLPF and BDTRP is in the following tables.

**(e) Funded Status of Plans**

**For the year ended March 31**

	<b>2009 Actual</b>	<b>2008 Actual</b>
	<b>\$</b>	<b>\$</b>
<b>Pension Liability</b>		
Accrued Benefit Obligation		
PSSF	1,221,261,000	1,156,050,000
MMLPF	28,933,000	27,156,000
BDTRP	-	1,790,000
	<u>1,250,194,000</u>	<u>1,184,996,000</u>
Net Fund Assets		
PSSF	(360,551,000)	(395,509,000)
MMLPF	(8,496,000)	(8,867,000)
BDTRP	-	(2,507,000)
	<u>(369,047,000)</u>	<u>(406,883,000)</u>
Net Unamortized Experience Loss		
PSSF	<u>(245,511,000)</u>	<u>(205,434,000)</u>
<b>Pension Liability</b>		
PSSF	615,199,000	555,107,000
MMLPF	20,437,000	18,289,000
BDTRP	-	(717,000)
Carried Forward to Note 9 (h)	<u>635,636,000</u>	<u>572,679,000</u>

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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**9. Pensions and Other Retirement Benefits (cont'd)**

For the year ended March 31	2009 Actual \$	2008 Actual \$
<b>Pension-Related Expense</b>		
Cost of Pension Benefits	43,825,100	38,759,687
Employee Contributions	(31,356,381)	(22,791,007)
Interest on Pension Liability	51,385,836	45,900,968
 <b>Amortization of Experience Gains &amp; Losses</b>		
2000 Experience Gain	-	(3,011,773)
2001 Experience Gain	(2,196,870)	(2,196,870)
2002 Experience Loss	573,592	573,592
2003 Experience Loss	3,418,847	3,418,847
2004 Experience Loss	21,908,086	21,908,086
2005 Experience Loss	2,048,199	2,048,199
2006 Experience Loss	595,574	595,574
2007 Experience Gain	(351,626)	(351,626)
2008 Experience Loss	5,243,035	-
 Carried forward to Note 9 (h)	<u>95,093,392</u>	<u>84,853,677</u>

**(f) Contributory Pension Fund**

The Contributory Pension Fund (CPF) was established under the Contributory Pensions Act 1970 and subsequent amendments.

The purpose of the CPF is to provide old age pension, disability and death benefits for persons satisfying certain contribution, citizenship and residency requirements.

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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**9. Pensions and Other Retirement Benefits (cont'd)**

Contributions to the CPF are compulsory for persons employed in Bermuda, the self-employed and employers.

There is no legislative provision for the Fund to provide for any shortfall if, at any time, the CPF has insufficient funds to meet its current legislated obligations.

**(g) Retirement Benefits Other than Pensions – Employee Health Insurance Plan**

The Government administers a health care plan, the Government Employees Health Insurance Fund (GEHI), for substantially all of its employees, quasi-autonomous non-governmental organization (QUANGO) employees, all ministers and members of the Legislature and retirees. The GEHI Fund provides medical insurance for retirees and eligible dependents with the Government matching the participant's contribution to the plan.

An actuarial calculation of the Government's obligations for retirement benefits other than pensions was performed for accounting purposes at March 31, 2009, using various long-term assumptions, based on the valuation performed as at March 31, 2008.

The discount rate used in determining the accumulated post-retirement benefit obligation was 6.50% per annum. The assumed health-care cost trend rate used was 9.0% (2008 - 7.0%) which will reduce by 0.5% per annum to 5.0% by 2017. The 1994 Group Annuity Mortality Table was used for the mortality assumption. The value accrues a liability in respect of the matching premium paid by government under the insurance arrangement in respect of retired employees. The calculation is based on the projected benefit method pro-rated on service.

Aggregate information about the health care plan is in the table below.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Accrued benefit obligation at beginning of year	227,383,530	184,054,567
Current period benefit cost	8,433,266	6,620,812
Interest accrued	14,900,590	12,034,312
Less: Benefit payments	(4,720,603)	(4,443,409)
Accrued benefit obligation at end of year	<u>245,996,783</u>	<u>198,266,282</u>
Expected accrued benefit obligation at end of year	245,996,783	198,266,282
Actual accrued benefit obligation at end of year	<u>245,996,783</u>	<u>227,383,530</u>
Experience loss	-	<u>(29,117,248)</u>

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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**9. Pensions and Other Retirement Benefits (cont'd)**

Expected average remaining service life	13 years	13 years
Annual amortization	\$4,707,852	\$2,281,415

**Liability for retirement benefits recorded in the statement of financial position**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Accrued benefit obligation, end of year	245,996,783	227,383,530
Unamortized experience losses	(47,223,549)	(51,931,402)
Liability for retirement benefits (Note 9(h))	<u>198,773,234</u>	<u>175,452,128</u>

**Expenses recorded in statement of operations and accumulated deficit**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Current period benefit cost	8,433,266	6,620,812
Amortization of experience losses	<u>4,707,852</u>	<u>2,281,415</u>
Retirement benefit expense	13,141,118	8,902,227
Retirement benefit interest expense	<u>14,900,591</u>	<u>12,034,312</u>
Total expenses related to retirement benefits (Note 9(h))	<u>28,041,709</u>	<u>20,936,539</u>

**(h) Accrued Pensions and Retirement Benefits Liability and Expense Summary**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Pensions (Note 9(e))	635,636,000	572,679,000
Retirement Benefits other than Pensions – Health Insurance Plan (Note 9(g))	<u>198,773,234</u>	<u>175,452,128</u>
Total Pensions and Retirement Benefits Liability	<u>834,409,234</u>	<u>748,131,128</u>
Pensions (Note 9(e))	95,093,392	84,853,677
Retirement Benefits other than Pensions – Health Insurance Plan (Note 9(g))	<u>28,041,709</u>	<u>20,936,539</u>
Total Pensions and Retirement Benefits Expense	<u>123,135,101</u>	<u>105,790,216</u>

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**10. Contingent Liabilities**

**(a) Guarantees**

In August 1994, the Government introduced the National Education Guarantee Scheme to provide qualifying students with financial guarantees on bank loans for post-secondary education. The repayment of principal and accrued interest is guaranteed by the Government. In the event of default by the student, the banks will call on the guarantee contract. At March 31, 2009, \$792,230 (2008 - \$1,152,904) is outstanding on guaranteed student loans with local banks.

**(b) Claims and Potential Claims**

The Government is subject to claims and potential claims related to breach of contract, damages to persons and property and like items. The effect of legal claims cannot be determined until they are settled or dismissed. No liability has been admitted and no provision for claims is included in the financial statements. Any resulting losses will be recorded and charged to operations in the year an amount can reasonably be determined.

The total of specific amounts claimed or potential settlements which are under litigation or possible litigation as at March 31, 2009 is \$9,543,553 (2008 - \$9,926,379).

**(c) Environmental Liabilities**

The Government recognizes that there will be a cost for restoration of the environment at the bases formerly occupied by the US military. It is anticipated that such costs would include removal of hazardous materials and clean-up.

A liability of \$26,250,000 has been accrued, which is an estimate of the costs of the environmental clean-up and remediation at the three former major base land sites. The estimated range is \$32 million to \$40 million, which includes an approximate 20% contingency of the total.

The cost for Southside (estimated at \$10.5 million, with a range of \$10.5 million to \$20 million; \$6.5 million for work already performed has been deducted from the lower end of the estimated range) involves demolition of buildings beyond refurbishment and removal of asbestos. The cost for clean-up of Tudor Hill (estimated at \$1 million with a range of \$1 million to \$2 million) is for removal of asbestos and demolition of buildings on the site. Clean-up of Morgan's Point is estimated at \$14.75 million (with a range of \$15 million to \$18 million); \$3 million of that amount is the estimated amount required to remove immediate environmental hazards and the remainder is for fuel storage tanks, removal and remediation of asbestos as well as demolition of derelict buildings.

This estimate was developed in 2003, based on orders of cost which were developed from unit rates used for clean-up at Southside and budget estimates from consultants hired by potential developers at the Morgan's Point site. In 2008, the Government also had a registered professional engineer conduct an independent review and estimate which fell within the original range. Therefore, no change has been made to the estimated liability.

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**10. Contingent Liabilities (cont'd)**

The Government is currently undertaking steps to commence with the clean up of these sites. It is anticipated that work will commence within the fiscal year 2009/2010 on these sites.

**(d) Building Demolition**

On August 25, 2008, the Government razed the buildings of the hotel complex in St. George's, last leased by Club Med. The cost, which included the demolition of the main hotel, asbestos remediation, removal of materials and the clean-up of the site, had been estimated and accrued in the 2007/2008 financial statements. The cost of these buildings in the financial statements had already been written down to a nil value.

As at March 31, 2009, the project was not yet complete. Additional work to be done is estimated at \$550,000.

**11. Non-Contractual Operational Commitments**

The Government has ongoing commitments to fund a variety of programs for public welfare including health, education, social services, protection of persons and properties, and management of natural resources. The following is an analysis of the future, non-contractual, operational commitments:

	<b>2009</b>
	<b>\$</b>
2010	12,779,259
2011	9,125,707
2012	9,156,823
2013	5,883,086
2014	5,304,480
2015 and subsequent	<u>300,000</u>
<b>Total Future Operational Commitments</b>	<b><u>42,549,355</u></b>

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**12. Contractual Commitments**

**(a) Capital Leases**

The average period of capitalized leased office machines is 3 years. Leases are capitalized based on the discounted rate of 6.29% and amortized on a straight line basis over the period of the lease.

The following is an analysis of the leases:

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Present value of lease cost	2,998,260	2,365,123
Less: Accumulated amortization	<u>(2,021,419)</u>	<u>(1,310,362)</u>
Present value of leases payable	<u>976,841</u>	<u>1,054,761</u>

The following is a schedule of discounted future minimum lease payments under leases expiring up to March 31, 2012:

	<b>2009</b>
	<b>\$</b>
2010	583,289
2011	329,644
2012	130,652
Less: Discounted Amount	<u>(66,744)</u>
Present value of leases payable	<u>976,841</u>

**(b) Contractual Obligations**

The nature of government activity results in some large multi-year contracts and agreements of various sizes and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts and agreements for the acquisition of goods and services or the provision of transfer payments are met.



**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**12. Contractual Commitments (cont'd)**

The following is an analysis of estimated future expenditures related to these contractual obligations:

	<b>2009</b>
	<b>\$</b>
2010	16,908,801
2011	15,493,109
2012	5,726,551
2013	549,828
2014	549,828
2015 and subsequent	<u>549,828</u>
 Total Contractual Obligations	 <u>39,777,945</u>

**(c) Operating Leases**

The Bermuda Government rents premises under operating leases which expire at certain dates.

The following is an analysis of the future minimum operating lease payments:

	<b>2009</b>
	<b>\$</b>
2010	10,416,232
2011	8,449,803
2012	6,200,100
2013	4,687,327
2014	3,844,009
2015 and subsequent	<u>14,436,252</u>
 Total Future Minimum Operating Lease Payments	 <u>48,033,723</u>

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**13. Supplementary Estimates**

Supplementary estimates are required by the Bermuda Constitution Order 1968 for expenditures incurred in excess of amounts appropriated. During the year, \$40,603,998 (2008 - \$25,272,450) in Supplementary Estimates was approved and spent which consisted of \$14,416,798 (2008 - \$17,675,450) for current expenditure and \$26,187,200 (2008 - \$7,597,000) for capital expenditure. Additional current expenditures of \$23,362,833 (2008 - \$19,333,088) were incurred in excess of amounts appropriated by Ministry which will require final supplemental approval.

**14. Related Party Transactions**

**(a) Funds**

The Fund is related to the Government Employees Health Insurance Fund ("GEHI"), the Contributory Pension Fund ("CPF"), the Ministers and Members of the Legislature Pensions Fund ("MMLPF"), the Bermuda Department of Tourism North America Retirement Plan ("BDTRP"), the Public Service Superannuation Fund ("PSSF"), the Confiscated Assets Fund, the Government Borrowing Sinking Fund, the Hospital Insurance Fund, the Mutual Reinsurance Fund and the Government Reserves Fund.

The financial activities of these funds are reported separately in each fund's financial statements. The Fund provides accounting and certain administrative services to these funds. These transactions are in the normal course of operations and are measured at the appropriate exchange amount. The other activities represent the net position of contributions payable to the funds and expenses paid out of the Fund on behalf of the funds. Schedules 3 and 3(a) display details of unpaid balances due from and due to the funds which have arisen from normal operating activities. The rate of interest accruing on the balances is 7% per annum.

**(b) QUANGOs and Other Related Organizations**

The Fund is related to certain quasi-autonomous non-governmental organizations ("QUANGOs") and other controlled organizations. QUANGOs are government businesses which have been established under their respective legislative incorporation acts. Other government-related organizations are organizations that are controlled by government either by the possession of shares or voting rights or by some other means.

The Fund enters into transactions with the QUANGOs and other related organizations in the normal course of business which are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Schedules 3 and 3(a) include details of balances due from and due to these entities which have arisen from normal operating activities. During the year, no interest was charged and/or incurred from or to the Fund and the various QUANGOs and other related organizations.

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**14. Related Party Transactions (cont'd)**

**(i) Bermuda Monetary Authority (BMA)**

In accordance with Section 8 (3) of the Bermuda Monetary Authority Act 1969, the BMA pays a portion of its net profit (historically 50%) to the Consolidated Fund of the Bermuda Government. Earnings in the amount of \$814,849 (2008 - \$2,941,112) are receivable to the Consolidated Fund for the year ended March 31, 2009. This amount is non-interest bearing and payable to the Consolidated Fund by May 31, 2009.

**(c) Interdepartmental Transactions**

Interdepartmental transactions are those transactions in which revenues and expenses are generated between Government departments and/or Ministries. These revenues and the related expenses should be eliminated from the Fund's figures. As per Note 3(d), interdepartmental revenues and expenses are not eliminated. However all interdepartmental revenues and expenses have been identified and are shown in Schedules 10(a) and 11(a), respectively.

**(d) Other**

The Bermuda Government provided a letter of comfort to the Bank of Butterfield (the "Bank") on behalf of the Bermuda Housing Corporation ("BHC") dated July 13, 2000 which states, "To the extent that the BHC operates programmes which do not break even, the Government appropriates annual grants which enable BHC to comply with its legislation."

In 2000, the BHC entered into a facility for which drawdowns of up to \$25 million was available until December 31, 2001. As of July 2009, the facility has an outstanding balance due of \$2.7 million. The amount has to be repaid in full by December 31, 2010.

According to both parties, the letter of comfort is not a guarantee and the \$2.7 million is not included in the public debt.

The BHC has received operating grants of \$6.0 million (2008 - \$4.3 million) and capital grants of \$22.5 million (2008 - \$6.9 million) from the Bermuda Government during the year.

**15. Tangible Capital Asset Recognition**

As disclosed in note 3(f), infrastructure has now been recognized in the financial statements as at April 1, 2008. The assets in these classes purchased prior to April 1, 2008 have been recognized at amortized value. The recognition of the amortized value of these capital assets has been offset by an adjustment to the accumulated deficit, as disclosed in the Statement of Operations & Accumulated Deficit, excluded from the purchase of assets in the Statement of Cash Flow, and included at gross values in Schedule 12.

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**16. Arbitration Award**

On December 14, 2007, a Final Award was granted to the Bermuda Government by the Tribunal in the Arbitration proceeding between The Government of Bermuda and Pro-Active Management Systems Inc. ("Pro-Active"), in the matter of the construction of the Berkeley Institute in the amount of \$15.6 million. The Award was comprised of a judgement granted of \$13.2 million and reimbursement of legal costs of \$2.4 million. The award was finalized in September 2008 after initially being appealed by Pro-Active.

In the prior year the Consolidated Fund accrued a receivable of \$15.6 million. An \$8.8 million provision for uncollectibility of the award was also recorded, which was the net of the total award less a performance bond of \$6.8 million issued by Union Assets Holding Ltd. The performance bond was secured by assets and other resources owned by the Bermuda Industrial Union. It had been determined that it was unlikely that the Bermuda Government would receive any satisfaction from Pro-Active given that the company had been represented to be insolvent.

Subsequently, the Bermuda Government has forgiven the performance bond of \$6.8 million with Union Asset Holdings. The full receivable of \$15.6 million and the respective 100% allowance has been written off in the current year. Bad debt expense of \$6.8 million (2008 - \$8.8 million) resulting from this transaction has been recorded in the operations for the year.

**17. Bank Overdraft**

On October 10, 2008, the Government arranged a new overdraft facility with the Bank of N.T. Butterfield & Son Limited (BNTB) of \$50 million which expires on October 31, 2009. The facility bears interest at 1% per annum below BNTB's base rate.

As at March 31, 2009 the Government has an overdraft facility agreement at the Bank of Bermuda, HSBC ("HSBC") of \$100 million. The facility expired on July 31, 2009. The daily charges applied to overdrawn balances is 0.50% above HSBC's base rate. Unauthorized overdraft balances are charged at 7.50% over the HSBC's base rate.

**18. Temporary Loans Act (1973)**

During the current fiscal year the Government had to meet some of its borrowing requirements by increasing overdraft facilities with local financial institutions, due to the unprecedented credit crisis. These amounts were raised under the Government Loans Act 1978 which provides the Minister of Finance with the authority to borrow in such manner and on such terms and conditions as may be agreed with the lenders; provided overall borrowing does not exceed \$1 billion.

This provision is in conflict with the Temporary Loans Act 1973 which restricts the Minister of Finance to certain forms of borrowing classified as temporary loans. The definition of a temporary loan is one in which principal and interest is to be repaid to

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
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**18. Temporary Loans Act (1973) (cont'd)**

the lender not later than fifteen months after the funds are raised. As at March 31, 2009 the limit for temporary loans established under this Act was \$15 million. This limit was changed subsequent to year end to 10% of annual budget estimates.

As the overdraft facilities described in note 17 were for terms of less than fifteen months, these facilities could be classified as temporary loans, in which case the Government would not be in compliance with Section 2 of the Temporary Loans Act 1973. However, it should be noted that at this time, these facilities have not been repaid and in all probability will not be repaid within a fifteen month period to qualify them as temporary loans. As such, the Ministry of Finance intends to convert these borrowings to long term debt. This debt has been included in the balances of public debt for future years as regards to payments required under the GBSF (note 5).

**19. Subsequent Events**

**(a) West End Development Corporation Guarantee**

On April 1, 2009, the Minister of Finance approved the guarantee given by the Ministry of Works and Engineering on a loan of \$10 million to the West End Development Corporation (WEDCO) from the Capital G Bank to facilitate the completion of the new Sewage Treatment Plant at Dockyard.

The loan guarantee of \$10 million to WEDCO will be included in the public debt for the fiscal year end March 31, 2010.

**(b) Increase in Borrowing**

On May 21, 2009, the Bermuda Government entered into a Senior Note Purchase agreement with a group of purchasers in the U.S. Private Placement Market authorizing the issue and sale of senior notes of \$160 million aggregate principal amount in three series; \$45 million of 6.55% Senior Notes due 2014, \$30 million 6.98% Senior Notes due 2016 and \$85 million 7.38% Senior Notes due 2019. Interest is payable semi-annually for all series of notes.

In June 2009, the Bermuda Government authorized the issue and sale of an additional 7.38% Senior Notes due 2019 in the principal amount of \$15 million.

**(c) Sale of Dockyard Camber (Wharf) to WEDCO**

On May 7, 2009, the Minister of Works and Engineering conveyed to WEDCO, as the Beneficial Owner, the New Dockyard Camber for the total consideration of \$1. The value

**Government of Bermuda – Consolidated Fund**  
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**19. Subsequent Events (cont'd)**

of the wharf at the time of the completion of its construction in May 2009 and subsequent conveyance was \$56 million.

**(d) Bank of N.T. Butterfield Guarantee Agreement**

On June 12, 2009, the Bermuda Government assisted the Bank of N.T. Butterfield & Son Limited (BNTB) in raising qualifying Tier 1 capital via a perpetual preference share offering of US \$200 million.

Accordingly, the Bermuda Government provided the commitment that if the full \$200 million Preference Share Offering was not achieved on or prior to June 30, 2009, the Government would purchase no later than June 30, 2009 such number of Preference Shares as was sufficient to ensure that the Bank realizes aggregate proceeds equal to and not less than US \$200 million. As the offering was fully subscribed, no such Bermuda Government purchase was necessary.

On June 22, 2009, the Bermuda Government entered into a Preference Shares Guarantee Agreement with the Bank of N.T. Butterfield & Son Limited and others. The Bermuda Government has guaranteed payment of 100% of the liquidation value of the outstanding Preferred Shares in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of BNTB during the term of the Guarantee. Also, the Bermuda Government will act as a guarantor for the dividend payments relating to the Preferred Shares issuance. Should the BNTB fail to declare and pay dividends in any quarterly dividend period during the term of the Guarantee, the Bermuda Government will pay such dividends at 8% per annum.

Pursuant to the Preference Share Offering, the BNTB shall pay to the Government a fee of 1% per annum on the liquidation value of then outstanding Preference Shares issued to third party investors. The Bermuda Government is in receipt of 4,279,601 warrants issued by the Bank to purchase a number of non-voting common shares of BNTB having an aggregate market price equal to US \$30 million. The initial exercise price for the warrants and the price for determining the number of common shares of BNTB subject to the warrants is \$7.01 per common share. Per the valuation model run on July 28, 2009, the value of the warrants is \$0.57 per warrant which represents a total value of \$2,422,254.

**(e) Overdraft Facilities**

On August 1, 2009 the overdraft facility of \$100 million (see Note 17) with the Bank of Bermuda, HSBC ("HSBC") was renewed to expire on March 31, 2010. The daily charges applied to overdrawn balances remain at 0.50% above HSBC's base rate. Unauthorized overdraft balances are charged at 7.50% over the HSBC's base rate.

**Government of Bermuda – Consolidated Fund**  
**Notes to the Financial Statements**  
**March 31, 2009**

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**20. Comparative Figures**

Certain comparative figures have been restated and reclassified to conform to the current year's presentation.

# Government of Bermuda - Consolidated Fund

## Schedule 1: Accounts Receivable

As at March 31	2009	2008
	Actual	Actual
	\$	\$
Office of the Tax Commissioner	140,190,885	140,083,346
Airport Operations	4,091,341	3,328,997
Telecommunications	3,416,149	3,870,209
Post Office	2,722,115	3,530,145
Registrar of Companies	2,498,461	3,263,056
Operations & Engineering	2,271,446	1,863,720
Judicial Department	1,862,550	1,846,990
Works & Engineering	1,846,974	17,866,080
Department of Education	1,632,493	1,955,662
Customs	1,314,251	4,728,702
Health Department	831,841	492,016
Fire Services	654,057	603,810
Maritime Administration	414,757	971,000
Lands, Buildings & Surveys	231,858	353,446
Marine & Ports	206,782	332,040
Tourism	202,858	1,404
Human Resources	201,908	164,043
Conservation Services	190,909	181,331
Police	145,574	97,102
Public Transportation Board	144,252	309,550
Cabinet Office	132,273	-
Environmental Protection	114,839	126,368
Registry General	87,311	53,806
Civil Aviation	29,879	235,999
Child & Family Services	22,700	9,040
Parks	13,337	6,650
Transport Control Department	6,750	3,179
Libraries	1,975	2,978
Immigration	1,969	1,969
Youth, Sport & Recreation	324	19,813
E-Commerce	196	-
Financial Assistance	-	67,758
Corrections	-	14,967
Department of Public Prosecutions	-	1,340
Cultural Affairs	-	720
Ministry of Community and Cultural Affairs	(47)	-
Accountant General	(39,771)	573,552
	165,443,196	186,960,788
Less: Provision for Doubtful Accounts	28,616,386	36,783,828
	136,826,810	150,176,960



**Government of Bermuda - Consolidated Fund**  
**Schedule 2: Prepaid Supplies**

<b>As at March 31</b>	<b>2009</b>	<b>2008</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Works & Engineering	5,963,936	5,795,632
Public Transportation Board	4,469,804	3,693,360
Marine & Ports	1,609,780	1,324,969
Police	1,588,092	1,368,268
Defence	704,159	702,486
Department of Education	484,407	561,311
Department of Corrections	426,069	334,952
Health	256,146	211,464
Conservation Services	110,101	87,865
Immigration	54,803	36,618
Post Office	40,644	51,666
	<b>15,707,941</b>	<b>14,168,591</b>
Less: Provision for Obsolescence	<b>1,062,890</b>	<b>1,011,597</b>
	<b>14,645,051</b>	<b>13,156,994</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 3: Due From Gov't Funds and Agencies**

<b>As at March 31</b>	<b>2009</b>	<b>2008</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Government Employees Health Insurance Fund	10,005,933	10,994,391
Confiscated Assets Fund	2,545,959	586,582
Bermuda Hospitals Board	2,282,266	-
Hospital Insurance Fund	2,053,837	1,085,713
Bermuda Monetary Authority	1,517,470	3,460,092
West End Development Corporation	1,244,086	711,975
Golf Courses	834,851	729,039
Government Reserves Fund	501,808	179,982
Bermuda Housing Corporation	368,124	-
Bermuda College	213,722	186,696
Bermuda Land Development Company	142,592	225,426
Tourism North America Retirement Plan	105,093	-
CedarBridge Academy	104,444	58,332
Bermuda Health Council	32,000	-
Parish Councils	16,492	16,187
Bermuda Small Business Development Corporation	16,359	26,858
Pension Commission	12,600	-
Bermuda Housing Trust	8,700	-
National Sports Centre	171	533
Public Service Superannuation Fund	-	2,382,817
	<b>22,006,507</b>	<b>20,644,623</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 3(a): Due to Gov't Funds and Agencies**

<b>As at March 31</b>	<b>2009</b>	<b>2008</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Contributory Pension Fund	42,429,184	22,931,873
Ministers and Members Pensions Fund	8,608,473	9,006,473
Public Service Superannuation Fund	5,960,247	-
Bermuda Hospitals Board	3,120,185	812,886
Bermuda Housing Corporation	329,916	2,133,217
Pembroke Parish Council	18,011	11,560
West End Development Corporation	6,981	6,981
Bermuda Land Development Company	5,142	4,921
Bermuda Small Business Development Corporation	3,800	3,800
Golf Courses	1,943	1,943
Bermuda College	1,672	1,672
Hospital Insurance Fund	1,460	-
Tourism North America Retirement Plan	-	131,885
	<b>60,487,014</b>	<b>35,047,211</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 4: Long-Term Receivables**

As at March 31	2009	2008
	Actual	Actual
	\$	\$
Customs Duty	1,129,538	3,262,888
Student Loans and Teacher Training Awards	1,126,206	997,251
	2,255,744	4,260,139

**Government of Bermuda - Consolidated Fund**  
**Schedule 5: Accounts Payable and Accrued Liabilities**

As at March 31	2009	2008
	Actual	Actual
	\$	\$
Department Trade Accounts	72,161,984	72,943,880
Environmental Liabilities (Note 10(c))	26,250,000	26,250,000
Employees' Leave Entitlements	14,963,231	13,380,713
Deposits Held	12,452,488	11,467,665
Salaries, Wages and Benefits	9,282,576	24,169,615
Teachers' Salaries & Leave Entitlements	8,723,463	9,784,060
Interest on Debt	4,894,375	4,640,399
Leases Payable	627,632	756,191
	149,355,749	163,392,523

**Government of Bermuda - Consolidated Fund**  
**Schedule 6: Deferred Revenue**

<b>As at March 31</b>	<b>2009</b>	<b>2008</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
Registrar of Companies	43,689,997	46,063,546
Transport Control Department	17,793,025	17,921,058
Office of the Tax Commissioner	11,192,999	11,089,188
Immigration	7,064,268	7,258,027
Civil Aviation	6,000,019	4,775,575
Marine & Ports	592,983	600,800
Post Office	430,571	430,380
Lands, Buildings & Surveys	91,132	82,763
Environmental Protection	87,067	82,786
Police	56,668	97,230
Health Department	40,380	42,467
Tourism	33,435	33,855
Youth, Sport & Recreation	24,100	3,935
Parks	21,627	22,677
Maritime Administration	21,354	39,267
Cultural Services	100	-
Customs	-	34,446
	<b>87,139,725</b>	<b>88,578,000</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 7: Debt - Net of Sinking Fund**

As at March 31	2009	2008
	Actual	Actual
	\$	\$
<b>Senior Notes Due 2014 - US\$</b>		
Issue Date: June 10, 2004		
Interest: 5.39% payable semi-annually		
June 10 and December 10		
Notes Due: June 10, 2014	75,000,000	75,000,000
<b>Loan Facility - US\$</b>		
Amount: US \$ 200 million		
Issue Date: June 17, 2005		
Interest: LIBOR + .11% payable on rollover date		
Facility Fee: .04% per annum payable quarterly		
Period: 5 years	200,000,000	130,000,000
<b>Senior Notes Due 2022 - US\$</b>		
Issue Date: December 4, 2007		
Interest: 5.73% payable semi-annually		
June 4 and December 4		
Notes Due: December 4, 2022	140,000,000	140,000,000
	415,000,000	345,000,000
Less: Sinking Fund (Note 5)	79,780,761	67,830,112
	335,219,239	277,169,888

**Government of Bermuda - Consolidated Fund**  
**Schedule 8: Revenue By Type**

For the year ended March 31	2009 Original Estimates	2009 Actual	2008 Actual
	\$	\$	\$
<b>Taxes &amp; Duties</b>			
Payroll Tax	335,500,000	356,525,572	337,748,864
Customs Duty	259,737,000	224,160,285	229,566,222
Stamp Duty	60,000,000	46,194,035	47,378,735
Land Tax	45,000,000	45,706,621	45,220,549
Passenger Tax	33,050,000	29,750,110	29,106,234
Non-Bermudian Land Acquisition Tax	16,375,000	15,813,424	14,685,112
Foreign Currency Purchase Tax	15,750,000	14,464,731	14,096,359
Hotel Occupancy Tax	12,000,000	11,102,667	13,487,271
Corporate Services Tax	3,000,000	3,717,881	3,219,320
Betting Tax	1,500,000	956,789	1,486,322
Timesharing Tax	350,000	233,268	257,551
	782,262,000	748,625,383	736,252,539
<b>Fees, Permits &amp; Licences</b>			
International Companies	56,116,000	64,766,401	55,452,790
Vehicle Licences & Registration	26,122,000	27,172,435	28,997,427
Telecommunications	12,000,000	14,779,940	11,551,704
Registration of Aircraft	12,970,000	13,069,058	9,973,971
Immigration	18,006,000	11,559,713	11,033,941
Air Terminal & Aviation	12,110,000	11,121,680	11,748,609
Bus Transportation	8,015,000	8,010,617	8,470,395
Postal Services	7,128,000	6,064,975	5,897,285
Registration of Shipping	3,010,000	3,658,811	3,012,813
Local Companies	2,907,000	3,233,331	2,463,863
Water	4,112,000	3,211,873	3,618,506
Solid Waste Services	2,910,000	2,715,535	2,796,053
Rentals	2,645,000	2,614,941	2,719,543
Services to Seaborne Shipping	3,001,000	2,447,348	2,840,468
Ferry Services	1,703,000	1,929,933	1,988,863
Wharfage	1,700,000	1,817,057	1,584,168
Planning Fees and Searches	1,657,000	1,654,626	1,697,187
Trade and Service Mark	1,416,000	1,545,007	1,640,775
Other Customs Fees & Charges	2,343,000	809,130	2,476,558
Companies Licences	350,000	562,286	451,657
Plant Production and Marketing Centre	438,000	442,825	426,185
Liquor Licences	320,000	344,455	309,094
Insurance Fees	-	27,447	8,106
	180,979,000	183,559,424	171,159,961
<b>Other Revenue</b>			
Other	13,330,000	12,806,456	12,167,331
Fines & Forfeitures	5,252,000	3,575,187	2,030,127
Investment Income	3,200,000	3,481,966	3,935,427
Bermuda Monetary Authority	250,000	817,749	2,954,469
	22,032,000	20,681,358	21,087,354
<b>TOTAL REVENUE</b>	<b>985,273,000</b>	<b>952,866,165</b>	<b>928,499,854</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 9: Current Expense By Type**

<b>For the year ended March 31</b>	<b>2009 Original Estimates</b>	<b>2009 Actual</b>	<b>2008 Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Employees</b>			
Salaries	329,910,000	310,817,003	284,734,739
Retirement Benefit Expenses (Note 9(h))	-	123,135,101	105,790,216
Wages	83,546,000	101,258,816	91,418,669
Employer Overhead	58,496,000	29,820,088	26,549,473
Training	11,933,000	7,956,002	6,802,857
Other Personnel Costs	9,462,000	5,155,334	12,146,974
Compensated Absences	-	1,575,555	1,831,303
	493,347,000	579,717,899	529,274,231
<b>Operations</b>			
Grants & Contributions	220,656,000	234,920,291	215,426,235
Professional Services	79,263,000	95,455,877	85,942,804
Materials & Supplies	35,036,000	37,042,547	38,168,846
Amortization	-	33,937,967	25,923,151
Energy	19,200,000	23,785,687	18,745,553
Repairs & Maintenance	21,351,000	23,384,615	19,898,935
Interest on Debt	22,006,000	21,827,266	18,524,801
Advertising & Promotion	18,770,000	16,850,147	19,166,463
Rentals	16,906,000	16,644,439	13,926,529
Insurance	11,952,000	11,571,448	12,286,148
Communications	9,309,000	9,608,650	8,968,545
Bad Debts	-	7,973,426	12,969,334
Transport	7,091,000	6,587,995	6,541,863
Travel	7,436,000	6,439,319	6,395,705
Other	5,064,000	4,698,891	4,686,068
Clothing & Uniforms	3,021,000	2,566,236	2,189,938
Equipment	1,827,000	2,066,408	2,156,082
Bank Charges & Commissions	-	637,843	519,222
Capital Recharges	-	55,104	-
Transfer to Other Funds	8,625,000	-	-
Receipts Credited to Programmes	(19,020,000)	(23,578,982)	(18,810,745)
	468,493,000	532,475,174	493,625,477
<b>TOTAL CURRENT EXPENSE</b>	<b>961,840,000</b>	<b>1,112,193,073</b>	<b>1,022,899,708</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 10: Revenue By Ministry / Department**

For the year ended March 31	2009 Original Estimates	2009 Actual	2008 Actual
	\$	\$	\$
<b>Non-Ministry Departments</b>			
01 Governor & Staff	-	1,479	5,403
05 Office of the Auditor General	537,000	724,400	692,200
63 Parliamentary Registrar	117,000	138,508	123,615
	654,000	864,387	821,218
<b>Cabinet Office Departments</b>			
09 Cabinet Office	-	3,956	6,011
14 Department of Statistics	10,000	5,109	13,597
15 Management Services	-	15	-
19 Archives	9,000	4,304	6,589
26 Human Resources	-	270	-
30 Marine & Ports	5,511,000	5,171,435	5,613,170
31 Airport Operations	13,340,000	12,798,878	12,954,017
33 Tourism	290,000	58,346	41,439
34 Transport Control Department	26,123,000	27,180,148	29,002,202
35 Public Transportation Board	8,015,000	8,048,521	8,487,556
48 Ministry of Transport HQ	-	-	638
57 Civil Aviation	13,000,000	13,096,598	10,002,314
73 Maritime Administration	3,000,000	3,658,313	2,998,549
	69,298,000	70,025,893	69,126,082
<b>Ministry of Justice</b>			
02 Legislature	3,000	1,126	5,101
03 Judicial Department	8,717,000	8,955,597	6,239,190
04 Attorney-General's Chambers	-	5,784	19,616
75 Department of Public Prosecutions	-	1,790	-
	8,720,000	8,964,297	6,263,907
<b>Ministry of Finance</b>			
10 Ministry of Finance HQ	-	784	21,656
11 Accountant-General	3,509,000	5,410,247	7,293,691
12 Customs	264,066,000	227,250,063	233,941,868
28 Department of Social Insurance	5,000	42,360	3,150
38 Office of the Tax Commissioner	503,038,000	503,737,304	488,200,141
39 Registrar of Companies	60,115,000	69,278,890	59,396,007
	830,733,000	805,719,648	788,856,513
<b>Ministry of Education</b>			
17 Department of Education	205,000	208,177	638,355
	205,000	208,177	638,355
<b>Ministry of Health</b>			
21 Ministry of Health HQ	-	144,382	-
22 Health Department	2,728,000	2,565,158	1,429,494
	2,728,000	2,709,540	1,429,494



**Government of Bermuda - Consolidated Fund**  
**Schedule 10: Revenue By Ministry / Department (cont'd)**

For the year ended March 31	2009	2009	2008
	Estimates	Actual	Actual
	\$	\$	\$
<b>Ministry of Environment &amp; Sport</b>			
20 Youth, Sport & Recreation	881,000	771,010	684,249
32 Planning	1,752,000	1,762,874	1,745,217
49 Land Valuation	-	1,063	-
50 Ministry of the Environment HQ	12,000	28,130	19,347
68 Parks	357,000	166,400	262,033
69 Conservation Services	950,000	992,771	1,004,272
72 Environmental Protection	477,000	523,387	494,486
	4,429,000	4,245,635	4,209,604
<b>Ministry of Culture &amp; Social Rehabilitation</b>			
18 Libraries	19,000	15,079	24,667
23 Child & Family Services	197,000	224,711	137,658
52 Community and Cultural Affairs	254,000	253,848	217,394
55 Financial Assistance	-	60,852	65,662
56 Human Affairs	-	2,223	7,418
71 Ministry of Culture and Social Rehab HQ	-	3,589	-
74 Department of Court Services	-	199	-
86 Ministry of Community & Cultural Affairs HQ	-	-	6,938
88 National Drug Control	36,000	18,766	-
	506,000	579,267	459,737
<b>Ministry of Labour, Home Affairs &amp; Housing</b>			
06 Defence	-	66,066	185,254
07 Police	480,000	632,950	577,784
25 Department of Corrections	-	-	150
27 Immigration	34,381,000	27,377,967	25,710,185
45 Fire Services	1,136,000	849,097	597,931
60 Labour & Training	270,000	2,604	5,658
83 Ministry of Labour, Home Affairs & Housing HQ	-	78	298
	36,267,000	28,928,762	27,077,260
<b>Ministry of Energy, Telecommunications &amp; E-Commerce</b>			
13 Post Office	7,188,000	6,105,397	5,946,218
29 Registry General	1,587,000	1,766,658	1,861,003
42 Rent Commissioner	1,000	1,199	377
43 Information Technology Office	-	2,499	2,351
46 Telecommunications	12,000,000	13,794,276	11,551,704
	20,776,000	21,670,029	19,361,653
<b>Ministry of Works &amp; Engineering</b>			
36 Works & Engineering	110,000	143,863	81,623
81 Lands, Buildings & Surveys	2,230,000	2,115,922	2,106,943
82 Operations & Engineering	8,617,000	6,690,745	8,067,465
	10,957,000	8,950,530	10,256,031
<b>TOTAL REVENUE</b>	<b>985,273,000</b>	<b>952,866,165</b>	<b>928,499,854</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 10(a): Interdepartmental Revenue By Ministry / Department**

For the year ended March 31	2009 Interdepartmental Revenue	2009 Gross Revenue Actual	2009 Net Revenue
	\$	\$	\$
<b>Non-Ministry Departments</b>			
01 Governor & Staff	-	1,479	1,479
05 Office of the Auditor General	-	724,400	724,400
63 Parliamentary Registrar	-	138,508	138,508
	-	864,387	864,387
<b>Cabinet Office Departments</b>			
09 Cabinet Office	-	3,956	3,956
14 Department of Statistics	260	5,109	4,849
15 Management Services	-	15	15
19 Archives	1,080	4,304	3,224
26 Human Resources	500	270	(230)
30 Marine & Ports Services	1,768	5,171,435	5,169,667
31 Airport Operations	43,333	12,798,878	12,755,545
33 Tourism	1,431	58,346	56,915
34 Transport Control Department	150	27,180,148	27,179,998
35 Public Transportation Board	133,628	8,048,521	7,914,893
57 Civil Aviation	-	13,096,598	13,096,598
73 Maritime Administration	1,418	3,658,313	3,656,895
	183,568	70,025,893	69,842,325
<b>Ministry of Justice</b>			
02 Legislature	-	1,126	1,126
03 Judicial Department	180	8,955,597	8,955,417
04 Attorney-General's Chambers	-	5,784	5,784
75 Department of Public Prosecutions	-	1,790	1,790
	180	8,964,297	8,964,117
<b>Ministry of Finance</b>			
10 Ministry of Finance HQ	-	784	784
11 Accountant-General	-	5,410,247	5,410,247
12 Customs	3,094,956	227,250,063	224,155,107
28 Social Insurance	90	42,380	42,270
38 Office of the Tax Commissioner	118,791	503,737,304	503,618,513
39 Registrar of Companies	-	69,278,890	69,278,890
	3,213,837	805,719,648	802,505,811
<b>Ministry of Education</b>			
17 Department of Education	695	208,177	207,482
	695	208,177	207,482
<b>Ministry of Health</b>			
21 Ministry of Health HQ	-	144,382	144,382
22 Health Department	12,446	2,565,158	2,552,712
	12,446	2,709,540	2,697,094

**Government of Bermuda - Consolidated Fund**  
**Schedule 10(a): Interdepartmental Revenue By Ministry / Dept (cont'd)**

For the year ended March 31	2009 Interdepartmental Revenue	2009 Gross Revenue Actual	2009 Net Revenue
	\$	\$	\$
<b>Ministry of Environment &amp; Sport</b>			
20 Youth, Sport & Recreation	19,927	771,010	751,083
32 Department of Planning	11,175	1,762,874	1,751,699
49 Land Valuation	-	1,063	1,063
50 Ministry of the Environment	-	28,130	28,130
68 Parks	-	166,400	166,400
69 Conservation Services	990	992,771	991,781
72 Environmental Protection	2,743	523,387	520,644
	<b>34,835</b>	<b>4,245,635</b>	<b>4,210,800</b>
<b>Ministry of Culture &amp; Social Rehabilitation</b>			
18 Libraries	16	15,079	15,063
23 Child & Family Services	7,178	224,711	217,533
52 Community and Cultural Affairs	8,475	253,848	245,373
55 Financial Assistance	-	60,852	60,852
56 Human Affairs	4,585	2,223	(2,362)
71 Ministry of Culture and Social Rehab HQ	-	3,589	3,589
74 Department of Court Services	-	199	199
86 Ministry of Community & Cultural Affairs HQ	-	-	-
88 National Drug Control	-	18,766	18,766
	<b>20,254</b>	<b>579,267</b>	<b>559,013</b>
<b>Ministry of Labour, Home Affairs &amp; Housing</b>			
06 Defence	-	66,066	66,066
07 Police	2,768	632,950	630,182
25 Corrections	41	-	(41)
27 Immigration	3,389	27,377,967	27,374,578
45 Fire Services	3,480	849,097	845,617
60 Labour & Training	100	2,604	2,504
83 Ministry of Labour, Home Affairs & Housing HQ	-	78	78
	<b>9,778</b>	<b>28,928,762</b>	<b>28,918,984</b>
<b>Ministry of Telecommunications &amp; E-Commerce</b>			
13 Post Office	42,635	6,105,397	6,062,762
29 Registry General	8,177	1,766,658	1,758,481
42 Rent Commissioner	-	1,199	1,199
43 Information Technology Office	-	2,499	2,499
46 Telecommunications	33,581	13,794,276	13,760,695
	<b>84,393</b>	<b>21,670,029</b>	<b>21,585,636</b>
<b>Ministry of Works &amp; Engineering</b>			
36 Works & Engineering	73,519	143,863	70,344
81 Lands, Buildings & Surveys	44,000	2,115,922	2,071,922
82 Operations & Engineering	419,692	6,690,745	6,271,053
	<b>537,211</b>	<b>8,950,530</b>	<b>8,413,319</b>
<b>TOTAL REVENUE</b>	<b>4,097,197</b>	<b>952,866,165</b>	<b>948,768,968</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 11: Current Expense By Ministry / Department**

For the year ended March 31	2009 Original Estimates	2009 Actual	2008 Actual
	\$	\$	\$
<b>Non-Ministry Departments</b>			
01 Governor & Staff	1,642,000	2,117,102	1,211,228
05 Office of the Auditor General	2,915,000	2,922,352	2,850,973
08 Public Service Commission	79,000	71,993	84,318
63 Parliamentary Registrar	709,000	586,263	1,271,860
85 Ombudsman's Office	687,000	683,513	642,080
	6,032,000	6,381,223	6,060,459
<b>Cabinet Office Departments</b>			
09 Cabinet Office	6,160,000	8,422,706	4,846,403
14 Department of Statistics	3,168,000	2,577,742	2,644,884
15 Department of Management Services	1,356,000	776,600	1,096,699
19 Department of Archives	1,919,000	1,574,682	1,162,346
26 Department of Human Resources	6,219,000	3,789,124	4,021,744
30 Marine & Ports	21,340,000	22,739,219	20,537,597
31 Airport Operations	21,606,000	22,729,114	22,291,126
33 Department of Tourism	35,299,000	35,802,291	42,067,916
34 Transport Control Department	5,588,000	4,929,404	4,040,661
35 Public Transportation Board	22,623,000	23,112,257	21,611,336
48 Ministry of Transport HQ	1,795,000	1,274,588	1,641,261
51 Department of Communication & Information	2,942,000	2,469,680	2,634,982
57 Civil Aviation	4,491,000	5,387,392	4,581,468
73 Maritime Administration	1,715,000	1,594,042	1,607,611
	136,221,000	137,178,841	134,786,034
<b>Ministry of Justice</b>			
02 Legislature	4,999,000	4,616,168	3,996,530
03 Judicial Department	8,653,000	8,146,699	10,091,116
04 Attorney-General's Chambers	5,250,000	4,267,699	3,366,973
75 Department of Public Prosecutions	2,582,000	2,330,275	1,898,320
87 Ministry of Justice HQ	3,440,000	3,871,852	510,817
	24,924,000	23,232,693	19,863,756
<b>Ministry of Finance</b>			
10 Ministry of Finance HQ	15,038,000	12,386,670	12,548,853
11 Accountant-General	69,771,000	82,000,905	64,976,352
Retirement Benefit Expenses	-	87,763,661	78,719,402
12 Customs	20,408,000	17,863,714	16,795,995
28 Department of Social Insurance	8,986,000	15,322,980	10,970,590
38 Office of the Tax Commissioner	3,355,000	3,606,714	7,485,943
39 Registrar of Companies	4,385,000	2,867,043	4,990,212
58 Interest on Debt	21,516,000	18,186,394	17,658,177
59 Sinking Fund Contribution	8,625,000	-	-
	152,084,000	239,988,081	214,145,524
<b>Ministry of Education</b>			
17 Department of Education	122,985,000	129,231,983	122,306,818
41 Bermuda College	20,290,000	20,289,671	18,194,981
	143,275,000	149,521,654	140,501,799

**Government of Bermuda - Consolidated Fund**  
**Schedule 11: Current Expense By Ministry / Department (cont'd)**

For the year ended March 31	2009 Original Estimates	2009 Actual	2008 Actual
	\$	\$	\$
<b>Ministry of Health</b>			
21 Ministry of Health HQ	6,588,000	8,505,980	3,396,309
22 Health Department	31,822,000	28,023,696	29,463,204
24 Hospitals	113,291,000	119,242,771	111,197,894
	151,701,000	155,772,447	144,057,407
<b>Ministry of Environment &amp; Sports</b>			
20 Youth, Sport & Recreation	15,194,000	15,487,811	15,725,499
32 Department of Planning	4,638,000	3,835,120	3,344,216
49 Land Valuation	868,000	652,127	616,335
50 Ministry of the Environment HQ	868,000	1,296,226	772,419
68 Parks	11,806,000	11,493,137	10,961,916
69 Conservation Services	5,677,000	5,484,041	5,375,891
72 Environmental Protection	4,312,000	3,733,058	3,464,435
	43,363,000	41,961,520	40,260,711
<b>Ministry of Culture &amp; Social Rehabilitation</b>			
18 Libraries	2,340,000	2,451,199	2,091,733
23 Child & Family Services	13,666,000	17,714,911	14,990,913
52 Community & Cultural Affairs	4,101,000	4,373,513	3,788,936
55 Financial Assistance	18,351,000	24,428,816	18,414,497
56 Human Affairs	4,709,000	3,619,718	3,992,093
71 Ministry of Culture and Social Rehabilitation HQ	5,271,000	3,807,857	1,764,403
74 Court Services	5,140,000	4,486,575	4,456,439
86 Ministry of Community & Cultural Affairs HQ	-	(8,699)	2,061,806
88 National Drug Control	6,666,000	5,174,818	4,461,960
	60,244,000	66,048,508	56,022,780
<b>Ministry of Labour, Home Affairs &amp; Housing</b>			
06 Defence	8,971,000	8,844,684	7,582,476
07 Police	62,813,000	71,604,334	69,467,526
25 Corrections	27,798,000	28,867,590	24,346,137
27 Immigration	5,827,000	5,873,734	4,896,812
45 Fire Services	14,073,000	11,964,141	12,525,156
53 Bermuda Housing Corporation	6,000,000	6,000,000	4,300,000
54 Security Services & Delegated Affairs	234,000	296,732	186,656
60 Labour & Training	7,864,000	7,430,816	6,173,741
83 Ministry of Labour, Home Affairs & Housing HQ	3,702,000	3,979,986	3,470,124
	137,282,000	144,862,017	132,948,628
<b>Ministry of Energy Telecommunications &amp; E-Commerce</b>			
13 Post Office	14,852,000	14,749,496	13,602,778
29 Registry General	2,253,000	1,810,287	1,621,706
42 Rent Commissioner	725,000	562,483	536,770
43 Information Technology Office	6,685,000	7,570,126	6,935,609
46 Telecommunications	2,272,000	2,758,410	2,268,961
67 E-Commerce	1,282,000	895,747	1,066,393
84 E-Government	1,029,000	995,653	907,469
89 Energy	559,000	555,278	-
90 Ministry of Energy, Telecommunications and E-Commerce HQ	606,000	395,307	-
	30,263,000	30,292,787	26,939,686
<b>Ministry of Works &amp; Engineering</b>			
36 Works & Engineering	7,228,000	12,483,447	13,619,202
80 Architectural Design & Construction	1,611,000	879,780	815,929
81 Lands, Buildings & Surveys	29,177,000	27,331,549	28,134,803
82 Operations & Engineering	38,435,000	42,320,559	38,819,839
Amortization	-	33,937,967	25,923,151
	76,451,000	116,953,302	107,312,924
<b>TOTAL CURRENT EXPENSE</b>	<b>961,840,000</b>	<b>1,112,193,073</b>	<b>1,022,899,708</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 11(a): Interdepartmental Current Expense By Ministry/Department**

For the year ended March 31

	2009 Interdepartmental Expense	2009 Actual Gross Expense	2009 Net Expense
	\$	\$	\$
<b>Non-Ministry Departments</b>			
01 Governor & Staff	7,260	2,117,102	2,109,842
05 Office of the Auditor General	4,456	2,922,352	2,917,896
08 Public Service Commission	-	71,993	71,993
63 Parliamentary Registrar	-	586,263	586,263
85 Ombudsman's Office	150	683,513	683,363
	11,866	6,381,223	6,369,357
<b>Cabinet Office Departments</b>			
09 Cabinet Office	2,737	8,422,706	8,419,969
14 Department of Statistics	4,679	2,577,742	2,573,063
15 Department of Management Services	50	776,600	776,550
19 Department of Archives	12,374	1,574,682	1,562,308
26 Department of Human Resources	4,431	3,789,124	3,784,693
30 Marine & Ports	64,502	22,739,219	22,674,717
31 Airport Operations	1,193	22,729,114	22,727,921
33 Department of Tourism	138,697	35,802,291	35,663,594
34 Transport Control Department	28,562	4,929,404	4,900,842
35 Public Transportation Board	1,732,740	23,112,257	21,379,517
48 Ministry of Transport HQ	-	1,274,588	1,274,588
51 Dept. of Communication & Information	10,397	2,469,680	2,459,283
57 Civil Aviation	5,282	5,387,392	5,382,110
73 Maritime Administration	690	1,594,042	1,593,352
	2,006,334	137,178,841	135,172,507
<b>Ministry of Justice</b>			
02 Legislature	1,180	4,616,168	4,614,988
03 Judicial Department	138	8,146,699	8,146,561
04 Attorney-General's Chambers	3,500	4,267,699	4,264,199
75 Department of Public Prosecutions	231	2,330,275	2,330,044
87 Ministry of Justice HQ	50	3,871,852	3,871,802
	5,099	23,232,693	23,227,594
<b>Ministry of Finance</b>			
10 Ministry of Finance HQ	-	12,386,670	12,386,670
11 Accountant-General	10,775	82,000,905	81,990,130
Retirement Benefit Expenses	-	87,763,661	87,763,661
12 Customs	86,198	17,863,714	17,777,516
28 Department of Social Insurance	2,337	15,322,980	15,320,643
38 Office of the Tax Commissioner	3,429	3,606,714	3,603,285
39 Registrar of Companies	1,909	2,857,043	2,855,134
58 Interest on Debt	-	18,186,394	18,186,394
	104,648	239,988,081	239,883,433
<b>Ministry of Education</b>			
17 Department of Education	51,697	129,231,983	129,180,286
41 Bermuda College	-	20,289,671	20,289,671
	51,697	149,521,654	149,469,957

**Government of Bermuda - Consolidated Fund**

**Schedule 11(a): Interdepartmental Current Expense By Ministry/Department (cont'd)**

For the year ended March 31

	2009 Interdepartmental Expense	2009 Actual Gross Expense	2009 Net Expense
	\$	\$	\$
<b>Ministry of Health</b>			
21 Ministry of Health HQ	662	8,505,980	8,505,318
22 Health Department	134,927	28,023,696	27,888,769
24 Hospitals	-	119,242,771	119,242,771
	<b>135,589</b>	<b>155,772,447</b>	<b>155,636,858</b>
<b>Ministry of Environment &amp; Sports</b>			
20 Youth, Sport & Recreation	131,184	15,467,811	15,336,617
32 Department of Planning	11,025	3,835,120	3,824,095
49 Land Valuation	1,075	652,127	651,052
50 Ministry of the Environment HQ	7,122	1,296,226	1,289,104
68 Parks	75,341	11,493,137	11,417,796
69 Conservation Services	30,139	5,484,041	5,453,902
72 Environmental Protection	5,636	3,733,058	3,727,422
	<b>261,532</b>	<b>41,961,520</b>	<b>41,699,988</b>
<b>Ministry of Culture &amp; Social Rehabilitation</b>			
18 Libraries	960	2,451,199	2,450,239
23 Child & Family Services	51,156	17,714,911	17,663,755
52 Community & Cultural Affairs	18,933	4,373,513	4,354,580
55 Financial Assistance	65	24,428,616	24,428,551
56 Human Affairs	4,185	3,619,718	3,615,533
86 Ministry of Community & Cultural Affairs HQ	-	3,807,857	3,807,857
71 Ministry of Social Rehabilitation HQ	8,830	4,486,575	4,477,745
74 Court Services	5,650	(8,699)	(14,349)
88 National Drug Control	11,715	5,174,818	5,163,103
	<b>101,494</b>	<b>66,048,508</b>	<b>65,947,014</b>
<b>Ministry of Labour, Home Affairs &amp; Housing</b>			
06 Defence	7,273	8,844,684	8,837,411
07 Police	245,069	71,604,334	71,359,265
25 Corrections	84,643	28,867,590	28,782,947
27 Immigration	6,641	5,873,734	5,867,093
45 Fire Services	5,290	11,964,141	11,958,851
53 Bermuda Housing Corporation	-	6,000,000	6,000,000
54 Security Services & Delegated Affairs	-	296,732	296,732
60 Labour & Training	218	7,430,816	7,430,598
83 Ministry of Labour, Home Affairs & Housing HQ	4,745	3,979,986	3,975,241
	<b>353,879</b>	<b>144,862,017</b>	<b>144,508,138</b>
<b>Ministry of Energy, Telecommunications &amp; E-Commerce</b>			
13 Post Office	12,160	14,749,496	14,737,336
29 Registry General	1,091	1,810,287	1,809,196
42 Rent Commissioner	1,773	562,483	560,710
43 Information Technology Office	6,101	7,570,126	7,564,025
46 Telecommunications	343	2,758,410	2,758,067
67 E-Commerce	-	895,747	895,747
84 E-Government	-	995,653	995,653
89 Energy	-	555,278	555,278
90 Ministry of Energy, Telecommunications & E-Commerce HQ	33,581	395,307	361,726
	<b>55,049</b>	<b>30,292,787</b>	<b>30,237,738</b>
<b>Ministry of Works &amp; Engineering</b>			
36 Works & Engineering	1,010,008	12,483,447	11,473,439
80 Architectural Design & Construction	-	879,780	879,780
81 Lands, Buildings & Surveys	-	27,331,549	27,331,549
82 Operations & Engineering	-	42,320,559	42,320,559
Amortization	-	33,937,967	33,937,967
	<b>1,010,008</b>	<b>116,953,302</b>	<b>115,943,294</b>
<b>TOTAL CURRENT EXPENSE</b>	<b>4,097,195</b>	<b>1,112,193,073</b>	<b>1,108,095,878</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 12: Schedule of Tangible Capital Assets and Assets under Construction**

As at March 31, 2009

As at March 31, 2009		COST				ACCUMULATED AMORTIZATION				31-Mar-09 Net Book Value	31-Mar-08 Net Book Value
		Estimated Useful Life	Opening Balance	Additions	Disposals & Adjustments	Closing Balance	Opening Balance	Amortization Expense	Disposals & Adjustments		
Tangible Capital Assets											
Land	Indefinite	45,513,778	123,000	-	45,636,778	-	-	-	-	45,636,778	45,513,778
Buildings & Betterments	40 years	458,097,120	25,140,363	(445,800)	482,791,683	(95,984,168)	(13,066,118)	445,800	(108,804,486)	374,187,197	382,112,952
Infrastructure (Note 15)	Varied	-	27,043,552	86,968,730	114,012,282	-	(4,162,657)	(3,784,840)	(7,937,397)	106,074,885	-
Vehicles & Heavy Equipment	Varied	67,414,607	10,781,192	(1,048,246)	77,157,553	(49,026,243)	(6,170,376)	1,048,248	(54,147,373)	23,010,180	18,389,364
Vessels	Varied	41,656,336	286,684	-	41,943,000	(23,152,945)	(2,624,487)	-	(25,777,432)	16,165,568	18,503,391
Computer Software	10 years	7,061,370	3,340,219	-	10,401,689	(784,181)	(898,018)	53,289	(1,626,910)	8,774,679	6,277,189
Office Equipment	5 years	5,796,017	2,239,955	-	8,036,972	(1,969,600)	(1,291,247)	-	(3,260,847)	4,775,125	3,826,417
Computer Hardware	3 years	5,588,699	766,876	-	6,355,675	(2,597,100)	(1,880,707)	-	(4,457,807)	1,897,768	2,991,599
Capital Leases	3 - 5 years	2,365,123	633,137	-	2,998,260	(1,310,362)	(711,057)	-	(2,021,419)	976,841	1,054,761
Furniture & Fixtures	7 years	2,450,398	680,447	-	3,130,845	(654,204)	(389,007)	690	(1,042,521)	2,088,324	1,796,194
Plant, Machinery & Equipment	Varied	39,269,473	6,961,320	-	46,260,793	(27,798,095)	(2,776,393)	-	(30,574,468)	16,676,305	11,471,378
Total Tangible Capital Assets		675,212,921	78,026,725	65,474,684	838,714,330	(203,275,898)	(33,937,967)	(2,236,816)	(238,450,680)	599,263,650	471,937,023
Assets under Construction		24,711,237	114,308,368	(26,288,918)	112,730,687	-	-	-	-	112,730,687	24,711,237



**Government of Bermuda - Consolidated Fund**  
**Schedule 13: Capital Development Expense By Ministry / Department**

For the year ended March 31	2009	2008
	Actual	Actual
	\$	\$
<b>Cabinet Office Departments</b>		
31 Airport Operations	3,873,937	11,422,103
33 Tourism	2,065,656	6,884,683
34 Transport Control Department	(697,606)	648,654
35 Public Transportation Board	2,537	-
48 Ministry of Transport HQ	96,095	39,549,622
51 Department of Communication & Information	22,470	132
	5,363,089	58,505,194
<b>Ministry of Justice</b>		
02 Legislature	95,969	107,617
03 Judicial Department	235	20,205
	96,204	127,822
<b>Ministry of Finance</b>		
11 Accountant-General	72,896	414,507
	72,896	414,507
<b>Ministry of Education</b>		
17 Department of Education	9,207,157	3,994,770
41 Bermuda College	-	300,000
	9,207,157	4,294,770
<b>Ministry of Environment &amp; Sport</b>		
20 Youth, Sport & Recreation	15,372	5,550,371
50 Ministry of the Environment HQ	267,026	760,022
68 Parks	637,358	1,221,251
69 Conservation Services	176,081	447,597
72 Environmental Protection	60,420	118,125
	1,156,257	8,097,366
<b>Ministry of Health</b>		
22 Health Department	8,076,795	271,901
24 Hospitals	3,129,659	1,216,991
	11,206,454	1,488,892
<b>Ministry of Labour, Home Affairs &amp; Housing</b>		
06 Defence	730,258	230,854
07 Police	375,630	84,303
25 Department of Corrections	49,526	78,861
45 Fire Services	171,372	-
54 Security Services & Delegated Affairs	29,491	42,825
83 Ministry of Labour, Home Affairs & Housing HQ	23,776,084	9,165,775
	25,132,361	9,602,618
<b>Ministry of Energy, Telecommunications &amp; E-Commerce</b>		
13 Post Office	-	608
46 Telecommunications	1,388,834	331,062
	1,388,834	331,670
<b>Ministry of Works &amp; Engineering</b>		
36 Works & Engineering	8,566,480	25,721,193
80 Architectural Design & Construction	17,914	-
81 Lands, Buildings & Surveys	30,752	2,727
82 Operations & Engineering	507,304	280,524
	9,122,450	26,004,444
<b>TOTAL CAPITAL DEVELOPMENT</b>	<b>62,745,702</b>	<b>108,867,283</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 14: Capital Acquisition Expense By Ministry / Department**

For the year ended March 31	2009	2008
	Actual	Actual
	\$	\$
<b>Non-Ministry Departments</b>		
05 Office of the Auditor General	8,670	19,603
	8,670	19,603
<b>Cabinet Office Departments</b>		
14 Department of Statistics	105,255	4,338
15 Department of Management Services	636	22,465
19 Archives	22,347	30,343
26 Department of Human Resources	-	10,070
30 Marine & Ports	61,724	491,711
31 Airport Operations	599,646	147,798
34 Transport Control Department	141,209	209,589
35 Public Transportation Board	682,605	302,406
51 Department of Communication & Information	-	172,971
57 Civil Aviation	132,842	29,922
	1,746,264	1,421,613
<b>Ministry of Justice</b>		
02 Legislature	-	20,933
03 Judicial Department	6,147	72,601
04 Attorney-General's Chambers	-	14,011
87 Ministry of Justice	73,321	10,475
	79,468	118,020
<b>Ministry of Finance</b>		
10 Ministry of Finance HQ	29,322	29,316
11 Accountant-General	446,010	654,891
12 Customs	51,037	607,359
38 Office of the Tax Commissioner	62,138	89,738
39 Registrar of Companies	24,494	-
	613,001	1,381,304
<b>Ministry of Education, Sports &amp; Recreation</b>		
17 Department of Education	2,065,104	2,220,524
	2,065,104	2,220,524
<b>Ministry of Health</b>		
21 Ministry of Health HQ	65,456	31,184
22 Health Department	740,942	167,024
	806,398	198,208

**Government of Bermuda - Consolidated Fund**  
**Schedule 14: Capital Acquisition Expense By Ministry / Department**  
**(cont'd)**

For the year ended March 31	2009	2008
	Actual	Actual
	\$	\$
<b>Ministry of Environment &amp; Sport</b>		
20 Youth, Sport & Recreation	4,530	19,999
32 Department of Planning	9,310	8,800
49 Land Valuation	(9,125)	25,698
68 Parks	74,807	(36,874)
69 Conservation Services	36,259	29,268
72 Environmental Protection	-	21,451
	<b>115,781</b>	<b>68,342</b>
<b>Ministry of Culture &amp; Social Rehabilitation</b>		
18 Libraries	49,343	79,075
23 Child & Family Services	17,225	32,668
52 Community & Cultural Affairs	57,005	5,353
55 Financial Assistance	56,868	(18,361)
56 Human Affairs	108,917	52,269
74 Department of Court Services	1,302	-
88 National Drug Control	81,087	-
	<b>371,747</b>	<b>151,004</b>
<b>Ministry of Labour, Home Affairs &amp; Housing</b>		
06 Defence	70,556	63,878
07 Police	1,478,069	2,305,830
25 Department of Corrections	41,215	198,981
27 Immigration	150,604	792,118
45 Fire Services	442,695	170,239
60 Labour & Training	-	12,352
	<b>2,183,139</b>	<b>3,543,398</b>
<b>Ministry of Energy, Telecommunications &amp; E-Commerce</b>		
13 Post Office	130,836	472,124
29 Registry General	-	60
43 Information Technology Office	3,208,003	2,011,918
46 Telecommunications	2,815	13,863
67 E-Commerce	30,000	35,723
84 E-Government	601,668	76,306
	<b>3,973,322</b>	<b>2,609,994</b>
<b>Ministry of Works &amp; Engineering</b>		
36 Works & Engineering	81,300	(12,431)
81 Lands, Buildings & Surveys	44,800	260,688
	<b>126,100</b>	<b>248,257</b>
<b>TOTAL CAPITAL ACQUISITION</b>	<b>12,088,994</b>	<b>11,980,267</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 15: Current Expenditure - Estimates Compared to Expenses**

For the year ended March 31, 2009

	Expenses	Expenditure *	Adjusted Estimates **	Under (Over) Spent
	\$	\$	\$	\$
<b>Non-Ministry Departments</b>				
01 Governor & Staff	2,117,102	2,117,102	1,641,867	(475,235)
05 Office of the Auditor General	2,922,352	2,922,352	2,915,498	(6,854)
08 Public Service Commission	71,993	71,993	78,861	6,868
63 Parliamentary Registrar	586,263	586,263	708,964	122,701
85 Ombudsman's Office	683,513	683,513	687,021	3,508
	6,381,223	6,381,223	6,032,211	(349,012)
<b>Cabinet Office Departments</b>				
09 Cabinet Office	8,422,706	8,422,706	8,437,657	14,951
14 Department of Statistics	2,577,742	2,577,742	3,167,624	589,882
15 Department of Management Services	776,600	776,600	905,523	128,923
19 Department of Archives	1,574,682	1,574,682	1,918,723	344,041
26 Department of Human Resources	3,789,124	3,789,124	4,194,791	405,667
30 Marine & Ports	22,739,219	22,728,672	22,340,150	(388,522)
31 Airport Operations	22,729,114	22,364,210	21,605,555	(758,655)
33 Department of Tourism	35,802,291	35,802,291	35,299,299	(502,992)
34 Transport Control Department	4,929,404	4,929,404	4,787,990	(141,414)
35 Public Transportation Board	23,112,257	23,112,257	22,623,050	(489,207)
48 Ministry of Transport HQ	1,274,588	1,274,588	1,352,340	77,752
51 Dept. of Communication & Information	2,469,680	2,469,680	2,941,508	471,828
57 Civil Aviation	5,387,392	5,379,978	5,376,990	(2,988)
73 Maritime Administration	1,594,042	1,601,870	1,595,017	(6,853)
	137,178,841	136,803,804	136,546,217	(257,587)
<b>Ministry of Justice</b>				
02 Legislature	4,616,168	4,616,168	4,999,450	383,282
03 Judicial Department	8,146,699	8,106,604	8,652,685	546,081
04 Attorney-General's Chambers	4,267,699	4,267,699	4,664,581	396,882
75 Department of Public Prosecutions	2,330,275	2,330,275	2,582,470	252,195
87 Ministry of Justice HQ	3,871,852	3,871,852	4,025,273	153,421
	23,232,693	23,192,598	24,924,459	1,731,861
<b>Ministry of Finance</b>				
10 Ministry of Finance HQ	12,386,670	12,386,670	15,038,259	2,651,589
11 Accountant-General	82,000,905	82,000,905	72,270,367	(9,730,538)
Retirement Benefit Expenses	87,763,661	-	-	-
12 Customs	17,863,714	17,801,690	20,408,424	2,606,734
28 Social Insurance	15,322,980	15,322,980	8,986,387	(6,336,593)
38 Office of the Tax Commissioner	3,606,714	3,264,644	3,355,431	90,787
39 Registrar of Companies	2,857,043	2,857,043	4,385,285	1,528,242
58 Interest on Debt	18,186,394	18,186,394	19,016,000	829,606
59 Sinking Fund Contribution	-	9,447,075	8,625,000	(822,075)
	239,988,081	161,267,401	152,085,153	(9,182,248)
<b>Ministry of Education</b>				
17 Department of Education	129,231,983	130,665,766	124,925,012	(5,740,754)
41 Bermuda College	20,289,671	20,289,671	20,289,671	-
	149,521,654	150,955,437	145,214,683	(5,740,754)
<b>Ministry of Health</b>				
21 Ministry of Health HQ	8,505,980	8,505,980	8,988,291	482,311
22 Health Department	28,023,696	27,820,520	29,721,782	1,901,262
24 Hospitals	119,242,771	119,242,771	116,780,410	(2,462,361)
	155,772,447	155,569,271	155,490,483	(78,788)

\* Adjusted for Non-Budgeted, Non-Cash Items

\*\* Includes all Approved Supplementary amounts during the year

**Government of Bermuda - Consolidated Fund**  
**Schedule 15: Current Expenditure - Estimates Compared to Expenses (cont'd)**

For the year ended March 31, 2009

	Expenses	Expenditure*	Adjusted Estimates **	Under (Over) Spent
	\$	\$	\$	\$
<b>Ministry of the Environment &amp; Sports</b>				
20 Youth, Sport & Recreation	15,467,811	15,487,624	15,347,334	(140,290)
32 Department of Planning	3,835,120	3,835,120	4,269,060	433,940
49 Land Valuation	652,127	652,127	777,701	125,574
50 Ministry of the Environment HQ	1,296,226	1,296,226	1,556,272	260,046
68 Parks	11,493,137	11,493,137	11,652,745	159,608
69 Conservation Services	5,484,041	5,493,759	5,676,955	183,196
72 Environmental Protection	3,733,058	3,735,413	4,082,708	347,295
	41,961,520	41,993,406	43,362,775	1,369,369
<b>Ministry of Culture &amp; Social Rehabilitation</b>				
18 Libraries	2,451,199	2,451,595	2,340,198	(111,397)
23 Child & Family Services	17,714,911	17,715,301	16,666,351	(1,048,950)
52 Community & Cultural Affairs	4,373,513	4,373,513	4,397,261	23,748
55 Financial Assistance	24,428,616	24,496,374	23,710,806	(785,568)
56 Human Affairs	3,619,718	3,619,718	4,709,109	1,089,391
71 Ministry of Social Rehabilitation	3,807,857	3,807,857	4,975,292	1,167,435
74 Court Services	4,486,575	4,486,575	5,140,437	653,862
86 Ministry of Community & Cultural Affairs HQ	(8,699)	(8,699)	-	8,699
88 National Drug Control	5,174,818	5,174,818	6,665,755	1,490,937
	66,048,508	66,117,052	68,605,209	2,488,157
<b>Ministry of Labour, Home Affairs &amp; Housing</b>				
06 Defence	8,844,684	8,844,684	8,694,436	(150,248)
07 Police	71,604,334	71,600,564	63,112,643	(8,487,921)
25 Corrections	28,867,590	28,867,590	27,797,992	(1,069,598)
27 Immigration	5,873,734	5,873,734	5,827,458	(46,276)
45 Fire Services	11,964,141	11,964,141	14,072,851	2,108,710
53 Bermuda Housing Corporation	6,000,000	6,000,000	6,000,000	-
54 Security Services & Delegated Affairs	296,732	296,732	234,235	(62,497)
60 Labour & Training	7,430,816	7,430,816	7,808,950	378,134
83 Ministry of Labour, Home Affairs & Housing HQ	3,979,986	3,979,986	3,733,728	(246,258)
	144,862,017	144,858,247	137,282,293	(7,575,954)
<b>Ministry of Energy, Telecommunications &amp; E-Commerce</b>				
13 Post Office	14,749,496	14,855,916	14,752,196	(103,720)
29 Registry General	1,810,287	1,810,287	2,143,272	332,985
42 Rent Commissioner	562,483	562,483	599,949	37,466
43 Information Technology Office	7,570,126	7,570,126	6,684,992	(885,134)
46 Telecommunications	2,758,410	2,751,585	2,837,477	85,892
67 E-Commerce	895,747	895,747	1,182,255	286,508
64 E-Government	995,653	995,653	1,028,690	33,037
89 Energy	555,278	555,278	559,323	4,045
90 Ministry of Energy, Telecommunications and E-Commerce HQ	395,307	395,307	475,521	80,214
	30,292,787	30,392,362	30,263,675	(128,707)
<b>Ministry of Works &amp; Engineering</b>				
36 Works & Engineering	12,483,447	8,092,352	6,927,613	835,261
80 Architectural Design & Construction	879,780	879,780	880,727	947
81 Lands, Buildings & Surveys	27,331,549	27,355,219	29,176,532	1,821,313
82 Operations & Engineering	42,320,559	42,172,043	39,464,739	(2,707,304)
Amortization	33,937,967	-	-	-
	116,953,302	76,499,394	76,449,611	(49,783)
<b>TOTAL CURRENT EXPENDITURE</b>	<b>1,112,193,073</b>	<b>994,030,215</b>	<b>976,256,769</b>	<b>(17,773,446)</b>

\* Adjusted for Non-Budgeted, Non-Cash Items

\*\* Includes all Approved Supplementary amounts during the year

**Government of Bermuda - Consolidated Fund**  
**Schedule 16: Commitments - Legislated**

For the year ended March 31	2009	2008
	Actual	Actual
	\$	\$

**Unspent Capital Appropriations**

In accordance with Section 6 of the Appropriations Act 2008, unspent capital appropriations for incomplete capital projects to be carried forward to future years are as follows:

Capital Development	12,825,532	56,952,000
Capital Acquisition	4,963,805	9,963,629
	17,789,337	66,915,629

**Total Authorized Funding**

Total Authorized Funding represents the estimated total cost of capital development projects and is subject to the voting of supply by the Legislature. Estimated future expenditure for continuing capital development projects is as follows:

Total Authorized Funding	960,616,583	926,634,791
Appropriated Capital Development	(548,305,964)	(500,858,753)
<b>Unappropriated Capital Development Commitments</b>	<b>412,310,619</b>	<b>425,776,038</b>

**Government of Bermuda - Consolidated Fund**  
**Schedule 17: Public Debt - Legislated Limit**

As at March 31	2009	2008
	Actual	Actual
	\$	\$

The Government Loans Act 1978, as amended, defines public debt as debt owed or guaranteed by the Consolidated Fund.

Section 2A(1) of the Act limits public debt (net of sinking fund assets) to \$1 billion as amended on March 25, 2009 (2008 - \$375 million).

Debt (Schedule 7)	415,000,000	345,000,000
National Education Guarantees (Note 10(a))	792,230	1,152,904
Overdraft Facility Drawdown (Note 17)	147,250,826	-
	563,043,056	346,152,904
Sinking Fund (Schedule 7)	79,780,761	67,830,112
Public Debt	483,262,295	278,322,792
Legislated Limit	1,000,000,000	375,000,000
Available Limit	516,737,705	96,677,208



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### AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of The West End Development Corporation as at March 31, 2009 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of The West End Development Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Larry T. Dennis, C.A.  
Auditor General

Hamilton, Bermuda  
June 16, 2009



THE WEST END DEVELOPMENT CORPORATION

BALANCE SHEET

MARCH 31, 2009

	2009	2008
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	6,148,553	2,708,987
Accounts receivable (note 3)	541,659	424,674
Prepaid expenses	65,029	31,933
Mortgages receivable, current portion (note 4)	17,809	22,154
	<u>6,773,050</u>	<u>3,187,748</u>
MORTGAGES RECEIVABLE (note 4)	143,360	161,012
HOUSING UNITS HELD FOR SALE (note 5)	6,547,993	7,893,451
CAPITAL ASSETS (note 6)	43,230,672	37,744,088
	<u>56,695,075</u>	<u>48,986,299</u>
LIABILITIES, RETAINED EARNINGS AND RESERVE		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 7)	2,621,315	1,328,019
Deferred revenue	109,695	93,754
Deferred insurance proceeds (note 8)	407,268	429,054
Due to the Government of Canada (note 9)	5,000,000	5,000,000
	<u>8,138,278</u>	<u>6,850,827</u>
DEFERRED CAPITAL CONTRIBUTIONS (note 10)	25,829,854	21,685,491
	<u>33,968,132</u>	<u>28,536,318</u>
RETAINED EARNINGS AND RESERVE		
Retained earnings	22,101,943	19,824,981
General reserve	625,000	625,000
	<u>22,726,943</u>	<u>20,449,981</u>
	<u>56,695,075</u>	<u>48,986,299</u>

The accompanying notes are an integral part of these financial statements.

THE WEST END DEVELOPMENT CORPORATION  
STATEMENT OF OPERATIONS AND RETAINED EARNINGS  
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
	\$	\$
REVENUES		
Rent	5,602,429	5,092,632
Dock Revenues	1,225,710	958,552
Water	238,969	129,271
Interest	87,050	84,855
Miscellaneous	95,491	105,735
	<u>7,249,649</u>	<u>6,371,045</u>
EXPENSES		
Salaries, wages and employee benefits	2,593,061	2,424,778
Amortization of capital assets	1,956,441	1,827,537
Service costs	1,105,915	936,400
Repairs and maintenance	774,759	792,314
Insurance	733,083	884,477
Office Administration	287,539	207,543
Advertising and promotion	255,714	271,392
Dock operations	228,115	20,660
Landscaping	161,031	130,639
Bad debts (recovery)	116,699	(31,481)
Professional fees	65,572	70,686
Interest	3,640	2,588
Travel	1,340	2,273
	<u>8,282,909</u>	<u>7,539,806</u>
Loss before gain on sale of housing units held for sale and amortization of deferred capital contributions	(1,033,260)	(1,168,761)
Gain on sale of housing units held for sale	2,454,585	
Amortization of deferred capital contributions (note 10)	<u>855,637</u>	<u>855,639</u>
Excess (deficiency) of revenues over expenses	2,276,962	(313,122)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>19,824,981</u>	<u>20,138,103</u>
RETAINED EARNINGS, END OF YEAR	<u><u>22,101,943</u></u>	<u><u>19,824,981</u></u>

The accompanying notes are an integral part of these financial statements.

THE WEST END DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	2,276,962	(313,122)
Items not affecting cash:		
Gain on sale of housing units held for sale	(2,454,585)	
Amortization of capital assets	1,956,441	1,827,537
Amortization of deferred capital contributions	(855,637)	(855,639)
	923,181	658,776
Changes in non-cash items:		
Increase in accounts receivable	(116,985)	(69,662)
(Increase) decrease in prepaid expenses	(33,096)	24,590
Increase (decrease) in accounts payable and accrued liabilities	1,293,296	(348,545)
Increase in deferred revenue	15,941	40,680
Decrease in deferred insurance proceeds	(21,786)	
	2,060,551	305,839
INVESTING ACTIVITIES		
Proceeds on disposal of housing units held for sale	3,825,000	
Additions to housing units held for sale	(24,957)	
Purchase of capital assets	(7,443,025)	(961,654)
Mortgage principal received	21,997	20,254
	(3,620,985)	(941,400)
FINANCING ACTIVITIES		
Capital grant from the Government of Bermuda (note 10)	5,000,000	
Increase (decrease) in cash and deposits	3,439,566	(635,561)
CASH, BEGINNING OF YEAR	2,708,987	3,344,548
CASH, END OF YEAR	6,148,553	2,708,987

The accompanying notes are an integral part of these financial statements.

# THE WEST END DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

### 1. AUTHORITY

The West End Development Corporation ("the Corporation") was established by the West End Development Corporation Act 1982. The general function of the Corporation is to manage and develop all designated land in the western end of the Island with a view to the progressive improvement of the social and economic conditions.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada applicable to a 'going concern', which assume that the Corporation will continue operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Management regularly reviews and considers the current and forecast activities of the Corporation in order to satisfy itself as to the viability of operations. These ongoing reviews include current and future business opportunities, customer and supplier exposure and forecast of cash requirements and balances. Based on these evaluations management considers that the Corporation is able to continue as a going concern.

Significant accounting policies followed in preparation of these financial statements are:

#### (a) Government of Bermuda grants and contributions

Operating grants are recorded as revenues. Contributions for capital projects are deferred and amortized to income on the same basis as the related capital assets are amortized.

Contributed capital assets are recorded at their fair value at the date of contribution. When fair value cannot be reasonably determined, the capital asset is recorded at nominal value.

#### (b) Revenue recognition

Rental income, received under operating leases, is recognized on an accrual basis. Leased properties are outlined in note 7 as rental revenue producing assets.

Berthing fees, received from all vessels arriving in Dockyard, are recognized on an accrual basis.

#### (c) Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Furniture, equipment and tools	3 - 10
Building improvements and renovations	10 - 25
Mechanical rehabilitation	10 - 25

THE WEST END DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Capital assets (continued)

	<u>Years</u>
Landscaping	5 - 40
Buildings	40
Infrastructure rehabilitation	40

Assets under development represent the cost of direct materials and labour of capital projects not completed at year-end.

(d) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues earned and expenses incurred during the year. Actual results could differ from these estimates.

(e) Adoption of Accounting Standards

Effective April 1, 2008 the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (which are promoted by the Institute of Chartered Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda).

*Financial Instruments – Disclosure – Section 3862 and Financial Instruments – Presentation – Section 3863 - which replaces Section 3861 Financial Instruments – Disclosure and Presentation*

Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the Corporation's financial position and its performance and the nature and extent and risks arising from financial instruments to which the Corporation is exposed during the period and at the balance sheet date, and how it manages those risks. Section 3863 establishes standards for presentation of financial and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities offset. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the Corporation manages those risks. The adoption of these standards has resulted in increased note disclosures in the Corporation's financial statements.

THE WEST END DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

(e) Adoption of Accounting Standards (continued)

*Capital disclosures, Section 1535*

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. It requires the disclosure of information about an entity's objectives, policies and process for managing capital. The adoption of this standard had no impact on the Corporation's financial statements.

(f) Financial Instruments, Recognition and Measurement

The Corporation's financial instruments consist of cash, funds on deposit, accounts receivable, mortgages receivable, Due to the Government of Canada and accounts payable and accrued liabilities.

The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments outstanding at March 31, 2009:

Cash	Held-for-trading
Accounts receivable, Mortgage Receivable	Loans and receivables
Accounts payable and accrued liabilities, and Due to the Government of Canada	Other financial liabilities

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, Due to the Government of Canada, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Certain items such as prepaid expenses, capital assets and deferred capital contributions are excluded from fair value disclosure requirements as they are not financial instruments.

(g) Financial Risk Management

The Corporation has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors has established the Finance and Audit Committee which is responsible for developing and monitoring the Corporation's compliance with risk management policies and procedures. The Finance and Audit Committee regularly reports to the Board of Directors on its activities. The Corporation's risk management program seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation manages its risks and risk exposures through a combination of insurance and sound business practices.

THE WEST END DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

(g) Financial Risk Management (continued)

*Credit Risk*

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Corporation assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

*Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, current bank accounts, and short-term investments, with term to maturity of less than 90 days. Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

*Accounts receivable*

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. The Corporation's credit risk arises from the possibility that a counterparty which owes the Corporation money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Corporation, which would result in a financial loss for the Corporation. This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness, obtaining references and taking security deposits. In the year ended March 31, 2009, the maximum credit risk to which the Corporation is exposed represents the fair value of its accounts receivable.

*Liquidity Risk*

Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on debtor collection, generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

*Market Risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows of the Corporation's results of operations. The Corporation has minimal exposure to market risk.

# THE WEST END DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

### (g) Financial Risk Management (continued)

#### *Foreign exchange*

The Corporation's business transactions are normally conducted in Bermuda dollars and, as such, it has no exposure to foreign exchange rates.

#### *Interest rate*

The Corporation is exposed to changes in interest rates, which may impact interest revenue on short term investments.

### 3. ACCOUNTS RECEIVABLE

	2009	2008
	\$	\$
Trade (net of allowance for doubtful accounts - \$506,766; 2008 - \$397,615)	541,659	424,674

### 4. MORTGAGES RECEIVABLE

In April 1985, the Corporation received permission to sell, subject to the approval of the Minister of Works & Engineering and Housing, the freehold interest of its residential properties in the West End Development Corporation area under the provisions of Section 20 of the West End Development Corporation Act 1982. The mortgages are for periods varying from five to 30 years at an interest rate of 9% per annum.

	2009	2008
	\$	\$
Mortgages	161,169	183,166
Less: current portion	17,809	22,154
	<u>143,360</u>	<u>161,012</u>



THE WEST END DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

5. HOUSING UNITS HELD FOR SALE

In April 2005, the Board approved the sale of the 52 units owned by the Corporation at Boaz Island Village. Management is actively pursuing potential buyers of the individual units. As a result, the units, previously classified as revenue rental producing assets, have been reclassified in the balance sheet as Housing Units Held for Sale at cost as this is lower than the net realizable value.

6. CAPITAL ASSETS

	2009			2008
	Cost	Accumulated	Net Book	Net Book
	\$	Amortization	Value	Value
		\$	\$	\$
Vested land and buildings	1		1	1
Infrastructure rehabilitation	20,009,586	5,533,409	14,476,177	14,629,628
Buildings	14,034,267	4,770,651	9,263,616	9,612,758
Building improvements and renovations	15,742,574	7,031,442	8,711,132	8,931,438
Landscaping	3,811,109	2,567,198	1,243,911	1,373,984
Furniture, equipment and tools	2,609,672	1,999,905	609,767	656,955
Mechanical rehabilitation	2,170,418	1,756,139	414,279	489,436
	<u>58,377,627</u>	<u>23,658,744</u>	<u>34,718,883</u>	<u>35,694,200</u>
Assets under development	<u>8,511,789</u>		<u>8,511,789</u>	<u>2,049,888</u>
	<u><u>66,889,416</u></u>	<u><u>23,658,744</u></u>	<u><u>43,230,672</u></u>	<u><u>37,744,088</u></u>

Assets under development consist of:

	2009	2008
	\$	\$
New buildings and construction	7,633,317	520,747
Building rehabilitation and miscellaneous	488,426	683,543
Infrastructure rehabilitation	390,046	845,598
	<u><u>8,511,789</u></u>	<u><u>2,049,888</u></u>

# THE WEST END DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

### 6. CAPITAL ASSETS (continued)

Under the West End Development Corporation Act 1982, approximately 214 acres of land comprising Watford Island, Boaz Island and Ireland Islands North and South, including buildings thereon, were vested in the Corporation by the Government of Bermuda. According to Section 20 of the Act, the Corporation shall not make a sale or other disposition of any vested property or any interest in vested property unless the Senate and the House of Assembly have first approved the sale or disposition by resolution. The Corporation has received approval for residential properties, subject to the approval of the Minister of Works & Engineering and Housing, as disclosed in note 4.

Included in the above capital assets are rental revenue producing assets at a cost of \$21,145,047 (2008 - \$20,974,204) and related accumulated amortization \$8,291,203 (2008 - \$7,524,984).

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
	\$	\$
Accounts payable	1,699,389	980,772
Accrued expenses	735,180	197,489
Rental deposits	157,691	133,058
Others	29,055	16,700
	<u>2,621,315</u>	<u>1,328,019</u>

### 8. DEFERRED INSURANCE PROCEEDS

During fiscal 2003/2004, the Corporation sustained damage to its properties as a result of Hurricane Fabian for which the insurance company compensated the Corporation an amount of \$1,650,000. As of March 31, 2009, \$1,242,732 (2008 - \$1,220,946) had been spent on repairs. Work is ongoing and the unused portion of the claim has been deferred and separately identified on the balance sheet.

### 9. DUE TO THE GOVERNMENT OF CANADA

Effective December 31, 1993, the Department of National Defence, Canada, withdrew its personnel from Bermuda. A Deed of Surrender was signed on December 6, 1995, whereby the Government of Canada surrendered 54 Boaz Island Village units to the Corporation. The deed requires the Corporation to repay the sum of \$5,000,000, interest free, within a term of ten years of the date of the deed.

THE WEST END DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

9. DUE TO THE GOVERNMENT OF CANADA (continued)

It is Management's intention that for any units sold, the proceeds will be paid against this debt obligation by the end of the calendar year in which the unit is sold. This debt obligation will first be paid to the Government of Bermuda up to a total amount of \$353,483, to discharge redundancy payments payable on behalf of the Government of Canada. Thereafter, the proceeds per unit sold will be remitted to the Canadian Government to satisfy the remainder of the debt obligation.

	2009 \$	2008 \$
Due to the Government of Canada	4,646,517	4,646,517
Redundancy payments due to the Government of Bermuda (note 12)	<u>353,483</u>	<u>353,483</u>
Long-term portion of payable to the Government of Canada	<u><u>5,000,000</u></u>	<u><u>5,000,000</u></u>

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2009 \$	2008 \$
Balance, beginning of year	21,685,491	22,541,130
Add: capital grant received from the Government of Bermuda	5,000,000	
Less: amount amortized to operations	<u>855,637</u>	<u>855,639</u>
Balance, end of year	<u><u>25,829,854</u></u>	<u><u>21,685,491</u></u>

The capital grant received during the year is to fund the construction of the new Waste Water Treatment Facility in Dockyard.

# THE WEST END DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

### 11. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common control to all Government of Bermuda created departments, boards and quasi-autonomous non-governmental organizations. The Corporation enters into transactions with these entities in the normal course of business which are measured at the exchange amount, which is established and agreed to by the related parties. Related party transactions entered into by the Corporation are as follows:

	2009	2008
	\$	\$
Transactions during the year:		
Other expenses - water/insurance	727,774	844,119
Rental revenue	717,933	744,557
Employee benefits expense	188,928	179,195
Berthing fees revenue	114,909	114,909
Miscellaneous revenue	35,000	35,000
Balances at the end of the year:		
Accounts receivable	72,503	88,490
Accounts payable	867,859	478,237
Redundancy payment payable (note 10)	353,483	353,483

### 12. EMPLOYEE BENEFITS

#### (a) PENSION PLANS

##### (i) Pension plan for Bermuda Industrial Union employees

Employees of the Corporation who are included in the Bermuda Government collective bargaining agreement with the Bermuda Industrial Union are covered by the Public Service Superannuation Fund ("the Fund"), which is a defined benefit plan administered by the Government of Bermuda. Employee contributions to the Fund are 8% of gross salary and they are matched by the Corporation.

The Corporation is not required, under present legislation, to make contributions to the Fund with respect to quantified actuarial deficiencies. As a result, the current year contributions to the Fund represent the total liability of the Corporation. The Corporation's contributions to the Fund during the year totaled \$51,718 (2008 - \$43,647).

THE WEST END DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

12. EMPLOYEE BENEFITS (continued)

(ii) Pension plan for administrative employees

Administrative employees of the Corporation are covered under a private defined contribution plan through BF&M Life Insurance Co. Ltd. Employee contributions to the Plan are 5% of gross salary and they are matched by the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis. The Corporation's contributions to the Plan during the year amounted to \$54,358 (2008 - \$53,398).

(b) OTHER BENEFITS

Other employee benefits include maternity leave, sick leave, and vacation days. All of these plans are unfunded.

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognized when applied for and approved. There were no maternity benefits applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

Sick leave accumulates but does not vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. There was no extended sick leave applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

Vacation days accumulate and vest and therefore a liability is accrued each year. An actuarial study has not been performed for the vacation days benefit obligation as there were no factors used in the calculation that are materially different from the figures that would be estimated by an actuary. The accrued vacation liability as of March 31, 2009 is \$103,759 (2008 - \$96,779) and is included in accounts payable and accrued liabilities.

13. COMMITMENTS

At March 31, 2009, the Corporation had contractual obligations relating to various capital projects of \$8,922,608 (2008 - \$591,211). Additional approved projects not yet contracted amount to \$560,000 (2008 - \$16,400,000).

14. INVESTMENT IN SUBSIDIARY

During the fiscal year ended March 31, 2009, the Board approved the formation of a limited liability company to be known as South Basin Development Ltd. with the specific role of developing affordable housing and marina and land reclamation. The Corporation is awaiting the formal consent of the Minister in this regard.

THE WEST END DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

15. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

*Financial Statement Concepts, Section 1000*

On April 1, 2009, the Corporation will adopt the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1000, Financial Statement Concepts, to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for annual financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard will not have a material impact on the Corporation's financial statements.

*General standards of financial statement presentation, Section 1400*

This section was amended and now requires the Corporation to assess and disclose an entity's ability to continue as a going concern (Note 2).

*Credit risk and fair value of financial assets and liabilities, EIC 173*

The guidance clarified that an entity's own credit risk and the credit risk of counterparty should be taken into account in determining the fair value of financial assets and liabilities including derivate instruments. The guidance is applicable to fiscal periods ending on or after January 20, 2009. The Corporation has evaluated the new EIC and determined that the adoption of the new requirement did not have a material impact on the Corporation's financial statements.

*Harmonizing of Canadian and International Financial Reporting Standards (IFRS)*

In February 2008, the Accounting Standards Board of the CICA confirmed its strategic plan which will abandon Canadian generally accepted accounting principles (GAAP) and affect a complete convergence to International Financial Reporting Standards. The new standards will be effective for the Corporation's financial statements commencing April 1, 2011. The Corporation is closely monitoring changes arising from this convergence.

16. SUBSEQUENT EVENTS

a) Loan

In April, 2009, the Corporation secured a loan for \$10,000,000 through Capital G Bank to fund the completion of the new Waste Water Treatment Facility in Dockyard. The interest rate on the loan is the bank's Bermuda dollar base rate plus margin of 0.75%. This loan is for seven years and repayment of principal and interest will be guaranteed by the Government of Bermuda by way of annual capital grants to the Corporation.

THE WEST END DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

16. SUBSEQUENT EVENTS (continued)

b) New Cruise Ship Pier

On May 7, 2009, the Government of Bermuda conveyed ownership of the new cruise ship pier and the associated reclaimed land to the Corporation with an estimated value of \$57 million at a nominal value of \$1. The Corporation will assume responsibility for the operation and maintenance of the facility with effect from that date.

17. COMPARATIVE FIGURES

Certain comparative figures have been restated and reclassified to conform to the current year's presentation.

## **PART B**

### **FINANCIAL STATEMENTS**

### **NOT PREVIOUSLY INCLUDED**







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### AUDITOR'S REPORT

To the Minister of Health

I have audited the statement of financial position of the Bermuda Hospitals Board as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Bermuda Hospitals Board derives a portion of its revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board and I was not able to determine whether any adjustments might be necessary to donation revenues, deficiency of revenues over expenses, assets and net asset balances.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Hamilton, Bermuda  
August 17, 2009

Larry T. Dennis, C.A.  
Auditor General

Bermuda Hospitals Board  
Statement of Financial Position  
As at March 31, 2008

	2008 \$	2007 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and time deposits	17,196,030	5,128,103
Restricted cash, term deposits and investments (note 3)	3,166,155	3,287,806
Accounts receivable (net of allowance for doubtful accounts 2008 - \$1,676,841; 2007 - \$940,699 (note 8))	12,270,689	14,364,434
Other receivables (note 8)	3,454,208	2,466,926
Pledges receivable (note 5)	120,000	368,817
Inventories	4,827,219	4,847,958
Prepaid expenses	2,461,370	2,145,295
	<u>43,495,671</u>	<u>32,609,339</u>
<b>Long-term assets</b>		
Capital assets (note 6)	99,799,464	96,937,892
Time deposits and investments (note 7)	1,488,437	1,449,935
Pledges receivable (note 5)	240,000	360,000
	<u>101,527,901</u>	<u>98,747,827</u>
	<u>145,023,572</u>	<u>131,357,166</u>
<b>LIABILITIES, DEFERRED CAPITAL CONTRIBUTIONS AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	15,252,468	11,851,007
Accrued salary and payroll expenses (notes 8 and 12)	13,669,640	9,505,570
Current portion of long-term debt (note 9)	1,559,969	3,118,438
Capital lease obligations - current portion (note 9)	138,001	110,704
	<u>30,620,078</u>	<u>24,585,719</u>
<b>Long-term liabilities</b>		
Pension accrual (note 12)	8,831,321	8,519,007
Accrued health insurance (note 12)	24,216,157	13,093,817
Long-term debt (note 9)	10,946,042	11,114,210
Capital lease obligations - long-term portion (note 9)	158,739	108,495
	<u>44,152,259</u>	<u>32,835,529</u>
<b>Deferred capital contributions (note 10)</b>	<u>23,355,783</u>	<u>22,773,749</u>
<b>Net assets</b>		
Invested in capital assets	59,734,298	58,096,920
Internally restricted for pensions (note 11)	458,344	458,344
Internally restricted for education (note 11)	1,062,881	1,150,957
Unrestricted	(14,360,071)	(8,544,052)
	<u>46,895,452</u>	<u>51,162,169</u>
	<u>145,023,572</u>	<u>131,357,166</u>

*The accompanying notes are an integral part of these financial statements*

Bermuda Hospitals Board  
Statement of Operations  
For the year ended March 31, 2008

	KEMH \$	MWI \$	2008 \$	2007 \$
<b>OPERATING REVENUES</b>				
Outpatient (note 8)	101,062,085	258,369	101,320,454	86,872,961
Inpatient (note 8)	54,004,310	2,522,019	56,526,329	52,303,698
Extended care unit (note 8)	13,899,320	-	13,899,320	12,693,994
Non-medical (note 8)	5,361,894	585,043	5,946,937	3,020,070
Amortisation of deferred capital contributions (note 10)	1,226,895	606,371	1,833,266	1,720,000
Surcharge to non-residents	296,485	-	296,485	385,966
Investment Income	295,387	-	295,387	468,096
Donation in kind (note 15)	294,407	-	294,407	226,384
Donations	154,161	-	154,161	469,863
Government grants (note 8)	-	31,692,760	31,692,760	29,225,051
<b>Total operating revenues</b>	<b>176,594,944</b>	<b>35,664,562</b>	<b>212,259,506</b>	<b>187,386,083</b>
<b>SALARIES AND EMPLOYEE BENEFITS</b>				
Direct medical staff	40,560,169	12,477,929	53,038,098	50,233,571
Employee benefits (notes 8 and 12)	21,956,025	5,777,707	27,733,732	16,169,571
Supporting medical services	17,773,261	6,330,020	24,103,281	21,516,935
Ancillary services	16,704,340	2,113,077	18,817,417	18,027,434
Administrative services	9,358,217	428,316	9,786,533	8,416,624
	<b>106,352,012</b>	<b>27,127,049</b>	<b>133,479,061</b>	<b>114,364,135</b>
<b>OPERATING EXPENSES</b>				
Medical supplies	21,720,862	647,530	22,368,392	20,831,220
General supplies and services (note 8)	18,953,408	3,007,307	21,960,715	18,891,161
Repairs and maintenance	8,703,720	1,506,517	10,210,237	7,705,749
Consulting and business expenses	6,005,196	880,725	6,885,921	7,174,307
Amortisation of capital assets	6,080,138	798,382	6,878,520	6,120,259
Utilities (note 8)	5,204,690	1,166,461	6,371,151	5,971,909
Food	1,914,783	814,412	2,729,195	2,385,531
Miscellaneous (note 8)	1,974,285	-	1,974,285	1,935,172
Bad debt expenses	1,502,393	-	1,502,393	615,852
Interest expense	694,908	-	694,908	696,201
Scholarships issued	230,000	-	230,000	192,784
Business social cost (note 16)	138,075	-	138,075	206,746
Loss on disposal of capital assets	34,455	1,480	35,935	43,534
Management charge (note 17)	(2,010,528)	2,010,528	-	-
	<b>71,146,385</b>	<b>10,833,342</b>	<b>81,979,727</b>	<b>72,770,425</b>
<b>Total expenses</b>	<b>177,498,397</b>	<b>37,960,391</b>	<b>215,458,788</b>	<b>187,134,560</b>
<b>Net operating (loss) / income</b>	<b>(903,453)</b>	<b>(2,295,829)</b>	<b>(3,199,282)</b>	<b>251,523</b>
Extraordinary item (note 18)	-	(950,000)	(950,000)	-
<b>(Deficiency) / excess of revenues over expenses</b>	<b>(903,453)</b>	<b>(3,245,829)</b>	<b>(4,149,282)</b>	<b>251,523</b>

*The accompanying notes are an integral part of these financial statements.*

Bermuda Hospitals Board  
Statement of Changes in Net Assets  
For the year ended March 31, 2008

	Invested in capital assets \$	Internally restricted for pensions \$	Internally restricted for education \$	Unrestricted \$	2008 Total \$
<b>NET ASSETS</b>					
Balance, beginning of year	58,096,920	458,344	1,150,957	(8,544,052)	51,162,169
(Deficiency) / excess of revenues over expenses	(6,031,189)			1,881,907	(4,149,282)
Changes in unrealised gains and losses on available for sale financial assets			(88,076)	(29,359)	(117,435)
Net change in investment in capital assets	7,668,567			(7,668,567)	-
<b>Balance, end of year</b>	<b>59,734,298</b>	<b>458,344</b>	<b>1,062,881</b>	<b>(14,360,071)</b>	<b>46,895,452</b>

	Invested in capital assets \$	Internally restricted for pensions \$	Internally restricted for education \$	Unrestricted \$	2007 Total \$
<b>NET ASSETS</b>					
Balance, beginning of year	48,299,770	458,344	1,027,649	960,473	50,746,236
Excess / (deficiency) of revenues over expenses	(4,493,436)			4,744,959	251,523
Changes in unrealised gains and losses on available for sale financial assets			123,308	41,102	164,410
Net change in investment in capital assets	14,290,586			(14,290,586)	-
<b>Balance, end of year</b>	<b>58,096,920</b>	<b>458,344</b>	<b>1,150,957</b>	<b>(8,544,052)</b>	<b>51,162,169</b>

*The accompanying notes are an integral part of these financial statements*

Bermuda Hospitals Board  
Statement of Cash Flows  
For the year ended March 31, 2008

	2008 \$	2007 \$
<b>CASH FROM OPERATING ACTIVITIES</b>		
(Deficiency) / excess of revenues over expenses	(4,149,282)	251,523
Amortisation of capital assets	6,878,520	6,120,259
Loss on disposal of capital assets	35,935	43,534
Amortisation of deferred capital contributions	(1,833,266)	(1,720,000)
Net change in non-cash working capital	21,072,832	(2,054,952)
Pension benefit expense	312,314	451,713
<b>Net cash generated through operating activities</b>	<b>22,317,053</b>	<b>3,092,077</b>
<b>FINANCING AND INVESTING ACTIVITIES</b>		
Deferred capital contributions	2,415,300	2,626,724
Repayment of long-term debt	(2,741,235)	(2,953,029)
Repayment of capital leases	(138,880)	(153,347)
Proceeds from capital leases	216,421	150,522
Proceeds from disposal of capital assets	-	49,643
Proceeds from long-term loan	1,014,598	4,000,000
Purchase of capital assets	(10,726,027)	(16,400,852)
Changes in pledges for capital assets	368,817	(85,344)
Changes in investments	(155,937)	(50,010)
Grant received from government	(1,573,834)	(6,887)
<b>Net cash used in financing and investing activities</b>	<b>(11,320,777)</b>	<b>(12,822,580)</b>
Extraordinary item	950,000	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,946,276</b>	<b>(9,730,503)</b>
Cash and cash equivalents, beginning of year	8,415,909	18,146,412
<b>Cash and cash equivalents, end of year</b>	<b>20,362,185</b>	<b>8,415,909</b>
Cash and cash equivalents consist of the following:		
Cash and time deposits	17,196,030	5,128,103
Restricted cash, term deposits and investments	3,166,155	3,287,806
	<b>20,362,185</b>	<b>8,415,909</b>

*The accompanying notes are an integral part of these financial statements.*

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

**1. AUTHORITY AND ORGANISATION**

**(A) AUTHORITY**

Bermuda Hospitals Board (“the Board” or “BHB”) was established under the provisions of The Bermuda Hospitals Board Act, 1970 as amended.

**(B) ORGANISATION**

The Board is responsible for operating the King Edward VII Memorial Hospital (“KEMH”) and Mid-Atlantic Wellness Institute (“MWI”). The Board receives donations, subsidies and government grants, which are included in the financial statements.

KEMH is an inpatient acute care and extended care hospital with 236 acute care beds and an extended care unit of 104 beds.

MWI is a psychiatric facility with 36 inpatient acute care beds, including four beds for children and adolescents, and 71 long-term rehabilitation beds.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

**(A) REVENUE RECOGNITION**

The Board follows the deferral method of accounting for contributions, which include donations and government subsidies and grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the accounting period are accrued. Where a portion of the grant relates to a future period, it is deferred and recognised in that subsequent period.

Unrestricted contributions and pledges are recognised as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

Externally restricted contributions are recognised as revenue in the year in which the related expenses are recognised. Contributions restricted for the purchase of capital assets are deferred and amortised into revenue at a rate corresponding with the amortisation rate for the related capital assets.

Non-medical income comprises revenue that is not derived directly from the treatment of patients or contributions, and is recognised on an accrual basis.

Restricted investment income is recognised as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognised as revenue when earned.

Investment income includes dividends and interest income and realised investment gains and losses. Unrealised gains and losses on available for sale financial assets are included in the fund balances until the asset is realised.

**(B) CAPITAL ASSETS**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed.

Betterments, which extend the estimated life of an asset, are capitalised. When a capital asset no longer contributes to the Board's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortised on a straight-line basis using the following annual rates:

Buildings	2.5%
Equipment	10.0%
Software	20.0%
Computer equipment	20.0%
Capital leases	20.0%

**(C) CASH AND CASH EQUIVALENTS**

The Board considers all cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, and short-term deposits with an original maturity of 90 days or less, as equivalent to cash. Cash is classified as restricted externally by legal or contractual requirements and internally by the Board.

**(D) INVENTORIES**

Inventories consisting of general stores, medical stores, orthopedic supplies, pharmacy, stationery, and film, are valued at the lower of cost, using the weighted average method of accounting, and net realisable value.



**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

Operating room inventories are valued at the lower of cost, using the first-in first-out (FIFO) method of accounting, and net realisable value.

**(E) INVESTMENTS**

Investments comprise term deposits and an equity security. The term deposits are classified as held to maturity and carried at cost. The equity investment is classified as available for sale and is carried at fair value with unrealised gains or losses recorded as a separate component of net assets and released to operating income when realised. Permanent declines in value result in an adjustment to cost and immediate write down through the statement of operations. Investment income is recognised on accrual basis.

**(F) DONATED SERVICES**

The BHB receives substantial donated services from volunteers in the normal course of operations. These services are recognised when fair value can be reasonably estimated and services are used in the normal course of the organisation's operations and would otherwise have been purchased.

**(G) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amount of cash and time deposits approximates fair value due to the short maturity of those instruments.

The fair value of other financial assets and liabilities, consisting of accounts receivable, amounts due to the Consolidated Fund of the Government of Bermuda, other receivables, pledges receivable and accounts payable and accrued liabilities, approximates their carrying value due to their relative short-term nature.

The fair value of long-term debt is approximately \$13.2 million based on the estimated present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the BHB for the same or similar debt instruments.

Certain financial instruments, such as obligations for employee future health benefits and pension obligations, are excluded from the requirements of fair value disclosures.

**(H) EMPLOYEE HEALTH INSURANCE PLAN**

The Board has a policy funding agreement with a third party health insurance administrator, which covers both active and retired employees. In substance this agreement results in the BHB self-insuring its employees' healthcare benefits.

Under the agreement, the Board is liable for any deficit as set out in the agreement, which incorporates net premium, incurred claims, interest and administration charges.

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

However, should the plan generate a cumulative surplus, the administrator is allowed up to 25% of the surplus in addition to the standard annual fee, with the balance being returned to the BHB. The standard administration fee is set at 10% of annual net premiums.

The establishment of the provision for incurred claims is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process, influenced by a large variety of factors. These factors include the Board's previous experience and historical trends involving claim payment patterns, pending levels of unpaid claims, claims severity and claim frequency patterns such as those caused by employee illnesses, accidents or work-related injuries.

The provision for incurred claims is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. It is reasonably possible that changes in future conditions in the near term could require a material change in the amount estimated.

### **3. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS**

This balance is externally and internally restricted for specific purposes, as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Patient comfort funds	1,445,502	1,413,099
Educational purposes	1,022,225	1,110,302
Staff pension plan	458,344	458,344
Construction projects and capital assets	<u>240,084</u>	<u>306,061</u>
	<u><u>3,166,155</u></u>	<u><u>3,287,806</u></u>

The equity investment comprises:

	<b>2008</b>		<b>2007</b>	
	<b>Market</b>		<b>Market</b>	
	<b>Value</b>	<b>Cost</b>	<b>Value</b>	<b>Cost</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Belco Holdings Limited	<u>962,967</u>	<u>144,651</u>	<u>1,080,402</u>	<u>144,651</u>

At March 31, 2008, the investment in Belco Holdings Limited amounted to \$962,967 of which 75% is restricted for educational purposes.

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

**4. OVERDRAFT FACILITY**

The BHB has an overdraft facility with The Bank of N.T. Butterfield and Son Limited (the “Bank”) of up to \$2,450,000, which bears interest at a rate of 2% above the Bank’s Base Rate. The overdraft facility was not in use at March 31, 2008 or March 31, 2007.

**5. PLEDGES RECEIVABLE**

Pledges receivable relate to a \$600,000, five-year pledge from Bacardi International Limited, for the purchase of new X-ray equipment. At March 31, 2008, \$360,000 (2007 - \$480,000) was outstanding and is payable in three equal annual installments.

In 2007, pledges receivables from Friends of Hospice (\$20,880) and Lady Cubitt Compassionate Association (“LCCA”) (\$227,937) were also outstanding.

**6. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortisation</b>	<b>2008 Book Value</b>	<b>2007 Book Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land and buildings	116,113,516	38,542,836	77,570,680	76,749,874
Equipment	42,358,586	27,215,415	15,143,171	14,219,071
Construction in progress	2,849,108	-	2,849,108	2,644,258
Software	6,022,133	3,480,917	2,541,216	1,865,502
Computer equipment	4,119,649	2,797,584	1,322,065	1,144,484
Capital leases	<u>808,843</u>	<u>435,619</u>	<u>373,224</u>	<u>314,703</u>
	<b><u>172,271,835</u></b>	<b><u>72,472,371</u></b>	<b><u>99,799,464</u></b>	<b><u>96,937,892</u></b>

Photocopying equipment held under capital leases, is included in capital assets and amortised, on a straight-line basis, over its economic life of five years. These leases are for a period of 36 months, with an option to purchase, upon renewal, at a nominal value.

The insured value of all capital assets under the Board’s control is approximately \$306 million (2007 - \$296 million).

On March 27, 1997, the land on which the hospital buildings stand was conveyed to the Board by Government. As part of this transfer, Government has right of first refusal on any sales of the land and buildings. The land and buildings are held as security for the bonds payable, as described in Note 9A.

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

**7. LONG-TERM INVESTMENTS**

The cost and fair value of time deposits included in long-term investments at March 31, 2008 is \$1,247,695 (2007 - \$1,179,835).

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

**(A) GOVERNMENT PROGRAMMES**

Included within operating revenues are subsidies and grants from the Consolidated Fund of the Government of Bermuda as discussed in paragraphs (I), (II) and (III), as follows:

**(I) Government subsidy programmes**

During the year, the Department of Social Insurance approved claims totaling \$76,832,899 (2007 - \$70,306,636) in respect of services rendered to patients covered under the Government's subsidy programmes as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Aged subsidy	41,357,852	35,462,194
Geriatric subsidy	12,672,911	11,602,205
Youth subsidy	9,630,689	8,707,696
Other subsidy	5,446,690	4,536,535
Indigent subsidy	5,176,192	7,476,454
Clinical drugs	<u>2,548,565</u>	<u>2,521,552</u>
	<u><u>76,832,899</u></u>	<u><u>70,306,636</u></u>

As at March 31, 2008, \$739,301 (2007 - \$1,705,687) was outstanding from Government for subsidy programmes. This amount is included in the accounts receivable balance.

**(II) Government Grants**

MWI receives operating and capital grants. The operating grant received during the year was \$31,692,760 (2007 - \$29,225,051) and the capital grant received was \$1,981,758 (2007 - \$2,118,373). During the year, KEMH transferred \$50,000 to MWI as a grant to cover the additional costs of a new clinic. KEMH received a special grant for consulting and business expenses during the year of \$103,600 (2007 - \$654,506) and the capital grant received was \$87,352 (2007 - Nil).

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

**(III) Consulting Contracts**

During the year, the Government paid the Board \$1,906,503 for the Kurrion Contract which was signed subsequent to the start of the fiscal year. As at March 31, 2008, \$453,631 was outstanding from Government for consulting contracts. This amount is included in the other receivables balance.

**(B) MUTUAL RE-INSURANCE FUND**

Included within the accounts receivable balance as at March 31, 2008 is \$1,333,684 (2007 - \$1,794,802) due from the Mutual Re-insurance Fund. During the year, the Department of Social Insurance approved the following claims:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Hemodialysis treatments	6,893,505	6,184,145
Long stay patients	2,392,226	1,914,360
Home health care	382,158	336,059
Anti-rejection drugs	<u>267,721</u>	<u>276,754</u>
	<u><u>9,935,610</u></u>	<u><u>8,711,318</u></u>

**(C) HEALTH INSURANCE FUND**

Included in accounts receivable as at March 31, 2008 is \$679,621 (2007 - \$1,130,122) receivable from the Health Insurance Fund. During the year, the Department of Social Insurance approved claims totaling \$7,813,103 (2007 - \$6,246,893).

**(D) GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND**

Included in accounts receivable as at March 31, 2008 is \$1,432,042 (2007 - \$1,374,743) due from the Government Employees Health Insurance Fund ("GEHI"). During the year, \$13.8 million (2007 - \$11.3 million) in claims were billed to the GEHI.

**(E) OTHER AMOUNTS**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
During the year, the BHB expensed the following:		
Payroll tax	3,104,941	2,976,542
Social insurance	2,022,777	1,857,633
Services provided by the Ministry of Works and Engineering	732,493	988,637
Nurses' annual pensions	367,953	377,868
Superannuation	6,168	5,182
Land tax	1,812	434
Miscellaneous charges	<u>101,418</u>	<u>137,523</u>
	<u><u>6,337,562</u></u>	<u><u>6,343,819</u></u>

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

The following amounts were remitted to the government on behalf of the Board's employees:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Payroll tax	4,297,611	4,104,752
Social insurance	<u>1,991,676</u>	<u>1,855,440</u>
	<u><u>6,289,287</u></u>	<u><u>5,960,192</u></u>

Non-refundable duty of \$843,955 (2007 - \$1,110,511) was paid during the year. War Veteran Association Claims, in the amount of \$379,296 (2007 - \$94,580) were billed during the year.

The following are balances at March 31:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<i>Accounts receivable</i>		
Miscellaneous departmental charges	125,011	70,547
Payable by government on behalf of the War Veterans Association	<u>194,492</u>	<u>30,024</u>
	<u><u>319,503</u></u>	<u><u>100,571</u></u>
<i>Other receivables</i>		
Refundable deposits paid for duty	<u>217,300</u>	<u>217,300</u>
<i>Accounts payable and accrued liabilities</i>		
Ministry of Works and Engineering	100,423	114,138
Nurses' annual pensions accrual	<u>3,021,532</u>	<u>2,653,579</u>
	<u><u>3,121,955</u></u>	<u><u>2,767,717</u></u>
<i>Accrued salary and payroll expenses</i>		
Payroll tax	1,964,540	1,797,327
Social insurance	<u>493,667</u>	<u>430,769</u>
	<u><u>2,458,207</u></u>	<u><u>2,228,096</u></u>

**(F) BERMUDA HOSPITALS CHARITABLE TRUST**

During the year, the Bermuda Hospitals Charitable Trust ("BHCT") paid the Board \$105,238 (2007 - Nil) for consulting and business expenses. As at March 31, 2008, \$59,494 (2007 - Nil) was outstanding from BHCT for consulting contracts. This amount is included in the other receivables balance.

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

**9. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**

<b>(A) LONG-TERM DEBT</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Bonds payable of US\$5,450,000, bearing interest of 3.95% per annum, due April 19, 2010. Semiannual principal payments are \$450,000. The bonds are secured by a second mortgage on land and buildings.	1,850,000	2,750,000
Loan of \$1,000,000, bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of principal and interest of \$14,489 up to January 29, 2015. The note is unsecured.	980,177	-
Bond refinanced loan of US\$4,004,141, bearing interest of 5.25% per annum, paid quarterly in arrears of principal and interest of \$126,928 up to February 15, 2018. The loan is unsecured.	4,004,141	5,077,349
Loan of \$2,100,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of \$16,650 up to February 1, 2020. The loan is secured by a charge over the related capital assets.	1,825,090	1,908,271
Loan of \$4,000,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of principal and interest of \$28,084 up to September 9, 2027. The loan is secured by a charge over the related capital assets.	3,846,603	3,949,912
Note payable of \$2,093,745 bearing interest of 5.63% per annum, payable in semiannual installments which are equivalent to 10% of principal balance and interest up to November 20, 2007. The note is unsecured.	-	466,503
Note payable of \$361,806 bearing interest of 5.63% per annum, payable in semiannual installments of principal and interest of \$42,017 up to November 20, 2007. The note is unsecured.	-	80,613
	12,506,011	14,232,648
LESS: CURRENT PORTION	1,559,969	3,118,438
	<u>10,946,042</u>	<u>11,114,210</u>

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

Principal repayments scheduled for the next 19 years are as follows:

<b>Year</b>	<b>Amount</b>
	<b>\$</b>
2009	1,559,969
2010	1,597,337
2011	784,644
2012	773,964
2013	815,408
2014	859,092
2015	875,596
2016-27	<u>5,240,001</u>
	<u><u>12,506,011</u></u>

**(B) CAPITAL LEASE OBLIGATIONS**

**2008**  
**\$**

**2007**  
**\$**

Obligations under capital leases, with minimum lease payments of \$319,361 less interest of \$22,621. Capital leases bearing interest between 5.5% and 6% per annum, payable in monthly installments of principal and interest expiring between December 15, 2008 and March 31, 2011.

(The Capital leases relate to Photocopying equipment.)

LESS: CURRENT PORTION

296,740	219,199
<u>138,001</u>	<u>110,704</u>
<u><u>158,739</u></u>	<u><u>108,495</u></u>

Future minimum commitments for the following three years are as follows:

<b>Year</b>	<b>Capital lease Obligations</b>	<b>Interest</b>	<b>Total Minimum lease Payments</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
2009	138,001	13,263	151,264
2010	124,455	7,286	131,741
2011	<u>34,284</u>	<u>2,072</u>	<u>36,356</u>
	<u><u>296,740</u></u>	<u><u>22,621</u></u>	<u><u>319,361</u></u>

**10. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortised and unspent amount of donations and grants received for the acquisition of capital assets. The amortisation of capital contributions is recorded as revenue in the statement of operations.



**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

The balance of the deferred capital contributions is as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	22,773,749	21,867,025
Add: contributions received	2,415,300	2,626,724
Less: amounts amortised to revenue	<u>(1,833,266)</u>	<u>(1,720,000)</u>
Balance, end of year	<u>23,355,783</u>	<u>22,773,749</u>

The balance of deferred capital contributions comprises the following:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Unamortised capital contributions used to purchase assets	22,711,593	21,936,445
Unspent contributions	<u>644,190</u>	<u>837,304</u>
	<u>23,355,783</u>	<u>22,773,749</u>

## **11. INTERNAL RESTRICTIONS ON NET ASSETS**

The Pension Fund was established in 1987/88 for the purpose of providing funds to supplement pensions at the discretion of the Board. The Educational Fund reflects an accumulation of investment income designated for educational purposes. These internally restricted amounts are not available for other purposes without the approval of the Board.

## **12. EMPLOYEE BENEFITS**

The Board has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to most of its employees. The Board accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Board has adopted the following policies:

- The cost of pensions and other retirement benefits for deferred benefit plans earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortised over the average remaining service period of active employees. The average remaining service period of the

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

active employees covered by the pension plan is eight months (2007 – 1.67 years). The average remaining service life of the active employees covered by the other retirement benefit plans is 8.72 years (2007 – 8.57 years).

**(A) PENSION PLANS**

There is a Defined Contribution Pension Plan in place for all employees, whereby the Board contributes 6% of gross salary and the employee contributes 4% of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five years with respect to the Board's contributions. Beginning January 1, 2000, 100% of the Board's contributions vest after two years. When an employee leaves the Board's employ, other than through retirement, the Board's unvested contributions are credited to the Board's surplus account. These are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2008 totaled \$3.7 million (2007 - \$3.5 million).

The Hospital Nurses Superannuation Act 1948 established a non-contributory defined benefit final average pension plan, which covered certain nurses employed prior to January 1, 1971. The cost of these pensions is shared with Government, with BHB being liable for pension benefits earned by these nurses since January 1, 1977.

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<u>8,519,007</u>	<u>8,067,294</u>
Pension expense		
Current cost	116,480	112,062
Interest	351,718	336,501
Experience (gain) / loss	<u>(155,884)</u>	<u>3,150</u>
	<u>312,314</u>	<u>451,713</u>
Balance, end of year	<u><u>8,831,321</u></u>	<u><u>8,519,007</u></u>

BHB and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2008, which estimates that the Board's portion of the liability under the Act is approximately \$5.7 million as at March 31, 2008 (2007 - \$5.9 million). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% and a salary escalation rate of 4%.

To date, no contributions have been made by the Board and the plan remains unfunded. Benefits are paid by the Government, and at March 31, 2008 the Board's payable to the Government totals \$3.0 million (2007 - \$2.7 million) and is included in the accounts payable and accrued liabilities balance.

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

**(B) OTHER BENEFIT PLANS**

Other employment benefits include maternity leave, sick leave, vacation days and health insurance. All of these plans are unfunded.

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognised when leave has been applied for and approved or when a settlement amount can be reasonably determined. The total approved maternity leave as at March 31, 2008 is \$47,272 (2007 - \$56,236) and is included in accrued salary and payroll expenses.

Sick leave accumulates but does not vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. As at March 31, 2008, the liability is \$80,623 (2007- \$61,906) and is included in accrued salary and payroll expenses.

Vacation days accumulate and vest and therefore a liability is accrued each year. The expense for the year ended March 31, 2008 is \$7.7 million (2007 - \$6.9 million) and the benefits paid out total \$7.3 million (2007 - \$6.2 million) resulting in a liability as at March 31, 2008 of \$6.5 million (2007 - \$6.1 million).

The Board pays 50% of the health insurance premiums for employees who retire from BHB. The accrued benefit obligation as at March 31, 2008 of \$24.2 million (2007 - \$19.0 million) was determined by an actuarial valuation. The accrued benefit liability at March 31, 2008 was \$24.2 million (2007 - \$13.0 million). The expense recognised for the year ended March 31, 2008 was \$11.9 million (2007 - \$2.9 million) and the benefits paid during the year were \$770,070 (2007 - \$665,366). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% and a medical trend rate of 10% decreasing by 1% per annum to an ultimate rate of 6% after five years.

The BHB Health Plan had a cumulative deficit of \$213,415 as at March 31, 2008 (2007 - \$328,773).

**13. COMMITMENTS**

As of March 31, 2008, the Board has operating commitments of \$1.5 million relating to a cleaning service contract which will expire on October 31, 2009; \$453,150 relating to an oxygen supply agreement which will expire on September 30, 2009; \$247,467 for laboratory equipment maintenance contracts which will expire between January 31, 2009 to November 27, 2012 and \$1.0 million for grounds and gardens maintenance which will expire on March 31, 2012.

The Board has, in the ordinary course of business, entered into operating lease agreements with third parties for the rental of 30 properties. The aggregate monthly charge is \$104,050 and the agreements can be cancelled at the Board's option provided 90 days prior notice is given.

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

The Board entered into a management services contract which will expire on June 30, 2013. As of March 31, 2008, the outstanding commitment is \$9.1 million.

#### **14. CONTINGENCIES**

In the ordinary course of business, the Board is routinely a defendant in or party to a number of pending or threatened legal actions and proceedings. The Board believes that it has meritorious defenses to all asserted claims and intends to defend vigorously against them.

The Board has medical malpractice insurance in place of up to \$7.5 million per claim and \$15.0 million in the aggregate during any policy year.

The Board also has Directors' and Officers' Liability and Company Reimbursement insurance in place with an indemnity limit of \$10.0 million in the aggregate, including defense costs and expenses. The Board has accrued an amount in these financial statements for potential contingent liabilities relating to the Directors' and Officers' Liability policy.

#### **15. DONATION IN KIND**

Donation in kind relates to services donated by volunteers and the related expense is included in the general supplies and services expense.

#### **16. BUSINESS SOCIAL COST**

The BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operation, the BHB provided services to a number of persons who were unable to pay. These expenses are classified as business social costs. The amount recognised as business social cost for year ended March 31, 2008 was \$138,075 (2007 - \$206,746).

#### **17. MANAGEMENT CHARGE**

A number of administrative services are provided by KEMH to MWI for which a management charge is made. These services include information system management, employee recruitment and administration, facility repairs, purchasing, pharmacy, telecommunications, dietary, accounting, and general administration. The BHB uses the employee cost for each department and cost of hardware and software maintenance contracts to calculate the management charge. The management charge is calculated based on the estimated percentage of time that each department spends working with MWI. The amount charged for the year ended March 31, 2008 is \$2,010,528 (2007 - \$1,868,338).

**BERMUDA HOSPITALS BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2008**

**18. EXTRAORDINARY ITEM**

During the year-ended March 31, 2008, BHB commenced a capital project renovation at MWI. A government grant of \$4.0 million was provided to assist with the funding of this project. Subsequent to the year-ended March 31, 2008 it was determined that supplier amounts which were paid for and capitalised by BHB for the project had been charged at an amount greater than fair value. BHB hired a professional quantity surveyor to determine the fair value of the amounts which had been capitalised as at March 31, 2008. The difference of \$950,000 between the estimated fair value of the assets and the amounts capitalised by BHB has been recorded as a charge against income for the year ended March 31, 2008.

**19. SUBSEQUENT EVENTS**

In April 2008, the Board renewed its policy funding agreement for a year, with a third party health insurance administrator, which covers both active and retired employees. The Board will review its policy funding agreement on an annual basis.

On July 18, 2008, the Board reached a monetary settlement with the Unions acting on behalf of the staff in respect of past management of the Employee Pension Plan.

In August 2008, the Board increased the medical malpractice insurance to \$10.0 million per claim and \$30.0 million in the aggregate.

In November 2008, the Board announced that the KEMH Redevelopment Project had been approved by Government. The new facilities are expected to be completed in five years. The design, construction, financing and maintenance of the new facilities will be delivered in the form of a public private partnership. Advisors have been appointed to guide the Board through the process.

**20. COMPARATIVES**

Certain comparative figures have been reclassified to conform to the current year presentation.



## Office of the Auditor General

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### AUDITOR'S REPORT

To the Shareholders of the Bermuda Land Development Company Limited

I have audited the balance sheet of the Bermuda Land Development Company Limited ("BLDC") as at March 31, 2008 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the BLDC as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Note 12, Subsequent Events, states: "*As of the date of the auditor's report the divestiture has not been completed and compensation has not been agreed*". Until the divestiture has been completed and the compensation agreed, there remains a material uncertainty whether the divestiture and compensation would be in compliance with Sections 9(3) and 12(5), respectively, of the Base Lands Development Act 1996 ("the Act"), as amended. Section 9 expressly contemplates only "*any lease or letting*," while remaining silent on outright sales or divestiture. Given that the Act requires Legislative approval for leases in excess of 21 years, it cannot have been the intent of Parliament for outright surrender into perpetuity to require nothing. It appears that Government intends to effect the transfer of property by means of a "direction" rather than by approval of the Legislature. Section 12 provides that "*the Government shall pay BLDC for the property....in question the price determined by the Government after consultation with BLDC*." As a matter of general principle "price" means "value" and it must be "reasonable". It is proposed that the Government shall pay only a nominal consideration.

Hamilton, Bermuda  
October 9, 2008

Larry T. Dennis, C.A.  
Auditor General

BERMUDA LAND DEVELOPMENT COMPANY LIMITED  
(Incorporated in Bermuda)

BALANCE SHEET

MARCH 31, 2008  
(expressed in Bermuda dollars)

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,922,537	\$ 6,696,473
Accounts receivable (Note 10)	733,827	184,961
Capital assets held for resale (Note 5)	-	3,373,001
Prepaid expenses	<u>11,600</u>	<u>-</u>
	12,667,964	10,254,435
Deposits (Note 4)	181,843	205,530
Capital assets (Note 5)	<u>38,408,106</u>	<u>36,996,920</u>
	\$ <u>51,257,913</u>	\$ <u>47,456,885</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 1,156,211	\$ 1,320,817
Deferred insurance proceeds (Note 3)	-	385,000
Provision for hurricane repairs	-	324,000
Tenant deposits	513,699	400,422
Deferred revenues, current portion	<u>195,445</u>	<u>195,445</u>
	1,865,355	2,625,684
Deferred revenues	982,529	1,057,470
Deferred capital contributions (Note 6)	<u>29,674,662</u>	<u>32,024,293</u>
	<u>32,522,546</u>	<u>35,707,447</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED  
(Incorporated in Bermuda)

BALANCE SHEET, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

	<u>2008</u>	<u>2007</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	\$ 5,000,000	\$ 5,000,000
Retained earnings	<u>13,735,367</u>	<u>6,749,438</u>
	<u>18,735,367</u>	<u>11,749,438</u>
	\$ <u>51,257,913</u>	\$ <u>47,456,885</u>

The accompanying notes are an integral part of these financial statements.



BERMUDA LAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED MARCH 31, 2008

(expressed in Bermuda dollars)

	<u>2008</u>	<u>2007</u>
Revenues		
Sale of cottages	\$ 5,743,923	\$ 2,434,862
Rental income (Note 10)	4,729,033	4,275,074
Tenant recoveries	578,388	550,991
Insurance proceeds (Note 3)	472,132	889,757
Interest and other income	<u>465,101</u>	<u>335,729</u>
	<u>11,988,577</u>	<u>8,486,413</u>
Expenses		
Salaries, wages and employee benefits (Note 8)	2,176,763	2,103,344
Cost of property sales	3,380,575	1,619,249
Amortization of capital assets	1,728,301	1,507,715
Repairs and maintenance	817,260	949,770
Insurance	537,057	577,387
Utilities (net of recoveries of \$243,316 (2007 - \$357,626))	530,430	385,330
General and administrative	426,560	532,092
Security	255,333	259,239
Provision for hurricane repairs	<u>-</u>	<u>403,813</u>
	<u>9,852,279</u>	<u>8,337,939</u>
Net income before the undernoted items	2,136,298	148,474
Amortization of deferred capital contributions (Note 6)	1,469,056	1,280,397
Realised deferred capital contributions (Note 6)	<u>3,380,575</u>	<u>1,619,249</u>
Net income	6,985,929	3,048,120
Retained earnings, beginning of year	<u>6,749,438</u>	<u>3,701,318</u>
Retained earnings, end of year	\$ <u><u>13,735,367</u></u>	\$ <u><u>6,749,438</u></u>

The accompanying notes are an integral part of these financial statements.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2008

(expressed in Bermuda dollars)

	<u>2008</u>	<u>2007</u>
Operating activities:		
Net income	\$ 6,985,929	\$ 3,048,120
Items not affecting cash:		
Amortization of capital assets	1,728,301	1,507,715
Amortization of deferred capital contributions	(1,469,056)	(1,280,397)
Amortization of capital assets held for resale	(3,380,575)	(1,619,249)
Gain on sale of capital assets held for resale	(2,363,348)	(815,613)
Deferred revenues	(74,941)	(191,818)
Changes in non-cash items:		
Increase in accounts receivable	(548,866)	(34,293)
Decrease in amount due from the Government of Bermuda	-	347,502
Increase in prepaid expenses	(11,600)	-
(Decrease) increase in accounts payable and accrued liabilities	(164,606)	23,701
Decrease in deferred insurance proceeds	(385,000)	(889,757)
(Decrease) increase in provision for hurricane repairs	(324,000)	324,000
Increase in tenant deposits	<u>113,277</u>	<u>13,372</u>
	<u>105,515</u>	<u>433,283</u>
Investing activities:		
Purchase of capital assets	(3,147,061)	(4,997,053)
Purchase of capital assets held for resale	-	(1,619,249)
Proceeds from sale of capital assets held for resale	<u>5,743,923</u>	<u>2,434,862</u>
	<u>2,596,862</u>	<u>(4,181,440)</u>
Financing activity:		
Capital contribution from the Government of Bermuda (Note 6)	<u>2,500,000</u>	<u>5,000,000</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS, Cont'd.

YEAR ENDED MARCH 31, 2008

(expressed in Bermuda dollars)

	<u>2008</u>	<u>2007</u>
Net increase in cash and deposits	\$ 5,202,377	\$ 1,251,843
Cash and cash equivalents and deposits, beginning of year	<u>6,902,003</u>	<u>5,650,160</u>
Cash and cash equivalents and deposits, end of year	\$ <u>12,104,380</u>	\$ <u>6,902,003</u>
Cash and cash equivalents and deposits consist of the following:		
Cash and cash equivalents	\$ 11,922,537	\$ 6,696,473
Deposits (Note 4)	<u>181,843</u>	<u>205,530</u>
	\$ <u>12,104,380</u>	\$ <u>6,902,003</u>
Included in cash flows from operating activities are the following amounts:		
Interest received	\$ <u>455,507</u>	\$ <u>200,233</u>

The accompanying notes are an integral part of these financial statements.

# BERMUDA LAND DEVELOPMENT COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2008  
(expressed in Bermuda dollars)

### 1. Nature of business

The Bermuda Land Development Company Limited (the "Company") was incorporated under the authority of The Base Lands Development Act 1996 (the "Act") on November 12, 1996. The shares of the Company are held by the Minister of Works and Engineering and the Minister of Finance in trust for the benefit of the country.

The general purpose of the Company is to manage and develop the land entrusted to it. The Company does this in a manner that will integrate the land into the economic and social fabric of Bermuda and create opportunities for increased employment now and in the future.

### 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which have general application in Bermuda. For financial reporting purposes, the Company is classified as a government business-type organization and has adopted accounting policies appropriate for this classification. Those policies considered particularly significant are set out below:

#### (a) Grants from the Government of Bermuda

Capital grants received from the Government for the purpose of capital developments are shown as capital grants and are deferred and taken into income on the same basis as the amortization of the related capital asset.

#### (b) Capital assets

Capital assets are valued at cost. Costs incurred by the Company for improvements to buildings and infrastructure, purchase of equipment, site preparation and demolition are capitalized.

Amortization is calculated using the straight-line basis over the estimated useful lives at the following rates:

Buildings	5 to 20 years
Infrastructure	5 to 15 years
Equipment	5 years

Amortization has not yet been charged against site preparation costs, which include costs to clear land and demolish obsolete structures as these costs were necessary to bring the property into condition for future development. It is the intention of the Company to amortize these costs over the estimated useful life of each of the properties once development is completed.

No carrying value has been assigned to land, buildings and assets assumed by the Company as these assets are included as part of the lease (Note 9(a)) and are not capitalized.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

2. Summary of significant accounting policies, cont'd.

- (c) Cash and cash equivalents  
Cash and cash equivalents include all cash held at banks with a maturity of 12 months or less.
- (d) Capital assets held for resale  
Capital assets held for resale represents houses held for future sale. The inventory is valued at cost that includes direct costs associated with the renovation of the properties.
- (e) Revenue from the sale of houses and properties  
The Company renovates houses and properties and leases them for a maximum period of 125 years. All proceeds from the lease are received at the time the lease agreement is executed. The long-term leases are treated as sales.
- (f) Tenant recoveries  
Common area expenses recovered from tenants are shown as revenue. Other recoveries such as water, electricity and telephone are netted against the corresponding expense.
- (g) Rental income  
The Company recognizes rental income on an accruals basis and is received under operating leases. All assets noted as land and buildings in Note 5 are used to generate rental income.
- (h) Fair value of financial instruments  
The estimated fair value of the Company's financial instruments which include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, tenant deposits and deferred revenues approximate their carrying value. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.
- (i) Use of estimates  
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues earned and expenses incurred during the reported period. Actual results could differ from these estimates.
- (j) Adoption of accounting policy  
Effective April 1, 2007, the Company adopted the recommendations of CICA 3855: Financial Instruments - Recognition and Measurement and CICA 3861: Financial Instruments - Disclosure and Presentation. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. As permitted by CICA 3855, the Company's financial assets and liabilities continue to be presented at amortized cost which approximates fair value. Therefore, the adoption of these recommendations did not have a significant impact on the financial statements.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

2. Summary of significant accounting policies, cont'd.

(k) Interest and other income

Interest income is recognized on an accrual basis. Other income, which includes lease negotiation fees, is recognized on an accrual basis.

3. Deferred insurance proceeds/Hurricane Fabian damage

The Company arranges its insurance coverage through a master policy that is administered by the Government of Bermuda (the "Government").

In 2004, the Company's properties sustained damage from Hurricane Fabian. The total amount of damage was approximately \$2,845,000 and the insurance company had agreed to compensate the Company for this amount. As of year ended March 31, 2008, all repairs and claims for repairs have been settled amongst the parties. Insurance proceeds in excess of repairs amounting to \$472,132 (2007 - \$889,757) has been accounted for as Insurance proceeds in the Company's Statement of Income and Retained earnings for the year.

4. Deposits

At March 31, 2008, the Company had \$181,843 (2007 - \$205,530) of deposits relating to cottages sold. The cash is held on deposit with various mortgage lenders to guarantee a portion of the purchaser's mortgage value.

5. Capital assets

Capital assets are comprised of:

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Site preparation	\$ 15,447,762	\$ -	\$ 15,447,762	\$ 15,987,158
Buildings	13,685,478	5,813,048	7,872,430	8,739,288
Land	7,755,680	-	7,755,680	7,755,680
Infrastructure	10,539,347	3,640,213	6,899,134	7,638,065
Equipment	1,282,894	849,794	433,100	249,730
	48,711,161	10,303,055	38,408,106	40,369,921
Less: capital assets held for resale	-	-	-	3,373,001
	\$ <u>48,711,161</u>	\$ <u>10,303,055</u>	\$ <u>38,408,106</u>	\$ <u>36,996,920</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

6. Deferred capital contributions

Deferred capital contributions represent the aggregate amount of capital grants received from the Government of Bermuda less amounts amortized to income and are comprised of:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 32,024,293	\$ 29,923,939
Add: capital contributions	2,500,000	5,000,000
Less: cost of housing sales amortized to revenue	(3,380,575)	(1,619,249)
Less: capital grants amortized to revenue	<u>(1,469,056)</u>	<u>(1,280,397)</u>
Balance, end of year	\$ <u>29,674,662</u>	\$ <u>32,024,293</u>

7. Share capital

	<u>2008</u>	<u>2007</u>
Authorised and issued:		
10,000,000 common shares of \$1 par value each	\$ <u>10,000,000</u>	\$ <u>10,000,000</u>
50% called and fully paid in cash	\$ <u>5,000,000</u>	\$ <u>5,000,000</u>

Upon incorporation the Company issued 10,000,000 common shares, of which 50% were called and paid.

8. Employee benefits

(a) Pension

The Company has a defined contribution pension plan. Employees join after three months with the Company and contributions levels are 5% of gross salary, which is matched by the Company. The pension expense to the Company for the year, included in salaries, wages and employee benefits was \$ 92,394 (2007 - \$73,283).

(b) Other benefits

Other employee benefits include maternity leave, sick leave and vacation days. All of these benefits are unfunded.

Maternity leave and sick leave costs do not accumulate or vest and therefore an expense and liability is only recognized when applied for and approved. Vacation days accumulate and vest and an actual study has not been performed for the vacation days benefit obligation as there were no factors used in the calculation that are materially different from the figures that would be estimated by an actuary. The accrued vacation liability as of March 31, 2008 and 2007 was nil.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

9. Contingencies and commitments

- (a) On May 13, 1997, the Company entered into a lease with the Government of Bermuda for a period of 131 years. The lease is effective from the Company's date of incorporation on November 12, 1996 and includes the four properties known as the Southside, St. David's (formerly the US Naval Air Station, excluding the airport), the Naval Annex in Southampton, Daniel's Head in Sandys and the Operating Base at Tudor Hill in Southampton including all buildings as described in detail in the schedule which forms part of the lease. The rent for the whole period is \$131 and has been paid.
- (b) The Base Lands Development Act 1996 (the "Act") provides certain assurances with respect to the scheduled lands including that the Government owns the land in fee simple, absolute in possession and holds the Company harmless for any losses relating to pollution or contamination of the land which existed prior to the commencement of the Act on September 20, 1996.
- (c) At March 31, 2008, the Company was committed to capital projects at Southside, St. David's with a value outstanding on the contracts of \$86,000 (2007 - \$1,166,000).
- (d) The Company did not ask for nor did the Legislature approve any capital grants for the fiscal year ending March 31, 2009.

10. Related party transactions

The Company is related in terms of common ownership to all Government of Bermuda departments and agencies. The Company enters into transactions with these entities in the normal course of business. During the year ended March 31, 2008, the Company earned rental and other revenues in the amount of \$1,519,427 (2007 - \$1,717,444) from various Government departments and agencies. At March 31, 2008, net amounts due to various Government departments and agencies totaled \$22,880 (2007 - \$63,288) and have been included as \$113,868 (2007 - \$81,068) in accounts payable and as \$90,988 (2007 - \$17,780) in accounts receivable.

The transactions have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.



BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

12. Subsequent event

On August 27, 2008, the Board approved and minuted the intended divestiture of certain entrusted lands to the Government of Bermuda.

The Board also resolved to accept "the Minister's assurance that the Company will receive compensation from the Government of Bermuda for the land to be divested pursuant to Section 12 (5) of the Base Land development Act 1996". As of the date of the auditor's report the divestiture has not been completed and compensation has not been agreed.



## *Office of the Auditor General*

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### AUDITOR'S REPORT

To the Minister of Education

I have audited the statement of financial position of CedarBridge Academy as at March 31, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Board of Governors. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because of deficiencies in the records of amounts paid by the Government of Bermuda on behalf of CedarBridge Academy for capital assets, I was not able to satisfy myself regarding the completeness of revenues, expenses, capital assets and deferred capital contributions. As a result, I was unable to determine whether adjustments to capital assets, deferred capital contributions, revenues, expenses and excess of expenses over revenues for the year might be necessary. The effect of potential adjustments is not reasonably determinable given the deficiencies in the records of amounts paid by the Government of Bermuda.

In my opinion, except for the effect of adjustments, if any, which might have determined to be necessary had I been able to audit capital assets and expenditures paid by the Government of Bermuda, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of CedarBridge Academy as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Hamilton, Bermuda  
July 9, 2008

Larry T. Dennis, CA  
Auditor General

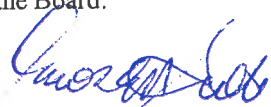
CEDARBRIDGE ACADEMY  
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2008  
(expressed in Bermuda dollars)

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>2008 Total</u>	<u>2007 Total</u>
ASSETS				
<b>Current assets</b>				
Cash	\$ 22,657	\$ -	\$ 22,657	\$ 212,053
Accounts receivable (Note 4)	<u>335,880</u>	<u>-</u>	<u>335,880</u>	<u>31,543</u>
	358,537	-	358,537	243,596
Capital assets, net (Note 5)	<u>-</u>	<u>50,595,389</u>	<u>50,595,389</u>	<u>52,569,038</u>
	<u>\$ 358,537</u>	<u>\$ 50,595,389</u>	<u>\$ 50,953,926</u>	<u>\$ 52,812,634</u>
LIABILITIES AND FUND BALANCES				
<b>Current liabilities</b>				
Accounts payable and accrued expenses (Note 4)	\$ 900,187	\$ -	\$ 900,187	\$ 434,617
Deferred revenue	<u>6,800</u>	<u>-</u>	<u>6,800</u>	<u>18,466</u>
	906,987	-	906,987	453,083
<b>DEFERRED CONTRIBUTIONS</b>				
Deferred contributions related to capital assets (Note 6)	<u>-</u>	<u>49,629,848</u>	<u>49,629,848</u>	<u>51,739,748</u>
	<u>906,987</u>	<u>49,629,848</u>	<u>50,536,835</u>	<u>52,192,831</u>
<b>FUND BALANCES</b>				
Invested in capital assets	-	965,541	965,541	829,290
Unrestricted	<u>(548,450)</u>	<u>-</u>	<u>(548,450)</u>	<u>(209,487)</u>
	<u>(548,450)</u>	<u>965,541</u>	<u>417,091</u>	<u>619,803</u>
	<u>\$ 358,537</u>	<u>\$ 50,595,389</u>	<u>\$ 50,953,926</u>	<u>\$ 52,812,634</u>

The accompanying notes are an integral part of these financial statements

On behalf of the Board:



Chairman



Finance Chairman

## CEDARBRIDGE ACADEMY

## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2008

(expressed in Bermuda dollars)

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2008 Total</b>	<b>2007 Total</b>
<b>Revenue</b>				
Government grants (Note 4)	\$ 16,875,486	\$ -	\$ 16,875,486	\$ 14,137,944
Amortization of deferred contributions related to capital assets (Note 6)	-	2,109,900	2,109,900	2,173,121
Revenue from cafeteria	349,487	-	349,487	166,568
Rental revenue	25,825	-	25,825	86,101
	<u>17,250,798</u>	<u>2,109,900</u>	<u>19,360,698</u>	<u>16,563,734</u>
<b>Expenses</b>				
Teachers' salaries	8,718,739	-	8,718,739	8,105,158
General repairs and maintenance	3,557,254	-	3,557,254	1,623,462
Amortization of capital assets (Note 5)	-	2,105,004	2,105,004	2,182,997
Information technology	791,295	-	791,295	569,575
Administrative salaries	756,889	-	756,889	733,902
Electricity	737,319	-	737,319	689,841
Security	643,321	-	643,321	603,657
Cafeteria expense	499,069	-	499,069	359,061
Consumables	376,622	-	376,622	311,009
Insurance	335,668	-	335,668	335,750
Preventative maintenance	190,971	-	190,971	46,530
Maintenance contracts	182,089	-	182,089	180,077
Professional development	119,167	-	119,167	69,697
Library	97,879	-	97,879	75,704
Ruth Seaton James Centre for the Performing Arts	96,154	-	96,154	208,651
Telephone	95,698	-	95,698	77,646
Reading program	88,640	-	88,640	88,996
Textbooks	49,968	-	49,968	88,466
Water	31,678	-	31,678	29,621
Propane gas	25,489	-	25,489	18,959
Audit	24,000	-	24,000	25,000
Educational programs	22,308	-	22,308	35,733
Printing and handbook	9,692	-	9,692	8,286
Graduation and yearbook	8,497	-	8,497	3,060
Loss on disposal	-	-	-	40,461
	<u>17,458,406</u>	<u>2,105,004</u>	<u>19,563,410</u>	<u>16,511,299</u>
<b>(Deficiency) excess of revenues over expenses</b>	(207,608)	4,896	(202,712)	52,435
Fund balances, beginning of year	(209,487)	829,290	619,803	567,368
Interfund transfers (Note 9)	<u>(131,355)</u>	<u>131,355</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>(548,450)</u>	\$ <u>965,541</u>	\$ <u>417,091</u>	\$ <u>619,803</u>

The accompanying notes are an integral part of these financial statements

CEDARBRIDGE ACADEMY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2008  
(expressed in Bermuda dollars)

	<u>2008</u>	<u>2007</u>
Cash provided by operating activities:		
(Deficiency) excess of revenues over expenses	\$ (202,712)	\$ 52,435
Amortization of capital assets	2,105,004	2,182,997
Amortization of deferred contributions related to capital assets	(2,109,900)	(2,173,121)
Capital assets written-off	-	40,752
Net change in non-cash working capital (Note 8)	<u>149,567</u>	<u>129,797</u>
Net cash (used in) provided by operating activities	<u>(58,041)</u>	<u>232,860</u>
Investing activities		
Purchased capital assets	<u>(131,355)</u>	<u>(164,502)</u>
Net cash used in investing activities	<u>(131,355)</u>	<u>(164,502)</u>
Net (decrease) increase in cash	(189,396)	68,358
Cash, beginning of year	<u>212,053</u>	<u>143,695</u>
Cash, end of year	\$ <u><u>22,657</u></u>	\$ <u><u>212,053</u></u>

The accompanying notes are an integral part of these financial statements

CEDARBRIDGE ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2008  
(expressed in Bermuda dollars)

1. Organization

CedarBridge Academy (the "Academy") is a public senior school, which provides education in accordance with the provisions of the Education Act 1996 and subsequent amendments. The Academy was initially established as a corporate body, the Prospect Senior School, on December 6, 1996. In accordance with Section 73 of the Education Act 1996, the Minister of Education changed the name to CedarBridge Academy, effective December 24, 1996.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which have general application in Bermuda. Significant accounting policies are as follows:

(a) Fund accounting

The Operating Fund reports the assets, liabilities, revenues and expenses related to educational delivery and administrative activities.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Academy's capital assets.

(b) Cash

Cash is comprised of cash on hand and cash held in the bank.

(c) Capital assets

Capital assets are recorded in the Capital Fund at cost, less accumulated amortization. Amortization is calculated on a straight-line basis over the following estimated useful lives:

Computer software	2 years
Computer hardware	5 years
Textbooks	5 years
Audio/visual equipment	10 years
Furniture	10 years
Miscellaneous equipment	10 years
Building	40 years

(d) Revenue recognition

The Academy follows the deferral method of accounting for contributions. Restricted contributions are recognized as deferred contributions until recorded as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental revenue is recognized in the period the room rental occurs. Deposits on rentals received in advance are recorded as deferred revenue.

## CEDARBRIDGE ACADEMY

### NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

#### 2. Significant accounting policies, cont'd.

(e) Translation of foreign currencies

Assets and liabilities in foreign currencies are translated to Bermuda dollars at rates of exchange in effect at the Statement of Financial Position date. Revenues earned and expenses incurred in foreign currencies are translated at the rate of exchange prevailing on the transaction date. Exchange adjustments are charged or credited directly to income.

(f) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues earned and expenses increased during the reporting period. Actual results could differ from these estimates.

(g) Financial instruments

Effective April 1, 2007, the Academy adopted the provisions of CICA 3855: Financial Instruments – Recognition and Measurement and CICA 3861: Financial Instruments – Disclosure and Presentation. CICA 3855 established standards for recognizing and measuring financial instruments. In accordance with the new standards, these accounting policies were applied retroactively without restatement of prior years.

Under Section 3855 all financial instruments are to be classified as held for trading, available for sale, held to maturity, loans and receivables or other financial liabilities. The Academy's financial instruments consist of cash, accounts receivable and accounts payable and accrued expenses which are classified as held for trading and held at fair value. Unless otherwise noted, it is management's opinion that the Academy is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values due to their short-term nature.

#### 3. Economic dependence

The Academy is economically dependent upon the Government of Bermuda for its daily operations, cash flows, capital development and capital acquisitions.

# CEDARBRIDGE ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

### 4. Related party transactions

The Academy is related in terms of common ownership to all Government of Bermuda departments and agencies. The Academy enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties. During the year ended March 31, 2008, the Academy received the following grants from the Government of Bermuda:

	<u>2008</u>	<u>2007</u>
Salaries paid by the Ministry of Education	\$ 8,692,481	\$ 8,065,126
Operating grant	<u>8,183,005</u>	<u>6,072,818</u>
	\$ <u>16,875,486</u>	\$ <u>14,137,944</u>

Included in accounts receivable as at March 31, 2008 is \$4,300 (2007 - \$12,930) due from employees. The balances due from employees are unsecured, interest free and have no set terms for repayment.

Included in accounts payable and accrued expenses is \$80,141 (2007 - \$68,216) due to the Government of Bermuda in respect of year end accruals for payroll tax, social insurance and pension benefits. The balance is unsecured, interest free and has no set terms of repayment.

### 5. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value 2008</u>	<u>Net Book Value 2007</u>
Land	\$ 1	\$ -	\$ 1	\$ 1
Building	67,041,581	17,676,363	49,365,218	51,038,388
Miscellaneous equipment	1,989,027	1,346,733	642,294	743,628
Audio/visual equipment	582,447	315,124	267,323	300,548
Computer hardware	913,087	712,538	200,549	196,175
Furniture	1,229,296	1,109,292	120,004	4,562
Textbooks	45,610	45,610	-	285,736
Computer software	<u>81,984</u>	<u>81,984</u>	<u>-</u>	<u>-</u>
	\$ <u>71,883,033</u>	\$ <u>21,287,644</u>	\$ <u>50,595,389</u>	\$ <u>52,569,038</u>



# CEDARBRIDGE ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

### 5. Capital assets, cont'd.

The Education Act, 1996 vested the land, building and equipment in the Academy. The land is recorded at a nominal value of \$1. Improvements to these assets and the acquisition of new assets are capitalized. During the year there were no assets written off (2007 - \$40,572). Amortization expense for the year ended March 31, 2008 amounted to \$2,105,004 (2007 - \$2,182,997).

### 6. Deferred contributions related to capital assets

Deferred contributions reported in the Capital Fund represent contributions made by the Government of Bermuda for the construction of the Academy and for the initial contents of the school. The Government of Bermuda continues to provide grants for the ongoing capital requirements of the Academy.

The contributions are amortized to revenue on the same basis as the amortized expense of the acquired capital assets. The changes in the deferred contribution balance for the year are as follows:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 51,739,748	\$ 53,912,869
Less: amount amortized to revenue	<u>(2,109,900)</u>	<u>(2,173,121)</u>
Balance, end of year	\$ <u>49,629,848</u>	\$ <u>51,739,748</u>

### 7. Pension

The Academy has a defined contribution pension plan. Membership in the plan is compulsory for all full time non-teaching employees upon employment. Teaching staff are members of the Public Service Superannuation Fund, which is a defined benefit pension plan, administered by the Government of Bermuda. Employee contributions for both plans are 8% (2007 - 7%) of gross salary effective April 1, 2007 and they are matched by the Academy. These contributions represent the total liability of the Academy. The Academy's portion of the pension expense for the year amounted to \$260,579 (2007 - \$119,638) and is included among the related expense accounts. The Academy is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Fund.

# CEDARBRIDGE ACADEMY

## NOTES TO THE FINANCIAL STATEMENTS, Cont'd.

MARCH 31, 2008  
(expressed in Bermuda dollars)

8. Net change in non-cash working capital

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ (304,337)	\$ 57,755
Prepaid expenses	-	2,363
Accounts payable and accrued expenses	465,570	96,888
Deferred revenue	<u>(11,666)</u>	<u>(27,209)</u>
	\$ <u>149,567</u>	\$ <u>129,797</u>

9. Interfund transfers

During the year, transfers in the amount of \$131,355 (2007 - \$164,502) were made from the Operating Fund to the Capital Fund. The transfers were made to provide educational capital assets required by the Academy.

10. Comparative balances

Certain of the comparative balances have been restated to conform to current year presentation.



# **PART C**

## **FINANCIAL STATEMENTS**

### **TO BE INCLUDED IN SUBSEQUENT COMPILATIONS**



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## FINANCIAL STATEMENTS FOR FUTURE COMPILATIONS

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The audited financial statements of the following organisations will be included in subsequent compilations when they become available:

### 2009

Berkeley Institute Capitation Grant Account  
Bermuda Arts Council  
Bermuda College  
Bermuda Department of Tourism North America Retirement Plan  
Bermuda Educators Council  
Bermuda Health Council  
Bermuda Hospitals Board  
Bermuda Housing Corporation  
Bermuda Housing Trust  
Bermuda Land Development Company Limited  
Bermuda Small Business Development Corporation  
Board of Trustees of the Golf Courses  
CedarBridge Academy  
Confiscated Assets Fund  
Contributory Pension Fund (July)  
Devonshire Parish Council  
Government Borrowing Sinking Fund  
Government Employees Health Insurance Fund  
Government Reserves Fund  
Hamilton Parish Council  
Hospital Insurance Fund  
Ministers and Members of the Legislature Pensions Fund  
Mutual Re-insurance Fund  
Office of the Ombudsman for Bermuda  
Paget Parish Council  
Public Service Superannuation Fund  
Pembroke Parish Council  
Sandys Parish Council  
Sandys Secondary Middle School  
Smith's Parish Council  
Southampton Parish Council  
St. George's Parish Council  
St. George's Preparatory School Capitation Account  
Trustees of the National Sports Centre  
Warwick Parish Council  
Whitney Educational Trust

### 2008

Berkeley Institute Capitation Grant Account  
Bermuda Arts Council  
Bermuda College

**2008 (Continued)**

Bermuda Department of Tourism North America Retirement Plan  
Bermuda Educators Council  
Bermuda Small Business Development Corporation  
Board of Trustees of the Golf Courses  
Confiscated Assets Fund  
Contributory Pension Fund (July)  
Devonshire Parish Council  
Government Employees Health Insurance Fund  
Government Reserves Fund  
Hamilton Parish Council  
Hospital Insurance Fund  
Ministers and Members of the Legislature Pensions Fund  
Mutual Re-insurance Fund  
Office of the Ombudsman for Bermuda  
Public Service Superannuation Fund  
Pembroke Parish Council  
Sandys Parish Council  
Sandys Secondary Middle School  
Smith's Parish Council  
Southampton Parish Council  
St. George's Parish Council  
Warwick Parish Council  
Whitney Educational Trust

**2007**

Bermuda College  
Bermuda Department of Tourism North America Retirement Plan  
Bermuda Educators Council  
Board of Trustees of the Golf Courses  
Confiscated Assets Fund  
Contributory Pension Fund (July)  
Devonshire Parish Council  
Government Employees Health Insurance Fund  
Hamilton Parish Council  
Hospital Insurance Fund  
Ministers and Members of the Legislature Pensions Fund  
Mutual Re-insurance Fund  
Office of the Ombudsman for Bermuda  
Pembroke Parish Council  
Pension Commission (December)  
Public Service Superannuation Fund  
Sandys Parish Council  
Sandys Secondary Middle School  
Smith's Parish Council  
Southampton Parish Council  
St. George's Parish Council  
Warwick Parish Council  
Whitney Educational Trust

**2006**

Bermuda College  
Bermuda Educators Council  
Board of Trustees of the Golf Courses  
Contributory Pension Fund (July)  
Government Employees Health Insurance Fund  
Hamilton Parish Council  
Hospital Insurance Fund  
Mutual Re-insurance Fund  
Pembroke Parish Council  
Sandys Secondary Middle School  
Southampton Parish Council  
St. George's Parish Council  
Whitney Educational Trust

**2005**

Bermuda College  
Bermuda Educators Council  
Contributory Pension Fund (July)  
Hospital Insurance Fund  
Mutual Re-insurance Fund  
Pembroke Parish Council  
Whitney Educational Trust

**2004**

Pembroke Parish Council

**2003**

Pembroke Parish Council