

OFFICE OF OMBUDSMAN FOR BERMUDA

FINANCIAL STATEMENTS

MARCH 31, 2017



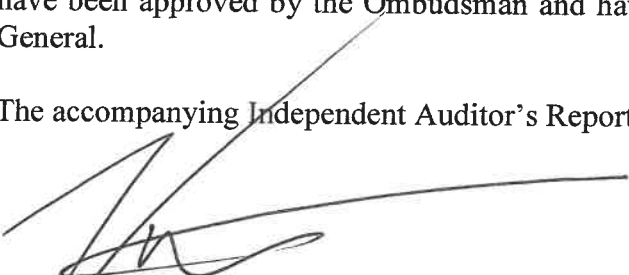
Management's Responsibility for the Financial Statements

These financial statements have been prepared by management, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgements, where appropriate.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The Ombudsman is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Ombudsman meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The financial statements have been approved by the Ombudsman and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



Victoria Pearman
Ombudsman for Bermuda

January 31, 2019



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To The Speaker of the House of Assembly

I have audited the accompanying financial statements of the Office of Ombudsman for Bermuda, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and change in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of Ombudsman for Bermuda as at March 31, 2017, and the results of its operations and changes in its net debt for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Hamilton, Bermuda
January 31, 2019

A handwritten signature in black ink that reads "Heather M." with a stylized flourish at the end.

Heather Thomas, CPA, CFE, CGMA
Auditor General

OFFICE OF OMBUDSMAN FOR BERMUDA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Due from the Consolidated Fund (Note 4)	29,151	53,101
 LIABILITIES		
Accounts payable and accrued liabilities	<u>37,977</u>	<u>76,466</u>
 NET DEBT	 <u>(8,826)</u>	 <u>(23,365)</u>
 NON-FINANCIAL ASSETS		
Prepaid expenses	3,809	13,598
Tangible capital assets (Note 5)	<u>5,017</u>	<u>9,767</u>
	<u>8,826</u>	<u>23,365</u>
 ACCUMULATED SURPLUS	 <u>-</u>	 <u>-</u>
 CONTRACTUAL OBLIGATIONS (Note 8)		

The accompanying notes are an integral part of these financial statements

OFFICE OF OMBUDSMAN FOR BERMUDA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2017

	2017	2017	2016
	\$	\$	\$
	Budget	Actual	Actual
	(Note 7)		
REVENUES			
Operating Appropriation	909,703	861,225	895,609
Capital Appropriation	-	-	1,497
	<u>909,703</u>	<u>861,225</u>	<u>897,106</u>
EXPENSES			
Salaries and employee benefits	635,663	632,099	585,073
Rent	49,990	65,784	65,828
Pension benefits	-	50,596	44,194
Professional services	87,500	49,545	92,318
Material and supplies	32,000	22,040	21,602
Training and travel	63,500	15,075	55,880
Communications	11,750	10,172	10,751
Repairs and maintenance	28,700	7,500	8,579
Amortization of tangible capital assets	-	4,750	6,076
Office supplies	-	3,929	4,918
Advertising and promotion	600	-	390
Miscellaneous	-	(265)	-
	<u>909,703</u>	<u>861,225</u>	<u>895,609</u>
OPERATING SURPLUS	-	-	1,497
PURCHASE OF TANGIBLE CAPITAL ASSETS	-	-	1,497
ANNUAL SURPLUS	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

OFFICE OF OMBUDSMAN FOR BERMUDA
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
	\$	\$
ANNUAL SURPLUS	-	-
Acquisition of tangible capital assets	-	(1,497)
Amortization of tangible capital assets	4,750	6,076
	<u>4,750</u>	<u>4,579</u>
Acquisition of prepaid expenses	(3,809)	(13,598)
Use of prepaid expenses	13,598	3,328
	<u>9,789</u>	<u>(10,270)</u>
DECREASE (INCREASE) IN NET DEBT	14,539	(5,691)
NET DEBT, BEGINNING OF YEAR	<u>(23,365)</u>	<u>(17,674)</u>
NET DEBT, END OF YEAR	<u><u>(8,826)</u></u>	<u><u>(23,365)</u></u>

The accompanying notes are an integral part of these financial statements

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

1. AUTHORITY

Section 93A(1) of the Bermuda Constitution Order 1968 by the Bermuda Constitution (Amendment) Order 2001 provides that "There shall be an Ombudsman for Bermuda".

The Constitution stipulates that the Office of Ombudsman for Bermuda (the "Office") is not a public office except as delineated in sections 103(1)(b) and Section 93(2)(a) of the Constitution which shall have the effect as if reference to the Ombudsman were inserted after the reference to a judge of the Supreme Court or the Court of Appeal.

The Constitution provides that in the exercise of her functions and jurisdiction, the Ombudsman shall not be subject to the direction or control of any other person or authority. Further, the Ombudsman Act 2004 (the "Act") provides that the Ombudsman shall have no jurisdiction to inquire into any exercise of the power by the Governor of Bermuda to pardon persons convicted of criminal offences or commute their penalties.

The Ombudsman was appointed under Public Seal for a period of five years with a further extension of three years. The Ombudsman shall have an official seal and her salary shall be charged on the Consolidated Fund of the Government of Bermuda (the "Consolidated Fund").

The Act provides that the functions of the Ombudsman are to investigate any administrative action (actions, decisions, recommendations and failure to act, decide or recommend) of an authority for the purpose of deciding whether there is evidence of maladministration, notwithstanding any provision in any enactment that such action is final or not subject to appeal or review.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada, the Office is classified as an other government organization. These financial statements have been prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada and the accounting policies considered particularly significant are as follows:

(a) Revenue

Appropriations from the Consolidated Fund are recorded when receivable.

(b) Expenses

All expenses are reported on the accrual basis of accounting. Expenses represent the costs of resources consumed during the year on the Office's operations.

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the tangible capital assets as follows:

Furniture and fixtures	-	7 years
Office equipment	-	5 years
Computer equipment	-	3 years

(d) Measurement uncertainty

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require 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 and expenses during the year. Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

(e) Financial instruments

Financial instruments consist of due from the Consolidated Fund and accounts payable and accrued liabilities. These financial instruments are measured at cost or amortized cost. It is management's opinion that the Office is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

(f) 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 and expenses are translated at the exchange rate in effect at the transaction date.

3. GOVERNMENT FUNDING

The daily operations, cash flow and capital acquisitions of the Office are funded by the Government of Bermuda.

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

4. DUE FROM THE CONSOLIDATED FUND

The Office does not have its own bank account or hold cash or cash equivalents. All financial transactions of the Office are processed through the Consolidated Fund. The “Due from the Consolidated Fund” balance represents amounts that the Consolidated Fund will process in the future on behalf of the Office.

5. TANGIBLE CAPITAL ASSETS

	2017			2016	
	Office Equipment \$	Computer Equipment \$	Furniture & Fixtures \$	Total \$	Total \$
Opening cost	16,260	23,541	25,449	65,250	63,753
Additions	-	-	-	-	1,497
Closing cost	16,260	23,541	25,449	65,250	65,250
Opening accumulated amortization	13,989	20,248	21,246	55,483	49,407
Annual amortization	1,875	1,885	990	4,750	6,076
Closing accumulated amortization	15,864	22,133	22,236	60,233	55,483
Net book value	396	1,408	3,213	5,017	9,767

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

5. TANGIBLE CAPITAL ASSETS (continued)

	2016			2015	
	Office Equipment \$	Computer Equipment \$	Furniture & Fixtures \$	Total \$	Total \$
Opening cost	16,260	22,044	25,449	63,753	59,649
Additions	-	1,497	-	1,497	4,104
Closing cost	16,260	23,541	25,449	65,250	63,753
Opening accumulated amortization	12,114	17,037	20,256	49,407	41,416
Annual amortization	1,875	3,211	990	6,076	7,991
Closing accumulated amortization	13,989	20,248	21,246	55,483	49,407
Net book value	2,271	3,293	4,203	9,767	14,346

6. EMPLOYEE BENEFITS

(a) Pension plan

The employees of the Office are included in the Public Service Superannuation Fund (the "Fund"), which is a defined benefit plan administered by the Government of Bermuda. Contributions to the Fund are 8% of gross salary and they are matched equally by the Government of Bermuda. The employer's portion of contributions for 2017 was \$50,596 (2016 - \$44,194). The Office is not required under present legislation to make contributions with respect to actuarial deficiencies of the Fund.

(b) Compensated absences

Compensated absences include maternity and paternity leave, sick leave and vacation days. All of these benefits are unfunded.

Maternity and paternity leave does not accumulate or vest and therefore an expense is only recognized when applied for and approved. There were no maternity or paternity benefits applied for or approved at year-end and therefore, no expense has been accrued in the accounts.

Sick leave does not accumulate or vest, and like maternity and paternity leave, an expense is recorded only when extended sick leave is applied for and approved. There was no extended sick leave applied for or approved at year-end and therefore, no expense has been accrued in the accounts.

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

6. EMPLOYEE BENEFITS (continued)

(b) Compensated absences (continued)

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as at March 31, 2017 is \$28,626 (2016 - \$30,203) and is included in accounts payable and accrued liabilities.

7. BUDGET-UNUSED AND USED APPROPRIATION

The Office is funded by the House of Assembly through a voted appropriation. The vote provides separately for operating expenses and capital acquisitions. Any unused operating appropriations cannot be carried forward for use in subsequent years. Capital appropriations carried forward for use in subsequent years must be approved by the Minister of Finance.

8. CONTRACTUAL OBLIGATIONS

Effective July 1, 2014, the Government of Bermuda entered into a two-year lease agreement with Sandypoint Ltd. for the Office at Dundonald Place at an annual rent of \$64,368. Starting July 1, 2016, the Office continued to use the premises on a month-to-month basis at a monthly rent of \$5,364 (\$4,041 rental fee plus \$1,323 rental maintenance fee). As at March 31, 2017, the total remaining obligation under the lease is \$Nil (2016 - \$16,092)

9. STATEMENT OF CASH FLOWS

The statement of cash flows has not been prepared as it would not provide any additional useful information.

10. SUBSEQUENT EVENT

As of January 24, 2018, the Government of Bermuda has reached an agreement with Sandypoint Ltd. to enter into a new two-year lease agreement for the period beginning January 1, 2018 through December 31, 2019 at a monthly rent of \$5,364 (\$4,041 rental fee plus \$1,323 rental maintenance fee). The Office is currently in negotiations to extend the lease to a three-year lease period ending December 31, 2020.