

OFFICE OF OMBUDSMAN FOR BERMUDA

FINANCIAL STATEMENTS

MARCH 31, 2018



OMBUDSMAN FOR BERMUDA

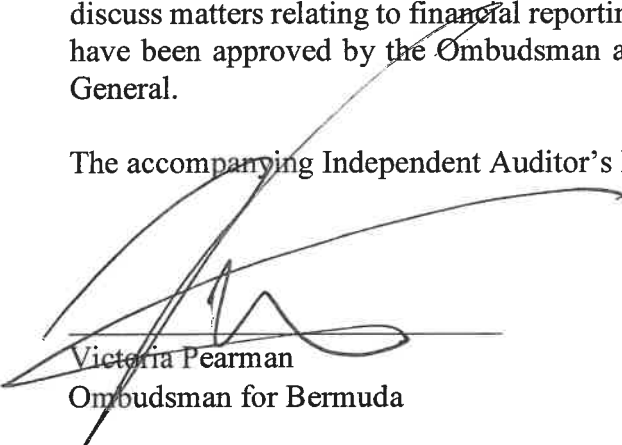
Management's Responsibility for the Financial Statements

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

June 10, 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, 2018, 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, 2018, 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
June 10, 2019

A handwritten signature in black ink, appearing to read "Heather T.", with a stylized flourish at the end.

Heather Thomas, CPA, CFE, CGMA
Auditor General

OFFICE OF OMBUDSMAN FOR BERMUDA
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Due from the Consolidated Fund (Note 4)	29,266	29,151
 LIABILITIES		
Accounts payable and accrued liabilities	<u>49,801</u>	<u>37,977</u>
 NET DEBT	 <u>(20,535)</u>	 <u>(8,826)</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	13,047	5,017
Prepaid expenses	<u>7,488</u>	<u>3,809</u>
	<u>20,535</u>	<u>8,826</u>
 ACCUMULATED SURPLUS	 <u><u>-</u></u>	 <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, 2018

	2018 \$ Budget (Note 7)	2018 \$ Actual	2017 \$ Restated (Note 12)
REVENUES			
Operating Appropriation	909,703	875,676	810,629
Capital Appropriation	10,700	10,656	-
	<u>920,403</u>	<u>886,332</u>	<u>810,629</u>
EXPENSES			
Salaries and employee benefits	650,403	678,606 ✓	632,099
Rent	50,000	65,714 ✓	65,784
Professional services	87,900	46,492 ✓	49,545
Training and travel	49,000	35,805 ✓	15,075
Material and supplies	31,800	24,203 ✓	22,040
Communications	11,800	12,363 ✓	10,172
Repairs and maintenance	28,200	7,240 ✓	7,500
Amortization of tangible capital assets	-	2,626 ✓	4,750
Office supplies	-	2,498	3,929
Advertising and promotion	600	-	-
Miscellaneous	-	129	(265)
	<u>909,703</u>	<u>875,676</u>	<u>810,629</u>
OPERATING SURPLUS	10,700	10,656	-
PURCHASE OF TANGIBLE CAPITAL ASSETS	<u>10,700</u>	<u>10,656</u>	<u>-</u>
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, 2018

	2018	2017
	\$	\$
ANNUAL SURPLUS	-	-
Acquisition of tangible capital assets	(10,656)	-
Amortization of tangible capital assets	2,626	4,750
	<u>(8,030)</u>	<u>4,750</u>
Acquisition of prepaid expenses	(7,488)	(3,809)
Use of prepaid expenses	3,809	13,598
	<u>(3,679)</u>	<u>9,789</u>
CHANGE IN NET DEBT	(11,709)	14,539
NET DEBT, BEGINNING OF YEAR	<u>(8,826)</u>	<u>(23,365)</u>
NET DEBT, END OF YEAR	<u><u>(20,535)</u></u>	<u><u>(8,826)</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, 2018

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, 2018

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 and accruals. 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 (the "Government").

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

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

	2018			2017	
	Office Equipment \$	Computer Equipment \$	Furniture & Fixtures \$	Total \$	Total \$
Opening cost	16,260	23,541	25,449	65,250	65,250
Additions	10,656	-	-	10,656	-
Closing cost	26,916	23,541	25,449	75,906	65,250
Opening accumulated amortization	15,864	22,133	22,236	60,233	55,483
Annual amortization	396	1,240	990	2,626	4,750
Closing accumulated amortization	16,260	23,373	23,226	62,859	60,233
Net book value	10,656	168	2,223	13,047	5,017

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

5. TANGIBLE CAPITAL ASSETS (continued)

	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

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. Contributions to the Fund are 8% of gross salary and they are matched equally by the Government. 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, 2018

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, 2018 is \$38,821 (2017 - \$28,626) 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 January 1, 2018, the Government entered into a two-year lease agreement with Sandypoint Ltd. for the Office at Dundonald Place at an annual rent of \$64,368. As at March 31, 2018, the total remaining obligation under the lease is \$112,644 (2017 - \$Nil).

9. STATEMENT OF CASH FLOWS

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

10. RELATED PARTY TRANSACTIONS

The Office has related party transactions for services of a non-material nature. The nature of these transactions are support services consistent with services typically provided to other Non-Ministry Offices which do not impede the Office's independence.

The related party transactions are with the following government departments/offices:

1. Accountant General's Department
2. Department of Communications
3. Department of Human Resources
4. Department of Immigration
5. Department of Public Lands & Building
6. Department of Workforce Development
7. Governor and Staff
8. Human Rights Commission
9. Information Commissioner's Office
10. Information & Digital Technologies
11. Parliamentary Registry Office

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

11. FINANCIAL RISK MANAGEMENT

The Office is exposed to various risks through its financial instruments. The Ombudsman has the overall responsibility for the establishment and oversight of its risk management framework. The Office manages its risks and risk exposures through sound business practices. The following analysis provides a measure of the risks at the reporting date, March 31, 2018.

(a) Liquidity risk

Liquidity risk is the risk that the Office will not be able to meet its financial obligations as they fall due. The Office's objective in managing liquidity is to ensure that it will always have sufficient funds to meet its commitments when due, without incurring unacceptable losses or risking damage to the Office's reputation. The Office manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

The expected cash flows of financial liabilities for accounts payable and accrued liabilities is current.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure liquidity risk.

(b) 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 Office's results of operations. The Office has minimal exposure to market risk.

(i) Foreign exchange risk

The Office's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure market risk.

12. PRIOR PERIOD ADJUSTMENT

The financial statements for March 31, 2017 have been restated to correct the Government employer's pension contributions included in the statement of operations in error. As a result, the 2017 balances have been restated as follows:

<u>Operating Appropriation</u>	
As previously stated (March 31, 2017)	\$861,225
As restated	\$810,629

OFFICE OF OMBUDSMAN FOR BERMUDA
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

12. PRIOR PERIOD ADJUSTMENT (continued)

Pension Benefits (Note 6)

As previously stated (March 31, 2017)	\$50,596
As restated	\$Nil

13. COMPARATIVE FIGURES

Certain comparative figures have been restated and reclassified to conform to the current year's presentation.

14. SUBSEQUENT EVENT

The Government is currently in negotiations to extend the lease to a three-year lease period ending December 31, 2020.