

OFFICE OF OMBUDSMAN FOR BERMUDA

FINANCIAL STATEMENTS

MARCH 31, 2011



Office of the Auditor General

Reid Hall
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.gov.bm

INDEPENDENT AUDITOR'S REPORT

To The Speaker of the House of Assembly

I have audited the accompanying financial statements of the Office of the Ombudsman for Bermuda, which comprise the statement of financial position as at March 31, 2011, and the statement of operations 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, 2011 and its financial performance for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Hamilton, Bermuda
October 18, 2012



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

OFFICE OF OMBUDSMAN FOR BERMUDA

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2011

	2011 \$	2010 \$ Restated (note 10)
ASSETS		
Prepaid expenses	10,649	3,199
Due from the Consolidated Fund (note 4)	15,306	17,539
Tangible capital assets (note 5)	10,107	18,536
	<u>36,062</u>	<u>39,274</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 10)	<u>52,048</u>	<u>47,180</u>
DEFICIT		
Deficit, beginning of year (note 10)	(7,906)	(7,422)
Net operating results	(705,971)	(703,535)
Net transfer from the Consolidated Fund	<u>697,891</u>	<u>703,051</u>
Deficit, end of year	<u>(15,986)</u>	<u>(7,906)</u>
	<u>36,062</u>	<u>39,274</u>
COMMITMENTS (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, 2011

	2011	2011	2010
	\$	\$	\$
	Budget (note 7)	Actual	Restated (note 10)
REVENUES			
Donated audit services	-	8,400	9,000
	<u>-</u>	<u>8,400</u>	<u>9,000</u>
EXPENSES			
Salaries and employee benefits	423,442	407,030	377,905
Professional services	125,100	112,260	137,099
Rent	108,500	107,131	97,463
Material and supplies	29,500	42,545	36,690
Amortization of tangible capital assets	-	8,429	9,483
Audit services	-	8,400	9,000
Office supplies	3,500	8,372	3,704
Communications	9,100	8,055	10,155
Repairs and maintenance	6,500	5,288	8,292
Training and travel	5,550	3,591	22,426
Advertising and promotion	1,500	3,270	318
	<u>712,692</u>	<u>714,371</u>	<u>712,535</u>
NET OPERATING RESULTS	<u>(712,692)</u>	<u>(705,971)</u>	<u>(703,535)</u>

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

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

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 eight years commencing August 1, 2005. The Ombudsman shall have an official seal and her salary shall be charged on the Consolidated Fund of the Government Bermuda.

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

These financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The accounting policies considered particularly significant are as follows:

(a) Revenue recognition

All revenues are reported on the accrual basis of accounting.

Since the establishment of the Office, the Office of the Auditor General has donated the audit services.

(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, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Tangible capital assets

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

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

(d) Use of estimates

The preparation of financial statements in accordance with PSAB 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 year. Actual results could differ from these estimates.

(e) Net assets/deficit

Net assets/deficit represent the difference between the carrying value of the assets of the Office and its liabilities.

(f) Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of due from the Consolidated Fund and accounts payable and accrued liabilities approximate their carrying values because of their relative short-term nature.

3. GOVERNMENT FUNDING

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

4. DUE FROM THE CONSOLIDATED FUND

The balance due from the Consolidated Fund represents the net of prepaid expenses and accounts payable and accrued liabilities. The Office does not maintain cash balances.

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

5. TANGIBLE CAPITAL ASSETS

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Furniture and fixtures	18,524	13,785	4,739	7,387
Computer equipment	9,000	5,000	4,000	6,999
Office equipment	24,176	22,808	1,368	4,150
	<u>51,700</u>	<u>41,593</u>	<u>10,107</u>	<u>18,536</u>

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. Both the employer's and employee's portion of contributions is paid directly to the Fund by the Government of Bermuda. No charge for contributions to the Fund is made to the Office's accounts. The Office is not required under present legislation to make contributions with respect to actuarial deficiencies of the Fund.

(b) Other benefits

Other employee benefits include maternity leave, sick leave and vacation days. All of these benefits are unfunded.

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

Sick leave accumulates but does not vest, and like maternity leave, an expense is recorded only when extended 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, 2011

6. EMPLOYEE BENEFITS (continued)

(b) Other benefits (continued)

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as of March 31, 2011 is \$41,803 (2010 - \$39,789) and is included in accounts payable and accrued liabilities.

7. BUDGET

These amounts represent the operating budget approved by the House of Assembly.

8. COMMITMENTS

The Government of Bermuda entered into a rental lease agreement with Sandypoint Ltd. for the Office at Dundonald Place. The lease, which expires on June 30, 2011 was renewed for an extended term of 3 years commencing on July 1, 2011. The total remaining obligation under the leases is \$258,574.

9. STATEMENT OF CASH FLOWS

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

10. PRIOR PERIOD ADJUSTMENTS

The accrued vacation liability was incorrectly computed in the prior year. Therefore, accounts payable and accrued liabilities and net assets were misstated as at March 31, 2010. As a result the 2010 balances have been restated and are shown below:

Accounts payable and accrued liabilities

As previously stated (March 31, 2010)	\$20,738
As restated	\$47,180

Net assets (deficit), beginning of year

As previously stated (March 31, 2010)	\$19,020
As restated	\$ (7,422)

OFFICE OF OMBUDSMAN FOR BERMUDA

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MARCH 31, 2011

11. COMPARATIVE FIGURES

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