

**OFFICE OF OMBUDSMAN FOR BERMUDA**

**FINANCIAL STATEMENTS**

**MARCH 31, 2012**



## *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](mailto:oag@oagbermuda.bm)

Website: [www.oagbermuda.gov.bm](http://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, 2012, and the statements of operations, changes in net debt and cash flows 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, 2012, and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Hamilton, Bermuda  
January 29, 2014

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

OFFICE OF OMBUDSMAN FOR BERMUDA  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2012

	2012	2011
	\$	\$
		Restated (Note 10)
<b>FINANCIAL ASSETS</b>		
Due from the Consolidated Fund (Note 4)	<u>49,004</u>	<u>30,294</u>
	<u>49,004</u>	<u>30,294</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>67,926</u>	<u>52,048</u>
	<u>67,926</u>	<u>52,048</u>
<b>NET DEBT</b>	<u><u>(18,922)</u></u>	<u><u>(21,754)</u></u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 5)	15,668	11,105
Prepaid expenses	<u>3,254</u>	<u>10,649</u>
	<u>18,922</u>	<u>21,754</u>
<b>ACCUMULATED SURPLUS (DEFICIT)</b>	<u><u>-</u></u>	<u><u>-</u></u>
<b>COMMITMENTS (Note 8)</b>		

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, 2012

	2012	2012	2011
	\$	\$	\$
	Budget	Actual	Restated
	(Note 7)		Actual
			(Note 10)
REVENUES			
Operating Appropriation	826,240	809,370	737,529
Capital Appropriation	16,000	11,379	-
	<u>842,240</u>	<u>820,749</u>	<u>737,529</u>
EXPENSES			
Salaries and employee benefits	524,490	501,588	439,586
Professional services	114,100	141,532	112,260
Rent	109,500	83,893	107,131
Material and supplies	44,300	31,637	42,545
Training and travel	9,200	22,355	3,591
Communications	11,150	8,473	8,055
Amortization of tangible capital assets	-	6,816	7,431
Repairs and maintenance	9,000	7,093	5,288
Office supplies	2,500	3,124	8,372
Advertising and promotion	2,000	2,859	3,270
	<u>826,240</u>	<u>809,370</u>	<u>737,529</u>
EXCESS OF REVENUES OVER			
EXPENSES	16,000	11,379	-
PURCHASE OF TANGIBLE CAPITAL			
ASSETS	<u>16,000</u>	<u>11,379</u>	<u>-</u>
ANNUAL SURPLUS (DEFICIT)	<u>-</u>	<u>-</u>	<u>-</u>

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

OFFICE OF OMBUDSMAN FOR BERMUDA  
STATEMENT OF CHANGES IN NET DEBT  
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
	\$	\$
ANNUAL SURPLUS (DEFICIT)	-	-
Acquisition of tangible capital assets	(11,379)	-
Amortization of tangible capital assets	<u>6,816</u>	<u>7,431</u>
	<u>(4,563)</u>	<u>7,431</u>
Acquisition of prepaid expenses	(3,254)	(10,649)
Use of prepaid expenses	<u>10,649</u>	<u>3,199</u>
	<u>7,395</u>	<u>(7,450)</u>
DECREASE (INCREASE) IN NET DEBT	2,832	(19)
NET DEBT, BEGINNING OF YEAR	<u>(21,754)</u>	<u>(21,735)</u>
NET DEBT, END OF YEAR	<u><u>(18,922)</u></u>	<u><u>(21,754)</u></u>

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

OFFICE OF OMBUDSMAN FOR BERMUDA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
	\$	\$
OPERATING TRANSACTIONS		
Cash provided from Consolidation Fund	760,569	701,389
Paid to employees	(485,732)	(411,129)
Paid to suppliers	(293,547)	(295,109)
Cash used in operations	<u>(18,710)</u>	<u>(4,849)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(11,379)	-
Appropriation for tangible capital assets	11,379	-
Cash used in investing activities	<u>-</u>	<u>-</u>
INCREASE IN DUE FROM CONSOLIDATED FUND	18,710	4,849
DUE FROM CONSOLIDATED FUND, BEGINNING OF YEAR	<u>30,294</u>	<u>25,445</u>
DUE FROM CONSOLIDATED FUND, END OF YEAR	<u><u>49,004</u></u>	<u><u>30,294</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, 2012

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 CPA Canada. 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, 2012

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) 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) Financial instruments

The office has designated financial instruments as follows:

Accounts payable and accrued liabilities as other financial liabilities which are measured at amortized cost.

Due from consolidated fund is classified as loans and receivables which are measured at amortized cost.

It is management's opinion that the Office is not exposed to significant interest, currency or credit risk arising from these instruments.

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 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 of the Government of Bermuda. The "Due from the Consolidated Fund" balance represents amounts that the Consolidated Fund will process in the future on behalf of the Office.

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

5. TANGIBLE CAPITAL ASSETS

	2012			2011	
	Office Equipment \$	Computer Equipment \$	Furniture & Fixtures \$	Total \$	Total \$
Opening cost	24,176	9,000	18,524	51,700	51,700
Additions during the year	7,395	3,984	-	11,379	-
Disposals during the year	-	-	-	-	-
Closing cost	<u>31,571</u>	<u>12,984</u>	<u>18,524</u>	<u>63,079</u>	<u>51,700</u>
Opening accumulated amortization	22,809	4,002	13,784	40,595	33,164
Annual amortization	888	3,280	2,648	6,816	7,431
Disposals	-	-	-	-	-
Closing accumulated amortization	<u>23,697</u>	<u>7,282</u>	<u>16,432</u>	<u>47,411</u>	<u>40,595</u>
Net book value	<u>7,874</u>	<u>5,702</u>	<u>2,092</u>	<u>15,668</u>	<u>11,105</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. The employer's portion of contributions for 2012 was \$36,954 (2011 - \$32,556). 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.

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

6. EMPLOYEE BENEFITS (continued)

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.

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as of March 31, 2012 is \$57,659 (2011 - \$41,803) and is included in accounts payable and accrued liabilities.

7. BUDGET

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 appropriation cannot be carried forward for use in subsequent years.

8. COMMITMENTS

Effective July 1, 2011, the Government of Bermuda entered into a three-year lease agreement with Sandypoint Ltd. for the Office at Dundonald Place at an annual rent of \$77,594. As of March 31, 2012, the total remaining obligation under the lease is \$174,587.

9. RECENT ACCOUNTING PRONOUNCEMENTS

The Public Sector Accounting Board issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation, and disclosure of financial assets, financial liabilities, and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2012. The Office does not anticipate that these new standards will have a significant effect on its financial statements.

10. CORRECTION OF ACCOUNTING ERRORS IN PRIOR PERIODS

The statement of financial position for March 31, 2012 has been adjusted to reclassify \$14,288 accumulated deficit from prior year to amounts "due from the consolidated fund".

In addition, a prior period depreciation error of \$998 relating to computer equipment has also been adjusted to prior year's accumulated deficit.

As a result, the 2011 balances have been restated.

OFFICE OF OMBUDSMAN FOR BERMUDA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

10. CORRECTION OF ACCOUNTING ERRORS IN PRIOR PERIODS (continued)

<u>Amortization of tangible capital assets</u>	
As previously stated (March 31, 2011)	\$8,429
As restated	\$7,431
<u>Due from the consolidated fund</u>	
As previously stated (March 31, 2011)	\$15,306
As restated	\$30,294
<u>Accumulated deficit</u>	
As previously stated (March 31, 2011)	\$15,986
As restated	\$Nil