



MEDIA RELEASE

November 6, 2020

The Auditor General's annual report on the work of her Office for the year ended March 31, 2019 was tabled in the House of Assembly today

The report provides details of the audit work completed by the Office of the Auditor General of Bermuda during the year ended March 31, 2019, including the results of the Auditor General's audit of the financial statements of the Consolidated Fund of the Government of Bermuda for the year ended March 31, 2018. It also includes information about the administration of the Office during the year.

The Auditor General, Mrs. Heather Thomas, notes that the primary function of her Office is to audit the annual financial statements of the Government and its organizations. She stated that "Out of the 47 audits or reviews of annual financial statements of Government-controlled and other organizations, funds, parish councils and aided schools' capitation accounts that we completed during the year, 10 resulted in qualified opinions or disclaimers of opinion. Unfortunately, one of my qualified audit opinions was for the financial statements of the Government's Consolidated Fund for the year ended March 31, 2018". Mrs. Thomas noted that she was able to provide an unqualified audit opinion on the Consolidated Fund financial statements for the year ended March 31, 2019. Details will be reported in her annual report on the work of the Office for the year ended March 31, 2020.

"The significance of qualified opinions and disclaimers of opinion is explained in section 3.1 of my report", said Mrs. Thomas. "In a general sense, they mean that all is not well and that, typically, sufficient, appropriate documentary support for amounts recorded in the financial statements is not available."

The Auditor General commented that, "The number of qualified or disclaimed audit opinions, coupled with the fact that as at March 31, 2019 there were 39 organizations falling under my mandate that were at least one year behind with their financial statements (with a total of 139 sets of financial statements in arrears), is of great concern to me and, I suggest, should be to legislators and the people of Bermuda. The financial accountability process for Government continues to not function well".

Section 2 of the Auditor General's report highlights some matters of special importance. Mrs. Thomas said, "The matters, all of which have been discussed in my previous annual reports, show that that Government is continuing to make decisions without knowing the combined financial position of all the organizations that make up the Government reporting entity. Further, there are no effective, comprehensive long-term plans for reducing the annual and accumulated deficits or the associated debt, the unfunded liabilities of its major pension plans or the size of taxpayer indebtedness, all of which continue to grow unsustainably".

The Auditor General noted that she was pleased that, through the Ministry of Finance responses to her recommendations, the Government has committed to deal with many of the issues raised

in her report. “The commitments”, said Mrs. Thomas, “Include bringing all outstanding financial statements up to date by the end of 2020 and producing Summary Financial Statements for the whole of Government for the year ending March 31, 2021 (subject to the availability of audited financial statements for Government-controlled organizations). Mrs. Thomas noted that both her recommendations and the Ministry of Finance responses are included in her report.

“Another of the special matters in my report”, said Mrs. Thomas, “Is the need for Government to provide the House of Assembly and the public with supplementary analytical information that would help them understand Government’s Consolidated Fund financial statements and its financial condition. The Government has committed to produce a financial statement discussion and analysis with respect to the March 31, 2020 financial statements for the Consolidated Fund”.

The Auditor General explained, “In the absence of Government providing such important supplementary information, my report analyses key sustainability and flexibility indicators of the financial condition of Government’s Consolidated Fund for the five years ended March 31, 2018. I concluded that, despite some relatively small improvements to some of the key measures, the indicators of financial condition continue to demonstrate a level of unsustainability and impaired flexibility”.

“In my view,” said the Auditor General, “Government needs to be clear about how its goals and priorities will be affected by fewer resources and needs to ensure that the reduced resources are aligned in a way that maximizes their effectiveness and has the least impact on the quality of its service delivery. Each year of inaction exacerbates the problems. The problems are serious. Government should make getting to grips with the debt and the deficit one of its highest priority”.

The Auditor General said, ‘an ongoing issue for her Office is efforts to modernize the Audit Act 1990. The Parliamentary Standing Committee (‘Committee’) on the Office of the Auditor General fully supported this initiative dating back to April 14, 2016 and working with her present Committee, a Bill was drafted May 2018 but no will to advance”.

Mrs. Thomas said she recognized that her annual report was an historical look at the work of her Office. “Of course, the environment has changed as the Government continues to respond to the Coronavirus pandemic” said the Auditor General. “Her office has received a few inquiries on the Government COVID-19 response and activities. We have undertaken a public interest review of the Government of Bermuda’s COVID-19 response and related programs; in conjunction with the audit of the Government’s Consolidated Fund financial statements for the year ended March 31, 2020”. The approach taken is a phased review of the Government COVID-19 response and related programs so as not to disrupt the Government on going COVID-19 activities. The results of her Office COVID-19 review will be over three reports.

About the Office of the Auditor General of Bermuda

The position of Auditor General is established under the Bermuda Constitution Order. The specific mandate and responsibilities of the Auditor General are set out in the Audit Act 1990, and include carrying out audits of Government and its organizations and reporting to the legislature.

The mission of the Office of the Auditor General is to add credibility where appropriate to the Government's financial reporting and to promote improvement in the financial administration of all Government Ministries, Departments and all other entities for which the Government is accountable to Parliament.