

MEDIA RELEASE

November 15, 2019

The Auditor General’s annual report on the work of her Office for the financial year ended March 31, 2018 was tabled in the House of Assembly today

The report provides details of the audit work completed by the Office during the financial year ended March 31, 2018, 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, 2017. 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. As previously reported when the above Consolidated Fund financial statements were issued, the Auditor General confirmed that, “As a result of the audit work carried out, I was able to conclude that the financial statements present fairly, in all material aspects, the financial position of the Consolidated Fund as at March 31, 2017, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada,”

“However, out of the 64 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, 24 resulted in qualified opinions or disclaimers of opinion” said Mrs. Thomas. She continued, “The significance of qualified opinions and disclaimers of opinion is explained in section 3.1 of my report. 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”. There may have been Board and management changes during the period under audit or reviews and persons may not have been present during the period; but this does not diminish or relieve them of their statutory and fiduciary responsibilities.

The Auditor General commented that, “The number of qualified or disclaimed audit opinions, coupled with the fact that as at March 31, 2018 there were 40 organizations falling under my mandate that were at least one year behind with their financial statements (with a total of 133 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 accountability process for Government is not functioning well”.

Section 2 of the Auditor General’s report highlights some matters of special importance. Mrs. Thomas said, “The matters discussed show that that Government is making decisions without knowing the combined financial position of all the organizations that make up the Government 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. Consequently, the resources available to carry out Government programmes effectively are predictably being impacted by increasing debt-servicing costs”.

“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 the analytical information that would help them understand Government’s Consolidated Fund financial statements and its financial condition”.

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, 2017. 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 its highest priority”.

With respect to the administration of her Office, Mrs. Thomas explained that her report sets out the strategic focus of her work and highlights the five critical success factors that are fundamental to her Office’s ability to carry out the desired work in the most efficient and effective manner.

Mrs. Thomas stated that her Office continues to operate under budget. She concludes that, “For the present, the Office is being resourced adequately. I believe that my staff and I have shown that we can meet successfully the challenges of working in a demanding and increasingly complex environment to deliver a programme of financial audits that is vital to the well-being of our parliamentary system”.

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.