



Report of the Auditor General

on the Work of the

Office of the Auditor General

For the Financial Year Ended

March 31, 2018

June 14, 2019

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OUR MISSION

**The mission of the Office of the Auditor General,
derived from its legislative mandate, is
to add credibility 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.**

OUR TEAM



First Row:
(Left to right)

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Second Row:
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The Honourable Dennis P. Lister, JP, MP
Speaker of the House of Assembly
Sessions House
21 Parliament Street
Hamilton HM 12

Honourable Speaker:

In accordance with Section 101(3) of the Bermuda Constitution Order 1968 and Section 10 of the Audit Act 1990, I have the honour to submit herewith my Annual Report for the year ended March 31, 2018.

Respectfully submitted

Heather Thomas, CPA, CFE, CGMA
Auditor General

Hamilton, Bermuda
June 14, 2019

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1. INTRODUCTION

1. Auditor General's Comments

1.1. Introduction

This annual report for the year ended March 31, 2018 is one of the last steps in bringing the reporting of the Office up-to-date. The report includes details of the audit work completed by the Office during the year, including the results of my audit of the Government's Consolidated Fund's financial statements for the year ended March 31, 2017. It also includes information about the administration of the Office during the year.

I was able to table on December 20, 2018 in the House of Assembly a report covering the work of the Office for the seven years ended March 31, 2017 (*Report of the Auditor General on the Work of the Office of the Auditor General for the years ended March 31, 2011 to March 31, 2017*) and a report on the audits of the Government's Consolidated Fund's financial statements for the four years ended March 31, 2016 (*Report of the Auditor General on the Audits of the Financial Statements of the Consolidated Fund of the Government of Bermuda for the years ended March 31, 2013, March 31, 2014, March 31, 2015 and March 31, 2016*).

Astute readers may notice that this report is similar in format and content to previous reports on the Government's Consolidated Fund and my recent report on work of the Office for the seven years ended March 31, 2017. This is partly a consequence of my efforts to bring the reporting of the Office up to date but also because we try hard to keep the format of the report somewhat consistent among the reporting years to assist in ensuring interpretability and understandability for the public, elected or appointed representatives and other users of our reports such as statisticians and financial advisors. I wish to remove the need for complex reconciliations of the report that could reduce understanding and impair the accountability to the users of the report.

With respect to ensuring the best infrastructure for our work is in place, a few critical success factors collectively, will allow us to complete our work efficiently and effectively. The Office plays a critical role in protecting and enhancing the trust that we, as citizens of Bermuda, have in our public sector. As reported previously, I believe that we are positioned to achieve the success factors, although there are matters that need increased attention, such as modernizing the Audit Act 1990, regularizing performance audits, and attracting and retaining more Bermudian audit staff.

1.2 My Strategic Focus

My objective is to serve the people of Bermuda and the officials they elect to represent them in Parliament by focusing on three broad areas:

- promoting accurate, timely and comprehensive financial information to support decision making;
- examining the extent to which Government programs are designed and carried out with due regard to value-for-money (i.e., economy, efficiency and effectiveness) and in accordance with legislation and regulations governing Government activities, making recommendations for improvement where necessary, and
- reviewing the extent to which Government ministries and departments are measuring and reporting on the effectiveness of their programmes (i.e., is it clear what the programs are supposed to achieve and what they are actually achieving?).

These areas of focus are essentially the same as those adopted by my predecessor; I believe they continue to make sense and they are consistent with the approach taken by legislative audit offices across Canada and the Commonwealth.

These three areas of focus are discussed further in section 2 of this report.

1.3 Resourcing the Office

I believe that, for the present, the Office is being resourced adequately.

The challenge is to fill the posts for which we have been funded. For example, at the end of March 31, 2018, we had three vacancies.

We recognize that we are unable to compete with the private sector on salary and so we focus on our strengths such as public service and work-life balance. We have also implemented more targeted recruiting strategies. For example, outside of Bermuda, we actively recruit in certain Canadian provinces where Bermudians may have studied, relocated and currently work. Additionally, we have reinvigorated and stepped up the recruitment, training and development of Bermudians interested in pursuing a career in accounting.

1.4 Financial Statement Audits Completed During the Year

The primary function of my Office is to audit the annual financial statements of the Government and its organizations. Although an organization's audited financial statements depict the financial effects of past transactions, they also demonstrate how a public sector entity has exercised its stewardship over public resources. People outside the public entity are interested and have a right to know how the public entity is spending and managing these public resources entrusted to it. After all, moneys to fund the public sector entities comes from the taxpayers, local and overseas investors, lenders, and others.

There are a significant number of Government financial statements receiving qualified opinions or disclaimers of opinion and 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 as at March 31, 2018), it is of great concern to me and, I suggest it should be to the legislators and the people of Bermuda. The accountability process is not functioning well.

As discussed in more detail in Section 3, during the year ended March 31, 2018, my Office completed 64 audits or reviews and provided audit opinions or review conclusions on the annual financial statements of Government-controlled and other organizations, funds, parish councils and aided schools' capitation grant accounts, of which 24 were qualified opinions or disclaimers of opinion (see Appendix 1 for a full list of organizations audited by the Auditor General as at March 31, 2018).

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

This is not surprising, given that, in many cases, a number of years has passed between transactions taking place and the financial statements being prepared for audit. In the short term, even with significant effort to bring financial statements up to date, there are likely to be many more audit opinions qualified or disclaimed.

In my view, getting rid of the backlog is most important. I do not intend to devote a significant amount of my scarce resources searching for information that is five or six years old or waiting months for organizations to try to find documentation that should be readily available. Instead, I will issue a qualified opinion or a disclaimer of opinion, if necessary.

Section 2 of this report contains six matters of special importance that I wish to highlight for the attention of legislators. For each of the matters included, I have set out my recommendations. I believe that if my recommendations are implemented, the result will be a significant improvement in Government accountability and performance.

1.5 Working with the Public Accounts Committee

The Parliamentary Standing Committee on the Public Accounts (Public Accounts Committee or PAC) is a committee of seven members of the House of Assembly and is chaired by a member of the Opposition. According to the Standing Orders of the House of Assembly, the Committee is to examine, consider and report on:

- the accounts showing the appropriation of the sums granted by the Legislature to meet the public expenditure of Bermuda;
- such accounts as may be referred to the Committee by the House, and
- the report of the Auditor for any such accounts.

After the audited financial statements of the Consolidated Fund and the Auditor General's report are tabled, the PAC reviews them and issues a report to the House of Assembly. Those reports ask the Minister of Finance to respond to recommendations contained in the Committee's reports. The Speaker of the House has ruled the House cannot take up matters in my public reports until the Public Accounts Committee has issued its report thereon. Unfortunately, this means that, unless the Committee's reports to the House are timely, discussion in the House on matters in my reports can be delayed until they are no longer relevant. It also means that any timely discussion of Auditor General Reports is forced into the media.

During the period covered by this report, PAC did not produce any reports based on formal PAC deliberations.

PAC has not yet been able to examine my predecessor's report of the Consolidated Fund financial statements for the years ending March 2010 to 2012 (*Report of the Auditor General on the Consolidated Fund of the Government of Bermuda for the financial years ended March 31, 2010, March 31, 2011 and March 31, 2012; December 2014*). It should be noted, however, that the report was the focus of a Commission of Inquiry. The Commission of Inquiry was established by the then Premier, under section 1A of the Commissions of Inquiry Act 1935, to investigate the matters arising under section 3 (Audit Observations and Recommendations) of the Auditor General's report.

An effective PAC is an important factor in the work of an Auditor General. If the Committee and the Auditor General work together, ensuring timely, public discussion of the Auditor General's reports and effective follow-up of the Auditor General's recommendations, the positive impact of the Auditor General's work is enhanced significantly.

I will be strengthening the Office's interdependent relationship with PAC – through both formal and informal working relationships. I also will be meeting with PAC on a more regular basis and hosting orientation sessions to ensure it understands the Auditor General's mandate, the types of audits undertaken, audit scoping, the standards we must adhere to conduct our work and my role in the accountability process.

It is only through this non-partisan committee, working on behalf of the House of Assembly that the Ministries, Departments, Commissions, and Authorities will be held to account and to have steps taken to prevent – or at least render any further breaches.

1.6 Acknowledgement

I want to express my sincere appreciation for the work and professionalism of my staff, who have supported with enthusiasm my quest to bring the work of the Office up to date. Notwithstanding the continuing backlog of financial statements to be produced for audit by Government organizations. I believe that, working together, we have already shown that we can successfully meet the challenges of working in a demanding and increasingly complex environment to deliver a programme of audits that is vital to the well-being of our parliamentary system.



Heather Thomas, CPA, CFE, CGMA
Auditor General

Hamilton, Bermuda
June 14, 2019

2. MATTERS OF SPECIAL IMPORTANCE

2.1 Overview

The matters of special importance discussed in this section of the report remain similar to those covered in my report on the Consolidated Fund of the Government of Bermuda for the Financial Years ended March 31, 2013, March 31, 2014, March 31, 2015, and March 31, 2016 (“my previous report regarding the Consolidated Fund”). This, along with the fact the indicators of financial condition set out in section 4 of this report show the financial condition of the Consolidated Fund continues to deteriorate and causes me concern.

The matters of special importance show that Government is making decisions without knowing the combined financial position of all the organizations that make up the Government entity. It is not providing the House of Assembly or the public the analytical information that would help them understand the Government’s financial statements and its financial condition.

There are government plans but 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. 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. In my view, Government should make getting to grips with the debt and the deficit its highest priority.

Of necessity, my recommendations are set at a high-level. The specific plans, policies, goals, programmes and resource allocations are those for the Government of the day to decide and the Legislature and the public to debate.

2.2 Financial Statements in Arrears

There are 40 organizations falling under my mandate that were at least one year behind with their financial statements as at March 31, 2018. In total, the organizations had arrears of 133 sets of financial statements. This backlog offends the basic principle of Government accountability and is unacceptable. I urge Government to take all necessary steps to correct this situation.

Recommendation No. 1:

The Ministers responsible for organizations in arrears with their financial statements and the respective Boards of Governance should take all possible steps to bring financial statement preparation up to date as soon as possible.

Ministry of Finance Response

The Government understands the importance of timely financial information. The Ministry of Finance will encourage relevant government entities to play their part to rectify this problem by bringing all outstanding accounts up to date and delivering them in an auditable state to the Office of the Auditor General.

2.3 Summary Financial Statements for the Whole of Government

In addition to the Consolidated Fund, Government business is transacted through other public funds and Government-controlled organizations such as the Bermuda Housing Corporation and the Bermuda Land Development Company Limited.

Government's financial statements do not currently consolidate the results of these organizations with the Consolidated Fund. Consolidating these funds and organizations with the Consolidated Fund would mean that each organization's assets, liabilities and operating results would be incorporated into a set of summary financial statements that show the operating results and the financial position of the whole of Government.

Canada's Public Sector Accounting Board establishes standards of disclosure, which should be followed by Governments. Those standards have been accepted by the Chartered Professional Accountants of Bermuda (formerly the Institute of Chartered Accountants of Bermuda) and are therefore generally accepted in Bermuda.

The Standard on Financial Statement Objectives (PS 1100) states that Government financial statements should:

Provide an accounting of the full nature and extent of the financial affairs and resources, which the Government controls, including those related to the activities of its agencies and enterprises.

The standard also states that:

- *Government financial statements should consolidate the financial statements of organizations comprising the Government reporting entity, except for Government business enterprises; and*
- *The Government reporting entity should comprise the organizations that are controlled by the Government.*

The inclusion of various funds and organizations in the Government reporting entity is primarily based on the criterion of control. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss accruing to the Government from the other organization's activities. In essence, if Government can control an organization, whether actual or implied, the organization's results should be included in the Government reporting entity. Various Government funds and organizations (most of which would be included in the Government reporting entity) are listed in Appendix 1.

Until summary financial statements are presented, there is a risk that those reading and relying on the financial statements of the Consolidated Fund may mistakenly view them as the consolidated financial statements of the whole of Government. More importantly, the public is not provided with full disclosure regarding the accumulated deficit or surplus of its Government.

As a result of this failure to conform to the standards of disclosure generally accepted in Bermuda, the following explanatory paragraph was included in the Auditor's Report on the Consolidated Fund's financial statements for the years ended March 31, 2017:

As described in Note 2, these financial statements represent the financial transactions of the Consolidated Fund and have been prepared primarily to provide accountability for the financial resources appropriated by the Legislature of Bermuda. These financial statements are not summary financial statements of the Government of Bermuda. Significant financial activities of the Government occur outside the Consolidated Fund. As such, the financial statements of the Consolidated Fund for the year ended March 31, 2017 do not represent the full nature and extent of the overall financial affairs and resources of the Government of Bermuda.

In the absence of summary financial statements for the whole of the Government of Bermuda, I am of the opinion that the financial statements of the Consolidated Fund are intended and used to represent for all practical purposes the financial position of the Government of Bermuda and the results of its operations, its changes in net debt and its cash flows. As such, in my opinion, the accounting policies used to prepare these financial statements are inappropriate to present fairly the financial position of the Government of Bermuda and the results of its operations, its changes in net debt and its cash flows.

In 2014, the Public Treasury (Administration and Payments) Amendment Act 2014 (The “Act”) was enacted. The Act directs the Accountant General to prepare consolidated financial statements including the accounts of all Government departments and public authorities.

The Act states that the consolidated financial statements “shall be prepared in accordance with the reporting standards adopted by the Accountant General and based on the Public Sector Accounting Standards set by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada”. It also requires the Auditor General to examine and prepare a report in writing on the consolidated financial statements (i.e., to audit them).

This legislation could be an important step forward. However, the legislation also provides that the Minister shall decide the date or dates that the provisions of the Act come into operation. Four years after the enactment of the legislation, no such dates have been announced.

I recognize that moving to summary financial statements is a complex task. Government organizations are not homogeneous and dedicated resources will be required to complete the task in a reasonable time. However, in my view, it is essential that summary financial statements showing the results of operations and the financial position of the whole of Government be available to support the hard decisions necessary to bring the debt and the deficit under control. Only if Government’s financial statements account for the full nature and extent of the financial affairs and resources that the government controls can the citizens of Bermuda begin to understand and assess the management of the public financial affairs and resources entrusted to the Government.

Consequently, in my previous report regarding the Consolidated Fund, I gave notice to the Minister of Finance, that unless during the financial year for the year ending March 31, 2018, (a) the Minister establishes the dates when the provisions of the Public Treasury (Administration and Payments) Amendment Act 2014 pertaining to the production and audit of full consolidated financial statements for the Government of Bermuda will come into operation and (b) I am provided with a concrete, achievable and resourced plan that addresses production of summary financial statements for the Government of Bermuda for the year ending March 31, 2019, I will, starting with the Consolidated Fund financial statements for the year ending March 31, 2018, expand the paragraph in my Auditor's Report to stress that the financial statements of the Consolidated Fund are deficient because they do not represent the full nature and extent of the overall financial affairs and resources of the Government of Bermuda.

In its response, the Ministry of Finance stated that:

The Ministry agrees there are benefits to issuing consolidated financial statements and will provide the Auditor with an appropriate plan during the financial year for the year ending March 31, 2018.

I look forward to receiving a detailed, achievable and resourced plan for producing consolidated financial statements for the whole of Government for the year ending March 31, 2019, I also stress the need to bring the enabling legislation into force.

Recommendation No. 2:

To enable Government's production of summary financial statements for the Government as a whole, starting with the year ending March 31, 2019, the Minister of Finance should establish the dates when the provisions of the Public Treasury (Administration and Payments) Amendment Act 2014 pertaining to the production and audit of full consolidated financial statements for the Government of Bermuda will come into operation.

Ministry of Finance Response

It is acknowledged that the production of annual consolidated financial statements for the Bermuda Government are prescribed and would provide users of those financial statements with necessary additional context when evaluating the financial condition and operations of the Government. It is also noted that the Auditor General acknowledges the complexity involved in the preparation of consolidated statements for the Government. It is important for the readers of this report to understand that in order to achieve the objective of consolidated statements, each of the governmental units in the government reporting entity must have completed audits, or some other agreed-upon level of assurance, prior to the sign-off date of the consolidated financial statements. In order for those financial statements to maintain their relevance, they must be published within a reasonable timeframe. At this time, it is difficult to predict when even the significant governmental units, notwithstanding the minor units, will have complete audited accounts abreast the year of the Consolidated Fund. Note that it is at the Consolidated Fund level that detailed annual estimates are prepared, and that the Consolidated Fund reflects the national debt. The Auditor General notes above that 132 sets of audited financial statements are in arrears by at least one year. It is more appropriate to identify a date, in coordination with the Auditor General, by which Government anticipates the governmental units' audited financial statements will be alongside that of the Consolidated Fund. The Ministry of Finance will commit to the preparation of consolidated financial statements as of the year ended immediately subsequent to that first year in which all governmental units are up-to-date.

2.4 Financial Statement Discussion and Analysis

Annual financial statements continue to be a key accountability document for governments. However, financial statements alone do not provide the breadth of information needed for users to fully understand government finances.

The Chartered Professional Accountants of Canada has issued a Statement of Recommended Practice (SORP) entitled "Financial Statement Discussion and Analysis". It states that a government's (annual) report should include financial statements and financial statement discussion and analysis.

The SORP indicates that the purpose of Financial Statement Discussion and Analysis ("FSD&A") is to expand on and explain information contained in financial statements, making them more understandable to the public.

The SORP suggests that a government's FDS&A should include:

- a. a highlights section that provides a brief, concise summary of the significant events affecting the results and financial position reflected in the financial statements, and
- b. an analysis section that
 - i. includes information on known significant risks and uncertainties inherent in a government's financial position and changes in financial position, and briefly outlines the strategies, policies and techniques adopted to manage those risks and uncertainties,
 - ii. identifies and explains
 - significant variances between current year actual results and budget;
 - significant variances between current year actual results and prior year actual results;
 - changes that have occurred but that are not readily apparent from the quantitative analysis, and
 - iii. includes an analysis of significant trends related to financial assets, liabilities, net debt, tangible capital assets, net assets, revenues, expenses/ expenditures, net revenues and cash flows.

A further SORP on "Indicators of Financial Condition" states that the main objective of reporting on financial conditions is to expand on and explain information contained in financial statements by assessing a government's financial condition not only on the basis of its financial position and changes in financial position, but also in the context of its overall economic and fiscal environment.

The SORP states that an assessment of a government's financial condition needs to consider, at a minimum, the elements of sustainability, flexibility and vulnerability. A number of possible indicators of sustainability, flexibility and vulnerability are included in the SORP. Some indicators of financial condition of Government's Consolidated Fund are discussed further in Section 4 of this report.

I strongly endorse the idea of Government publishing a FSD&A document at the same time as it publishes its annual financial statements. Such a document would provide a robust analysis of what the financial statements mean and what the long-term trends are and is vital if readers are to understand the Government's financial position and results. The FSD&A should also include the key indicators of Government's financial condition.

If the FSD&A were done in conjunction with summary financial statements for the whole of Government, this would represent a very significant enhancement of the Government of Bermuda's accountability.

We continue to recommend that Government should develop and publish a Financial Statement Discussion and Analysis document at the same time as its annual financial statements.

Some years ago, the Ministry of Finance agreed with our recommendation and committed to "have this analysis published with the financial statements for the year ended March 31, 2015". This commitment was not met, and I am not aware that the Ministry has done any work on this issue.

Recommendation No. 3:

Government should develop and publish a Financial Statement Discussion and Analysis document at the same time as its annual financial statements.

Ministry of Finance Response

A financial statement discussion and analysis will be included in the March 31, 2020 financial statements for the Consolidated Fund, for the first time.

2.5 Borrowing and the Plan to Reduce the Deficit and Public Debt

In order to finance its annual operating deficits, replace maturing debt and acquire capital assets, Government has borrowed money from various lenders. The accumulated deficit and the related debt continue to grow.

The accumulated deficit as at March 31, 2017, has grown to \$2.98 billion, up by \$1.38 billion (86%) in the five years then ended. The borrowing and, more specifically, the public debt and net debt amounted to \$2.40 billion and \$3.72 billion respectively, at March 31, 2017. The legislated borrowing limit was last increased in the 2012/13 financial year and currently sits at \$2.5 billion; it will likely need to be increased in the near future. The interest-bearing debt resulted in interest costs of \$120.6 million for the year ended March 31, 2017, about 9.4% of the total expenses of the Consolidated Fund.

In my previous report regarding the Consolidated Fund, I recommended that to ensure the sustainability of public services, Government should develop as soon as possible a long-term strategic plan to reduce the deficit and the level of public debt, aimed not only at adapting to the current and future economic environments but also at influencing those environments.

In its response, the Ministry of Finance stated that:

In successive Budgets, the former Government clearly presented its fiscal strategy to eliminate the deficit and start paying down on the debt. In the 2017/18 Budget Statement, after explaining the threat posed by the size of the national debt the former Minister of Finance said:

“These are the reasons that the OBA Government has set eliminating the annual deficit, balancing the budget and paying down the national debt as its top priority. Pursuing this objective has framed all the budgets this Government has presented during its tenure, and it shapes this 2017/18 Budget as well. The elimination of these risks involve cutting spending, stimulating job-creating economic growth and increasing revenues where and when necessary”.

The 2017/18 Budget Statement also stated the following:

The 2016/17 budget put in place a three-year plan to balance the budget. Some underestimate the importance of balancing a budget; but a balanced budget is the only way to ensure long-term prosperity for Bermudians. Government believes eliminating the deficit is the single most important step we can take to grow the economy and create jobs. It reinforces our credit rating, supports lower interest payments, and stimulates greater consumer and investor confidence. It strengthens our ability to respond to the unavoidable and unforeseen in an unstable world.

Government has been making good progress in its efforts to eliminate the deficit. The results show that at the end of the 2017/18 fiscal year the Current Account is projected to record its third straight annual surplus before debt service. In fact, the surplus will cover 96% of the interest charges. In addition, from 2013/14 to 2015/16 the total deficit has been reduced from \$299 million to \$162 million representing a reduction of \$137 million or 46%.

The Junior Minister of Finance, commenting in his December 2017 statement to the House of Assembly regarding the Government’s Consolidated Fund financial statements for the year ended March 31, 2017 said:

The Ministry of Finance has already put in place a plan to eliminate the deficit and ultimately to reduce the debt.

Regardless of commitments made, Section 4 of this report (Key Indicators of the Financial Condition of Government’s Consolidated Fund) show that:

- the public debt is continuing to increase;
- the annual deficit continues to be significant, and
- the accumulated deficit has grown by 80% over the last five years.

In Section 4 of this report (Key Indicators of the Financial Condition of Government's Consolidated Fund) we conclude that the indicators of financial condition continue to demonstrate a level of unsustainability and impaired flexibility, which, Government must make every effort to address.

Consequently, I find it necessary to repeat my recommendation from my previous report.

Recommendation No. 4:

To ensure the sustainability of public services, Government should develop as soon as possible a comprehensive and realistic long-term strategic plan to reduce the deficit and the level of public debt, aimed not only at adapting to the current and future economic environments but also at influencing those environments.

Ministry of Finance Response

Government has been making good progress in its efforts to eliminate the deficit. The results show that at the end of the 2018/19 fiscal year the Current Account is projected to record its fourth straight annual surplus before debt service. In fact, the surplus will cover all of the interest charges. Also from 2013/14 to 2017/18 the total deficit has been reduced from \$299 million to \$66.5 million representing a reduction of \$232.5 million or 78%. Further, the 2019/20 budget, with a current account surplus of \$188.6 million, represents an improvement over the fiscal 2018/19 surplus, with sufficient revenue to cover not only the day-to-day running of government, but also interest on debt and capital expenditure.

Also, on April 26, 2018 S&P revised their outlook on Bermuda to positive from stable. S&P noted the following in their press release:

- *Bermuda's credit story is improving thanks to a return to positive real economic growth in 2017 and 2018.*
- *We also view the continuation of prudent fiscal policy by the new Progressive Labor Party government as positive.*
- *Accordingly, we are revising our outlook on Bermuda to positive from stable, and affirming our ratings, including our 'A+' long-term sovereign credit rating, on the territory.*
- *The positive outlook reflects our expectations that, in the next 12-to-24 months, real GDP growth will remain moderately positive, fiscal deficits will continue to narrow, approaching balance, and Bermuda's net general government creditor position will improve modestly.*

2.6 Pensions and Other Employee Future Benefits

2.6.1 Public Service Superannuation Fund, Ministers and Members of the Legislature Pensions Fund and the Government Employees Health Insurance Fund

The Public Service Superannuation Fund (“PSSF”) provides pensions for retired Government and quango employees. The Ministers and Members of the Legislature Pensions Fund (“MMLPF”) provides retirement pensions for the Ministers, Members and Officers of the Legislature. In addition to the pension plans, the Government Employees Health Insurance Fund (“GEHI”) provides health insurance benefits for Government employees, Ministers and Members of the Legislature and their dependents.

Legislation relating to the PSSF and the MMLPF provides that, if at any time the funds accumulated to pay pensions are insufficient, the Consolidated Fund will make up the deficiency.

An unfunded liability exists when the benefits to be paid out exceed amounts available to pay. The unfunded liability is therefore the amount of pension benefits, which have been earned by current and former employees net of the value of assets held to pay for those benefits.

At March 31, 2017, the combined unfunded liability for the PSSF, the MMLPF and the GEHI stood at \$1.4 billion, as shown in Table 1 below. The unfunded liability is recognized in the Consolidated Fund financial statements, which has a significant negative effect on the Fund’s statement of financial position.

With respect to Table 1 below, it should be noted that in the year ended March 31, 2014 there was a \$214.1 million credit resulting from the cost of living adjustment being removed for both current and future pensioners for the PSSF and the MMLPF (\$432.7 million) offset by net unamortized experience losses (\$173.5 million) and past service costs in the GEHI (\$45.1 million).

Table 1: Unfunded liability – pension/health plans

\$ millions						
As at March 31	2012	2013	2014	2015	2016	2017
Unfunded liability:						
PSSF	863	954	797	834	873	919
MMLPF	23	23	18	18	19	19
GEHI	240	262	331	398	436	464
Total unfunded liability	1,126	1,239	1,146	1,250	1,328	1,402

In 2014, the Pensions (Increase) Amendment and Suspension Act 2014 (the “Act”) was enacted. The purpose of the Act was to remove from the PSSF and the MMLPF the cost of living adjustment for both current and future pensioners until such time as the sustainability of the plans has improved. This change had the impact of reducing plan liabilities by \$432.7 million. This reduction, along with some increases in liabilities, was recognized in the Consolidated Fund financial statements for the year ended March 31, 2014, as discussed above.

In his statements to the House of Assembly, accompanying the tabling of the annual Consolidated Fund financial statements for the years ended March 31, 2013 to 2016; the then Minister of Finance stated, “the Government has already started the review of these benefits to ensure their sustainability”. This comment was repeated by the Junior Minister of Finance, commenting in his December 2017 statement to the House of Assembly regarding the Government’s Consolidated Fund financial statements for the year ended March 31, 2017.

In “The Way Forward: An Operating Plan for the Bermuda Public Service” issued in May 2017, strategy 2.8 states to “Review pension arrangements to determine whether public and private pensions are set at appropriate levels”.

Due to lack of progress in moving forward with the changes aimed at achieving the sustainability of the pension and health insurance plans, in my previous report regarding the Consolidated Fund, I recommended that Government should establish and implement its plan to address the unfunded liabilities of the pension and health insurance plans.

In its response, the Ministry of Finance stated that:

The Government has already started to take actions to ensure the future sustainability of the public pension and health insurance Plans. There is no simple remedy to resolve the unfunded positions of the public sector pension and health insurance plans. As previously advised, to assist with the review of these pension plans, a Pension and Benefits Working Group (PBWG) has been established. The purpose of the PBWG is to review all public sector pension and health insurance plans, and make recommendations to Cabinet in order to ensure the sustainability of these plans and benefits in a manner that is responsible and fair to both the pensioners and members of the plans and Bermuda taxpayers. Following these reviews, various general policy recommendations are being considered and the Government will again take the required actions to ensure the future sustainability of the Fund. However, it should be noted that some of these recommendations involve substantial cost-shifts away from the government to employees, those already retired and to future retirees and are potentially material to an individual's long-term financial plans. Therefore, it is proposed that some proposals be phased in. In addition, it is critically important that consultation be conducted with the various stakeholders, specifically the unions, before any changes are made. As soon as consultation is completed and Cabinet approval obtained, the relevant information on this matter will be communicated to the public.

Finally, it is important to note that to achieve sustainable solvency, it is not necessary that all accrued benefits be fully funded. Research of the funding statuses of regional and international public service pension plans indicate that there is no internationally prescribed funding level. For instance, most of the Caribbean Community (CARICOM) countries and the UK generally have pay-as-you-go government sponsored occupational pension plans that are paid out of their Consolidated Funds. Accordingly, they are unfunded. In contrast, various government-sponsored occupational pension plans of Canadian provinces are either fully funded or close to fully funded.

However, in the five years ended March 31, 2017, the total net unfunded liability of the PSSF, the MMLPF and the GEHI increased by \$0.28 billion (approximately 24.5%).

This indicates a need for Government to increase its focus on ensuring the sustainability of these plans.

Recommendation No. 5:

Government should complete its promised reviews as soon as possible, and establish and implement a long-term plan to ensure the sustainability of the Public Service Superannuation Fund, the Ministers and Members of the Legislature Pensions Fund and the Government Employees Health Insurance Fund.

Ministry of Finance Response

As mentioned in the Pre-Budget Report in advance of the 2019/20 Budget, the Government noted the following:

Government is sensitive to the challenges facing pension plans of this nature and has already taken appropriate steps to preserve the long-term financial viability of the fund. For example, the following actions have been taken over the years in order to improve the sustainability of the Public Service Superannuation Fund (PSSF):

- In 2006–2008, PSSF contribution rates were increased from 5% to 8% and 9.5% for regular members and uniformed officers, respectively. The increase in contributions resulted in an improvement in the cash position of the PSSF.
- In June 2014, the automatic Cost of Living Adjustment (COLA) increases were suspended for pensioners until such time as the sustainability of the PSSF has been improved. The COLA provision added about 23% to the PSSF liabilities and this change improved the sustainability of the fund.

Despite these actions, the PSSF remains underfunded and there are no simple remedies to resolve the underfunded position of the plan. To assist with the review of this pension plan, a Pension and Benefits Working Group (PBWG) was established by the former administration. The purpose of the PBWG was to review all public sector pension plans, and make recommendations to the Minister of Finance and to Cabinet in order to ensure the sustainability of these plans and benefits in a manner that is responsible and fair to both the pensioners and members of the plans and Bermuda taxpayers. Following this review, the PBWG proposed the following changes to the plan:

- Change the final average earnings (FAE) definition from “the salary payable to him immediately preceding the date of his retirement” to an average of his earnings over the five years preceding his date of retirement (or termination).
- Increase the age at which an unreduced pension is payable from 60 to 65 (55 to 60 for special groups).
- Apply actuarial reductions on early retirement prior to age 65 (60).
- Increase contributions.

Finally, this Government has also decided to explore the option of increasing the retirement age on a voluntary basis to 67 and assess the impact that this action would have on the plan.

The Ministry of Finance has engaged the Government's actuary of record to consider the impact that the above-mentioned changes to the plan would have on the long-term sustainability of the fund. This engagement has been completed and is currently being reviewed by the Ministry and the Pension and Benefit Working Group.

As per this Government's normal custom and practice, the appropriate consultation with the various stakeholders, specifically the public sector unions, will be conducted before any changes are made to the provisions of the plan.

2.6.2 Contributory Pension Fund

The Contributory Pension Fund ("CPF") provides old age pensions, disability and death benefits for the general workforce. The Contributory Pensions Act 1970, the governing legislation for the CPF, does not require the Consolidated Fund to provide for any shortfall if, at any time, the CPF has insufficient funds to meet its current legislated obligations.

According to the latest audited financial statements for the CPF, "the sustainability of a national social insurance scheme is customarily based on the adequacy of the current and projected contribution rate to provide for future benefits. Funding of the Scheme is on a pay-as-you-go basis, where essentially contributions of the current workforce are used to meet the obligations to the current beneficiaries".

The SAGE Commission focused in part on the CPF. It concluded that the-then current contributions were insufficient to allow the CPF to survive for the near future, under the current long-term assumptions.

It also found that demographic projections regarding expected lifespans of pensioners (aged 65 and over) were not current and so did not reflect the increased lifespans experienced in many of the Organisation for Economic Co-operation and Development (OECD) countries that had resulted in retirement ages being increased over time to 68 and beyond.

The Commission recommended that the then current annual increase in the contribution rate of 1.75% per year above any benefit increase rate be changed to an increase in contribution rates of at least 3% above any benefit increase for a number of years. In addition, it recommended the establishment of a specific strategy to increase the retirement age for the CPF to 68 consistent with other OECD countries.

Subsequent to the SAGE Commission report, Morneau Shepell Ltd, a Canadian company, carried out an Actuarial Review as at August 1, 2014. The review, which was completed in May 2016, presented the financial status of the CPF and provided projections of the CPF for the next 50 years to 2064.

The review's main findings and projection results were:

- *The CPF was projected to increase gradually until 2021 then decline steadily until it was exhausted in 2049 under the best estimate scenario.*
- *The total outgo (including Old Age Pension benefits, other benefits, and administration and investment costs) were projected to exceed contribution income throughout the projection period. By the year 2064, contribution income would need to be about 1.25 times the current level in real terms in order to match the increased benefit outgo. This would require contributions to be increased by about 2.4% a year more than benefit increases over the next 50 years.*
- *If contributions were to increase by 3% more than benefits with future real returns of 4% a year, the CPF was projected to be sustainable throughout the projection period. Under scenarios of higher real investment returns and lower contribution rate increases, the CPF was not sustainable in the long term.*
- *If the contributing population was increased 10% from 2014 and sustained at these levels thereafter, this was expected to extend the life of the CPF for the entire projection period. For a 10% decrease in the number of contributors, the CPF would run out 6 years earlier.*
- *An increase in the retirement age to 67 over a 5 year period ending 2023, all else unchanged, could also result in a sustainable CPF over the projection period.*
- *The total number of beneficiaries over age 65, taking into account the impact of non-Bermudians, was expected to increase steadily, reaching a peak in about 30 years. Thereafter, a gradual decline was expected.*
- *The total number of working age persons (age 20 to 64) was projected to decline gradually resulting in a declining old-age support ratio (3.9 to 1.5 over 50 years).*
- *Mortality experience showed that Bermudians were living longer than had been assumed in previous actuarial reviews. The impact of this change in the mortality assumption to reflect this increase in longevity was a reduction in the life of the CPF by 3 years.*

The 2014 Actuarial Review recommended that:

- *In light of the fact that the current benefit and contribution structure is made up of flat rate amounts and the Government's policy is to increase both rates relative to inflation, with contributions increasing faster than benefits, the Government should set a target "benefit/contribution ratio" as part of the policy. This would ensure that any increases to both amounts would not result in the contribution rate exceeding the benefit rate at any point.*
- *The projected contribution rates should also be compared to projected national average wages to ensure that they are feasible and affordable.*

Since the CPF cannot rely on the Consolidated Fund to meet its pension obligations, it is essential that the CPF be well managed. Unfortunately, the last audited financial statements for the CPF were for the year ended March 31, 2012.

More disturbingly, my predecessor's audit report on those financial statements included a disclaimer of opinion. The Auditor's Report stated that:

Due to serious deficiencies in the accounting records of the CPF and in the system of internal controls, I was not able to satisfy myself that all assets, liabilities, revenues and expenses of the Contributory Pension Fund had been reflected, nor was I able to satisfy myself that recorded transactions represented valid transactions of the Contributory Pension Fund for the year then ended. As a result, I was unable to determine whether adjustments were required in respect to recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statement of financial position and the statements of changes in net assets available for benefits and changes in pension obligations.

Because of the significance of the matters described above, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Given that Bermuda's aging population relies on the CPF for a minimum income after retirement and will continue to do so into the future, the situation described above is unacceptable.

In my previous report regarding the Consolidated Fund, I recommended that the Government should (a) consider and act upon the recommendations of the SAGE Commission and the Actuarial Review as at August 1, 2014, with respect to the CPF contribution rates and the retirement age; and (b) take immediate steps to bring the CPF annual financial statements up to date, and review, and take appropriate steps to improve, the administration of the CPF.

In its response, the Ministry of Finance stated that:

The Government recognizes that the CPF benefit provides an important base retirement income for our seniors and is sensitive to the challenges facing pension plans of this nature. The Government has considered recommendations from the SAGE Commission and the Actuarial Review as at August 1, 2014. The Government has already taken some steps included in these reports. As evidenced by the 2014 Actuarial Report, the viability of the Fund in the short to medium term is good with the Fund being positive for the next 25 years. As at 30 June 2017, the Fund had total assets of over \$1.796 billion, representing approximately 11.7 times the annual value of benefits paid in the 2016/17 fiscal year. However, recognising the long-term challenges of the Fund the Ministry will continue to closely monitor the performance of the Fund and take the appropriate steps to enhance the benefits paid from the Scheme as well as ensure the Fund has the ongoing ability to pay for such benefits.

The Accountant General has dedicated resources to bring the CPF annual financial statements up to date.

In 2015, the Management Consulting Section (MCS) conducted a review of the organisation structure and staffing requirements of the Department of Social Insurance. The purpose of the review was to assess the operational effectiveness and identify staffing efficiencies. The Review has been completed and approved by Cabinet. The Department is in the process of fully implementing the results of this review. Once implementation has been completed, the Department will be in a better position to achieve future operational objectives and meeting the increase in benefit recipient and other demands on the Department.

Although the Government has taken some action, a number of the SAGE Commission and the 2014 Actuarial Review recommendations remain outstanding and no financial statements have been produced by the CPF since those for the year ended March 31, 2012. Most of my previous recommendation remains valid.

Recommendation No. 6:**Government should:**

- a) consider and act upon the recommendations of the SAGE Commission and the Actuarial Review as at August 1, 2014, with respect to the CPF contribution rates and the retirement age, and***
- b) take immediate steps to bring the CPF annual financial statements up to date.***

Ministry of Finance Response

The Government will take the appropriate steps to ensure that the fund has the ongoing ability to pay for prescribed benefits.

The Contributory Pension Fund in principle relies on current contributors or workers paying for current pensioners and for the most part is a Pay-As-You-Go financed plan. However, the policy of increasing contribution rates by 2.5% above the rate of pension increases has allowed a significant level of funding to build up and thus the plan is partially funded, which provides further security of benefits.

In the short-term the CPF is in good financial shape. As at December 31, 2018, the CPF total assets represented approximately 11.1 times the annual value of benefits to be paid in the fiscal year; this is a relatively high level of funding.

The 2014 actuarial report of the fund indicated that the viability of the fund in the short to medium term is good, with the fund being positive for the next 25 years. However, recognising the long-term challenges of the fund, the Ministry will continue to closely monitor its performance. The next actuarial report for the CPF is due for the period August 1, 2017 and is currently underway. This report will be tabled in the legislature as soon as it is completed. Following this review, the Ministry will propose changes to the fund to ensure its sustainability in the long term.

The Accountant General continues to dedicate resources to bring the CPF annual financial statements up to date.

2.7 Taxpayer Indebtedness to Government

Arrears of payroll and other taxes and pension contributions also continue to increase. Measures to reduce taxpayer indebtedness to Government have been largely unsuccessful. More effective collection of outstanding revenue by Government would help reduce the need for borrowing along with its associated finance costs.

As at March 31, 2017, the amount of payroll, hotel occupancy, corporate services and land taxes greater than 90 days in arrears was \$82.5 million compared to March 31, 2012, when the comparative amount owed was \$59.3 million.

Table 2 below shows Payroll, Hotel Occupancy, Corporate Services and Land Tax **greater than 90 days in arrears** as at March 31 of each year shown:

Table 2: Outstanding taxes

\$ millions						
As at March 31	2012	2013	2014	2015	2016	2017
Payroll, Hotel Occupancy and Corporate Services Taxes	*39.7	44.2	47.4	54.7	54.9	56.0
Land Tax	19.6	23.2	26.4	31.6	35.7	26.5
Total Outstanding Taxes	59.3	67.4	73.8	86.3	90.6	82.5

* Updated to reflect provision for 100% - over 90 days balances between \$0 & \$5,000, previously excluded.

In my previous report regarding the Consolidated Fund, I recommended that the Government should establish, communicate and resource appropriately a plan to address the significant taxpayer indebtedness.

In its response, the Ministry of Finance stated that:

Government continues to place a high priority on collecting outstanding pension contributions and taxes. Unfortunately, due to the extended recession many small businesses have struggled to meet their tax obligations in a timely fashion. This has resulted in some increases in the level of indebtedness to Government. Government will work with these businesses to make suitable arrangements. However, others simply ignore their obligations. For this group Government will continue to use all available means to collect overdue taxes, thereby improving Government's cash flow and reducing its need for borrowing.

The Tax Commissioner have their own debt collection resources. The Tax Commissioner pursues taxpayers and once all efforts to collect receivables have been exhausted, the debt may be referred to the DEU of the Attorney-General's Chambers for Supreme Court Writs.

The Government understands that increased cooperation and liaison between Government departments can be quite effective in increased tax compliance. Currently revenue-collecting departments are supported by the various Departments who will withhold permits and vehicles where taxpayers are in arrears with taxes. Government has also used the offsetting provision in the legislation that allows Departments to claw back any monies due to taxpayers from Government (i.e. Works and Engineering contracts). Also, Departments have set up instalment plans and have successfully progressed matters in the courts through the Department of Public Prosecutions.

Recently the Tax Commissioner, the Director of Department of Social Insurance and the Director of Public Prosecutions have held a series of meetings to address the situation of delinquent employers and unpaid Payroll Tax and Social Insurance Contributions. The Tax Commissioner and the Director of Social Insurance will start to forward employer files to the Director of Public Prosecutions for prosecuting employers, companies and individuals, for offences related to delinquent payments pursuant to their respective legislation.

The Ministry recognizes that further action is required in order to facilitate the settlement of Government debt as a priority and will provide the appropriate resources required to meet this objective.

Whatever actions taken in the intervening years, Table 2 shows that they have not been successful. Accounts receivable of the Office of the Tax Commissioner have increased to \$89.7 million (approximately 54.4%) over the five-year period ended March 31, 2017. The provision for doubtful accounts has increased over the same five-year period to \$27.9 million (approximately 44.4%).

Recommendation No. 7:

Government should establish, communicate and resource appropriately a plan to address the significant taxpayer indebtedness.

Ministry of Finance Response

In the 2019-20 Pre-Budget Report, the Ministry noted that tax collection and accounts receivable has been a considerable problem for the Government for years and it is time to take corrective action.

In the last PBR (2018-19), Government stated: “The Government will ensure that the Office of the Tax Commissioner (OTC) has the resources that it needs to collect taxes that are due. Due to staffing shortages, not all taxes are being collected and adjudicated. The Government has authorised the filling of these long-vacant posts to assist in revenue collection.”

As mentioned in the latest Fiscal Responsibility Report, this item has been actioned and has already proven productive in 2018 as previously unpaid stamp duties of almost \$3 million have been collected and an additional \$4.7 million in uncollected stamp duties have been identified.

Government has taken further action to resolve this problem by adding five new temporary additional staff members for a one-year period. These staff members will be working in the operations section, with four in the Debt Management section and one working closely with the Assistant Tax Commissioner – Operations. These additional resources for tax collection and enforcement should pay for themselves many times over with the additional revenue collected during this period.

We can also report that a recent mission by CARTAC proposed a reform and modernisation implementation plan for the OTC, outlining reform priorities with a view to executing such plans in the short, medium, and long term. An important part of the reforms will be the selection and implementation of a commercial off-the-shelf technology solution to support the operations of the tax administration. Work is ongoing on these initiatives.

The Government has also taken additional action by looking at all accounts that are listed as “provision for bad debt”. This report is currently being finalised and those accounts that are deemed collectible and do not have payment plans in place will be handed over for the Debt Enforcement Unit in the Attorney General’s Chambers to take action.

3. Financial Statement Audit Work Completed During the Year Ended March 31, 2018

This section of my Annual Report provides the results of our audits of:

- The Government of Bermuda's Consolidated Fund financial statements for the year ended March 31, 2017
- Government-controlled organizations
- Public funds (other than the Consolidated Fund)
- Parish Councils
- Aided Schools' Capitation Grant Accounts, and
- Other organizations

The section begins with an explanation of the significance of a modified audit opinion.

3.1 Modified Audit Opinions

Section 9(2)(a) of the Audit Act 1990 (see Appendix 2) requires the Auditor General to provide details in annual reports of any reservations (i.e., modifications) of opinion in auditor's reports on financial statements.

3.1.1 What is a Modified Opinion?

A modified opinion is expressed when the auditor concludes either of the following based on the audit evidence obtained:

- The financial statements as a whole are not free from material misstatement.
- Sufficient appropriate audit evidence is unable to be obtained to conclude that the financial statements as a whole are free from material misstatement.

There are three types of modified opinion:

1. Qualified opinion
2. Adverse opinion
3. Disclaimer of opinion

Qualified opinion – applies in either of the following situations:

- Sufficient appropriate audit evidence is obtained, but the auditor concludes that misstatements exist, individually or taken together, that are material but *not pervasive* to the financial statements.
- The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion. The auditor concludes that the possible effects of undetected misstatements (if any) on the financial statements could be material but not pervasive.

Example of Wording – “Except for the effects (or the possible effects) of the matter described in the Basis for Qualified Opinion paragraph...”

Adverse opinion – applies where sufficient appropriate audit evidence is obtained but the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

Example of Wording – “In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph ... the financial statements do not present fairly ...”

Disclaimer of opinion – applies where the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion and concludes that the possible effects of undetected misstatements (if any) could be both material and pervasive. This also applies in rare circumstances where it is not possible to form an opinion due to the potential interaction of multiple uncertainties and their possible cumulative effect on the financial statements.

Example of Wording – “Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Modified opinions between April 1, 2017 and March 31, 2018

During the period covered by this report, the Auditor General issued 10 qualified opinions and 14 disclaimers of opinion. The details are set out in the rest of section 3 that follows.

3.2 Audit of the Consolidated Fund Financial Statements

The annual Financial Statements of the Consolidated Fund of the Government of Bermuda account for the financial affairs of Bermuda’s ministries, departments, Legislature and other offices. The audited financial statements of the Consolidated Fund for the year ended March 31, 2017, are included in Appendix 4.

Note 3 to the Consolidated Fund financial statements explains that the recommendations of the Public Sector Accounting Board and the Accounting Standards Board of the Chartered Professional Accountants of Canada (which are promoted by the Chartered Professional Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda) are the basis for the disclosure of the significant accounting policies in the Consolidated Fund financial statements.

Our annual audit of the Consolidated Fund financial statements is the biggest audit that we carry out. The Office spends approximately 5,000 hours each year to complete this audit.

3.2.1 The Auditor General's Audit Opinion on the Consolidated Fund financial statements for the year ended March 31, 2017

The Auditor General was able to deliver an unqualified opinion on the Consolidated Fund financial statements for the year ended March 31, 2017. The opinion read as follows:

In my opinion, the financial statements present fairly, in all material respects, 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.

The full Independent Auditor's Report is included as part of the Consolidated Fund financial statements shown in Appendix 4.

3.3 Observations and Recommendations arising from the Audit of the Consolidated Fund Financial Statements

At the conclusion of the annual Consolidated Fund audit, we document our observations and provide recommendations to address issues identified. We discuss these matters with the Accountant General, indicating any points which should be brought to the attention of specific departments. Although we expect our recommendations to be implemented, our primary concern is that the Accountant General and the departments select the best course of action to address the issues identified on a timely basis.

Included in this section are those matters arising from the audit that are significant enough to warrant the attention of the House of Assembly. As in our past reports, many of the observations point to a general failure to follow the rules (Financial Instructions) established by Government for the safeguarding of public assets.

The Financial Instructions ("FIs") are rules that govern the custody, handling and accounting of public money, including the management of capital development projects. They have been established under the general authority of the Public Treasury (Administration and Payments) Act 1969 by the Accountant General to "improve and clarify the standard of financial control within Government consistent with international best practices and to provide for appropriate levels of public finance control and governance".

3.4 Compliance with Legislation

Section 32A (1) of the Public Treasury (Administration and Payments) Act 1969 (the “Act”) states that “The Accountant-General shall, within the statutory period after the last day of each financial year, sign and deliver to the Minister and to the Auditor accounts showing the financial position of the Consolidated Fund on the last day of that year”.

Section 32A (3) of the Act states: “The expression “statutory period” in subsection (1) means four months or, if in relation to a particular financial year the Minister approves in circumstances explained to him by the Accountant-General affecting that year, six months”.

The first draft of the financial statements for the year ended March 31, 2017 was provided to the Auditor General on August 18, 2017. This exceeded the statutory period without any request to the Minister for an extension of the period from four to six months.

We recommended to the Accountant General that, in future years, if the Consolidated Fund financial statements cannot be produced within four months of the year-end, formal approval to extend the deadline should be sought from the Minister of Finance.

3.5 Compliance with Debt Covenants

Certain private debt placements made by the Government contain a reporting covenant that requires delivery of the audited financial statements of the Consolidated Fund within 240 days of the fiscal year end (i.e., November 26). The Auditor General’s audit report on the 2017 financial statements was signed on November 20, 2017 and the debt covenant requirements were complied with.

The covenant was not met for the financial statements for the year ended March 31, 2016 because the audit report was not signed until February 3, 2017. As a result, the Government paid a fee of \$640,000 to the bondholders (based on 0.2% of the outstanding principal amounts). Although the penalty is included in “interest on debt” in the Statement of Operations and Accumulated Deficit of the 2017 Consolidated Fund’s financial statements, there was no specific disclosure of this fee in the financial statements. The nature of this fee is not in the normal course of business and requires disclosure in the financial statements so that users are aware of the implications of non-compliance with the debt covenants.

We recommended to the Accountant General that should similar fees be paid in the future, they should be disclosed appropriately in the notes to the financial statements.

3.6 Spending Controls

A basic principle of expenditure control for Government is that no spending may take place without the approval of the Legislature.

Sections 95(2)(a) and 96(3)(b) of the Bermuda Constitution Order 1968 provides that every item of expenditure must be authorized by an Appropriation law or by a supplementary estimate approved by resolution of the House of Assembly.

The general intent of the legislation and supporting rules is that monies may only be spent from the Consolidated Fund if there is prior legislative approval in place. Section 5.5.3 of the March 31, 2013, Financial Instructions states: “All supplementary estimates must be approved by the Legislature before an over-expenditure of the Ministry and/or department’s total approved estimates.” In the amended, November 1, 2016, Financial Instructions, this statement has been removed.

However, the Bermuda Constitution Order 1968 (Section 96(3)(b)) states that: “If in respect of any financial year it is found . . . that any moneys have been expended for any purpose in excess of the amount appropriated to that purpose by the Appropriation law or for a purpose to which no amount has been appropriated by that law, a supplementary estimate, showing the sum required or spent, shall be laid before the House of Assembly”.

It should be noted that the Public Treasury (Administration and Payments) Act (Section 11A: Virements) allows a Permanent Secretary or a Head of Department to transfer a part of a department’s approved budget to another department within the same Ministry subject to the approval of the Minister of Finance. As long as each Ministry does not exceed its own total appropriation (as per the annual Appropriation Act), there is no need for a Supplementary Estimate for such transfers. Section 5.5.2 of Financial Instructions requires Accounting Officers to submit all transfer requests to the Ministry of Finance for approval before the expenditure is actually incurred.

3.6.1 Staying within the Legislature’s authorized spending limits

Table 3 below shows that, although total expenditures have remained fairly constant over the last five years, the amount of overspending in relation to limits set by the Legislature has declined. In the last five years, total spending was lower than the adjusted estimates and, in the last three years, the number of supplementary estimates required has fallen to a more reasonable level (an average of approximately 1.8% of total estimated spending). It should be noted though that, as described in the section that follows, there was still one case of a ministry overspending.

Controlling expenditures so that they do not exceed planned or approved limits is an important step to reducing the annual and accumulated deficit.

Table 3: Expenditures to Adjusted Estimates

\$ Millions					
As at March 31,	12/13	13/14	14/15	15/16	16/17
Original Estimates	1,006	1,118	1,107	1,083	1,109
Approved frozen funds				(6)	
Supplementary Estimates	38	50	17	25	15
Total Estimates	1,044	1,168	1,124	1,102	1,124
Expenditures	1,029	1,118	1,094	1,070	1,093
(Over)/Under	15	50	30	32	31

3.7 Lack of a Signed Agreement with the Corporation of Hamilton

According to the Corporation of Hamilton's ("the Corporation") financial statements for the year ended December 31, 2017, the Government has a contingent liability of \$4.5 million related to the rental of the Corporation's fire service property. As a lease agreement has not yet been finalized, and the Government in relation to this rent has paid no amount, no amount has been recorded as a liability for the use of the property in the Consolidated Fund's financial statements.

On the other hand, the Government has recharged to the Corporation the costs incurred to respond to fire calls within the city of Hamilton. Approximately \$600,000 a year is charged by the Government to the Corporation. As at March 31, 2017, \$6.3 million is due to the Government. This amount is provided for in the financial statements, as the Corporation makes no payment. Thus, there is no impact on the revenues or on the assets of the Government.

There has not been a signed lease agreement between the parties for the rental of the property since November 2008 (the date the former lease expired).

The Government and the Corporation have refused to pay any recharges prior to having a final agreement and therefore no assets or liabilities are recognized in the Consolidated Fund financial statements.

Without a written signed agreement, it is unclear with both parties the precise extent of the terms and conditions and the also the respective rights, duties and obligations. It is unfortunate that a new lease agreement has not been signed for over nine years.

We have recommended that immediate action be taken to complete a signed agreement with the Corporation.

3.8 Accounting for Heritage Wharf

We have been reporting for a number of years with respect to the incomplete accounting for Heritage Wharf.

In May 2009, the Government conveyed the freehold interest in Heritage Wharf (“the Wharf”) Dockyard to the West End Development Corporation (“Wedco”) for the nominal sum of \$1 on completion of a \$58 million capital development project. The transfer was recorded by the Government as a \$58 million capital grant expense and by Wedco as a \$58 million infrastructure asset for those costs incurred as of May 2009.

In 2011, it was the Ministry of Finance’s intent that the Wharf be re-conveyed to Government in order to not weaken materially the financial position of the Consolidated Fund as a result of the \$58 million being removed from the statement of financial position.

For various reasons, this re-conveyance did not occur, and the Wharf remained on Wedco’s books for \$58 million with an agreement that it would ultimately be transferred back to Government.

Since 2012, the Government has spent another \$30 million to make repairs and that amount is currently being carried in the Consolidated Fund’s accounts as assets under construction.

We had recommended that the Ministry of Public Works in conjunction with the Ministry of Finance should exercise its intent and address the re-conveyance of the Wharf so that all relevant costs of ownership and repairs (\$88 million to date) are accurately recorded in the appropriate entity’s books.

During the year ended March 31, 2017, the re-conveyance of the Wharf took place for a nominal amount of \$1, with an underlying net book value of \$46.1 million. The re-conveyance resulted in Other Revenue in the Consolidated Fund’s financial statements for the year ended March 31, 2017, being increased by \$46.1 million. In addition, \$30 million of capital expenditure relating to the Wharf was transferred to Wedco from the Consolidated Fund’s Assets under Construction.

Notwithstanding the significant amount of time it took, we are pleased that this issue has finally been resolved.

3.9 Inadequate Procedures Over Bank Reconciliations

The March 31, 2013, Financial Instructions required that “Within thirty days of each accounting month end, Accounting Officers shall produce a detailed reconciliation of the balance shown on the bank statement to the balance shown in Government’s accounts”. As per the revised Financial Instructions effective October 1, 2018, the requirement has been amended to “Departments will ensure that all bank transactions are recorded in the Government accounting system on a timely basis, and in the financial month which they occurred.”

We have reported previously significant issues related to the bank reconciliation process. These issues have not been resolved and so continue. Deficiencies for the year ended March 31, 2017, included:

- numerous and significant unrecorded additions and deductions to the General Ledger balance;
- long outstanding unresolved book and bank reconciling items;
- improper treatment of reconciling items;
- unrecorded differences in cash accounts denominated in foreign currencies;
- unadjusted suspense accounts at year-end;
- cancelled or stale-dated cheques that have been cashed, and
- delays in providing bank reconciliations to us for audit.

Given the risks inherent in the reconciliation process, it is imperative that the Accountant General exercise greater control over the reconciliation function. We recommended that the Accountant General ensure that procedures required under Financial Instructions are performed and develop a more robust control environment.

3.10 Operating Expenditures and Accounts Payable

During our audit of operating expenditures and accounts payable, we noted the following issues of concern:

- lack of year-end certification and reconciliation, and
- non-compliance with the terms and conditions of a grant agreement.

3.10.1 Lack of Year-end Certification and Reconciliation

Financial Instruction 14.2 (Balance Sheet Accounts: Assets and Liabilities – Year End: Certification and Reconciliation) requires that, as at March 31 of each fiscal year, Accounting Officers must:

- certify that balances on the accounts in their respective Department are correct, and

- provide a reconciliation of those balances to supporting documentation.

We found instances in departments where the required certification and/or reconciliation had not been done. In all instances of non-compliance with the Year-End Certification and Reconciliation instructions, we noted errors or misstatements. Reconciling of these accounts would aid in ensuring the accuracy of account balances.

Lack of appropriate certification procedures could result in erroneous accruals and payments and ultimately, material misstatements in the financial statements.

We recommended that the Accountant General remind Accounting Officers of their responsibility to certify that year-end balances are correct and to provide a reconciliation of those balances to supporting documentation.

3.10.2 Non-compliance with the Terms and Conditions of a Grant Agreement

Financial Instruction 10.7.7 (Breach of Conditions of Grant) states that: “Where the Ministry/Department is satisfied that the recipient has failed to comply with the conditions of any grant made by the Bermuda Government, the department or ministry may decide not to make releases of current Grant Funds until satisfied that the recipient has taken steps to remedy the situation which caused the breach”.

During the year ended March 31, 2017, grants totaling \$800,000 were paid by the Department of Youth, Sport and Recreation to the National Sports Centre despite non-compliance with the terms and conditions of the grant agreement. Breach of the terms and conditions of grants could result in improper payments and/or grantee not complying with the terms and agreements.

We recommended that the Accounting Officer having oversight over the department should ensure adherence to grant procedures before grants are disbursed.

3.11 Revenues and Accounts Receivables

During our audit of revenues and accounts receivables, we noted a number of issues of concern that occurred and/or reoccurred in a number of ministries and departments, including the lack of:

- reconciliations between control accounts and subsidiary ledgers;
- consistent application of estimating required provisions for doubtful accounts receivable;
- consistent treatment/follow up on delinquent accounts receivable, and
- formal documentation of the Office of the Tax Commissioner’s accounts receivable estimate process.

3.11.1 Lack of Reconciliation between Control Accounts and Subsidiary Ledgers

Financial Instruction 13.10.6 (Accounting Records) states that the total of subsidiary records should be balanced at least quarterly to the control accounts and any differences must be investigated and cleared quarterly.

Proper application of this requirement helps to ensure the accuracy of the record-keeping process and maintains the accounts receivable on a timely and accurate basis. If such reconciliations are not performed, there is a risk of fraud and errors going undetected and a risk of material misstatements in the financial statements.

We found that in the Ministry of Public Works the total accounts receivable per the general ledger was approximately \$1 million higher than the balance in the Ministry's subsidiary accounts receivable system.

We recommended that the Accounting Officer responsible for the ministry ensure that FI 13.10.6 is adhered to and that any differences are reviewed, investigated and cleared promptly.

3.11.2 Lack of Consistent Application of Estimating required Provisions for Doubtful Accounts Receivable

The Year-End Instructions include direction on how to calculate an appropriate provision for accounts receivable that may not be collectible (doubtful accounts).

We noted that the Ministry of Public Works used different ageing categories and provision rates to those stated in the Year-End Instructions when calculating the year-end allowance for doubtful accounts.

The adequacy of the allowance was not reviewed nor adjusted based on the success of collection efforts, accounts ageing, and an overall evaluation of the accounts. Thus, the amount of the allowance may have been inaccurate.

We recommend that the Accountant General ensure that the Ministry of Public Works use the ageing categories and provision rates included in the Year-End Instructions when calculating an allowance for bad debts.

3.11.3 Lack of Consistent Treatment/follow up of Delinquent Accounts Receivable

Financial Instruction (FI) 13.11 (Overdue Accounts) states, "All departments are responsible for developing and implementing effective collection procedures for their accounts receivable in accordance with the FI. Every effort should be made to maximize Government cash flows by minimizing the incidence of uncollectible accounts".

The FI requires “vigorous pursuit of all unpaid accounts”. Actions to be taken include:

- for debts older than 30 days, contacting the debtor to ascertain if there any unresolved issues relating to the debt;
- sending written notification that non-payment could result in legal proceedings to recover the debt without further notice, and
- discontinuing service to the debtor.

Debts older than 90 days are to be referred to the Accountant General’s Department for legal action. If it is not possible to recover the debt by legal process, the FI requires the Accountant General to seek approval from the Minister of Finance to write off the debt.

We found that one department within the Ministry of Public Works had accounts receivable of \$12.6 million, of which \$9.3 million or 74% are past due (more than 180 days) or slow paying on a continuous and ongoing basis.

The department has no formal procedures in place for following up delinquent accounts. Consequently, debt collection procedures are not performed on a timely basis and there is an increase in bad debt and doubtful accounts.

Also, many accounts are written off or “archived” after a number of years without the approval of the Minister of Finance.

In the former Department of Airport Operations, we noted that at March 15, 2017 (the effective date that the Department’s balances were transferred to the new Bermuda Airport Authority), 51% (\$2.1 million) of the total accounts receivable balance was in arrears over 365 days.

Although these amounts had been fully provided for, in most cases the balances related to bankrupt airlines and other liquidated companies. The department had no formal policy in place for delinquent accounts and consequently had not been vigorously pursuing unpaid amounts.

We recommended that the Accountant General ensure that ministries and departments are aware of and follow FI 13.11.

We also noted that, in the Registrar of Companies (ROC) records, Overseas Partnerships, Exempted Partnerships, Overseas Companies and Non-Resident Insurance Undertakings listed as “Defaulters” from prior periods between 2005 and 2017 were still not struck off the list of active companies.

The current legislation under which the above companies fall does not have a provision that would allow the Minister to revoke a company’s certificate in the event the company does not pay the annual fees as prescribed by the legislation within thirty days from its due date.

Given that the companies still have an active status, 50% of annual fees are being recognized and, for prior years, uncollected accounts receivable are fully provided for. More than a hundred entities are still listed and no inquiry letters or notices are sent to these companies to follow up on their status and outstanding accounts receivable.

To prevent this inefficient situation from continuing, we recommended that the ROC request to the Minister a change in the legislation for these companies to include a provision allowing the Minister to revoke a company's certificate in the event it does not pay the annual fees as prescribed by the legislation within thirty days from their due date.

We also recommended that, failing the timely execution of the legislated change recommended above, the Department should consider modification of the status of these Companies in JD Edwards (E1), which would prevent an annual fee being generated for which no actual revenue will be collected.

3.11.4 Lack of Formal Documentation of the Office of the Tax Commissioner Accounts Receivable Estimate Process

Payroll tax, land tax and other taxes and duties managed by the Office of the Tax Commissioner ("OTC") accounted for revenue of \$526 million in the year ended March 31, 2017, about 51% of Government's total revenue.

One of the OTC's most important processes is to determine the accounts receivable at year-end, including several steps to come up with the balance of the accounts receivable from each tax stream. However, although the process is documented in a draft manual, the manual still needs to be finalized and approved.

The accounts receivable estimate process is a critical procedure performed at year-end that entails a lot of detail to determine the estimates that should be included in the total accounts receivable.

Lack of a complete and approved manual could lead to inconsistencies in calculating the accounts receivable balance, which could lead to misstatements in the financial statements. In addition, OTC is exposed to a business continuity risk in the event that employees who are knowledgeable with the process resign from their positions.

We recommended that the OTC should give priority to finalizing its draft manual documenting the estimate process for its accounts receivable.

3.12 Tangible Capital Assets

Financial Instruction 17.1 defines tangible capital assets as assets having physical substance that:

- a) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- b) have useful lives extending beyond one year;
- c) are intended to be used on a continued basis, and
- d) are not for sale in the ordinary course of operations.

Tangible capital assets or fixed assets will be capitalized in the books and records of government. As such, these assets must be monitored and controlled to ensure they are properly recorded and accounted for. The Accounting Officers are responsible for the security and safety of all Government assets.

Accounting Officers are responsible for maintaining an up-to-date register of all Government property, excluding land. Accounting Officers should implement checks, at intervals not exceeding three months, to ensure that the register is up to date and all items listed are in use in the department and in good condition.

We noted a lack of regular physical inspection of tangible capital assets and inconsistencies in the useful life applied to additions of similar assets. We also noted:

- transfers between departments inaccurately presented in the register;
- duplicate asset numbers with different cost and amortization;
- misclassification of assets, and
- assets without useful life included in the asset register.

To help prevent the physical loss of tangible assets and misstatement of the assets in the Consolidated Fund financial statements, we recommended that the Accountant General should review the capital assets register to ensure its completeness and accuracy and should ensure that Accounting Officers comply with the FI.

3.13 Payroll

According to the Financial Instructions, “A report of all employees due for a pay increment is sent to departments monthly”. The Accounting Officer must review the report, document any changes and certify the report as correct to authorize payment in accordance with Conditions of Employment and Code of Conduct. The report must be returned to the Accountant General prior to the 10th day of the month when the increment is due.

We have concerns about the data integrity of payroll Increment Reports. During our review of Increment Reports for March 2017, we noted instances where Increment Reports generated were either incomplete or incorrect. The following scenarios were noted as we examined returned Increment Reports:

- increments resulted in a higher or lower salary than should have been the case;
- increments were included in an Increment Report, but did not translate to a salary increase;
- some Increment Reports did not include the maximum grade, and
- employees were excluded from the Increment Reports but were eligible for increments according to the Department's review.

We recommended that the Accountant General's Department should continue to strengthen the payroll process by researching the cause of the errors noted in the Increment Reports, so timely corrective action can be undertaken. This will aid in preserving the payroll data integrity and improve efficiencies of the salary increment process.

3.14 Operating Leases

Operating leases are included as contractual obligations in the notes to the financial statements (Note 12 of the Consolidated Fund financial statements for the year ended March 31, 2017). During our review of the listing of operating leases, we noted examples where:

- properties were listed twice;
- rental and service fees did not reflect current information for each lease;
- properties no longer leased were still included, and
- properties without executed leases were still included.

We recommended that, in future years, the Accountant General and the Department of Public, Lands and Buildings should coordinate efforts to ensure discrepancies regarding operating lease records are resolved prior to submission of the amounts for disclosure in the notes to the financial statements.

3.15 Inventory

Financial Instruction 16.5.12 (Comparison with Accounting Records) states, "Physical counts must be compared with the general ledger inventory balance, which should be adjusted immediately for all discrepancies. Differences should be the subject of an immediate special inquiry by management and must be brought to the attention of the Accountant General. Management must determine adjustments required to general ledger for all discrepancies and provide adequate explanations".

In three departments (Works & Engineering, Marine & Ports and Public Transportation), we found that the inventory control account was out of balance with the detailed inventory ledger.

We recommended that the Accounting Officers with oversight responsibility for the departments ensure that staff responsible comply with the FI and ensure that such differences are reviewed, investigated and resolved promptly.

3.16 Creation of New Government-controlled Organizations

During the year ended March 31, 2017, three new Government-controlled entities were created: Bermuda Civil Aviation Authority (October 1, 2016), Bermuda Shipping and Maritime Authority (October 1, 2016) and Bermuda Airport Authority (March 2, 2017). These new authorities took over the assets and liabilities of the associated departments: Civil Aviation, Maritime Administration and Airport Operations.

There were no specific procedures established to guide departments in the financial close process. Consequently, we noted a number of errors regarding the startup process of the new authorities:

- At March 31, 2017, the former Department of Civil Aviation's gross accounts receivable of \$5.5 million were still on the Consolidated Funds books and had not been transferred to the new authority.
- Before the close of Civil Aviation, the adequacy of its allowance for doubtful accounts had not been reviewed. It was subsequently established by the new authority that \$2.5 million of the accounts receivable needed to be written off.
- Similarly, included in the accounts receivable of the former Department of Airport Operations were \$2.1 million of receivables that were over one year old. Although the amounts had been fully provided for as doubtful accounts, a significant portion of these aged amounts related to bankrupt airlines and other liquidated companies and therefore should have been determined to be uncollectible. FI 13.11.6 requires that "If it is not possible to recover the debt by legal process, the Accountant General will request approval from the Minister of Finance to write off the debt". This should have been done prior to the closure of the Department but was not.

Although the closure of a Department may be an unusual event, we recommended that the Accountant General review the departmental close-out process that took place, establish "lessons learned" and develop guidelines for similar transactions that may occur in the future.

3.17 Audits of the Financial Statements of Government-controlled Organizations

The Auditor General audits the annual financial statements of Government-controlled organizations pursuant to Section 6 of the Audit Act 1990, and the statutes under which the organizations operate. An organization is deemed to be Government-controlled if Government has, by whatever means, the power to require its affairs to be conducted in accordance with its wishes.

After each audit, we provide a management letter to the person, governing board or council with responsibility for overseeing the organization. The letter contains our observations and recommendations with respect to areas that, in the Auditor General's opinion, are significant to the oversight of the financial reporting process.

The 25 Government-controlled organizations operating at March 31, 2018, were:

- African Diaspora Heritage Trail (Bermuda) Foundation
- ACBDA
- Bermuda Airport Authority
- Bermuda Arts Council
- Bermuda Casino Gaming Commission
- Bermuda Civil Aviation Authority
- Bermuda College
- Bermuda Deposit Insurance Corporation
- Bermuda Economic Development Corporation
- Bermuda Educators Council
- Bermuda Health Council
- Bermuda Hospitals Board
- Bermuda Housing Corporation
- Bermuda Housing Trust
- Bermuda Land Development Company Limited
- Bermuda Shipping and Maritime Authority
- Bermuda Sport Anti-Doping Authority
- Bermuda Tourism Authority
- Board of Trustees of the Golf Courses
- CedarBridge Academy
- Financial Intelligence Agency
- Pension Commission
- Regulatory Authority
- Trustees of the National Sports Centre
- West End Development Corporation

In the year ended March 31, 2018, we completed 20 audits of Government-controlled organizations and audited financial statements were then issued by the organizations concerned. The audit opinion for four of the financial statements were disclaimed. Details of the disclaimed audit opinions are shown in the material that follows.

As of March 31, 2018, all the above organizations should have issued audited financial statements for the year ended March 31, 2017 (or December 31, 2016, in the case of the Bermuda Tourism Authority and the Pension Commission). The list below shows that 16 organizations between them had 50 years of financial statements outstanding. It should be noted though that, in the list below, the years marked with an asterisk (*) indicate that, at March 31, 2018, our audits were substantially complete, and eight sets of financial statements were issued during the first few months of the 2018-2019 fiscal year.

- African Diaspora Heritage Trail (Bermuda) Foundation (2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017)
- Bermuda Casino Gaming Commission (2017*)
- Bermuda Civil Aviation Authority (2017)
- Bermuda College (2016* and 2017)
- Bermuda Deposit Insurance Corporation (2017)
- Bermuda Economic Development Corporation (2017*)
- Bermuda Educators Council (2013, 2014, 2015, 2016 and 2017)
- Bermuda Hospitals Board (2015*, 2016 and 2017)
- Bermuda Housing Corporation (2016 and 2017)
- Bermuda Land Development Company Limited (2013, 2014, 2015, 2016 and 2017)
- Board of Trustees of the Golf Courses (2012, 2013, 2014, 2015, 2016 and 2017)
- CedarBridge Academy (2016 and 2017)
- Financial Intelligence Agency (2017)
- Regulatory Authority (2017*)
- Trustees of the National Sports Centre (2012*, 2013, 2014, 2015, 2016 and 2017)
- West End Development Corporation (2016* and 2017*)

3.17.1 African Diaspora Heritage Trail (Bermuda) Foundation

The African Diaspora Heritage Trail (Bermuda) Foundation (the Foundation) was incorporated as a local company limited by guarantee on July 27, 2006.

Its principal objectives are to promote, advance and develop the concept of an African Diaspora Heritage Trail; to conserve and promote historic sites and venues throughout the African Diaspora; to promote and develop relationships between countries of the African Diaspora; to promote and advance the education of visitors to Bermuda and other countries of the African Diaspora; to provide for the expression and exchange of views and to engage in research of all kinds.

As at March 31, 2018, the Foundation's annual financial statements from inception to March 31, 2017 had yet to be finalized.

3.17.2 ACBDA Limited

ACBDA was the organization responsible for delivering the Government of Bermuda's responsibilities as outlined in the Host Venue Agreement between the Government of Bermuda and the America's Cup Event Authority.

ACBDA ceased operations on December 31, 2017 and was placed into members' voluntary liquidation.

During the period covered by this report, ACBDA issued its audited financial statements for the year ended March 31, 2017 and for the nine months ended December 31, 2017. The audit opinions thereon were unqualified.

3.17.3 Bermuda Airport Authority

The Bermuda Airport Authority (the Authority) was established on March 2, 2017, by the Bermuda Airport Authority Act 2017. A principal responsibility of the Authority is to protect Bermuda's interests in the Public Private Partnership with Bermuda Skyport Corporation Limited and ensure that contractual value is delivered on budget, on time and within the quality specifications contained in the Project Agreement.

The Authority is the owner of the L.F. Wade International Airport and, in addition to overseeing the management, operations and redevelopment of the airport, the Authority has direct responsibility for delivery of Air Traffic Control, Bermuda Weather Services, Ground Electronics Services and Airport Rescue and Firefighting services. The Authority is also responsible for regulating passenger fees.

The Authority's first financial statements will be for the period ended March 31, 2018.

3.17.4 Bermuda Arts Council

The principal objectives of the Bermuda Arts Council (the Council) are to develop and improve the knowledge, understanding and practice of the arts; to increase the accessibility of the arts whether by means of Festivals of the Arts, or otherwise, to the public throughout Bermuda, and advise and cooperate with Government departments, art groups and societies in Bermuda and other bodies on any matters concerned whether directly or indirectly with the foregoing objectives.

During the period covered by this report, the Council issued audited financial statements for the year ended March 31, 2017. The audit opinion on the financial statements was unqualified.

3.17.5 Bermuda Casino Gaming Commission

The Bermuda Casino Gaming Commission (the Commission) commenced operations in 2015 based on the enactment of the Casino Gaming Act 2014. The organization is responsible for regulating the casino gaming industry in Bermuda.

The Commission's first audited financial statements will be for the period ended March 31, 2017. However, the financial statements had not been issued as at March 31, 2018.

After the period covered by this report, the Board issued its financial statements for the year ended March 31, 2017. The audit opinion thereon was unqualified.

3.17.6 Bermuda Civil Aviation Authority

The Bermuda Civil Aviation Authority (the BCAA) was established on October 1, 2016. It is responsible for the regulation and safety oversight of aviation in Bermuda and all aircraft on the Bermuda Aircraft Registry.

The BCAA's first audited financial statements will be for the period ended March 31, 2017. However, the financial statements had not been issued as at March 31, 2018.

3.17.7 Bermuda College

Bermuda College (the College) provides full- and part-time education and training for persons over the compulsory school age.

During the period covered by this report, the College did not issue any sets of audited financial statements. The latest audited financial statements issued by the College were for the year ended March 31, 2015.

3.17.8 Bermuda Deposit Insurance Corporation

The Bermuda Deposit Insurance Corporation (BDIC) was established as an independent body to administer and enforce the deposit insurance scheme, as well as to manage the deposit insurance fund. BDIC commenced operations in 2012.

The Authority's first audited financial statements will be for the period ended March 31, 2017. However, the financial statements had not been issued as at March 31, 2018.

3.17.9 Bermuda Economic Development Corporation

The Bermuda Economic Development Corporation (BEDC) oversees the development of a strong, well-managed, and prosperous business sector in Bermuda.

During the period covered by this report, the BEDC issued audited financial statements for the year ended March 31, 2016. The audit opinion on the financial statements was unqualified.

After the period covered by this report, the BEDC issued its financial statements for the year ended March 31, 2017. The audit opinion thereon was unqualified.

3.17.10 Bermuda Educators Council

The principal objectives of the Bermuda Educators Council (the Council) are to improve standards of teaching to enhance the quality of learning and to maintain and improve standards of professional conduct of educators in the public interest. The Council commenced operations on April 10, 2003.

During the period covered by this report, the Council issued three sets of audited financial statements covering the years ended March 31, 2010 to 2012. The financial statements for each of the three years received a disclaimer of opinion as follows:

Due to serious deficiencies in the accounting records of the Bermuda Educators Council and in the system of internal controls, I was not able to satisfy myself that all assets, liabilities, revenues and expenses of the Bermuda Educators Council had been reflected, nor was I able to satisfy myself that recorded transactions represented valid transactions of the Bermuda Educators Council for the year then ended. As a result, I was unable to determine whether adjustments were required in respect to recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statement of financial position, the statement of operations and changes in net assets and the statement of cash flows. (August 23, 2017)

3.17.11 Bermuda Health Council

The Bermuda Health Council (the Council) is mandated to regulate, coordinate and enhance health services.

During the period covered by this report, the Council issued audited financial statements for the year ended March 31, 2017. The audit opinion on the financial statements was unqualified.

3.17.12 Bermuda Hospitals Board

The Bermuda Hospitals Board (the Board) is responsible for operating the King Edward VII Memorial Hospital (KEMH), Mid-Atlantic Wellness Institute (MWI) and Healthcare Partners Ltd., (HPL). KEMH is an inpatient acute and extended care hospital and the MWI is a psychiatric facility. HPL is a holding company created to provide a vehicle for the Board to participate in partnerships and/or joint venture businesses.

During the period covered by this report, the Board issued audited financial statements for the year ended March 31, 2014. The audit opinion on the financial statements was unqualified.

After the period covered by this report, the Board issued its financial statements for the year ended March 31, 2015. The audit opinion thereon was unqualified.

3.17.13 Bermuda Housing Corporation

The primary functions of the Bermuda Housing Corporation (the Corporation) are to provide housing in Bermuda, to promote home ownership, to undertake and carry out housing schemes, and to undertake such other functions in connection with housing as the Minister responsible for housing may require.

During the period covered by this report, the Corporation issued audited financial statements for the year ended March 31, 2015. The audit opinion on the financial statements was unqualified.

3.17.14 Bermuda Housing Trust

The Bermuda Housing Trust (the Trust) initiates and administers programmes for the relief of poverty, suffering and misfortune among elderly persons in Bermuda by providing accommodation for such persons on favourable terms.

During the period covered by this report, the Trust issued audited financial statements for the year ended March 31, 2017. The audit opinion on the financial statements was unqualified.

3.17.15 Bermuda Land Development Company Limited

The general purpose of the Bermuda Land Development Company Limited (the Company) is to manage and develop the land entrusted to it in a manner that will integrate the land into the economic and social fabric of Bermuda and create opportunities for increased employment now and in the future.

During the period covered by this report, the Company issued audited financial statements for the year ended March 31, 2012. The audit opinion on the financial statements was unqualified.

3.17.16 Bermuda Shipping and Maritime Authority

The Bermuda Shipping and Maritime Authority (the Authority) was established by the Bermuda Shipping and Maritime Authority Act 2016 in July 2016. It commenced its statutory operations on October 1, 2016. It is responsible for maritime safety, prevention of pollution from ships, maritime security and standards of seafarers on Bermuda registered ships, under the oversight of the Minister responsible for Shipping, under the provisions of the Merchant Shipping Act 2002.

The Authority's first audited financial statements will be for the period ended March 31, 2018.

3.17.17 Bermuda Sport Anti-Doping Authority

The Bermuda Sport Anti-Doping Authority (the Authority) is responsible for ensuring sports bodies in Bermuda are compliant with the World Anti-Doping Code and the Illicit Policy through the implementation and management of the Bermuda Government Policy Paper on Anti-Doping. The Authority provides education and information programmes; athlete testing; intelligence management and exclusive results management for anti-doping rule violations.

During the period covered by this report, the Authority issued two sets of audited financial statements for the years ended March 31, 2016 and 2017. The audit opinions on both financial statements were unqualified.

3.17.18 Bermuda Tourism Authority

The Bermuda Tourism Authority (the Authority) was established on December 16, 2013 under the Bermuda Tourism Authority Act 2013, following the repeal of the Tourism Board Act 2012. The main functions of the Authority are to develop and promote Bermuda as a tourist destination; to advise the Government on matters relating to travel and tourism; to enhance the travel and tourism sector's contribution to the Bermuda economy; to provide appropriate tourism education and training, and to implement the National Tourism Plan.

During the period covered by this report, the Authority issued audited financial statements for the year ended December 31, 2016. The audit opinion thereon was unqualified.

3.17.19 Board of Trustees of the Golf Courses

The functions of the Board of Trustees of the Golf Courses (the Board) are to have general control, management and administration over the Port Royal and Ocean View Golf Courses, and to maintain the golf courses in good and proper condition.

During the period covered by this report, the Board did not issue any sets of audited financial statements. The latest audited financial statements issued by the Board were for the year ended March 31, 2011.

3.17.20 CedarBridge Academy

CedarBridge Academy (the Academy) is a public senior school, which provides education in accordance with the provisions of the Education Act 1996 and subsequent amendments.

During the period covered by this report, the Academy issued audited financial statements for the year ended March 31, 2015. The financial statements received a disclaimer of opinion due to serious deficiencies in the system of internal controls and the Academy's accounting records.

The audit opinion for the 2015 financial statements read:

There were serious deficiencies in the system of internal controls and accounting records of CedarBridge Academy. I was not able to perform audit procedures on the accounting records I considered necessary to satisfy myself that all assets, liabilities, revenues and expenses of the CedarBridge Academy has been reflected, nor was I able to satisfy myself that recorded transactions represented valid transactions of CedarBridge Academy for the year ended. As a result, I was unable to determine whether adjustments were required in respect to recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statement of financial position, the statement of operations and changes in fund balances and the statement of cash flows. (August 8, 2017)

3.17.21 Financial Intelligence Agency

The Financial Intelligence Agency (the FIA) was established by the Financial Intelligence Agency Act 2007 to act as an independent agency authorized to receive, gather, store, analyze and disseminate information relating to suspected proceeds of crime and

potential financing of terrorism. The FIA may also disseminate such information to the Bermuda Police Service and foreign financial intelligence authorities.

During the period covered by this report, the FIA issued audited financial statements for the year ended March 31, 2016. The audit opinion thereon was unqualified.

3.17.22 Pension Commission

The primary functions of the Pension Commission (the Commission) are to administer the National Pension Scheme (Occupational Pensions) Act 1998 and the related regulations, to consider and determine applications for the registration of pension plans and to promote and ensure compliance with the provisions of the Act and the regulations.

During the period covered by this report, the Commission issued audited financial statements for the years ended December 31, 2015 and 2016. The audit opinions thereon were unqualified.

3.17.23 Regulatory Authority

The Regulatory Authority (the Authority) was established under the Regulatory Authority Act 2011. The Authority commenced operations on January 28, 2013 and currently operates as a telecommunications regulator under the Electronic Communications Act 2011.

During the period covered by this report, the Authority issued audited financial statements for the year ended March 31, 2016. The audit opinion on the financial statements was unqualified.

After the period covered by this report, the Authority issued audited financial statements for the year ended March 31, 2017. The audit opinion thereon was unqualified.

3.17.24 Trustees of the National Sports Centre

The Trustees of the National Sports Centre (the Trustees) are to maintain the Centre's facilities and make the facilities available for sporting and other events.

During the period covered by this report, the Trustees did not issue any sets of audited financial statements. However, after the period covered by this report, the Board issued audited financial statements for the year ended March 31, 2012. The audit opinion thereon was qualified.

The audit opinion for the 2012 financial statements read:

I was unable to obtain sufficient appropriate audit evidence to support the accuracy and completeness of tangible capital assets with a net book value of \$46,447,977. As a result, I was unable to determine whether adjustments to

*assets, expenses, annual deficit and accumulated surplus might be necessary.
(May 1, 2018)*

3.17.25 West End Development Corporation

The general function of the West End Development Corporation (the 'Corporation') is to manage and develop all designated land in the western end of the Island with a view to the progressive improvement of the social and economic conditions.

During the period covered by this report, the Corporation did not issue any sets of audited financial statements. However, after the period covered by this report, the Corporation issued audited financial statements for the years ended March 31, 2016 and 2017. The audit opinions were unqualified.

3.18 Audits of the Financial Statements of Public Funds

The Auditor General audits the Government of Bermuda's Public Funds pursuant to Section 6 of the Audit Act 1990, and the statutes under which the funds operate.

At the conclusion of each audit, we provide a management letter to the person, governing board or council with responsibility for overseeing the organization. The letter contains our observations and recommendations regarding areas that, in the Auditor General's opinion, are significant to the oversight of the financial reporting process.

We also report on other significant matters we believe should be brought to the attention of the person charged with governance.

Matters arising from the audit of the Consolidated Fund financial statements for the year ended March 31, 2017 are dealt with in Sections 3.3 to 3.16 of this report.

The 13 Public Funds operating at March 31, 2018, were:

- Bermuda Department of Tourism North America Retirement Plan
- Confiscated Assets Fund
- Consolidated Fund
- Contributory Pension Fund
- FutureCare Fund
- Government Borrowing Sinking Fund
- Government Employees Health Insurance Fund
- Government Reserves Fund
- Health Insurance Fund
- Ministers and Members of the Legislature Pensions Fund
- Mutual Re-insurance Fund

- Public Service Superannuation Fund
- Unemployment Insurance Fund

In the year ended March 31, 2018, we completed 19 audits of Public Funds and audited financial statements were then issued by the Funds concerned. This number does not include the Consolidated Fund, which is discussed above under Section 3.2. The audit opinions for 16 of the financial statements were either qualified or disclaimed. Details of the modified audit opinions are shown the material that follows in the section below.

As of March 31, 2018, all the above Funds should have issued audited financial statements up to and including the year ended March 31, 2017 (July 31, 2017 for the Contributory Pension Fund). The list below shows 12 Funds between them had 46 years of financial statements outstanding. The asterisk (*) beside the Ministers and Members of the Legislature Pensions Fund 2012 in the list below indicates that, at March 31, 2018, our audit was substantially complete, and the Fund's audited financial statements for the year ended March 31, 2012, were issued early in the 2018-2019 financial year.

- Bermuda Department of Tourism North America Retirement Plan (2013, 2014, 2015, 2016 and 2017)
- Confiscated Assets Fund (2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017)
- Contributory Pension Fund (2013, 2014, 2015, 2016 and 2017)
- FutureCare Fund (2016 and 2017)
- Government Borrowing Sinking Fund (2015, 2016 and 2017)
- Government Employees Health Insurance Fund (2013, 2014, 2015, 2016 and 2017)
- Government Reserves Fund (2017)
- Health Insurance Fund (2016 and 2017)
- Ministers and Members of the Legislature Pensions Fund (2012*, 2013, 2014, 2015, 2016 and 2017)
- Mutual Re-insurance Fund (2016 and 2017)
- Public Service Superannuation Fund (2012, 2013, 2014, 2015, 2016 and 2017)
- Unemployment Insurance Fund (2017)

3.18.1 Bermuda Department of Tourism North America Retirement Plan

The Bermuda Department of Tourism North America Retirement Plan (the Plan) is a pension plan that provides retirement benefits for the employees of the Department of Tourism's North American offices.

During the period covered by this report, the Plan did not issue any audited financial statements. The latest audited financial statements issued by the Plan were for the year ended March 31, 2012.

3.18.2 Confiscated Assets Fund

The Confiscated Assets Fund (the Fund) holds monies detained and forfeited by Court Orders under the Proceeds of Crime Act 1997, the Misuse of Drugs Act 1972 and monies paid to the Government of Bermuda by a foreign jurisdiction in respect of confiscated assets. Forfeited monies are expended for purposes authorized in legislation.

During the period covered by this report, the Fund did not issue any audited financial statements. The latest audited financial statements issued by the Fund were for the year ended March 31, 2009.

3.18.3 Contributory Pension Fund

The Contributory Pension Fund (the Pension Fund) receives pension contributions from persons employed in Bermuda, the self-employed and the employers, and pays retirement benefits.

During the period covered by this report, the Pension Fund did not issue any audited financial statements. The latest audited financial statements issued by the Pension Fund were for the year ended July 31, 2012.

3.18.4 FutureCare Fund

The FutureCare Fund (the Fund) was established to provide hospital and medical insurance for residents of Bermuda over the age of 65 years. The Fund and the Health Insurance Committee, which administers and manages the Fund, were established under the Health Insurance Act 1970 and subsequent amendments.

During the period covered by this report, the Fund issued audited financial statements for the year ended March 31, 2015. The financial statements received a disclaimer of opinion due to serious deficiencies in the accounting records of the Fund and in its system of internal controls. The disclaimer of opinion stated:

I was unable to obtain sufficient appropriate audit evidence with respect to premiums receivable totalling \$280,719. As a result, I was unable to determine whether adjustments to revenues, expenses, annual operating surplus and net financial assets might be necessary.

In addition, with respect to the year ended March 31, 2014, I did not express an opinion on the financial statements due to serious deficiencies in the accounting records. Since opening balances enter into the determination of the

results of operations, I was unable to satisfy myself over the accuracy of the opening net assets as at April 1, 2014. (September 13, 2017)

3.18.5 Government Borrowing Sinking Fund

The Government Borrowing Sinking Fund (the Sinking Fund) receives and holds monies that may be used in future to reduce or cancel public debt.

During the period covered by this report, the Sinking Fund did not issue any sets of audited financial statements. The latest audited financial statements issued by the Sinking Fund were for the year ended March 31, 2014.

3.18.6 Government Employees Health Insurance Fund

The Government Employees Health Insurance Fund (the Fund) provides health insurance benefits for Government employees, Ministers and Members of the Legislature and their enrolled dependents and covers medical expenses, such as hospital stays, doctor's visits and prescription drugs.

During the period covered by this report, the Fund did not issue any audited financial statements. The latest audited financial statements issued by the Fund were for the year ended March 31, 2012.

3.18.7 Government Reserves Fund

The Government Reserves Fund (the Fund) holds monies received under the United States Bases (Termination of Agreements) Act 2002, less amounts paid from those monies as directed by the Minister of Finance.

During the period covered by this report, the Fund issued audited financial statements for the years ended March 31, 2015 and 2016. The audit opinions on both financial statements were unqualified.

3.18.8 Health Insurance Fund

The Health Insurance Fund (the Fund) – formerly the Hospital Insurance Fund - was established to provide hospital and medical insurance for all residents of Bermuda, irrespective of age and state of health.

During the period covered by this report, the Fund issued audited financial statements for the year ended March 31, 2015. The financial statements received a disclaimer of opinion due to serious deficiencies in the accounting records of the Fund and in its system of internal controls. The qualification read:

I was unable to obtain sufficient appropriate audit evidence with respect to premiums receivable totalling \$232,633 and bad debt recovery of \$279,035.

As a result, I was unable to determine whether adjustments to revenues, expenses, annual operating deficit and net debt might be necessary.

In addition, with respect to the year ended March 31, 2014, I did not express an opinion on the financial statements due to serious deficiencies in the accounting records. Since opening balances enter into the determination of the results of operations, I was unable to satisfy myself over the accuracy of the opening net assets as at April 1, 2014. (September 13, 2017)

3.18.9 Ministers and Members of the Legislature Pensions Fund

The purpose of the Ministers and Members of the Legislature Pensions Fund (the Fund) is to provide retirement pensions for the ministers, members and officers of the Legislature of Bermuda.

During the period covered by this report, the Fund did not issue any audited financial statements. However, after the period covered by this report, the Fund issued audited financial statements for the year ended March 31, 2012. The audit opinion thereon was unqualified.

3.18.10 Mutual Re-insurance Fund

The Mutual Re-insurance Fund (the Fund) was authorized for the purpose of spreading the cost of certain claims amongst all licensed insurers and approved schemes. The following risks are covered: hemodialysis treatment, long-stay hospital care, kidney transplants and the required anti-rejection drugs, and MRI.

During the period covered by this report, the Fund issued audited financial statements for the year ended March 31, 2015. The audit opinion on the statements was qualified. The qualification read:

I was unable to obtain sufficient appropriate audit evidence with respect to the completeness of the recorded re-insurance fees from Government Employees Health Insurance Fund totalling \$2,755,176 and related accounts receivable totalling \$701,837. As a result, I was unable to determine whether adjustments to revenue, annual operating deficit and net financial assets might be necessary. In addition, with respect to the year ended March 31, 2014, I did not express an opinion on the financial statements due to serious deficiencies in the accounting records. Since opening balances enter in the determination of the results of operations, I was unable to satisfy myself over the accuracy of the opening net assets as of April 1, 2014.

3.18.11 Public Service Superannuation Fund

The purpose of the Public Service Superannuation Fund (the Fund) is to provide retirement pensions for retired employees of the Government of Bermuda and the employees of various quasi-autonomous non-Governmental organizations.

During the period covered by this report, the Fund did not issue any audited financial statements. The latest audited financial statements issued by the Fund were for the year ended March 31, 2011.

3.18.12 Unemployment Insurance Fund

The Unemployment Insurance Fund (the Insurance Fund) was established March 18, 2002 by amendment to the Public Treasury (Administration and Payments) Act 1969, under the provisions of Section 10B and its related amendments. The Legislature authorized \$1 million to be set aside in the Consolidated Fund to set up the Insurance Fund.

During the period covered by this report, the Fund issued fourteen sets of audited financial statements for the years ended March 31, 2003 to 2016.

The financial statements for the years ended March 31, 2003 to 2010 received disclaimers of opinion due to serious deficiencies in the system of internal controls and accounting records.

For example, the disclaimer of opinion for the financial statements for the year ended March 31, 2010 stated:

There were serious deficiencies in the system of internal controls and accounting records of the Unemployment Insurance Fund. I was not able to perform audit procedures on the accounting records I considered necessary to satisfy myself that all assets, liabilities, revenues and expenses of the Unemployment Insurance Fund has been reflected, nor was I able to satisfy myself that recorded transactions represented valid transactions of the Unemployment Insurance Fund for the year ended. As a result, I was unable to determine whether adjustments were required in respect to recorded or unrecorded assets, recorded or unrecorded liabilities and the elements making up the statement of financial position, the statements of operations and accumulated surplus, change in net financial assets and cash flows. (June 30, 2017)

The statements for the years ended March 31, 2011, and 2014 to 2016 had qualified audit opinions, as follows:

- 2011: *In respect of the year ended March 31, 2010, I did not express an opinion on the financial statements due to serious deficiencies in the system of internal controls and accounting records. As a result, I am unable to satisfy myself over the accuracy of the opening accumulated surplus as at April 1, 2010. (October 17, 2017)*
- 2014: *I was unable to obtain sufficient appropriate audit evidence with respect to Community Education & Development – Internship Programme Expenses totalling \$59,220. As a result, I was unable to determine whether adjustments to expenses, annual deficit and Due to the Consolidated Fund of the Government of Bermuda might be necessary. (October 17, 2017)*
- 2015: *I was unable to obtain sufficient appropriate audit evidence with respect to Community Education & Development – Intern Programme - grant expenses totalling \$56,920. As a result, I was unable to determine whether adjustments to expenses, annual deficit and Due to the Consolidated Fund of the Government of Bermuda might be necessary.*
- In addition, in respect of the year ended March 31, 2014, I qualified my opinion with respect to the lack of audit evidence relating to Community Education & Development Intern expenses totalling \$59,220. As a result, I am unable to satisfy myself over the accuracy of opening accumulated surplus. (October 17, 2017)*
- 2016: *In respect of the year ended March 31, 2015, I qualified my opinion with respect to the lack of audit evidence relating to Community Education & Development Intern Programme - grant expenses totalling \$56,920. As a result, I am unable to satisfy myself over the accuracy of the opening accumulated surplus. (October 17, 2017)*

The financial statements for the years ended March 31, 2012 and 2013 had unqualified audit opinions.

3.19 Audits of the Financial Statements of Parish Councils

The Auditor General reviews eight of Bermuda's parish councils and audits the Warwick Parish Council.

The difference between an audit and a review is primarily a difference in the level of assurance provided.

According to standards generally accepted in Bermuda and Canada, in an audit, the auditor is required to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.

According to the standards for Review Engagements generally accepted in Bermuda and Canada, in a review, the practitioner's conclusion is based on the practitioner obtaining limited assurance. The practitioner's report includes a description of the nature of a review engagement as context for the readers of the report to be able to understand the conclusion. The practitioner performs primarily inquiry and analytical procedures to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole.

In the year ended March 31, 2018, the parish councils were able to issue 11 sets of financial statements. The audit or review opinions for four of the financial statements were qualified. Details of the modified audit opinions are shown in the material that follows in the section below.

As of March 31, 2018, all the parish councils should have issued financial statements up to and including the year ended March 31, 2017. The list below shows that three councils between them had 11 years of financial statements outstanding. The asterisk (*) beside Devonshire Parish 2017 in the list below indicates that, at March 31, 2018, our review was substantially complete, and the Council's financial statements for the year ended March 31, 2017, were issued early in the 2018-2019 financial year.

As at March 31, 2018, the following parish councils had not issued audited or reviewed financial statements for the years ended March 31:

- Devonshire Parish (2017*)
- Pembroke Parish (2013, 2014, 2015, 2016 and 2017)
- Warwick Parish (2013, 2014, 2015, 2016 and 2017)

3.19.1 Devonshire Parish Council

During the period covered by this report, Devonshire Parish Council issued two sets of financial statements for the years ended March 31, 2015 and 2016. These statements were reviewed but not audited by the Auditor General. Both sets of statements had qualified review conclusions.

The review conclusion for the financial statements for 2015 stated:

Management did not provide minutes of the Devonshire Parish Council meetings. As a consequence, I was unable to complete my review. Had I been able to complete my review, I might have determined adjustments to be necessary to these financial statements.

Because of my inability to complete a review, as described in the preceding paragraph, I am unable to express any assurance as to whether these financial statements are, in all material respects, in accordance with public sector accounting standards generally accepted in Bermuda and Canada. (May 22, 2018)

The review conclusion for the financial statements for 2016 stated:

A review does not constitute an audit and, consequently, I do not express an audit opinion on these financial statements.

Management did not provide minutes of the Devonshire Parish Council meetings. As a consequence, I was unable to complete my review. Had I been able to complete my review, I might have determined adjustments to be necessary to these financial statements.

Because of my inability to complete a review, as described in the preceding paragraph, I am unable to express any assurance as to whether these financial statements are, in all material respects, in accordance with public sector accounting standards generally accepted in Bermuda and Canada. (May 22, 2018)

After the period covered by this report, the Council issued financial statements for the year ended March 31, 2017. The statements were reviewed but not audited by the Auditor General. The statements had an unqualified review conclusion.

3.19.2 Hamilton Parish Council

During the period covered by this report, Hamilton Parish Council issued financial statements for the year ended March 31, 2017. The statements were reviewed but not audited by the Auditor General. The statements had an unqualified review conclusion.

3.19.3 Paget Parish Council

During the period covered by this report, Paget Parish Council issued financial statements for the years ended March 31, 2016 and 2017. These statements were reviewed but not audited by the Auditor General. The review conclusions were unqualified.

3.19.4 Pembroke Parish Council

During the period covered by this report, Pembroke Parish Council did not issue any audited financial statements. The latest audited financial statements issued by the Council were for the year ended March 31, 2012.

3.19.5 Sandys Parish Council

During the period covered by this report, Sandys Parish Council issued financial statements for the year ended March 31, 2017. These statements were reviewed but not audited by the Auditor General. The review conclusion was unqualified.

3.19.6 Smith's Parish Council

During the period covered by this report, Smith's Parish Council issued financial statements for the year ended March 31, 2017. These statements were reviewed but not audited by the Auditor General. The review conclusion was unqualified.

3.19.7 Southampton Parish Council

During the period covered by this report, Southampton Parish Council issued financial statements for the year ended March 31, 2017. These statements were reviewed but not audited by the Auditor General. The review conclusion was unqualified.

3.19.8 St. George's Parish Council

During the period covered by this report, St. George's Parish Council issued financial statements for the year ended March 31, 2017. These statements were reviewed but not audited by the Auditor General. The review conclusion was unqualified.

3.19.9 Warwick Parish Council

During the period covered by this report, Warwick Parish Council issued two sets of audited financial statements covering the years ended March 31, 2011 and 2012. The audit opinions for both years were qualified.

The audit opinion for the financial statements for 2011 stated:

I was unable to obtain sufficient appropriate audit evidence with respect to the accuracy and completeness of day care fees of \$84,248. As a result, I was unable to determine whether adjustments might be necessary to assets, revenues, excess of revenues over expenses and net assets.

In addition, as is common with many not-for-profit organizations, Warwick Parish Council derives a portion of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of Warwick Parish Council and I was not able to determine whether any adjustments might be necessary to assets, revenues, excess of revenues over expenses and net assets. (November 27, 2017)

The audit opinion for the financial statements for 2012 stated:

As is common with many not-for-profit organizations, Warwick Parish Council derives a portion of its revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of Warwick Parish Council and I was not able to determine whether any adjustments might be necessary to assets, revenues, excess of revenues over expenses and net assets. (November 27, 2017)

3.19.10 Other pervasive problems

A few of the parish councils continue to contravene various requirements of the Parish Councils Act 1971. For example, satisfying their legislative requirements regarding the minimum number of council members, frequency of meetings, quorums, and minuting of meetings. Many parish councils have been contravening the statutory requirement that financial statements be submitted promptly for audit each year. A few councils are not complying with the statutory requirement to report to the Minister on the exercise and performance of their functions during that year, and on their policies and proposals for the following year.

3.20 Audits of the Financial Statements of Aided Schools' Capitation Grant Accounts

Capitation grant accounts record grants provided to aided schools by the Ministry of Education, expenditures paid from those grants, and the capitation grant accounts' financial assets and liabilities. Capitation grant accounts do not record most donations and other income of schools, payments from that income, or the schools' capital assets.

The Auditor General audits the capitation grant accounts of Bermuda's four aided schools as required by the Education Act 1996.

In the year ended March 31, 2018, the St. George's Preparatory School Capitation Grant Account was able to issue six sets of audited financial statements for the years ended March 31, 2010 to 2015, all of which had unqualified audit opinions. The other three

Aided Schools Capitation Grant Accounts were not able to issue any audited financial statements.

As of March 31, 2018, all the schools' capitation grant accounts should have issued audited financial statements up to and including the year ended March 31, 2017. The list below shows the four schools between them had 21 years of financial statements outstanding. It should be noted though that, in the list below, the years marked with an asterisk (*) indicate that, at March 31, 2018, our audits were substantially complete, and four sets of financial statements were issued during the first few months of the 2018-2019 fiscal year.

As at March 31, 2017, the Aided Schools Capitation Grant Accounts had not issued audited financial statements for the years ended March 31:

- Berkeley Institute Capitation Grant Account (2013, 2014, 2015, 2016 and 2017)
- Sandys Secondary Middle School Capitation Grant Account (2011*, 2012*, 2013, 2014, 2015, 2016 and 2017)
- St. George's Preparatory School Capitation Grant Account (2016* and 2017*)
- Whitney Institute Middle School Capitation Grant Account (2011, 2012, 2013, 2014, 2015, 2016 and 2017)

As well as failing in their responsibility to provide timely financial accountability to the Minister and to the House of Assembly, all four aided schools are contravening the Education Act 1996 which requires them to submit their accounting records and financial statements for audit within three months of fiscal year-ends.

3.21 Audits of the Financial Statements of Other Organizations

3.21.1 Barristers and Accountants AML/ATF Board

The Barristers and Accountants AML/ATF Board (the Board) is a statutory board established jointly by the Chartered Professional Accountants of Bermuda and the Bermuda Bar Association, pursuant to Section 8A of the Chartered Professional Accountants of Bermuda Act 1973 and Section 25A of the Bermuda Bar Act 1974. The Board has been designated by the Minister of Justice under Section 4(1) of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing Supervision and Enforcement) Act, 2008 to be the supervisory authority for regulated professional firms (barristers and accountants) as defined by Regulation 2 of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008.

During the period covered by this report, the Board did not issue any financial statements. However, after the period covered by this report, the Board issued audited financial statements for the year ended March 31, 2017. The audit opinion thereon was unqualified.

3.21.2 Bermuda Monetary Authority

The Bermuda Monetary Authority (the Authority) was established in Bermuda by an Act of the Legislature with initial capital provided by the Bermuda Government. Its objects and powers are set out in the Bermuda Monetary Authority Act 1969, as amended. The Amendment Act 2001 allows the Minister of Finance to approve an auditor for the Authority other than the Auditor General.

The legislative amendment recognizes that the manner in which board members hold office renders the Authority independent of Government. On the recommendation of the Authority's Board, however, the Minister of Finance has continued to approve the Auditor General as auditor of the Authority.

During the period covered by this report, the Authority issued its audited financial statements for the year ended December 31, 2016. The audit opinion was unqualified.

After the period covered by this report, the Authority issued financial statements for the year ended December 31, 2017. The audit opinion thereon was unqualified.

3.21.3 Bermuda Public Accountability Board

The Bermuda Public Accountability Board (the Board) was established to provide for the effective oversight of public accountants that audit Public Interest Entities. It is a statutory board with power to carry out independent public supervision by means of developing and implementing quality assurance systems and enforcement systems with adequate processes for investigations and enforcement.

During the period covered by this report, the Board issued one set of audited financial statements for the period from August 1, 2012 (commencement of operations) to March 31, 2016. The audit opinion on the financial statements was unqualified.

After the period covered by this report, the Board issued its financial statements for the year ended March 31, 2017. The audit opinion thereon was unqualified.

3.21.4 Information Commissioner's Office

The Auditor General is the auditor of the Information Commissioner's Office (the Office) pursuant to the legislation under which the Commissioner operates. The Information Commissioner is independent of Government and reports directly to the Speaker and to the House of Assembly. The Office commenced its operations on April 1, 2015.

During the period covered by this report, the Office issued audited financial statements for the year ended March 31, 2016. The audit opinion for these financial statements was unqualified.

3.21.5 Spending and Government Efficiency Commission

The Spending and Government Efficiency ("SAGE") Commission ("Commission") was established by an Act of Parliament (the SAGE Commission Act 2013). The objective of the Commission was to advise the Bermuda Government on the most efficient and cost-effective government organizational structure and governing processes in accordance with the functions set out in section 5 of the Act.

During the year ended March 31, 2018, audited financial statements of the Commission for the year ended March 31, 2013 were issued. The Auditor General's audit opinion on these financial statements was qualified as follows:

I was unable to obtain sufficient appropriate audit evidence to support the accuracy and completeness of contributions revenue amounting to \$145,000. As a result, I was unable to determine whether adjustments might be necessary to assets, liabilities, revenues, operating surplus and accumulated surplus. (June 2, 2017)

The Commission has been disbanded and no further financial statements will be issued.

3.21.6 Office of Ombudsman for Bermuda

The Auditor General is the auditor of the Office of the Ombudsman (the Office) pursuant to the legislation under which the Ombudsman operates. The Ombudsman is independent of Government and reports directly to the Speaker and to the House of Assembly.

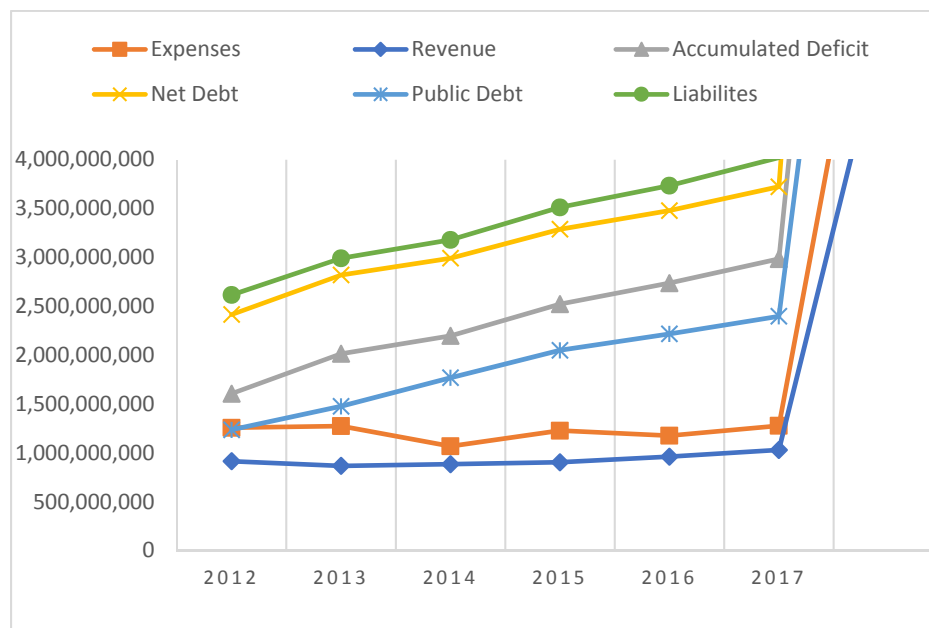
During the period covered by this report, the Office issued three sets of audited financial statements covering the years ended March 31, 2014 to 2016. The audit opinions on all these financial statements were unqualified.

4. KEY INDICATORS OF THE FINANCIAL CONDITION OF GOVERNMENT'S CONSOLIDATED FUND

Note: In this section, we present some key indicators of the financial condition of Government's Consolidated Fund, along with our commentary thereon. These indicators should not be represented as showing the financial condition of Government as a whole. That can only be achieved when Government produces summary financial statements for the Consolidated Fund and the other public funds and government-controlled organizations that make up the government entity (see section 2.2 of this report above).

The annual financial statements provide a glimpse of the Consolidated Fund's financial affairs at a particular point in time as indicated in the graph below:

Graph 1



However, such information is not always within the context of where Government has been and seldom within the context of where it is heading. To obtain this perspective, information such as indicators of financial condition should be provided with the audited financial statements.

The desirability of Government developing and publishing indicators of financial condition is discussed in Section 2.4 of this report.

In the absence of Government providing such important supplementary information, the Office developed the following key sustainability and flexibility indicators of the financial condition of Government's Consolidated Fund for the five years ended March 31, 2017.

4.1 Sustainability indicators

Sustainability refers to the degree to which the Consolidated Fund can maintain its current financial obligations without increasing revenues such as taxes, customs duty or debt. Sustainability is important because it focuses on the impact that the level of debt could have on the provision of future services to the public as well as the honouring of financial and other commitments to lenders, creditors, employees and others.

4.1.1 Net debt to Gross Domestic Product (GDP)

This indicator measures the net debt – the difference between liabilities (what is owed) and financial assets (generally cash and its equivalent) – as a proportion of the Gross Domestic Product (“GDP”). It shows the relationship between Consolidated Fund’s net debt and activity in the economy. If the ratio declines, (i.e., where net debt is increasing at a lower rate than the GDP), the Consolidated Fund debt is becoming less onerous on the economy. On the other hand, if the ratio rises (i.e., where net debt is increasing at a faster rate than the GDP), there is a risk that current services to the public cannot be sustained.

Table 4: Net debt to GDP

\$ billions						
As at Mar 31	11/12	12/13	13/14	14/15	15/16	16/17
Net Debt	2.4	2.8	3.0	3.3	3.5	3.7
% Increase		16.7	7.1	10.0	6.1	5.7
GDP	5.6	5.7	5.7	5.9	6.1	6.3
Net Debt to GDP %		49.1	52.6	55.9	57.4	58.7

Table 4 shows that net debt as a percentage of GDP has increased consistently over the five-year period ended on March 31, 2017. This increase is reflective of the fact that while the GDP over the period has increased by 12.5%, the net debt has increased by 54.2%.

This means that Consolidated Fund debt is becoming more onerous on the economy and will not be sustainable without a significant increase in tax revenue, a significant reduction in expenses (with a corresponding reduction in the level of services provided) or a combination of both.

4.1.2 Annual and accumulated deficits

The annual deficit is the amount by which the annual cost of providing services exceeds annual revenues from customs duties, taxes, etc. It is a measure of how much is overspent in any given year.

Table 5 below shows that the Consolidated Fund experienced a deficit in each of the past five years.

Table 5: Annual Deficit

\$ millions					
As at March 31	12/13	13/14	14/15	15/16	16/17
Revenues	866.6	883.9	903.7	960.7	1,029.6
Expenses	1,274.6	1,067.9	1,227.7	1,176.0	1,277.2
Annual Deficit	408.0	184.0	324.0	215.3	247.6

Although the annual deficit was considerably lower for the year ended March 31, 2014 (\$184 million), this was because of a \$214.1 million credit resulting from the cost of living adjustment being removed for both current and future pensioners for the Public Service Superannuation Fund and the Ministers and Members of the Legislature Pensions Fund (\$432.7 million) offset by net unamortized experience losses (\$173.5 million) and past service costs in the Government Employees Health Insurance Fund (\$45.1 million). This is an anomaly.

Revenue for the year ended March 31, 2017 included extraordinary revenue for \$41.6 million from the re-conveyance of Heritage Wharf from the West End Development Corporation. This transaction is described in the Audit Observations and Recommendations section of this report (section 3.8).

The average annual deficit for the five years ended March 31, 2017, after adjusting for the one-time impacts of the pension funds' adjustments and the Heritage Wharf re-conveyance described above, was \$326.9 million. The annual deficit for last two years have been lower than the average annual deficit for the five years, so the rate of increase appears to be slowing – but, nonetheless, the amount of the deficit for the 2016/17 year is still significant.

Each year, the annual surplus or deficit is deducted or added respectively to the prior year's balance to determine the accumulated deficit. The accumulated deficit, therefore, represents the total amount of all annual surpluses and deficits over time (net of accounting adjustments).

Table 6: Accumulated Deficit

\$ millions						
As at March 31	2012	2013	2014	2015	2016	2017
Accumulated Deficit	1,606.0	2,014.0	2,198.0	2,522.0	2,737.3	2,984.9
% Increase		25.4	9.1	14.7	8.5	9.0

For the year ended March 31, 2017, the accumulated deficit stood at almost \$3 billion, approximately \$1.4 billion more than the accumulated deficit at March 31, 2012. This is approximately an 86% increase over the five-year period ended on March 31, 2017, and is not sustainable in the long term.

4.1.3 Net debt to total annual revenue

This “net debt-to-total annual revenue” indicator measures government net debt as a percentage of total revenues. Net debt provides a measure of the future revenue required to pay for past transactions and events.

Table 7 shows that, over the past 6 years, the ratio of net debt to total revenue has increased from 264.2% to 361.6%. This is because net debt has continued to rise at a higher rate than revenues. At March 31, 2017, net debt stood at \$3.7 billion, \$1.4 billion more than the 2012 debt of \$2.4 billion, an increase of approximately 54.1%.

Although revenues have increased somewhat in the last four financial years, total revenue of \$1,029.6 million for the year ended March 31, 2017, was only \$115.4 million (12.6%) more than total revenue for the year ended March 31, 2011.

Table 7: Net debt to Total Annual Revenue

As at March 31	Net Debt at Year-end	Total Revenue	Net Debt/Total
Year	\$ millions	\$ millions	Revenue
			%
12/13	2,819.6	866.6	325.4
13/14	2,991.9	883.9	338.5
14/15	3,287.9	903.7	363.8
15/16	3,479.4	960.7	362.2
16/17	3,723.2	1,029.6	361.6

A ratio of net debt to total annual revenue that is increasing indicates that Government will need more time to eliminate the Consolidated Fund debt. The extent of the increase in the ratio over a five-year period suggests that the trend is not sustainable. And, it should be noted that, if the extraordinary revenue in the year ended March 31, 2017, from the re-conveyance of Heritage Wharf described above was adjusted, the total revenue for the 2016/17 year would have been \$988 million and the net debt/total revenue indicator would have been 376.8%.

4.1.4 Assets to liabilities

The “assets-to-liabilities” indicator measures the ratio of the Consolidated Fund’s financial and non-financial assets to its liabilities. It illustrates the extent to which Government finances the Consolidated Fund operations by issuing debt.

Table 8: Assets to Liabilities

As at March 31	Total assets	Liabilities	Assets to liabilities
Year	\$ millions	\$ millions	ratio
			%
2012	1,009.4	2,615.4	38.6
2013	977.0	2,991.0	32.7
2014	981.7	3,179.7	30.9
2015	989.6	3,511.6	28.2
2016	997.0	3,734.3	26.7
2017	1,036.2	4,021.1	25.8

A ratio of higher than one would indicate that the Consolidated Fund has an accumulated surplus and has assets greater than debt. On the other hand, a ratio of less than one indicates that debt is greater than assets and the Government has financed the Consolidated Fund operations by issuing debt.

In each of the past five years, the assets-to-liabilities ratio has been less than one. In fact, the trend shows that the ratio of assets to liabilities is worsening; at March 31, 2017, the ratio was approximately 33% larger than at March 31, 2012. This trend is not sustainable as it indicates that Government borrowing will increase into the foreseeable future.

4.1.5 Financial assets to liabilities

The “financial assets-to-liabilities” ratio measures the ratio of the Consolidated Fund’s financial assets to its liabilities. The ratio shows the extent to which the Consolidated Fund’s future revenues will be required to pay for past transactions or events.

Table 9: Financial Assets to Liabilities

As at March 31	Financial assets	Liabilities	Financial assets to
Year	\$ millions	\$ millions	liabilities ratio
			%
2013	171.4	2,991.0	5.7
2014	187.8	3,179.7	5.9
2015	223.7	3,511.6	6.4
2016	255.0	3,734.3	6.8
2017	297.9	4,021.1	7.4

A ratio of less than one indicates that liabilities exceed financial assets and may mean a reliance on future revenues or increasing debt to pay for past decisions.

In the last five years, liabilities have far outstripped financial assets and emphasize the degree to which future customs duty, fees, taxes or debt will be required to fund government services delivered through the Consolidated Fund. This trend is unfavorable and negatively affects the sustainability factor of the Government. Borrowing to fund government services is not always an appropriate financing strategy as it shifts the costs to future generations while today’s taxpayers enjoy the benefits.

4.1.6 Total expenses to Gross Domestic Product

The “total expenses-to-Gross Domestic Product (“GDP”)” indicator provides the trend of government spending over time in relation to the growth in the economy. A trend that shows total expense is growing at a faster rate than the growth in the economy (as represented by the GDP) may not be sustainable.

Table 10 shows that because the GDP has increased over the five-year period to March 31, 2017, while total annual expenditures were relatively consistent, the ratio of total expenses to GDP has fallen from 22.4% to 20.3% over the same period.

Table 10: Total expenses as a percentage of GDP

As at March 31	Total Expenses	GDP	Expenses/GDP
Year	\$ millions	\$ billions	%
12/13	1,274.6	5.7	22.4
13/14	1,067.9	5.7	18.7
14/15	1,227.7	5.9	20.8
15/16	1,176.0	6.1	19.3
16/17	1,277.2	6.3	20.3

4.2 Flexibility indicators

Flexibility is the degree to which Government can change the Consolidated Fund's debt or tax burden on the economy to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.

Flexibility indicators provide a view of how Government manages the Consolidated Fund's finances. Increasing current borrowing reduces Government's flexibility to respond when adverse economic circumstances develop. Similarly, increasing taxes, customs duty, fees and fines reduce Government's ability to do so in the future as it approaches the limit that the public is willing to bear.

4.2.1 Public debt interest to revenues

Public debt is defined as any debt owed or guaranteed by the Consolidated Fund, but only if and when, the guarantee obligation becomes due and payable by the Government. It excludes the Sinking Fund, which is money set aside to repay Government borrowings. Table 11 below shows that at March 31, 2017, public debt stood at \$2.4 billion, compared to \$1.2 billion at March 31, 2012, a 100% increase in five years.

Table 11: Public debt

As at March 31	Public debt	
Year	\$ billions	Legislated limit
2012	1,236.0	1,450
2013	1,476.9	2,500
2014	1,768.4	2,500
2015	2,049.7	2,500
2016	2,217.7	2,500
2017	2,397.3	2,500

The "public debt interest-to-revenues" indicator measures public debt interest as a percentage of revenues. It illustrates the extent to which past borrowing decisions present a constraint on Government's ability to meet the Consolidated Fund's financial and service commitments in the current period. Specifically, the more Government uses revenues to meet interest cost commitments related to past borrowing, the less will be available for spending on current programmes.

Table 12: Public debt interest to revenues

As at March 31	Public debt interest	Revenues	Interest/Revenues
Year	\$ millions	\$ million	%
12/13	81.6	866.6	9.4
13/14	109.2	883.9	12.3
14/15	113.2	903.7	12.5
15/16	116.2	960.7	12.1
16/17	120.6	1,029.6	11.7

Table 12 above shows that the public debt interest to revenue ratio has increased from 9.41% for the year ended March 31, 2013 to 11.7% for the year ended March 31, 2017, an increase of 24.5%. And, it should be noted that, if the extraordinary revenue in the year ended March 31, 2017, from the re-conveyance of Heritage Wharf described above was adjusted, the public debt interest to revenue % would be 12.2 (instead of 11.7).

This indicator is important because when it increases significantly over an extended period it means that Government has consistently chosen borrowing over increases in taxes, customs duty, fees and fines to meet its financial and service commitments. This will eventually affect Government's flexibility since its priority must be to service its debt. Failure to do so would impair its future ability to borrow (or to do so at reasonable interest rates) or to roll over its existing debt.

4.2.2 Net book value to cost of capital assets

The "net book value-to-cost of capital assets" indicator reports the extent to which the estimated useful lives of Government's tangible capital assets are available to provide its services. If Government's scale, scope and level of services remain unchanged or grow, its ageing asset base could eventually impair flexibility because of the impending future costs of capital asset repair or replacement.

Table 13: Net book value to cost of capital assets

	Capital assets		Net book value to
As at March 31	Net book value	Cost	cost of
Year	\$ millions	\$ millions	capital assets
			%
2012	751.5	1,114.6	67.4
2013	741.3	1,150.5	64.4
2014	722.2	1,184.7	61.0
2015	685.0	1,201.1	57.0
2016	660.9	1,223.5	54.0
2017	686.0	1,273.7	53.9

Table 13 above indicates that, in general, Government assets have aged by approximately 20.0% over the five years ended March 31, 2017. This means that to maintain an effective asset base, Government will need to make significant capital investments in the future. This will be a challenge, given the already high levels of debt.

4.3 Conclusion

Despite some relatively small improvements to some of the key measures, the above indicators of financial condition continue to demonstrate a level of unsustainability and impaired flexibility that Government must make every effort to address.

5. ABOUT THE OFFICE OF THE AUDITOR GENERAL

5.0 ABOUT THE OFFICE OF THE AUDITOR GENERAL

The Auditor General serves the people of Bermuda and their elected representatives by providing independent, objective audit opinions and recommendations on the accountability and overall management performance of the Government. This work includes the audit of the financial statements of Government and its organizations, as well as examinations related to Government accountability and performance. The recommendations that result from our work are intended to help Government strengthen its management and accountability practices.

The Auditor General's legal mandate is provided by the Bermuda Constitution Order 1968 and the Audit Act 1990 (See Appendix 2). The Auditor General is empowered to audit all Government departments and Offices, plus the Senate, the House of Assembly, the Public Service Commission, and the Courts. The revenues and expenditures of these entities flow through the Consolidated Fund. The Auditor General also audits the Government's pension and other public funds, and all Government-controlled entities such as Bermuda College, Bermuda Land Development Company Limited and Bermuda Tourism Authority. As at March 31, 2018, there were 56 such entities (Appendix 1).

The Audit Act 1990 (the Act) defines control as being where the government has the power: (a) by virtue of rights conferred by the constitution of that entity or by some other document regulating that or some other entity; or (b) by means of possession of voting power or the holding of shares in or in relation to that first-mentioned entity; or (c) by some other means.

The Auditor General is empowered to carry out all relevant types of audit activity, including performance audits (although the wording in the Audit Act is not as clear as it could be). She is able to report on all aspects of financial management "namely of the economy, efficiency and effectiveness with which the audited entity has used its resources in carrying out its responsibilities".

5.1 Our Mission

The mission of the Office, which is derived from the legislated mandate, is:

to add credibility 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.

Financial statement audits address the first part of this mission - to add credibility to the Government's financial reporting. That credibility is provided by the Auditor General's Independent Auditor's Report attached to each set of financial statements tabled in the House of Assembly.

The second part of the mission – promoting improvements in financial administration – is addressed primarily by the financial statement audits, which generate recommendations for improved financial reporting and control. Performance audits may also promote improvements in financial administration and performance.

5.2 The Importance of Oversight by the House of Assembly

The oversight role of Members of the House of Assembly is critical. They carry out an important role in our governance by holding Government to account for the economical, efficient and effective use and management of public money. To support them in holding Government to account, Members need access to relevant and accurate information and independent assurance that the information is reliable.

The Audit Act 1990 provides the Parliament with strong support for holding Government to account for the annual delivery of over \$1 billion in programmes and services to and for the people of Bermuda and how well it manages billions of dollars in revenues, assets and liabilities. Unlike any other organization in the country, the Auditor General can provide independent and objective reports on the accountability and overall administrative performance of Government. The Auditor General's role is key to Government transparency and accountability and vital to the process of democratic Government.

Public appetite for accountable and transparent Government continues to increase around the world. In Bermuda, as elsewhere, elected officials and the public want to be informed about the short- and long-term financial health of the country. They are also concerned about whether public business is being conducted fairly and ethically and whether the operations of Government are being carried out efficiently and effectively.

We believe there are some key questions about Government performance in which the public and elected officials have an interest:

- Is Government achieving its financial objectives and managing its financial affairs according to sound financial and management controls?
- To what extent are Government programmes achieving their planned results and taxpayers receiving good value for their money?
- Is Government carrying out its business in accordance with appropriate standards of conduct and in compliance with legislation and regulations governing its activities?

A strong system of accountability with meaningful public performance reporting by Government in answer to all these questions is critical if Government is to be held to account as our system requires.

5.3 Our Strategic Focus

As explained in the Auditor General's Comments, and to respond to the key questions of interest set out above, we intend to focus on three main areas:

- promoting accurate, timely and comprehensive financial information;
- examining how well Government programmes are managed, and
- reviewing Government measurement and reporting of programme performance.

These three areas are explained below.

5.3.1 Promoting accurate, timely and comprehensive financial information

Having an accurate and comprehensive picture of Government finances is essential for those making key decisions about Government activity and for the public in order that it might better understand the financial impact of Government activity. It is also something that is required under the applicable financial reporting framework for the public sector.

The Auditor General's work of auditing the financial statements of the Government's Consolidated Fund and other Government organizations, and the recommendations to Government that arise from those audits, represent the Auditor General's role in promoting accurate and comprehensive financial information. This important work has been, and will continue to be, the primary focus of the Office. In addition to the specific financial statement audits, which help ensure that Government financial reporting is done in accordance with accounting standards, we will also be encouraging Government financial reporting to be complete, meaningful and timely. As discussed in the Matters of Special Importance section of the report (2.3), the Government is not yet producing

annual financial statements that cover the whole of Government. Although there is legislation that allows Government to produce such statements and for the Auditor General to audit them (the Public Treasury (Administration and Payments) Amendment Act 2014), the legislation has not yet been activated.

In section 1.4 of this report, the Auditor General raises concerns about the timeliness and the reliability of many of the financial statements being produced by Government organizations, funds and parish councils. We will continue to encourage the organizations concerned, their Boards of Governance, and the Ministers responsible to improve both the timeliness and the quality of the financial accounts and supporting documents submitted to audit.

5.3.2 Examining how well Government programmes are managed

Examinations of how well Government programmes are being managed are known as performance audits. They can be investigations into areas where poor management is suspected or systematic audits covering key areas of Government. Performance audits provide assessments of how well Government and its organizations are managing the key risks associated with delivering programmes and services.

As discussed in more detail below, because of time spent working with Government organizations encouraging them to bring their financial statements up to date, because the Consolidated Fund continues to get larger and more complex to audit and because we haven't managed to fill our permitted staffing complement, the Office has not been able to establish a continuing programme of performance audits.

It is the Auditor General's objective to develop the performance audit programme to the stage where the Office is producing two or three performance audit reports each year. To do this will require us to review and update our performance audit methodology.

5.3.3 Reviewing Government measurement and reporting of programme performance

Having clear, measurable objectives and then measuring and reporting on the extent to which those objectives have been met are critical components of the effective management of Government programmes. If ministries and departments do not have clear plans and objectives and/or measure the extent to which their objectives are being achieved, it is difficult to imagine that they can truly be managing public money wisely.

This issue was considered by the Spending and Government Efficiency (“SAGE”) Commission (“Commission”), which was established by an act of parliament (SAGE Commission Act 2013). It was the view of the Commission, as expressed in its final report (submitted to the then Minister of Finance on October 31, 2013), that:

- *Reporting to the public on a regular and transparent basis is central to the concept of Government accountability.*
- *It is critical that the people of Bermuda – the taxpayers – receive regular reporting on what the Government (and its Ministries and Departments) are trying to achieve and whether they are doing so.*

We agree and, when time and resources permit, the Auditor General intends to carry out general reviews of what organizations, ministries and departments are doing to plan, measure and report on their performance and then recommend a way forward. In the short term, we intend to continue our focus on reducing the financial audit backlog and auditing the statements on a timely basis, in preparation of “whole of Government” summary financial statements.

5.4 Our Critical Success Factors

Note: The material that follows regarding our critical success factors was written only a few months after the same section from our report on the work of the Office for the seven years ended March 31, 2017. Consequently, the issues and their status remain essentially the same, as they were when the previous report was written.

To support the strategic focus described above, we need to pay attention to the factors that are critical to our ability to carry out the desired work in the most efficient and effective manner:

- ***Credibility:*** We must do our work in an efficient, effective and professional manner.
- ***Independence and Objectivity:*** Our Office must be independent from political parties and from the civil service, and we must carry out our work with an objective state of mind.
- ***Relevance:*** Our work programme must be relevant to the needs and interests of the public and its elected representatives.
- ***Capacity:*** We must have the human and other resources required to complete our work effectively.
- ***Working environment:*** Our workplace environment must support our audit processes and help make the Office an attractive place to work.

These critical success factors are interlinked. For example, our credibility is affected by our capacity (i.e., having the right resources to do our job and to do it well), our independence (perceived and actual), our objectivity and the relevance of our work to legislators and the public.

Since assuming office, the Auditor General has reviewed where the Office stands in relation to these factors and, as a result, has introduced initiatives such as seeking an update to our governing legislation (the Audit Act, 1990), modernizing the way we document our audit work, focusing on risk-based auditing and improving communication with our key stakeholders.

5.4.1 Credibility

To maintain our credibility, it is essential that our reports and audit opinions are accurate and reliable. We achieve this by ensuring that our work is conducted in accordance with the assurance standards promoted by the Chartered Professional Accountants of Bermuda (CPA Bermuda), as prescribed by CPA Canada. *(Note: CPA Bermuda (formerly the Institute of Chartered Accountants in Bermuda) has been affiliated with CPA Canada (formerly the Institute of Chartered Accountants in Canada) since 1973.)*

CPA Canada's Auditing and Assurance Standards Board develops and issues authoritative pronouncements and non-authoritative material that enable the public accounting profession to provide effective auditing and other assurance and related services.

The Canadian Auditing Standards (CAS) are aligned with international standards on auditing issued by the International Auditing and Assurance Standards Board, an independent standard setting body under the auspices of the International Federation of Accountants.

The Canadian (and therefore the Bermudian) assurance standards are divided into three sections: Quality Control, Auditing Standards and Other Standards.

Canadian Standards on Quality Control.

The Canadian Standards on Quality Control deal with an auditing organization's responsibilities for its system of quality control for audits and reviews of financial statements, and other assurance engagements.

Canadian Auditing Standards

The CAS are written in the context of an audit of financial statements. According to CAS 200 (Overall objectives of the independent auditor and the conduct of an audit in accordance with CAS), the purpose of a financial statement audit is:

To enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. In the case of most general-purpose frameworks, that opinion is on whether the financial statements are presented fairly, in all material respects, or give a true and fair view in accordance with the framework.

We use the CAS to help ensure the appropriateness of auditing procedures in relation to the audit objectives to be attained, the quality and extent of their application, and the suitability of the resulting auditor's report.

CAS require us to plan and perform audits to obtain reasonable assurance whether financial statements are free of material misstatement. They require an examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, and an assessment of the accounting policies used, any significant estimates made by management, and the overall financial statement presentation. CAS recognize that management is responsible for preparing financial statements, and that auditors are responsible for expressing opinions on those statements based on their audits.

Other Canadian Standards

The section on other Canadian Standards deals with assurance engagements other than audits of historical financial information, which are dealt with in CAS, as described above.

Assurance engagements include both attestation engagements, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria, and direct engagements, in which the practitioner measures or evaluates the underlying subject matter against the criteria.

So, these "Other Standards" apply to work that we might do on attesting to the reasonableness of measurements of results carried out by Government organizations; and performance audits and compliance audits (for example, assessing the extent to which a Government organization has complied with relevant legislation in delivering its programmes).

This means that we must have in place appropriate and robust audit methodologies designed to help us be sure that our work is meeting the demanding requirements of Canadian Assurance Standards.

Since much of our work consists of audits of financial statements, we also must have detailed knowledge and understanding of Canadian Public Sector Accounting Standards issued by CPA Canada's Public Sector Accounting Board (PSAB).

The Office uses the Professional Engagement Guide issued and maintained by CPA Canada and CaseWare, a Canadian document management software package. The Office retains on SharePoint (a document management and storage system) all aspects of financial statement auditing including guidance on planning, testing, sampling and reporting.

5.4.2 Independence and objectivity

The value of what we do relates directly to the public's confidence that when we undertake our audit work, we are free from the influence of others (notably the entities that are the subject of our audits). Therefore, a significant challenge for us is to ensure that our independence and objectivity remain intact.

Independence is vital to the effectiveness of the Auditor General. Unless she is, and is seen to be, completely independent of those whose affairs are being audited, her credibility and effectiveness would be compromised.

Also critical is that the Auditor General and her staff carry out their work with an objective mindset.

The Bermuda Constitution Order (the Constitution) and the Audit Act 1990 (the Audit Act) together provide the legislated framework to ensure our independence.

Section 88 of the Constitution addresses the appointment, term, dismissal and independence of the Auditor General. A Regulation under the Constitution delegates responsibility to the Auditor General for hiring, employing and disciplining staff. Further, Section 34 (4) of the Standing Orders of the House of Assembly (see Appendix 3) creates a Select Standing Committee of five members of the House of Assembly responsible for reviewing the Office's annual budgets, staffing needs and salaries, thereby reducing the risk that those we audit can impair our effectiveness by withholding needed resources.

Section 18 of the Audit Act states clearly that, in the exercise of her functions, the Auditor General is not subject to the direction or control of any other person or authority. However, through a number of administrative connections to Government, the fact is that the Government is in a position if it so chooses to significantly constrain and compromise our operations through the budget process by limiting our resources including staff, funding and accommodations. This issue may be described as a lack of structural independence.

However, this lack of structural independence has not presented any practical problems for the Office in recent years. Its financial needs are being met through the Government's systems. Having Office staff being required to administer separate payroll and payments systems would not provide any added value and therefore would not be the best use of taxpayers' money.

And, should any problems arise in the future, the Auditor General has access to the House of Assembly Select Standing Committee described above.

The objectivity of the Office is preserved by many checks and balances we have instituted to guide how we carry out our work. We monitor closely the state of our objectivity to safeguard the value of the Office's audits. These steps are time consuming to apply but absolutely necessary if we are to maintain the quality of the Office's work and continue to instill public confidence in our audit findings and recommendations. Not only is such objectivity required by the standards of the auditing profession, but also it is fundamental to the Auditor General's role.

In 2011, the Office was able to move away from the Government's IT servers and acquire its own. This was a significant step that reduced the likelihood of private information regarding the work of the Office to be intercepted by Government employees.

As part of the modernization of the Audit Act, the Auditor General is seeking immunity for prosecution of the Auditor General and staff because of anything done or omitted in:

- (a) the exercise or intended exercise of any power of the Auditor General, or
- (b) the performance or intended performance of any duty of the Auditor General, providing the actions were taken or not taken in good faith.

Another aspect of the Audit Act that needs changing is that it refers to the Auditor General as the Auditor. A 2001 amendment to the Bermuda Constitution (The Bermuda Constitution [Amendment] Order 2001) changed the title of the Auditor to "Auditor General". There has been no subsequent amendment to the Audit Act.

A potential new Act has been drafted and is awaiting tabling in the House of Assembly.

5.4.3 Relevance

By creating the Audit Act 1990, legislators signaled that the independent audit of Government's financial statements is of paramount importance. In addition to our audits of financial statements, it is important that the subject matter of other work that we may do is of the highest relevance to Members of the House of Assembly and the public by focusing on issues that matter to them.

The breadth of public sector activities far exceeds the Office's capacity to undertake an investigation and/or performance audit of every significant area within Government, even over many years. So, a challenge for us is to provide as much coverage as possible across Government to keep the public and Members informed, within our financial constraints, while maintaining our high standards.

The focus of the Office's work in recent years has been to clear the backlog of financial statement audits and to ensure that we have adequate staff numbers to complete the annual audit of the Government's Consolidated Fund financial statements, an audit that is becoming increasingly complex. Consequently, our investigation/performance audit work had to be fitted in around the financial statement audit work or, as was the case in the last few years, deferred to some future time.

The amount of time devoted by the Public Accounts Committee to reviewing our special investigations in the past indicates that this type of work is of great interest to elected officials.

5.4.4 Capacity

An ongoing challenge for our Office (as it is for most organizations) is to develop and maintain our capacity. Fundamental to our capacity to carry out audit work that is relevant and credible is the number of audit professionals on staff and their collective knowledge, skills and abilities. Also important are the audit methodologies we employ, the quality of staff training and professional development we provide, and the efficiency and effectiveness of our management processes and administration systems.

Therefore, in addition to appropriate audit methodologies, our credibility depends on our ability to hire suitably qualified and experienced audit staff and to provide training to ensure that their knowledge and competencies are maximized.

Auditing is a knowledge-based business. The Office needs experienced staff skilled in audit and accounting practice as well as having expertise in the subject matter of our audits. Given the broad range of audits we expect to undertake, it will be very challenging for us to develop and maintain this technical capacity from year to year.

The Office is still heavily reliant on overseas contract audit professionals. The Office has completely revamped the process by which new team members are assisted with their introduction to the Office. The introduction is scheduled for four to five days depending on the number of new applicants and we include presentations on the Westminster-style of government, the role of the Auditor General and the Office, go through the attestation statements and the tools they will be using in their audit work. The goal is to assist them to adapt faster to the both the Office and their role therein.

For the long-term sustainability of the Office, it is critical that the senior audit professional team be exposed to best in class and cutting-edge audit practices and trends. This may be partially satisfied as the top position - Auditor General - is moving from being a lifetime appointment to an appointment with a term limit, thereby injecting “new blood” at the top of the organization every few years. It is equally important that the Auditor General, Assistant Auditor General and Audit Principals positions be exposed via interactive training, seminars, and round-table discussions to emerging auditing trends and techniques. The Office taking an active role in the Canadian Council of Legislative Auditors, the Caribbean Organization of Supreme Audit Institutions and other professional bodies achieves this.

During the year ended March 31, 2018, the Auditor General attended the annual conference of the Canadian Council of Legislative Auditors (CCOLA) and the Canadian Public Accounts Committees, a fraud awareness course and the annual update of the Canadian Public Sector Accounting Board.

The CCOLA is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices and professional development. The Assistant Auditor General attended the CCOLA Training Oversight Committee for Financial Statements monthly meetings and the National Professional Practices Group updates.

Audit Principals attended an ISACA (formerly the Information Systems Audit and Control Association) conference on cyber security, and a virtual Canadian Public Sector Accounting Board annual update.

Almost all staff members engaged in financial statement auditing have at least one professional qualification. The Office provides a minimum of 20 hours Continuing Professional Development annually for all professional staff. In addition, if a project-based or annual performance appraisal identifies a need for additional specific training, the Office will fund the training.

For many years, the Office has been reliant on importing its professionally qualified staff from overseas on a contract basis. These professionals have served the Office well and will continue to do so. However, we believe it is vital to try to provide as much opportunity as possible to people having a vested interest in the island. If the Office was able to increase the supply of trained Bermudian accountants, it would bode well, not only for the Office but also for the Government and, ultimately, the citizens of Bermuda.

At March 31, 2018, the Office had on staff four Bermudian audit practitioners, all of whom had accounting designations. We will seek to maximize employment opportunities for suitably qualified Bermudians but recognize this will be a challenge because we are competing with the private sector accounting firms that can provide better benefits than our Office. As mentioned in section 1.3 of this report, we have developed targeted recruitment strategies for recruiting qualified Bermudian accountants currently working in Canada.

5.4.5 Working environment

A positive working environment is important for attracting and maintaining staff and to help ensure good productivity. Key elements of our working environment include the physical office accommodation and adequate information technology (IT) equipment and other tools to support effective job performance. Effective human resource management through current job descriptions, regular performance appraisals, availability of adequate training and reasonable levels of remuneration are also key contributors.

The Auditor General believes that the Office's accommodation is good, staff has access to required IT equipment and the other tools necessary to carry out audits to the standard required.

There are adequate funds available for appropriate training for all levels of staff. However, the actual amount of training expenditures has declined quite significantly in 2014-15 and 2015-16, although it did pick up in 2016-17. The Office has taken advantage of training and development offered on island by the major accounting firms and virtual training through the Canadian Council of Legislative Auditors that allowed us to participate and communicate with the other participants as if we were all in the same conference hall. We participated in standards updates, seminars and conferences without incurring travel costs.

Pay levels are reasonably comparative with other organizations across the public sector but, because we compete with the private sector qualified accounting staff, we believe that our pay scale is a hindrance in attracting and retaining such staff.

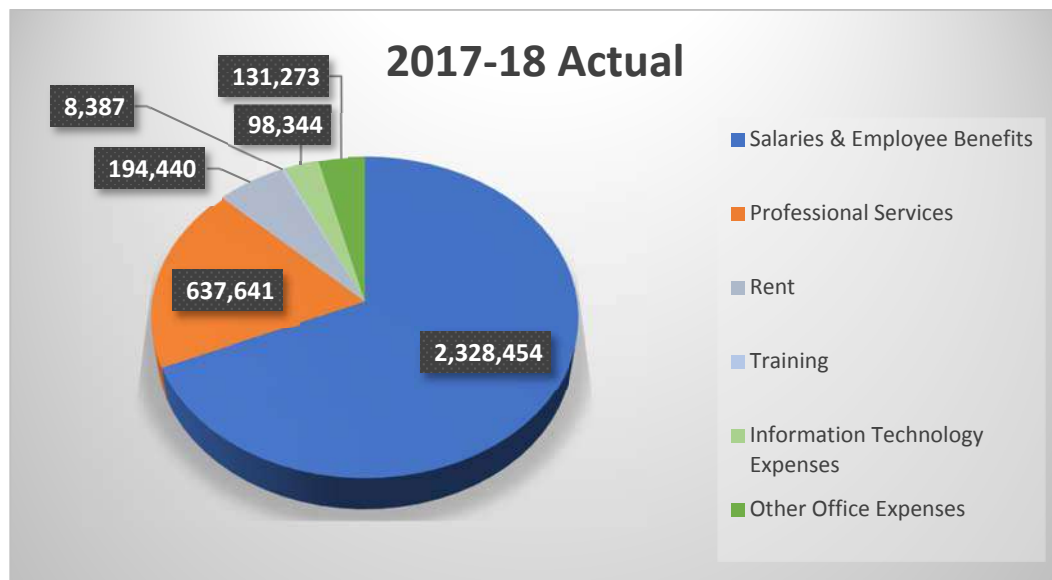
6. OFFICE ADMINISTRATION

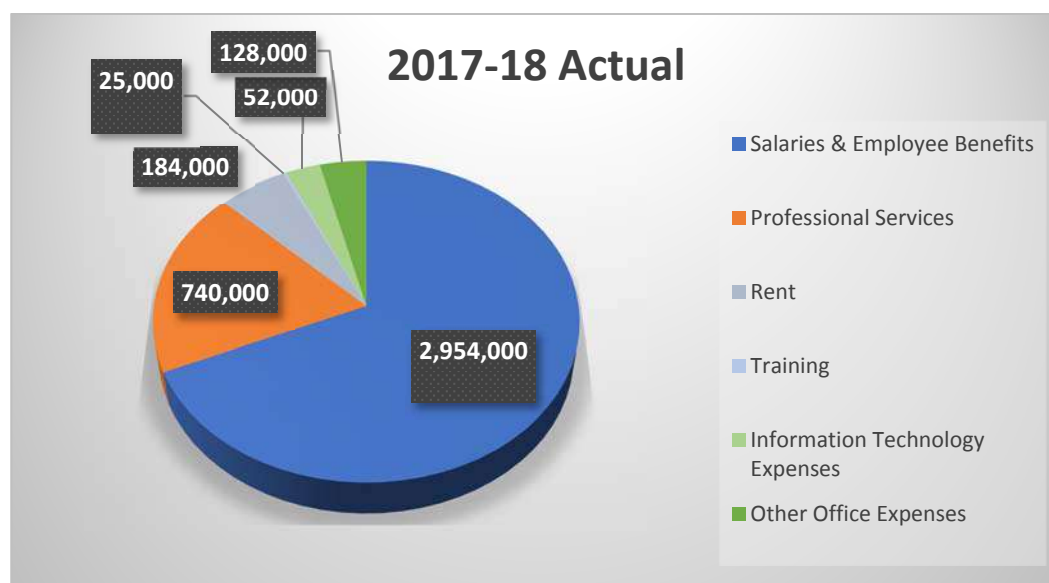
Funding for the Office is included in the Government of Bermuda's estimates as voted through the annual Appropriation Act by the House of Assembly. Prior to the Appropriation Act, under the Rules of the House of Assembly, the Auditor General must present annual and supplementary estimates to the Select Standing Committee on the Office of the Auditor General (the Committee). The Committee then makes recommendations thereon to the Minister of Finance. Generally, the Committee has endorsed the Office's funding proposals and the Minister has not changed them.

The annual appropriation provides separately for operating expenses and capital acquisitions. Any unused appropriation cannot be carried forward for use in subsequent years.

Revenues comprise audit fees charged to the organizations whose accounts do not form part of the Consolidated Fund.

6.1 Office Operating Expenditure





The above diagrams show a breakdown of the Office's actual operating expenditure for the year ended March 31, 2018 of \$3,398,539 (2017: \$3,549,047) and the corresponding budget of \$4,083,000 (2017: \$3,572,471).

As in prior years, the largest expenditure for the Office is salaries and employee benefits, with the second largest expenditure being professional services.

A comparison of the budgeted figures to actual expenditure for the year ended March 31, 2018, is shown in Table 14 below.

Table 14: Budgeted and actual expenditure

\$ thousands				
As at March 31	2017-18 Budget	2017-18 Actual	2016-17 Actual	Actual Variance
Salaries & Employee Benefits	2,954	2,329	2,372	(43)
Professional Services	740	638	794	(156)
Rent	184	195	185	10
Training	25	8	17	(9)
Information Technology Expenses	52	98	54	44
Other Office Expenses	128	131	127	4
Totals	4,083	3,399	3,549	(150)

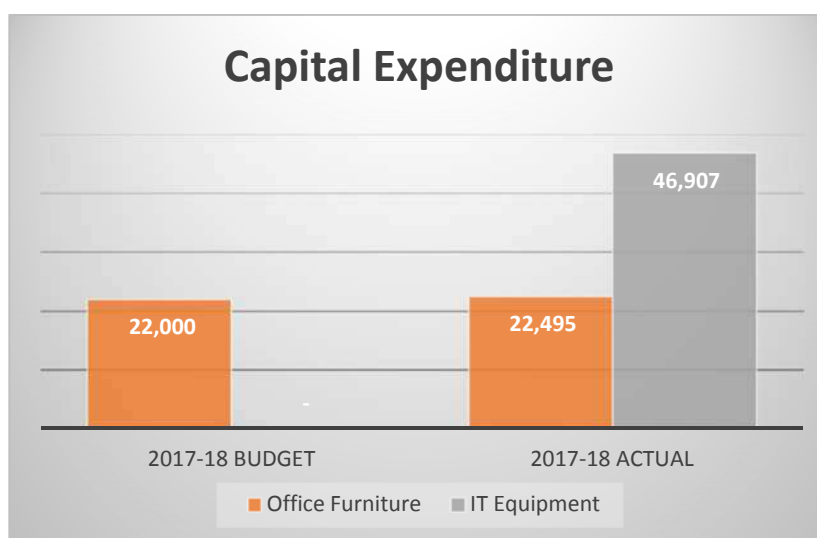
The following provides an analysis of Table 14:

- Underspending of approximately \$625,000 in salaries and employee benefits. This difference is due to recruitment efforts not being completely successful and an increase in vacant posts from the prior year.
- Underspending in professional services due to a reduction in the number of audits that contracted agents were able to carry out due to client delays in submitting quality financial statements along with sufficient and appropriate supporting documentation.
- Overspending in rental fees of approximately \$10,000 due to additional and unexpected service charges associated with the premises.
- Additional spending in information technology due to software and other items related to the new servers.
- Underspending in training due to the high workload of the staff which did not allow for some of the planned training opportunities.
- Additional spending of approximately \$3,000 in other operating expenses due mainly to an increase in the need for office supplies.

Overall, the Office remained under budget for the year ended March 31, 2018.

6.2 Office Capital Expenditure

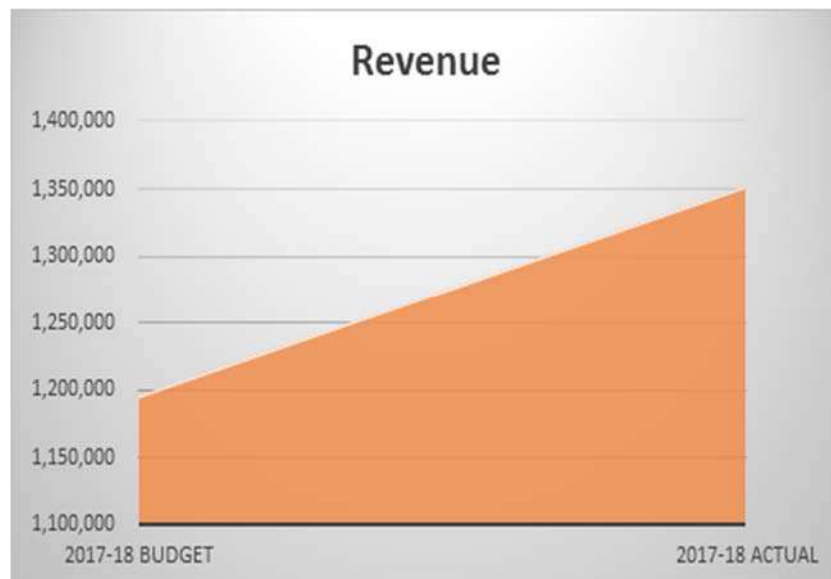
The Office categorizes its capital expenditure in two categories, information technology (IT) equipment and office furniture and equipment.



The Office has its own in-house IT staff who not only maintain and service the systems already in the Office but also research new and emerging technology and develop project plans with the aim of increasing the efficiency of the Office. During the year ended March 31, 2018, the Office invested approximately \$47,000 in IT equipment to continue to move forward in efficiency and effectiveness. During the year, it was discovered that the original servers did not have the capacity to accommodate the growing needs of the Office. As this was not anticipated, there was no budget provided for this purchase. The funding for this purchase was therefore reallocated from the current expenditure appropriation as approved by the Ministry of Finance. This investment represented a purchase of new, higher capacity data servers.

The Office's investment in furniture and equipment continues to be minimal. Approximately \$23,000 was expended in the year ended March 31, 2018 on a new photocopier to assist in producing our reports.

6.3 Office Revenue



The above chart shows the Office's actual revenue receipts for the year ended March 31, 2018 of \$1,351,820 (2017: \$1,143,201) and the corresponding budget of \$1,196,000 (2017: \$700,000).

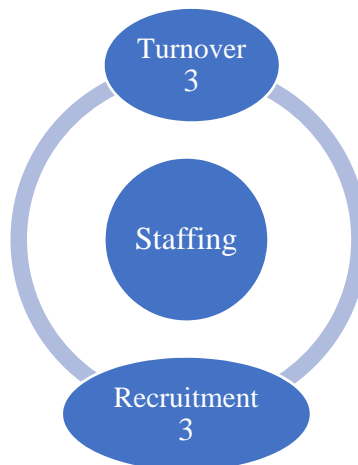
Fees are charged to select auditees based on the estimated resources the audit will consume. All auditees whose audits have been contracted out are charged in accordance with the contracts in place with the agent auditors. The decision to charge any other auditee whose accounts do not form part of the Consolidated Fund is at the discretion of the Auditor General.

Actual revenue collected exceeded budget by approximately \$156,000, due in part to agreed overruns billed and not budgeted.

6.4 Office Employees



At March 31, 2018, the Office's approved (i.e., funded) staff complement was 27. The actual staff number was 21, comprising 2 Executive, 14 audit practitioners and 5 support staff. The 6 vacancies are all in the audit practitioner category.



Turnover in the year ended March 31, 2018, was less than in prior years with 3 leaving to pursue other opportunities. In addition, during this period, the Office recruited 3 audit practitioners.

APPENDIX 1

Organizations Falling Within the Mandate of the Auditor General As at March 31, 2018

<i>Funds</i>	<i>Year end</i>
Bermuda Department of Tourism North America Retirement Plan	March 31
Confiscated Assets Fund	March 31
Consolidated Fund	March 31
Contributory Pension Fund	July 31
FutureCare Fund	March 31
Government Borrowing Sinking Fund	March 31
Government Employees Health Insurance Fund	March 31
Government Reserves Fund	March 31
Health Insurance Fund	March 31
Ministers and Members of the Legislature Pensions Fund	March 31
Mutual Re-insurance Fund	March 31
Public Service Superannuation Fund	March 31
Unemployment Insurance Fund	March 31
 <i>Government-Controlled Organizations & Other Organizations</i>	
African Diaspora Heritage Trail Bermuda Foundation	March 31
Barristers and Accountants AML/ATF Board	March 31
Bermuda Airport Authority	March 31
Bermuda Arts Council (The)	March 31
Bermuda Casino Gaming Commission	March 31
Bermuda Civil Aviation Authority	
Bermuda College	March 31
Bermuda Deposit Insurance Corporation	March 31
Bermuda Economic Development Corporation	March 31
Bermuda Educators Council	March 31
Bermuda Health Council	March 31
Bermuda Hospitals Board	March 31
Bermuda Housing Corporation	March 31
Bermuda Housing Trust (The)	March 31
Bermuda Land Development Company Limited	March 31
Bermuda Monetary Authority	December 31
Bermuda Public Accountability Board	March 31
Bermuda Shipping and Maritime Authority	December 31

Bermuda Sport Anti-Doping Authority (The)	March 31
Bermuda Tourism Authority	December 31
Board of Trustees of the Golf Courses	March 31
CedarBridge Academy	March 31
Financial Intelligence Agency	March 31
Office of Information Commissioner	March 31
Office of Ombudsman for Bermuda	March 31
Pension Commission	December 31
Privacy Commissioner's Office	March 31
Regulatory Authority	December 31
Trustees of the National Sports Centre	March 31
West End Development Corporation (The)	March 31

Parish Councils

Devonshire Parish Council	March 31
Hamilton Parish Council	March 31
Paget Parish Council	March 31
Pembroke Parish Council	March 31
Sandys Parish Council	March 31
Smith's Parish Council	March 31
Southampton Parish Council	March 31
St. George's Parish Council	March 31
Warwick Parish Council	March 31

Aided Schools

Berkeley Institute Capitation Grant Account (The Governors of the)	March 31
Sandys Secondary Middle School Capitation Grant Account	March 31
St. George's Preparatory School Capitation Grant Account	March 31
Whitney Institute Middle School Capitation Grant Account (The)	March 31

APPENDIX 2

Audit Act 1990

BERMUDA 1990: 56

[17 July 1990]

[preamble and words of enactment omitted]

Short title

- 1 This Act may be cited as the Audit Act 1990.

Interpretation

- 2 (1) In this Act—

"the Audit Committee" means the committee established by section 5;

"function", unless the context otherwise requires, means function whether under this Act or under some other provision of law; "Government-controlled", in relation to an entity, has the meaning set forth in subsection (2);

"member of the Auditor General's staff" means the Auditor General and any person appointed as mentioned in section 3(1) or engaged as mentioned in section 3(2);

"the Minister" means the Minister of Finance;

"the Parliamentary Standing Committee" means the Parliamentary Standing Committee on the Office of the Auditor General provided for by the Rules of the House of Assembly [title 2 item 1(b)] ;

"public officer" means the holder of an office in the civil service of the Government;

"record" includes any device by which information is recorded or stored.

(2) An entity is Government-controlled for the purposes of this Act if the Government has the power—

(a) by virtue of rights conferred by the constitution of that entity or by some other document regulating that or some other entity; or

(b) by means of possession of voting power or the holding of shares in or in relation to that first-mentioned entity; or

(c) by some other means, to secure that the affairs of that first-mentioned entity are conducted in accordance with the wishes of the Government.

Staff of the Auditor General

- 3 (1) Without prejudice to subsection (2), there shall be appointed to assist the Auditor General in the discharge of his functions such number of public officers as may be required.
- (2) The Auditor General may, in addition, engage such further number of persons at such remuneration (deriving from funds provided for that purpose) and on such terms and conditions as he considers necessary for assisting him in the discharge of his functions.
- (3) Every person appointed as mentioned in subsection (1) or engaged as mentioned in subsection (2) is subject to the Auditor General's direction and control.
- (4) Subject to subsection (5), anything under which the authority of the Constitution or any statute is to be done by or to the Auditor General may be done by or to a duly authorised member of the Auditor General's staff.
- (5) The delegation of the Auditor General's functions provided for by subsection (4) does not extend to the expression of an opinion on any accounts, or to the signing or submission of any report.

Remuneration of Auditor General

- 4 (1) The salary or other remuneration of the Auditor General shall not be less than that of a Puisne Judge.
- (2) The expression "salary or other remuneration" in its reference in subsection (1) to a Puisne Judge does not extend to any allowances of a Puisne Judge or to any special treatment of a Puisne Judge's salary or remuneration for pension purposes.

Audit Committee

- 5 (1) There shall be established and maintained a committee, to be known as the "Audit Committee", for the purpose of performing the functions assigned to that committee by this Act.
- (2) The Audit Committee ("the Committee") shall consist of —
- (a) the Minister ex officio; and

- (b) such other members (not fewer than five in number) as the Governor, acting in accordance with the advice of the Premier, may appoint, but so that no such member may be a public officer or an officer or a member of either House of the Legislature or an employee of any Government-controlled entity.
- (3) The Governor, so acting, shall appoint a member to be the Committee's Chairman or, in case of need, acting Chairman, but the Minister may not be appointed, or act, as such.
- (4) The Committee shall meet when summoned by the Chairman or acting Chairman—
 - (a) to consider any urgent matter proposed by the Minister or the Auditor General for the Committee's consideration; or
 - (b) otherwise for the discharge of the Committee's functions under this Act.
- (5) Subject to this section, the Committee may regulate their own procedure.

Audits of public accounts

- 6 (1) The Auditor General shall in every year—
 - (a) audit—
 - (i) the accounts referred to in section 101(2) of the Constitution [title 2 item 1]; and also
 - (ii) the accounts of every Government-controlled entity whose accounts are not referred to in section 101(2) of the Constitution; and
 - (b) include in every such audit a report setting forth the Auditor General's opinions in accordance with subsection (3).
- (2) The Auditor General's primary functions are those specified in subsection (1), and he is not to exercise his powers under section 16 or 17, or to perform any other function, if to do so would or might impair his ability to discharge his functions under subsection (1).
- (3) A report for the purposes of subsection (1)(b)—
 - (a) shall include the matters specified in Part I of the Schedule;
 - (b) may, if the Auditor General thinks fit, include any or all of the matters specified in Part II of the Schedule.
- (4) Accounts that have been audited under subsection (1) shall not be published unless there is or are attached to them any report or reports that the Auditor General prepared in relation to those accounts under subsection (1)(b).

(5) The Auditor General shall prepare accounts in respect of the work of the Office of the Auditor General during each financial year, and those accounts shall be audited by such Auditor General as the Minister may select after consultation with the Parliamentary Standing Committee.

Procedure for audits

7 (1) The Auditor General shall as soon as may be deliver to the relevant Minister a report on every audit conducted by the Auditor General pursuant to section 6(1)(a)(ii), and that Minister shall lay the report before the House of Assembly as soon as may be thereafter.

(2) In subsection (1) the expression "the relevant Minister" means the Minister responsible for the Government-controlled entity to which the accounts in question relate or, if there is no such Minister, then the Minister of Finance.

(3) If any difficulty arises in determining for the purposes of subsection (2) of this section or section 11(1)(b) the Minister who is responsible for a Government-controlled entity, then that difficulty shall be resolved by the Premier after consultation with the Attorney-General.

(4) Every report delivered by the Auditor General to a Minister, or laid by a Minister before the House of Assembly, pursuant to subsection (1) shall have attached to it a copy of the accounts to which the report relates.

(5) Subsections (1) and (4) of this section apply mutatis mutandis in relation to audits conducted pursuant to section 6(5) as those subsections apply in relation to audits conducted by the Auditor General.

Ad hoc reports in connexion with audits

8 (1) Notwithstanding section 6, where it appears to the Auditor General at any time in the course of the discharge of his functions under section 6(1) and (3) that a matter to which this section applies requires some action in the public interest, the Auditor General shall report the matter to the entity in question and, if the circumstances in his judgment so warrant, also to the Minister; and, where the matter appears to the Auditor General to be one requiring immediate or urgent action, he shall report under this section immediately.

(2) This section applies to any matter affecting an entity whose accounts are referred to in section 6(1).

Annual reports of Auditor General

9 (1) The Auditor General shall in every financial year make a report under this section on the work done by the Office of the Auditor General during the next preceding financial year.

(2) A report under this section shall—

- (a) set forth details of every case in which the Auditor General has qualified or reserved his opinion on, or on anything in, accounts referred to in section 6(1); and
- (b) report on every case in which the Auditor General has observed that—
 - (i) a collection of public money, or a disbursement of public money—
 - (aa) has not been made, or has been made otherwise than, as required by any enactment, regulation, rule, order or directive applicable to that collection or disbursement; or
 - (bb) has not been accounted for, or has not been properly reflected, in any relevant accounts; or
 - (ii) property has not been adequately safeguarded or accounted for; or
 - (iii) any accounting or management control system (or any system designed to ensure economy and efficiency in the collection of public money or the making of disbursements, or in the preservation or use of assets, or in the determination of liabilities) was not in existence when it should have been, or was inadequate or had not been complied with; or
 - (iv) although appropriate and reasonable procedures could have been used to measure and report on the effectiveness of programmes, such procedures either had not been established or were not being complied with:

Provided that the Auditor General need not report on any matter which in his opinion is not significant, or on any error or deficiency which in his opinion has been, or is being, satisfactorily rectified; and

- (c) call attention to any other case that the Auditor General considers merits attention.

(3) A report under this section may include such comments as the Auditor General may think fit to make -

- (a) on the effect on the work of the Office of the Auditor General of any changes made in relation to staffing or money sought by the Auditor General for the operation of that Office; and
- (b) on whether in the carrying out of that work the Auditor General received all the information or assistance that he required.

(4) A report under this section may also include, in relation to the accounts of any entity whose accounts are referred to in section 6(1), such comments as the Auditor General may think fit to make

- (a) on the accounting policies employed by the entity;
- (b) on whether the substance of any significant matter that came to his attention was adequately disclosed; and
- (c) on the suitability of the form of any estimates prepared by the entity for controlling disbursements.

(5) Where a report under this section deals with any accounts, there may be included in, or attached to, the report copies or summaries of or extracts from those accounts if the Auditor General deems that necessary or convenient for the purposes of the report.

Time limit for annual reports of Auditor General

10 (1) An annual report under section 9 shall be addressed to the Speaker of the House of Assembly, and, subject to subsection (2) of this section and to section 11, it is the Auditor General's duty to deliver each such report to the Speaker, and send a copy of the report to the Governor and the President of the Senate, on or before 30th November in the financial year next following the financial year to which the report relates.

(2) Where in any case the Auditor General will be unable to fulfil his duty under subsection (1), he shall so inform the Speaker of the House of Assembly in writing beforehand, giving his reasons; and he shall then use his best endeavours to deliver the report to the Speaker as soon after 30th November as he is able.

Procedure for annual reports of Auditor General

11 (1) The Auditor General shall as soon as may be in every year complete the final draft of his proposed report under section 9 and—
(a) send a copy of the draft report to—

- (i) the Chairman of the Audit Committee for circulation to the Committee; and
 - (ii) the Minister for his information; and
- (b) where any part or parts of the draft report deals or deal with any matter concerning a Government-controlled entity for which any other Minister is responsible, send copies of that part or those parts to that Minister for his information.
- (2) The Audit Committee shall study every draft report sent to them under subsection (1)(a); and the Auditor General shall make himself and his staff fully available to the Committee, and shall give to the Committee all the assistance that the Committee may reasonably require for the purpose of studying the draft report.
- (3) The Audit Committee—
- (a) shall consult the Auditor General and may make to him such observations and recommendations on the draft report as they may think appropriate; and
 - (b) shall inform the Cabinet of any matters in the draft report that in the Committee's opinion ought to be brought to the Cabinet's attention.
- (4) The Auditor General may, but need not, give effect to any recommendations made to him by the Audit Committee under subsection (3)(a).
- (5) The Audit Committee and the Auditor General shall use their best endeavours so that the process of scrutiny, study and consultation provided for by subsections (1) to (3) may be completed in time to enable section 10(1) to be complied with.

Special reports by Auditor General

- 12 (1) Notwithstanding sections 9 to 11, where at any time in the course of the performance of the Auditor General's functions a matter arises to which this section applies, the Auditor General shall make an immediate report under this section.
- (2) This section applies to any matter—
- (a) of a nature described in sections 9(2)(b)(i) to (iv); and also
 - (b) such, in the Auditor General's opinion, as to warrant his making in the public interest an immediate report under this section in accordance with section 13.

Procedure for special reports by Auditor General

- 13 (1) A special report under section 12 shall be addressed to the Speaker of the House of Assembly, and, subject to subsection (2) of this section, the Auditor General shall deliver any such report to the Speaker, and send a copy of the report to the Governor and the President of the Senate, as soon as may be.

(2) The provisions of section 11 apply mutatis mutandis in relation to a special report under section 12 as those provisions apply in relation to an Auditor General's annual report under section 9.

General powers of Auditor General

- 14 The Auditor General is entitled in the exercise and for the purpose of his functions—
- (a) to request that he be supplied with any explanation, information or assistance which he may reasonably require for the performance of his functions;
 - (b) to require access to all property of any entity whose accounts are referred to in section 6(1), and to all records relating to those accounts;
 - (c) to call for reasonable accommodation to be provided to any member of the Auditor General's staff; and
 - (d) to seek from the Attorney-General in writing an opinion on any question regarding the interpretation of any statutory provision; and any person to whom a reasonable demand by the Auditor General in that behalf is properly directed shall comply with the demand with all reasonable despatch.

Power to charge fees in certain cases

- 15 (1) Where the Auditor General acting under this Act audits the accounts of an entity whose accounts do not form part of the accounts of the Consolidated Fund, he may charge for the audit such reasonable fees as he thinks fit.

(2) Fees charged pursuant to subsection (1) shall be paid to the Accountant General as public money.

Ad hoc investigations, etc.

- 16 (1) Where any public money has been paid by way of grant or contribution to any person, or been placed by way of investment with any person, being in either case a person who is not an entity whose accounts are referred to in section 6(1), then the Auditor General may direct to that person such enquiries, and in connexion with those enquiries make such investigations, as the Auditor General thinks necessary or expedient for determining to what extent the public money so paid or placed has been used for the purposes for which it was so paid or placed and not otherwise.

(2) The Auditor General—

- (a) shall report the results of any enquiries or investigations that he makes under subsection (1) to the Minister; and
- (b) may report those results, or any part of them, to any other person or authority (being a person of (sic) authority affected by the grant, contribution or investment) to whom or to which the Auditor General considers it necessary or expedient to make such a report.

Power to give advice

- 17 The Auditor General may, if requested to do so by an entity whose accounts are referred to in section 6(1), render to that entity any technical advice or assistance that he is competent to render by virtue of his professional qualifications and experience.

Independence of Auditor General

- 18 The Auditor General is not subject to the direction or control of any other person or authority in the exercise of his functions, but he shall take into account any proposals or recommendations made to him by the Parliamentary Standing Committee in relation to the expenditure of public money by the Office of the Auditor General.

Confidentiality

- 19 (1) Where any information is obtained—
- (a) by any member of the Auditor General's staff while acting as such; or
 - (b) by any person by reason of that information having been included in a draft report prepared pursuant to section 11 and conveyed (whether directly or indirectly) to him, that information is confidential and shall not be disclosed by him except—
 - (aa) to the Minister or a public officer or, but so far only as may be necessary or expedient for the proper discharge or any function to be performed under this Act, to other persons; or
 - (bb) for the purpose of any criminal or civil proceedings.
- (2) A person shall not make working papers of the Office of the Auditor General available to any person who is not a member of the Auditor General's staff.

Criminal offences

- 20 A person who—
- (a) contravenes section 6(4) or section 19(1) or (2); or
 - (b) fails or refuses to fulfil his duty under section 14 in relation to a demand properly directed to him under that section, commits an offence against this Act for which he may be prosecuted summarily; and, if convicted of such an offence, he is liable to a fine not exceeding \$3,000 or to imprisonment for a period not exceeding twelve months or to both.

Repeal of Act No. 343 of 1968

- 21 The Audit Act 1968 [former title 14 item 4] is repealed. Commencement and transitional
- 22 (1) The provisions of this Act commence on such day as the Minister may be notice published in the Gazette appoint; and different days may be so appointed for different provisions or for different purposes.
- (2) The arrangements for auditing provided for by sections 6 and 7 ("the new arrangements") apply on and after commencement day in relation to any Government-controlled entity (whether or not constituted by or under any statutory provision) that was in being immediately before that day; and, if any arrangements in force in relation to any such entity immediately before commencement day are inconsistent with the new arrangements, the former arrangements cease to have effect to the extent of the inconsistency, and are superseded by the new arrangements, on commencement day.
- (3) The expression "commencement day" in subsection (2) means the day appointed pursuant to subsection (1) for sections 6 and 7 to commence.

THE SCHEDULE (Section 6(3))

PART I Matters that an Auditor General's Report under Section 6(1)(b) Must Contain In relation to each entity whose accounts have been audited— (a) a statement that the audit was conducted in accordance with generally accepted auditing standards; (b) a statement whether in the Auditor General's opinion the accounts (i) were prepared in accordance with the accounting principles (if any) stated in the accounts, being principles appropriate to the case; (ii) were prepared on a basis consistent with that on which the last preceding accounts were prepared; (iii) present fairly the financial position, results of operation, and changes in the financial position since the preparation of the last preceding accounts, of the entity; (c) where the audit report contains a reservation of opinion by the Auditor General — (i) a statement of the Auditor General's reasons for that reservation; (ii) where the reservation has been made on account of some deficiency, a statement of the effect of the deficiency on the accounts; (d) where the Auditor General has been unable to form an opinion because of a limitation on the scope of the audit, a reservation by the Auditor General in the form of a denial of an opinion on the accounts. In paragraphs (b), (c) and (d) above and in Part II of this Schedule, "accounts", in relation to an entity, means the following statements (in so far as they exist), that is to say— (a) the balance sheet; (b) the statement of income and expenditure; (c) the statement of retained earnings; (d) the statement of changes in financial position; (e) the Auditor General's report; (f) any other statement that the accounting principles (if any) stated in the accounts call for if the entity's financial position is to be fairly presented, prepared for the entity in respect of the accounting period stated in the respective statement.

PART II Matters that an Auditor General's Report under Section (6)(1)(b) May Contain In relation to each such entity as aforesaid— (a) the Auditor General's comments on the accounting policies employed in preparing the accounts; (b) any other comments arising out of the accounts that the Auditor General considers appropriate.

APPENDIX 3

Extract from the Standing Orders of the House of Assembly

Standing Order 34 (4): The Committee on the Office of the Auditor shall be appointed for the duration of the life of the Parliament. It shall consist of five members, inclusive of the Chairman thereof, appointed by the Speaker, who may discharge and replace any Member. The Committee shall have the duty:

- (a) of reviewing annual and any supplementary estimates requested by the Auditor and of making recommendations thereon to the Minister of Finance;
- (b) of reviewing the establishment, including both numbers and gradings of posts comprising the Office of the Auditor and any changes proposed by the Auditor and of making recommendations thereon to the Minister responsible for Management Services;
- (c) of reporting to the House of Assembly the potential effects on the Auditor's ability to carry out his functions in a timely manner of any changes to either estimates, including supplementary estimates, or establishment of the Office of the Auditor from those recommended by the Committee;
- (d) of reviewing General Orders, Financial Instructions or other directions so far as they may impinge on the independence of the Auditor and his ability to carry out his functions and of recommending how those directions might be amended in their application to the Auditor;
- (e) of recommending to the Minister of Finance the basis and circumstances in which the Auditor should levy fees as income to the Consolidated Fund;
- (f) where the Auditor is requested to carry out duties in addition to the function set out in the Audit Act, 1990 then of recommending to the Minister of Finance the additional resources required to undertake those duties;
- (g) of establishing the dates by which the Auditor must present his reports to the Speaker of the House of Assembly if, in the opinion of the Committee, the submission times set by the Act cannot be met for good reason;
- (h) of recommending to the Minister of Finance the auditor who will audit the revenues and expenses of the Office of the Auditor;
- (i) of receiving and considering in consultation with the Auditor the reports of any practice reviews performed on the Office of the Auditor, such reports to remain confidential to the Auditor and Members of the Committee.



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INDEPENDENT AUDITOR'S REPORT

To the House of Assembly, the Governor and the Senate

I have audited the accompanying financial statements of the Consolidated Fund of the Government of Bermuda (the “Consolidated Fund”), which comprise the statement of financial position as at March 31, 2017, and the statements of operations and accumulated deficit, change in net debt and cash flow 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 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.

Other matters

As permitted by Section 6 of the Audit Act 1990, I may include in my auditor's report any other comments arising out of the accounts that I consider appropriate.

Increasing Net Debt

Without qualifying my opinion, I wish to draw attention to the level of net debt which increased by \$243 million to \$3.7 billion as of March 31, 2017. Government needs to take concerted action to address this fiscal challenge.

Usefulness of these Financial Statements is Limited

As described in Note 2, these financial statements represent the financial transactions of the Consolidated Fund and have been prepared primarily to provide accountability for the financial resources appropriated by the Legislature of Bermuda. These financial statements are not summary financial statements of the Government of Bermuda. Significant financial activities of the Government occur outside the Consolidated Fund. As such, the financial statements of the Consolidated Fund for the year ended March 31, 2017 do not represent the full nature and extent of the overall financial affairs and resources of the Government of Bermuda.



Hamilton, Bermuda
November 20, 2017

Heather Thomas, CPA, CFE, CGMA
Auditor General

Government of Bermuda - Consolidated Fund
Statement of Financial Position
As at March 31

		2017 Actual	2016 Actual
		\$	\$
Liabilities	<u>Schedule</u>		
Accounts Payable and Accrued Liabilities	5	165,685,464	143,833,006
Deferred Revenue	6	535,646	2,789,073
Deferred Insurance Proceeds		7,391,368	1,539,268
		<u>173,612,478</u>	<u>148,161,347</u>
Interest Bearing Debt - Net of Sinking Fund	7	2,397,309,070	2,217,725,611
Pensions and Other Employee Future Benefits			
- Pensions and Retirement Benefits (Note 9(g))		1,401,936,784	1,327,853,129
- Compensated Absences (Note 8)		28,396,590	27,257,382
		<u>1,430,333,374</u>	<u>1,355,110,511</u>
Other Liabilities			
Due to Government Funds and Agencies	3(a)	19,849,773	13,315,236
Total Liabilities		4,021,104,695	3,734,312,705
Financial Assets			
Cash and Cash Equivalents		95,724,047	42,148,877
Accounts Receivable	1	156,516,312	163,452,212
Due from Government Funds and Agencies	3	39,987,652	42,725,144
Long-Term Receivables	4	714,469	1,634,488
Investment in BLDC (Note 14(b)(ii))		5,000,000	5,000,000
Investment in ACBDA (Note 14(b)(vii))		100	100
Total Financial Assets		297,942,580	254,960,821
Net Debt		3,723,162,115	3,479,351,884
Non-Financial Assets			
Tangible Capital Assets (Note 14(xi))	11	685,955,736	660,877,502
Assets under Construction	11	35,490,121	61,697,557
Inventories for Consumption	2	14,004,795	14,750,190
Prepaid Expenses		2,826,982	4,720,465
Total Non-Financial Assets		738,277,634	742,045,714
Accumulated Deficit		2,984,884,481	2,737,306,170

Contingent Liabilities, Non-Contractual Operational Obligations, Contractual Obligations and Commitments - Legislated (Notes 10, 11, 12 and Schedule 13)

Government of Bermuda - Consolidated Fund
Statement of Operations and Accumulated Deficit
For the year ended March 31

		2017	2016
		Actual ¹	Actual
		\$	\$
Revenue	<u>Schedule</u> 8, 9		
Taxes & Duties			
Payroll Tax		401,754,701	361,135,536
Customs Duty		211,086,777	192,593,226
Other Taxes and Duties		62,649,771	69,826,118
Land Tax		62,422,116	67,068,082
Passenger Tax		41,025,248	40,794,380
Total Taxes & Duties		778,938,613	731,417,342
Fees, Permits & Licenses		184,701,617	202,688,217
Other Revenue (Note 14(xi))		62,417,201	25,700,719
Investment Income		3,536,930	911,946
Total Revenue		1,029,594,361	960,718,224
Expenses	10		
Economic Development		429,770,841	372,063,292
Health		193,185,406	193,190,533
National Security		144,166,468	143,471,887
Education		132,327,600	131,937,467
Interest on Debt		120,619,921	116,217,365
Social Services & Assistance		88,030,765	85,102,907
Pensions and Retirement Benefits Expense		75,222,863	79,047,835
Other General Government Services		55,199,708	55,029,123
Early Tender Premium on Repurchased Debt (Note 15(b))		38,649,100	-
Total Expenses		1,277,172,672	1,176,060,409
Annual Deficit		(247,578,311)	(215,342,185)
Accumulated Deficit, Beginning of Year		(2,737,306,170)	(2,521,963,985)
Accumulated Deficit, End of Year		(2,984,884,481)	(2,737,306,170)

¹ Estimates against these actuals are provided for revenue in Schedules 8 and 9 and for current expenses in Schedules 10(a) and 10(b) for appropriation purposes.

Government of Bermuda - Consolidated Fund
Statement of Change in Net Debt
For the year ended March 31

	2017	2016
	Actual	Actual
	\$	\$
Annual Deficit	(247,578,311)	(215,342,185)
Change Due to Tangible Capital Assets:		
Additions to Tangible Capital Assets	(94,142,427)	(22,588,823)
Loss on Disposal or Impairment of Tangible Capital Assets	22,949,607	-
Net Reductions to Assets under Construction	26,207,436	1,668,749
Amortization of Tangible Capital Assets	46,114,586	46,735,105
Total Change Due to Tangible Capital Assets	1,129,202	25,815,031
Net Reductions (Additions) to Inventories for Consumption	745,395	(961,191)
Net Reductions (Additions) to Prepaid Expenses	1,893,483	(980,968)
Total Change Due to Inventories for Consumption and Prepaid Expenses	2,638,878	(1,942,159)
Increase in Net Debt	(243,810,231)	(191,469,313)
Net Debt, Beginning of Year	(3,479,351,884)	(3,287,882,571)
Net Debt, End of Year	(3,723,162,115)	(3,479,351,884)

Government of Bermuda - Consolidated Fund
Statement of Cash Flow
For the year ended March 31

	2017	2016
	Actual	Actual
	\$	\$
Operating Activities		
Annual Deficit ¹	(247,578,311)	(215,342,185)
Items not affecting cash:		
Amortization of Tangible Capital Assets	46,114,586	46,735,105
Increase in Pension and Retirement Benefits Liability	74,083,655	78,102,509
Increase in Compensated Absences Liability	1,139,208	945,326
Loss on Disposal or Impairment of Tangible Capital Assets	22,949,607	-
Decrease in Non-Cash Working Capital	45,217,957	(54,861,807)
Cash Applied to Operating Activities	(58,073,298)	(144,421,052)
Capital Activities		
Additions to Tangible Capital Assets	(94,142,427)	(22,588,823)
Net Reductions to Assets under Construction	26,207,436	1,668,749
Cash Applied to Capital Activities	(67,934,991)	(20,920,074)
Financing Activities		
Debt issues	665,000,000	150,000,000
Sinking Fund redemption	30,648,459	18,073,169
Repayment of Debt	(516,065,000)	-
Cash Provided By Financing Activities	179,583,459	168,073,169
Net Increase in Cash and Cash Equivalents	53,575,170	2,732,043
Cash and Cash Equivalents, Beginning of Year	42,148,877	39,416,834
Cash and Cash Equivalents, End of Year	95,724,047	42,148,877

¹ Interest received during the year was \$988,205 (2016 - \$958,977). Interest paid during the year was \$120,639,921 (2016 - \$115,909,987). Interest received is made up of interest income from the Statement of Operations and Accumulated Deficit in the amount of \$1,135,775 (2016 - \$911,946) plus the change in accrued interest receivable in the amount of \$25,617 (2016 - \$47,031). Interest paid is made up of interest expense from the Statement of Operations and Accumulated Deficit in the amount of \$120,639,921 (2016 - \$116,220,689) plus the change in accrued interest payable in the amount of \$5,947,475 (2016 - \$310,702).

1. Authority

The Consolidated Fund (the “Fund”) operates under the authority of the Bermuda Constitution Order 1968 and amendments, and the Public Treasury (Administration and Payments) Act 1969 and amendments.

All public money is paid into the Fund and legislative authority must be obtained for any expenditure out of the Fund.

The Legislature provides authority to make payments out of the Fund in annual Appropriation Acts, Supplementary Estimates and other statutes. Unspent current account appropriations lapse at the end of each fiscal year. Unspent capital account appropriations are carried forward to subsequent fiscal years, subject to the approval of the Minister of Finance.

2. Reporting Entity

The Fund’s financial statements report the financial position, results of operations, change in net debt and cash flow resulting from the activities of the Fund only, which comprise the accounts of the Senate, the House of Assembly, all Government departments and offices (including the Public Service Commission) and all courts. The Fund is established and defined pursuant to Section 94 of the Bermuda Constitution Order 1968.

These financial statements are not summary consolidated financial statements of the Government of Bermuda (the “Government”). Separate audited financial statements are prepared for all other Government organizations.

These financial statements are prepared in accordance with the legislative requirements as outlined in Sections 5 and 32A of the Public Treasury (Administration and Payments) Act 1969 and amendments.

The Government adheres to the general practice of using a Consolidated Fund as its general operating fund. Schedules 8 to 11 provide information concerning the operations, tangible capital assets and capital expenses of individual Government departments and funds comprising the Fund.

3. Summary of Significant Accounting Policies

The recommendations of the Public Sector Accounting Board and the Accounting Standards Board of the Chartered Professional Accountants of Canada (which are promoted by the Chartered Professional Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda) are the source for the disclosure basis of accounting.

(a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

3. Summary of Significant Accounting Policies (cont'd)

(b) Revenue

Revenues are accounted for in the fiscal year in which the transactions or events occurred that gave rise to the revenues.

Revenues not practicably measurable until cash is received are accounted for upon receipt.

Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are reported as deferred revenue.

Payroll and corporate service tax are recognized when reported for the first three quarters and based on estimates for the last quarter. Land tax is recognized in the month the tax is due. Stamp duty is recognized upon completion of the review of the related legal documents. Passenger tax, foreign currency purchase tax, hotel occupancy tax, betting tax and timesharing tax are recognized when reported.

Tax concessions result in a reduction of the revenue type for which relief is being provided.

(c) Expenses

Expenses are accounted for in the fiscal year that goods and services are acquired, a liability is incurred or grant payments are due.

Government transfers are recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

Classification of expenses between current account items and capital account items follows the classification in the Approved Estimates of Revenue and Expenditure for the year 2016/17 (the "Approved Estimates").

(d) Interdepartmental Revenues and Expenses

Interdepartmental revenues and expenses are not eliminated but are identified in Schedules 9(a) and 10(c), respectively.

(e) Financial Assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash and cash equivalents, accounts receivable, amounts due from Government funds and agencies, long-term receivables and investments in quasi-autonomous non-governmental organizations ("QUANGO"s).

Cash and cash equivalents include cash on hand and demand deposits that are readily convertible to known amounts of cash. These are subject to an insignificant risk of changes in value.

3. Summary of Significant Accounting Policies (cont'd)

(e) Financial Assets (cont'd)

Accounts receivable, long-term receivables and amounts due from Government funds and agencies are recorded at cost. A provision is recorded when collection of the receivable or amounts due is considered doubtful.

Investments in QUANGOs are recorded at cost.

(f) Non-Financial Assets

Non-Financial assets are resources that are employed for future services. They include tangible capital assets, assets under construction, inventories for consumption and prepaid expenses. The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized over the estimated useful lives of the assets. Where original acquisition documents were difficult to retrieve, the Book Value Calculator, developed by the Chief Appraiser of Public Works and Government Services Canada (as modified by them to address the Bermuda Government situation), was used to establish reasonable estimates of Net Book Values in order to develop opening balances.

Other tangible capital assets that do not meet the minimum threshold requirements for their respective asset class are charged to capital expenses in the year of purchase, which is consistent with prior years. These expenses are classified as capital development and capital acquisition expenses on Schedule 10, Expenses by Program. Included in the capital development and capital acquisition expenses are other significant items: capital grants, repairs and maintenance, professional fees and other items, which are expensed as they are incurred. Tangible capital assets not disclosed include historical treasures.

Amortization is recorded on a straight-line basis for all assets, according to the following:

Buildings	2 – 40 years
Leasehold Improvements	Remaining life or lease period of the related asset
Betterments	Remaining life or lease period of the related asset
Heavy Equipment	
\$10,000 to \$99,999	5 years
\$100,000 and above	7 years
Vehicles	
2 to 3 Wheeled Vehicles	
\$3,000 to \$99,999	5 years
\$100,000 and above	7 years

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2017

3. Summary of Significant Accounting Policies (cont'd)

4 or More Wheeled Vehicles	
\$0 to \$99,999	5 years
\$100,000 and above	7 years
Boats & Vessels	
\$10,000 to \$99,999	5 years
\$100,000 and above	10 years
Capital Leases	
\$3,000 and above	3 years
Computer Hardware	
\$3,000 to \$99,999	3 years
\$100,000 and above	7 years
All laptops and desktop computers are capitalized	
Computer Software	
\$20,000 and above	10 years
Furniture & Fixtures	
\$3,000 and above	7 years
Office Equipment	
\$3,000 and above	5 years
Plant, Machinery & Equipment	
\$50,000 and above	10 – 30 years
Infrastructure	
\$50,000 to \$199,999	10 years
\$200,000 and above	40 years

The Ministry of Public Works is primarily responsible for Government's tangible capital assets. Amortization expense is reported under each respective department. Since amortization is a non-cash expense, it is removed for appropriation reporting purposes.

Assets under construction relate to buildings, betterments, vehicles, computer hardware, computer software, infrastructure, office equipment and vessels in development. Assets under construction are not amortized.

Tangible capital assets that have historical or cultural value, including works of art, historical documents, and historical and cultural artifacts, are not recognized as tangible capital assets in these financial statements.

Inventories for consumption are comprised of spare parts and supplies that are held for future program delivery and are not intended for resale. They are valued at cost.

3. Summary of Significant Accounting Policies (cont'd)

Inventories for consumption that no longer have service potential are valued at the lower of cost and net realizable value.

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories for consumption that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

(g) Liabilities

Liabilities are recorded for financial obligations to organizations and individuals occurring as a result of transactions and events arising on or before the year-end. They occur as a result of contracts, agreements and legislation in force at the year-end that require the Government to repay borrowings, or to pay for goods and services supplied on or before the year-end. Liabilities also include grant payments due on or before the year-end.

(h) Translation of Foreign Currencies

The financial statements are reported in Bermuda dollars. The Bermuda dollar is valued at par with the United States dollar. Financial assets (excluding investments) and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year-end date. Non-financial assets and investments are translated at historical rates of exchange. Revenues and expenses originating in foreign currencies are translated at the exchange rate in effect on the date the specific transactions occurred. Translation gains and losses are included in the Statement of Operations and Accumulated Deficit.

(i) Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate payroll and land taxes, accruals for pension obligations and retirement benefits, accruals for environmental obligations, allowances for doubtful receivables, estimated useful lives of tangible capital assets, future payments related to contingent liabilities and accruals for liabilities through actuarial valuations.

The nature of the uncertainty related to the accruals for pension obligations and retirement benefits arise because actual results may differ significantly from the Government's best estimates of expected results based on variables such as earnings on the pension investments, salary increases and the life expectancy of the participants.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2017

3. Summary of Significant Accounting Policies (cont'd)

The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Government's responsibilities to mitigate and the quantification of what the actual liability will be based upon impact studies. Uncertainty concerning the allowance for doubtful receivables is based upon actual collectability and changes in economic conditions.

While management's best estimates have been used for reporting items subject to measurement uncertainty, it is possible that changes in future conditions in the near term could require a material change in the valuation of the reported amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements. Actual results could differ from these estimates.

(j) Risk Management

Funds are borrowed in both domestic and foreign capital markets by issuing Government senior notes and using bank loans and other credit facilities. This borrowing activity is used to fund government capital expenditure programs and other budgeted governmental operations. These transactions result in exposure to four types of risk: interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates. This risk is managed by issuing debt securities as predominately fixed rates of interest rather than floating rates of interest for fixed terms.

Foreign exchange risk is the risk that debt servicing costs will increase due to a decline of the Bermuda dollar relative to other currencies. This risk is managed by maintaining a preference for debt that is issued predominately in United States ("US") dollars. The Bermuda dollar is pegged to the US dollar to eliminate the impact of any fluctuations in the exchange rates between the two.

Credit risk is the risk that a loss might occur from the failure of another party to meet its obligations under a derivative financial instrument contract. The risk is managed by issuing debt securities that have no derivatives as the underlying securities. The debt instruments are senior notes of the Government and loan facilities with a domestic lender.

Liquidity risk is the risk that financial commitments will not be met over the short term. This risk is managed through the establishment of the Government Borrowing Sinking Fund as a separate legal entity for the repayment of government debt and to pay interest charged on long-term public debt under the provisions of the Government Loans Act 1978 as amended.

(k) Future Changes in Accounting Standards

Each year new standards and amendments to standards may be issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The standards following are not yet effective and have not been applied in preparing these financial statements.

3. Summary of Significant Accounting Policies (cont'd)

PS 2200 Related party disclosures – a new standard that defines a related party and establishes disclosures required for related party transactions. PS 3420 Inter-entity transactions – a new standard that establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. PS 3210 Assets – a new standard that provides guidance for applying the definition of assets set out in PS 1000, and establishes general disclosure standards for assets. PS 3320 Contingent assets – a new standard that defines and establishes disclosure standards on contingent assets. PS 3380 Contractual rights – a new standard that defines and establishes disclosure standards on contractual rights. Each of these new standards becomes effective for fiscal years beginning on or after April 1, 2017.

PS 3430 Restructuring transactions – a new standard that establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. Standard becomes effective for fiscal years beginning on or after April 1, 2018.

PS 3450 Financial Instruments – a new standard providing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives. PS 1201 Financial Statement Presentation – replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure in government financial statements. PS 2601 Foreign Currency Translation – replaces PS 2600 and has revised standards on accounting for and reporting transactions denominated in a foreign currency. PS 3041 Portfolio investments - when Sections PS 1201, PS 2601 and PS 3450 are adopted. Each of these new standards becomes effective for fiscal years beginning on or after April 1, 2019.

The Government does not intend to adopt these new standards prior to the effective dates. The impact that these standards will have on the financial statements is not deemed significant.

4. Approved Estimates of the Government

(a) Budget Process

Annually, the Government presents a Budget ("Estimates") of expected revenues and expenditures for the following fiscal year. The Government's spending Estimates for the fiscal year commencing April 1, 2016 were presented to the Members of the Legislature by the Minister of Finance. The Estimates outline the spending plans of each Ministry/Department submitted for approval to the Legislature in the Appropriations Act.

The Estimates referred to in the financial statement Schedules 8, 9, 10(a) and 10(b) are from the original Approved Estimates and do not reflect changes arising from the tabling of Supplementary Estimates, except for the Adjusted Estimates referred to in Schedule 12 which include the original Approved Estimates and any tabled Supplementary Estimates.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2017

4. Approved Estimates of the Government (cont'd)

(b) Comparison of Expenses to Estimates and Expenditures

The Ministry of Finance prepares annual Estimates on the modified cash basis. These financial statements are prepared on an accrual basis. Due to the difference in accounting, Schedule 12 restates actual expenses on the modified cash basis for comparative and analytical purposes against the Adjusted Estimates. The primary differences are as follows:

- (i) **Bad Debts** – For financial statement purposes, a provision is established and expensed for accounts receivable where collection is doubtful. For budget purposes, no such provision is made.
- (ii) **Pension** – The financial statement pension-related expense is explained in Note 9. For budget purposes, pension expense is equal to its funding requirements.
- (iii) **Government Borrowing Sinking Fund (Note 5)** – Transfers to the Sinking Fund are recorded as cash transfers against long-term debt. For budget purposes, the Sinking Fund contribution is considered an expenditure.
- (iv) **Compensated Absences** – Certain Government employees are entitled to paid retirement leave, as explained in Note 8. For budget purposes, retirement pay is estimated based on anticipated salary spending for the current year.
- (v) **Amortization** – For financial statement purposes, annual amortization of tangible capital assets is expensed based on the respective assets as explained in Note 3(f). For budget purposes, amortization is not considered expenditure.
- (vi) **Environmental Liability** – As explained in Note 10(c), the Government has recognized a cost of restoration of land. Changes in the environmental liability are not considered expenditure for budget purposes.

5. Government Borrowing Sinking Fund

Effective March 31, 1993, the Government Borrowing Sinking Fund (the “GBSF”) was established as a separate legal entity for the repayment of Government borrowing under the provisions of the Government Loans Act 1978 as amended.

During each financial year, the Fund must pay to the GBSF, 2.5% of the public debt outstanding in the Fund at the end of the preceding year. Under Section 12AA of the Government Loans Act 1978 as amended, the Minister may, by Order, suspend the annual contribution for a period of twelve months. The contribution was not suspended for 2016 or 2017.

5. Government Borrowing Sinking Fund (cont'd)

2016 \$		2017 \$		
Sinking Fund	Contributions	Earnings	Payments	Sinking Fund
117,274,389	58,375,000	976,541	(90,000,000)	86,625,930

Up until 2013, the GBSF assets were only to be applied to reduce, cancel or pay interest on public debt. In 2013 the Government Loans Act 1978 was amended to allow excess funds borrowed to be paid into the Sinking Fund and applied to future year deficits. The assets are invested in accordance with the Public Funds Act 1954 and are shown as a reduction of debt issued on the Fund's Statement of Financial Position.

The assets of the GBSF are comprised of the following:

	2017 \$	2016 \$
Cash & Cash Equivalents	37,940,013	46,296,028
Fixed Income Securities	48,488,243	70,755,069
Interest Receivable	197,675	223,292

The following is a schedule of projected contributions to the GBSF by the Fund up to March 31, 2022, based on estimated debt levels to March 31, 2018:

	\$
For 2018	62,098,375
For 2019	65,473,375
For 2020	66,148,375
For 2021	61,648,375
For 2022	61,550,000

There are separate financial statements for the GBSF to which readers should refer for further information.

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6. Contingencies Fund

On March 14, 1979 the House of Assembly passed a resolution to withdraw \$1 million from the Fund to set up a Contingencies Fund under the provisions of Section 10(1) of the Public Treasury (Administration and Payments) Act 1969 as amended.

The purpose of the Contingencies Fund is to allow the Minister of Finance to authorize urgent and unforeseen expenditures up to \$1 million prior to the approval of the Legislature by supplementary estimate. The Contingencies Fund balance is not segregated from general operating cash and cash equivalents and accumulated deficit.

7. Unemployment Insurance Fund

The Unemployment Insurance Fund (the “Insurance Fund”) was established March 18, 2002 by amendment to the Public Treasury (Administration and Payments) Act 1969 as amended under the provisions of Section 10B. The Legislature authorized \$1 million to be set aside within the Fund to set up the Insurance Fund.

The Minister of Finance will pay amounts approved by the Legislature as Government’s contribution to the Insurance Fund. Monies paid into the Insurance Fund will be invested in accordance with the Public Funds Act 1954 and the interest earned on such investments will be paid into the Insurance Fund.

On August 10, 2011 the Government amended the Public Treasury (Administration and Payments) Act 1969 as amended in order to make further provisions about the Insurance Fund. The Act was amended to provide for payments out of the Fund to be made at the direction of the Minister of Finance for the purpose of assisting unemployed persons.

8. Compensated Absences

Government employees are entitled to paid retirement leave under the various union agreements with the Government. Paid retirement leave is available to those eligible employees with a minimum of ten years credited service, who are retiring on the basis of age. The leave is paid at the salary level immediately preceding the date of retirement, to a maximum eligibility of twelve weeks.

The Government offered a Voluntary Early Retirement Incentive Plan (“VERIP”) in the year ended March 31, 2016, which allowed certain eligible employees to commence retirement. Eligible employees, who accepted, retired on September 30, 2015 or June 30, 2016 if employed in the education sector. This resulted in a curtailment gain of \$239,725 as at March 31, 2016 which is comprised of a decrease in accrued benefit obligation (“ABO”) of \$209,175 and recognition of unamortized gains of \$30,550.

8. Compensated Absences (cont'd)

An actuarial valuation of the Government's obligation for retirement leave was performed at March 31, 2017, using similar various long-term assumptions as the Public Service Superannuation Fund (the "PSSF") pension plan (Note 9 (d)). The valuation determined that the liability for compensated absences is currently \$28,396,590 (2016 - \$27,257,382), as detailed in the table below.

For the year ended March 31	2017	2016
	Actual	Actual
	\$	\$
Liability for Compensated Absences		
Accrued Benefit Obligation	23,955,043	23,783,757
Net Unamortized Experience Gain ^(a)	4,441,547	3,473,625
	<u>28,396,590</u>	<u>27,257,382</u>

^(a) Under Public Sector Accounting Standards, gains and losses are amortized over the expected average remaining service life of the members of each plan, which is eleven years.

For the year ended March 31	2017	2016
	\$	\$
Liability for Compensated Absences, beginning of year	27,257,382	26,312,056
Amortization of experience gain	(371,163)	(374,428)
Current period benefit cost	1,298,137	1,255,868
Interest accrued	1,544,824	1,461,363
Benefit payments	(1,332,590)	(1,157,752)
Curtailment gains	-	(239,725)
Liability for Compensated Absences, end of year	<u>28,396,590</u>	<u>27,257,382</u>

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9. Pensions and Retirement Benefits

(a) Contributory Defined Benefit Pension Plans

The Government administers contributory defined benefit pension plans for substantially all of its employees, QUANGO employees and all ministers and members of the Legislature. There are two plans currently in operation – the PSSF and the Ministers and Members of the Legislature Pensions Fund (the “MMLPF”).

For the PSSF, a service pension is available with a minimum of 8 years credited service. Subject to exceptions as outlined in the Public Service Superannuation Act 1981, it is based on the number of years of service times 1.5% of the salary payable immediately preceding the date of retirement. Additional benefits are provided to special groups such as police, corrections and fire services officers.

For the MMLPF, a service pension is generally available to contributors who have reached age 60 and have served for at least 8 years, or to contributors who have reached age 55 and have served for at least 20 years. The rate of pension is $\frac{3}{1000}^{\text{th}}$ of the monthly salary payable to a minister, member or officer, on the date on which the contributor becomes entitled to receive a pension, for each month of service rendered up to a maximum of 25 years.

Employees contribute 8.0% of their basic salary to the PSSF and Ministers and Members contribute 12.5% of their salary to the MMLPF. The Government matches the participants' contribution in each plan. The amount of Government contributions made during the year for each plan was as follows: PSSF - \$29,934,927 (2016 - \$30,527,748), MMLPF - \$441,644 (2016 - \$435,249). The Public Service Superannuation Act 1981 and the Ministers and Members of the Legislature (Salaries and Pensions) Act 1975, as amended, provide that if at any time the funds are insufficient to meet the payments chargeable against them, the deficiency shall be made up out of the Fund.

b) Pension Liability

The pension liability is calculated on an actuarial basis. Actuarial valuations are performed triennially using the projected benefit method, pro-rated on services. An actuarial valuation was performed for both the PSSF and the MMLPF at March 31, 2017. The results were then used to produce the estimates included in the financial statements.

Actuarial valuations are based on a number of assumptions about future events, such as inflation rate, interest rates, wage and salary increases, employee turnover and mortality. A number of experience studies were performed during this fiscal year based on the membership of the PSSF. The result of the studies led to updates in assumptions

9. Pensions and Retirement Benefits (cont'd)

relating to the retirement age assumption, termination rates, salary increase rates and marital status at retirement. These revised assumptions have been used in the valuation of the PSSF and MMLPF liabilities as at March 31, 2017. All assumptions reflect Government's best estimates of expected long-term rates and short-term forecasts.

For the PSSF, pension fund assets consist primarily of listed stocks and bonds, short-term investment funds, hedge funds and private equity investments. Market-related asset values, which recognize the differences between the actual return on assets and the expected return on assets over a period of five years, have been used to determine the pension liability and pension-related expenses for the PSSF.

The market-related value of assets for the PSSF was \$595,713,361 as at March 31, 2017 (2016 - \$590,445,169) compared to a real market value of \$574,089,560 (2016 - \$535,689,469).

For the MMLPF, there is no difference between the market value of plan assets and the market-related value. At March 31, 2017 the value was \$12,505,026 (2016 - \$12,765,139). The actual return on plan assets during the year was 11.59% (2016 - (3.7%)) for the PSSF and 7.22% (2016 - 7.18%) for the MMLPF.

At March 31, 2017, \$3,727,658 was due to the PSSF (2016 - \$2,754,002 due from PSSF) in respect of benefits paid in excess of contributions received by the Fund (Schedules 3 and 3(a)). At March 31, 2017, \$12,748,564 (2016- \$13,004,038) was due to the MMLPF in respect of contributions received in excess of benefits paid by the Fund (Schedule 3(a)).

(c) Pension-Related Expenses

Pension-related expenses recognized by the Fund comprise the cost of pension benefits earned by employees during the year, interest on the pension benefit liability (net of interest on pension plan assets) and amortization of the Government's share of any experience gains or losses, less contributions made by the employees. The estimated total cost of the Government's share of plan amendments related to past service is expensed in the year the plan is amended. The pension-related expense is disclosed in Schedule 10(a) as a component of pensions and retirement benefits expense.

The Government offered a VERIP in the year ended March 31, 2016, which allowed certain eligible employees to commence retirement. Eligible employees, who accepted, retired on September 30, 2015 or June 30, 2016 if employed in the education sector. This resulted in a prior service gain of \$374,000 which was immediately recognized in the Statement of Operations and Accumulated Deficit in the year ended March 31, 2016.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
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9. Pensions and Retirement Benefits (cont'd)

Aggregate information about the PSSF and MMLPF is in the following tables:

(d) Funded Status of Plans

For the year ended March 31	2017 Actual \$	2016 Actual \$
Pension Liability		
Accrued Benefit Obligation		
PSSF	1,444,045,000	1,476,590,000
MMLPF	31,261,000	32,115,000
	<u>1,475,306,000</u>	<u>1,508,705,000</u>
Net Fund Assets		
PSSF	(595,713,000)	(590,445,000)
MMLPF	(12,505,000)	(12,765,000)
	<u>(608,218,000)</u>	<u>(603,210,000)</u>
Net Unamortized Experience Gain / (Loss) ^(a)	<u>70,710,000</u>	<u>(13,677,000)</u>
Pension Liability		
PSSF	919,042,000	872,468,000
MMLPF	18,756,000	19,350,000
Carried Forward to Note 9 (g)	<u>937,798,000</u>	<u>891,818,000</u>

^(a) Under Public Sector Accounting Standards, gains and losses are amortized over the expected average remaining service life of the members of each plan, which ranges from nine to ten years.

9. Pensions and Retirement Benefits (cont'd)

For the year ended March 31	2017 Actual \$	2016 Actual \$
Pension Expense		
Cost of Pension Benefits	46,046,000	46,919,000
Employee Contributions	(30,377,000)	(30,963,000)
Interest on Pension Liability	59,855,000	56,223,000
Prior Period Service Costs	-	(374,000)
Amortization of Experience (Gains) & Losses		
2015 Experience Gain	(293,000)	(293,000)
2016 Experience Loss	1,777,000	
Pensions Expense excluding Employer Contribution	<u>77,008,000</u>	<u>71,512,000</u>

Value of Obligations Relating to Benefits for the Pension Plans

The value of the ABO relating to the pension plans at a given date is determined using the actuarial projections prorated on service, taking into account, among other things, the most probable long-term economic assumption made by the Government.

Actuarial Assumptions – PSSF

Economic Assumptions		
Investment return (discount rate)	6.5% per annum	
Inflation Rate	3.00% per annum	
Interest credited on employee contributions	4.00% per annum	
Salary increase rate - March 31,2016	4.25% per annum	
Salary increase rates- March 31,2017	Age band	% per annum
	20-25	6.00
	25-30	6.00
	30-35	5.10
	35-40	4.40
	40-45	4.15
	45-50	4.10
	50-55	3.90
	55-60	3.65
	60-65	3.45

Government of Bermuda – Consolidated Fund
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9. Pensions and Retirement Benefits (cont'd)

Actuarial Assumptions – MMLPF

Economic Assumptions	
Investment return (discount rate)	6.50% per annum
Inflation Rate	3.00% per annum
Salary increase rate	3.50 % per annum

Changes in these assumptions may lead to a material increase or decrease in the value of the ABO relating to vested benefits. The following tables, which take the main assumptions into account, show the potential impact of a difference of 1.00% in the value of the ABO for the two pension plans, PSSF and MMLPF. The tables also show the impact of a one-year difference in life expectancy, considering that, according to current assumptions, the life expectancy of beneficiaries aged 60 is 21.8 years for men and 25.6 years for women.

Impact of changes on the main assumptions on the value of the ABO relating to PSSF benefits at March 31, 2017:

9. Pensions and Retirement Benefits (cont'd)

Assumption	Change	(Reduction) Increase in ABO	
		\$	%
Discount rate	1.0% increase	(158,775,000)	(11.0)
	1.0% decrease	196,784,000	13.6
Salary increase rate	1.0% increase	65,837,000	4.6
	1.0% decrease	(57,594,000)	(4.0)
Life expectancy	1 year increase	22,967,000	1.6
	1 year decrease	(23,791,000)	(1.7)

9. Pensions and Retirement Benefits (cont'd)

Impact of changes on the main assumptions on the value of the ABO relating to MMLPF benefits as at March 31, 2017:

Assumption	Change	(Reduction) Increase in ABO	
		\$	%
Discount rate	1.0% increase	(2,969,000)	(9.5)
	1.0% decrease	3,542,000	11.3
Salary increase rate	1.0% increase	733,000	2.3
	1.0% decrease	(682,000)	(2.2)
Life expectancy	1 year increase	774,000	2.5
	1 year decrease	(791,000)	(2.5)

(e) Contributory Pension Fund

The Contributory Pension Fund (the “CPF”) was established under the Contributory Pensions Act 1970 as amended. The purpose of the CPF is to provide old age pension, disability and death benefits for persons satisfying certain contribution, citizenship and residency requirements.

Contributions to the CPF are compulsory for persons employed in Bermuda, the self-employed and employers. There is no legislative provision for the Fund to provide for any shortfall if, at any time, the CPF has insufficient funds to meet its current legislated obligations.

(f) Retirement Benefits Other than Pensions – Employee Health Insurance Plan

The Government administers a health care plan, the Government Employees Health Insurance Fund (the “GEHI Fund”), for substantially all of its employees, QUANGO employees, all ministers and members of the Legislature and retirees. The GEHI Fund provides medical insurance for retirees and eligible dependents with the Government matching the participants’ contribution to the plan.

Government of Bermuda – Consolidated Fund
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9. Pensions and Retirement Benefits (cont'd)

An actuarial calculation of the Government's ABO for retirement benefits other than pensions was performed for accounting purposes at March 31, 2017, using various long-term assumptions. The results were then used to produce the estimates included in the financial statements.

The discount rate used in determining the accumulated post-retirement benefit obligation was 6.5% (2016 – 6.5%). The assumed health-care cost trend rate used was 7.5% (2016 – 8.0 %). This will be decreasing by 0.5% per annum to an ultimate rate of 4.5%.

The Government offered a VERIP in the year ended March 31, 2016, which allowed certain eligible employees to commence retirement. Eligible employees, who accepted, retired on September 30, 2015 or June 30, 2016 if employed in the education sector. The VERIP resulted in a curtailment charge of \$482,438 as at March 31, 2016, which is comprised of an increase in the benefit obligation of \$533,100 net of the recognition of unamortized gains of \$50,662.

Effective June 1, 2017 there were changes to the national Standard Health Benefit with consequent changes to the GEHI coverage. These changes gave rise to actuarial gains. These actuarial gains will be amortized into future year's expenses over the expected average remaining service life of active employees.

Aggregate information about the health care plan is in the table below:

	2017	2016
	\$	\$
Accrued benefit obligation at beginning of year	398,286,415	423,134,021
Current period benefit cost	14,292,700	15,540,300
Interest accrued	26,037,465	27,735,634
Benefit payments	(9,712,745)	(8,404,218)
Curtailment impact	-	533,100
Accrued benefit obligation at end of year	<u>428,903,835</u>	<u>458,538,837</u>
Expected accrued benefit obligation at end of year	428,903,835	458,538,837
Actual accrued benefit obligation at end of year	398,602,100	398,286,415
Experience gain	<u>30,301,735</u>	<u>60,252,422</u>

9. Pensions and Retirement Benefits (cont'd)

	2017	2016
Expected average remaining service life	14 years	11 years
Annual amortization	\$2,513,765	\$2,960,355

Liability for retirement benefits recorded in the statement of financial position

	2017 \$	2016 \$
Accrued benefit obligation, end of year	398,602,100	398,286,415
Unamortized experience gain	65,536,684	37,748,714
Liability for retirement benefits (Note 9(g))	<u>464,138,784</u>	<u>436,035,129</u>

Expenses recorded in the statement of operations and accumulated deficit

	2017 \$	2016 \$
Current period benefit cost	14,292,700	15,540,300
Amortization of experience (gains)/losses	<u>(2,513,765)</u>	<u>2,960,355</u>
Retirement benefit expense	11,778,935	18,500,655
Retirement benefit interest expense	26,037,465	27,735,634
Curtailment impact	-	482,438
Total expenses related to retirement benefits	<u>37,816,400</u>	<u>46,718,727</u>

(g) Pensions and Retirement Benefits Liability and Expense Summary

	2017 \$	2016 \$
Pensions (Note 9(d))	937,798,000	891,818,000
Retirement Benefits other than Pensions – Health Insurance Plan (Note 9(f))	<u>464,138,784</u>	<u>436,035,129</u>
Total Pensions and Retirement Benefits Liability	<u>1,401,936,784</u>	<u>1,327,853,129</u>

Government of Bermuda – Consolidated Fund
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9. Pensions and Retirement Benefits (cont'd)

			2017 \$	2016 \$
	Pension Plans	Other Benefits	Total	Total
Plan amendments gain	-	-	-	(374,000)
Gain on benefit plans amendments	-	-	-	(374,000)
Current period benefit cost	46,046,000	15,590,837	61,636,837	63,715,168
Amortization of experience losses/ (gains)	1,484,000	(2,884,928)	(1,400,928)	2,292,927
Employee contributions	(30,377,000)	-	(30,377,000)	(30,963,000)
Interest on accrued benefits	59,855,000	27,582,589	87,437,589	85,419,997
Employer contributions	(31,028,000)	(11,045,335)	(42,073,335)	(41,285,970)
Curtailment impact	-	-	-	242,713
Pensions and retirement benefits expense	45,980,000	29,243,163	75,223,163	79,421,835

10. Contingent Liabilities

(a) Guarantees

(i) National Education Guarantee Scheme

In August 1994, the Government introduced the National Education Guarantee Scheme to provide qualifying students with financial guarantees on bank loans for post-secondary education. The repayment of principal and accrued interest is guaranteed by the Government. In the event of default by the student, the banks will call on the guarantee contract. At March 31, 2017, \$5,545 (2016 - \$9,965) is outstanding on guaranteed student loans with local banks.

(ii) West End Development Corporation (“WEDCO”) Guarantee

On April 1, 2009, the Minister of Finance consented to the borrowing of \$10 million by WEDCO from Clarien Bank (formerly Capital G Bank) to facilitate the completion of the new Sewage Treatment Plant at Dockyard.

The Minister of Finance further approved the guarantee given by the Ministry of Public Works to repay the indebtedness by way of annual payments to WEDCO until all indebtedness to Clarien Bank has been fully discharged.

10. Contingent Liabilities (cont'd)

The Ministry of Public Works further guaranteed and made good any default on the part of WEDCO in the payment of the loan to Clarien Bank and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to Clarien Bank was fully discharged. At March 31, 2017, \$Nil (2016 - \$1,428,574) is outstanding on WEDCO's indebtedness to Clarien Bank (Schedule 5).

(iii) Bank of N.T. Butterfield Guarantee Agreement

On June 12, 2009, the Government assisted The Bank of N.T. Butterfield & Son Limited ("BNTB") in raising qualifying Tier 1 capital via a perpetual preference share offering of US\$200 million.

Accordingly the Government provided the commitment that if the full \$200 million Preference Share Offering was not achieved on or prior to June 30, 2009, the Government would purchase no later than June 30, 2009 such number of Preference Shares as was sufficient to ensure that the Bank realized aggregate proceeds equal to and not less than US\$200 million. As the offering was fully subscribed, no such Government purchase was necessary.

On June 22, 2009, the Government entered into a Preference Shares Guarantee Agreement with BNTB and others. The Government guaranteed payment of 100% of the liquidation value of the outstanding Preference Shares in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of BNTB during the term of the guarantee. Also, the Government acted as a guarantor for the dividend payments relating to the Preference Shares issuance. Should the BNTB fail to declare and pay dividends in any quarterly dividend period during the term of the guarantee, the Government agreed to pay such dividends at 8% per annum.

Pursuant to the Preference Share Offering, BNTB pays to the Government a fee of 1% per annum on the liquidation value of then outstanding Preference Shares issued to third party investors. The Government was in receipt of 4,279,601 warrants issued by BNTB to purchase a number of non-voting common shares of BNTB having an aggregate market price equal to US\$30 million. The warrants were set to expire on June 22, 2019.

On December 16, 2016, BNTB formally announced that all shareholders of record of the Preference Shares as of December 1, 2016 have been redeemed and all redemption proceeds owed to them were paid out as of December 15, 2016. As a result, the Guarantee Agreement was terminated as of December 16, 2016. The quantity of the warrants was 432,028 on December 15, 2016 (2016-432,061), the date they were transferred back to BNTB. The Government received consideration in the amount of \$100,000 for the transfer of these warrants.

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10. Contingent Liabilities (cont'd)

(iv) Bermuda Hospitals Board (the “BHB”) Guarantee

On December 1, 2010, the Minister of Finance provided an irrevocable Guarantee to Paget Health Services Limited (“PHS”) on behalf of the BHB to facilitate the completion of the new acute care wing (the “New Facility”) of the King Edward VII Memorial Hospital in Paget. The Annual Service Payments commenced from June 12, 2014, the Service Commencement date, for a period of approximately thirty years, consisting of principal, interest, lifecycle and hard facilities management. A portion of the Annual Service Payment is indexed over the thirty year period to allow for changes in the cost of living and other related facility costs. The current year’s Annual Service Payment was \$26 million (2016 – \$25.7 million).

The Guarantee agreement guarantees the payment obligations of the BHB to Paget Health Services Limited by the Government, including principal, interest, life cycle and hard facilities’ maintenance expenses, as required by the lenders. The principal balance of BHB’s remaining obligation to PHS at March 31, 2017 is \$280.6 million (2016 – \$284.3 million).

(v) Bermuda Economic Development Corporation (the “BEDC”) Guarantee

The Government provides funding to the BEDC to facilitate the function of the QUANGO as a guarantor on business loans for locally owned businesses in Bermuda. The Government provides funding to fulfill the payment obligations of the BEDC for defaulted loans.

While the Government settles defaulted loans as required, there is no liability recorded and no provision for loans in default is included in the financial statements of the Fund. The total of specific amounts deemed contingent liabilities of the Government, as determined by the BEDC, as at March 31, 2017 is \$1,217,004 (2016 - \$1,480,651).

(vi) Morgan’s Point Guarantee

On March 14, 2016, the Minister of Finance provided irrevocable Guarantee Agreements to lenders, replacing the letter of comfort, providing certain credit facilities on behalf of Morgan’s Point Limited (“MPL”) for use in the construction of a new hotel and condominium project at Morgan’s Point to be branded and managed as a member of the Ritz Carlton hotel and residences brands. The guarantees provide that the Government cannot be legally required to fund more than US\$165 million to repay the lenders if the borrowers are unable to perform their obligations to the lenders. The financing guaranteed is provided under separate groups of loans each maturing in five years with two 1 year options to extend.

10. Contingent Liabilities (cont'd)

(b) Claims and Potential Claims

The Government is subject to claims and potential claims related to breach of contract, damages to persons and property and like items. The effect of legal claims cannot be determined until they are settled or dismissed. No liability has been admitted and no provision for claims is included in the financial statements. Any resulting losses will be recorded and charged to operations in the year an amount can reasonably be determined.

The total of specific amounts claimed or potential settlements which are under litigation or possible litigation as at March 31, 2017 is \$15,816,550 (2016 - \$13,821,429).

(c) Base Lands Clean Up

The Government recognizes that there will be a cost for restoration of the land at the bases formerly occupied by the US military. It is anticipated that such costs would include removal of hazardous materials and clean-up.

A liability of \$ 34,380,059 (2016 - \$34,435,975) has been accrued, which is an estimate of the remaining costs of the clean-up and remediation at the three former major base land sites. The estimated range is \$28.9 million to \$41 million.

The cost for Southside (estimated at \$10.5 million, with a range of \$10.5 million to \$20 million) involves demolition of buildings beyond refurbishment and removal of asbestos.

The cost for clean-up of Tudor Hill (estimated at \$1 million, with a range of \$1 million to \$2 million) is for removal of asbestos and demolition of buildings on the site.

Clean-up of Morgan's Point is estimated at \$17.4 million (with a range of \$17.4 million to \$19 million) to remove environmental hazards and fuel storage tanks, removal and remediation of asbestos, as well as demolition of derelict buildings. To be conservative, the Morgan's Point provision remains at \$22.9 million, comprised of the prior year provision less actual expenditures incurred during the current year.

The Government signed the Morgan's Point Exchange Agreement with Southlands Limited and MPL. The agreement exchanged 12.454 hectares of land owned by Southlands Ltd., located in Warwick, for 66.82 acres of freehold land at Morgan's Point in Southampton. Furthermore, the agreement provides MPL, as the Developer, the ability to develop an additional 128.46 acres of Leasehold property at Morgan's Point, as further detailed in the Morgan's Point Land Development Agreement, also signed and dated April 8, 2011, amongst the same parties.

Article 6 of the Morgan's Point Land Development Agreement, states the Government is still responsible for the remediation of the Morgan's Point property to international standards deemed reasonably acceptable to the Developer. These standards are met in the request for proposal issued in 2009.

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10. Contingent Liabilities (cont'd)

(d) Hotels Concession Act 2000 and the Memorandum of Understanding for Bermuda Hotel Association, Restaurants and Retail Relief

On February 21, 2009, the Government entered into a Memorandum of Understanding ("MoU") with the Bermuda Hotel Association to provide payroll tax relief to eligible hotels. An assessment of the results, trading conditions and the points within the original MoU were to be reviewed quarterly so that consideration could be given to an extension of all deferrals and relief for as long as the economic situation required.

On August 20, 2010, the Government entered into a similar MoU with the Restaurant Division of the Bermuda Chamber of Commerce to provide payroll tax relief to qualifying restaurants for the employer portion of the payroll tax and later a reduced payroll tax rate for employees.

On October 1, 2011, the Government announced a payroll tax relief programme for the Retail Sector which provided full relief from payroll tax to businesses that met the criteria of a Retail establishment.

The percentage relief provided under all three relief programmes was scaled back as of April 1, 2015 expiring on March 31, 2017.

The Hotels Concession Act 2000 allows for the full or partial exemption from or deferral of payroll tax, land tax and hotel occupancy tax for hotels which undergo development deemed to be in the national economic interest of Bermuda if the development is likely, among other considerations:

- to benefit the tourism industry and the economy generally;
- to create employment and entrepreneurial opportunities for Bermudians; and
- to encourage local investment.

The concessions are granted at the discretion of the Minister of Tourism Development and Transport with the written agreement of the Minister of Finance for those hotels that apply for the concessions. The concessions afforded to the hotels are non-refundable and in instances where the payroll tax is deemed null and void due to the MoU, the concessions remain as a contra revenue amount to be applied against any future payroll tax incurred by those hotels.

The Government is obligated to recognize the effect of the concessions when payroll tax is actually incurred unless they are dismissed by the Minister of Finance. No liability has been admitted and no provision for collectability is included in the financial statements. Hotel concessions are foregone revenue and reduce taxes otherwise owing by the hotels in the year the taxes are due.

The total of the hotel concessions granted as at March 31, 2017 was \$314,663 (2016 - \$1,098,833), which may be applied against any future payroll tax or hotel occupancy tax incurred by the applicable hotels.

10. Contingent Liabilities (cont'd)

In addition to this amount, \$64,040,433 (2016 - \$36,118,898) is available for use but has not yet been granted by the Ministry of Tourism Development and Transport as per the terms and conditions of the individual orders.

In March 2014, with an operative date of February 27, 2015, the Morgan's Point Resort Act 2014, which includes hotel concessions was tabled in the House of Assembly. This act was approved. The total value of concessions to be applied in the future against payroll, hotel occupancy and land taxes under this Act cannot be determined at this time..

In August 2015, with an operative date of March 14 2016, the St. George's Resort Act 2015 which included hotel concessions was approved. The total value of concessions to be applied in the future against payroll and hotel occupancy taxes under this Act is conservatively estimated to be \$20,000,000 over a period of ten years and is not capped. The land tax concession in this Act cannot be determined as the structure does not exist and is not capped.

(e) Air Service Agreements

The Government had signed agreements with two commercial airlines whereby in consideration of providing regular scheduled air service to Bermuda, the Government commits to pay the airlines a calculated sum if there is a financial shortfall on the routes. The agreements vary in detail, but guarantee the airlines either a certain level of revenue or a specific level of profit on a particular route. Shortfalls occur when ticket revenues are insufficient to cover the cost of operating the routes, either due to insufficient passenger numbers or discounted tickets to attract passengers. At March 7, 2017, the vesting date, these air service agreements were vested in the Bermuda Airport Authority.

In accordance with the agreements, Government established and delivered to two commercial airlines irrevocable Letters of Credit ("LOC") issued by HSBC Bank of Bermuda Ltd. ("HSBC"), for US\$500,000 and BNTB for US\$100,000.

(f) America's Cup Related Concessions

In February 2015, the Minister of Economic Development tabled the America's Cup Act 2015 in the House of Assembly. This Act was approved which resulted in a number of concessions and exemptions from legislative requirements that would otherwise apply to the America's Cup Event Authority LLC, the Team, their designated commercial partners and the Regatta Officials. The concessions include relief from certain taxes and fees in the areas of advertising, air navigation, broadcasting and electronic communications, customs duties, employment, vehicle permits and licensing, marine vessel port dues, registration and mooring fees, and pilotage. The concessions in this Act cannot be determined as they are not capped.

(g) Ferry Lease

On March 16, 2016, the Government commenced a lease agreement for a ferry to provide additional lift during the tourist season. The first six month term of the lease was from April 1, 2016 to September 30, 2016. The second six month term of the lease will be from April 1, 2017 to September 30, 2017. In accordance with the lease, Government established an irrevocable LOC, issued by HSBC. The LOC securing the lease has a balance of US\$1,200,000.

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11. Non-Contractual Operational Obligations

The Government has ongoing obligations to fund a variety of programs for public welfare including health, education, social services, protection of persons and properties, and management of natural resources. The following is an analysis of the future, non-contractual operational obligations:

	2017
	\$
2018	167,341,705
2019	4,215,095
2020	3,128,645
2021	871,575
2022	3,478,385
2023 and subsequent	<u>43,451</u>
Total Future Operational Obligations	<u><u>179,078,856</u></u>

12. Contractual Obligations

(a) Capital Leases

The average period of capitalized leased office machines is 3 years. Leases are capitalized based on the discounted rate of 6.04% and amortized on a straight-line basis over the period of the lease.

The following is an analysis of the leases:

	2017	2016
	\$	\$
Present value of lease cost	5,092,284	5,087,511
Less: Accumulated amortization	<u>(4,599,804)</u>	<u>(4,547,983)</u>
Present value of lease obligations (Schedule 11)	<u><u>492,480</u></u>	<u><u>539,528</u></u>

12. Contractual Obligations (cont'd)

The following is a schedule of discounted future minimum lease payments under leases expiring up to March 31, 2020:

	2017
	\$
2018	93,345
2019	40,256
2020	27,799
2021	-
Add: Discounted Amount	<u>331,080</u>
Present value of lease obligations	<u><u>492,480</u></u>

(b) Contractual Obligations

The nature of Government activity results in some large multi-year contracts and agreements of various sizes and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts and agreements for the acquisition of goods and services or the provision of transfer payments are met.

The following is an analysis of estimated future expenditures related to these contractual obligations:

	2017
	\$
2018	41,698,961
2019	14,039,073
2020	6,050,482
2021	2,067,721
2022	742,240
2023 and subsequent	<u>1,812,781</u>
Total Contractual Obligations	<u><u>66,411,258</u></u>

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2017

12. Contractual Obligations (cont'd)

(c) Operating Leases

The Government rents premises under operating leases which expire at certain dates.

The following is an analysis of the future minimum operating lease payments:

	2017
	\$
2018	8,491,808
2019	3,237,276
2020	1,826,890
2021	1,647,223
2022	1,623,198
2023 and subsequent	9,435,720
Total Future Minimum Operating Lease Payments	<u>26,262,115</u>

13. Supplementary Estimates and Virements (Transfers)

Section 96(3) of the Bermuda Constitution Order 1968 allows for Supplementary Estimates in respect of any fiscal year if it is found that (a) the amount appropriated by the appropriation law for any purpose is insufficient or that a need has arisen for expenditure for a purpose for which no amount has been appropriated by that law; or (b) moneys have been expended for any purpose in excess of the amount appropriated for that purpose by the appropriation law or for a purpose to which no amount has been appropriated by that law, a supplementary estimate, showing the sum required or spent, shall be laid before the House of Assembly. Section 96(4) of the Bermuda Constitution Order 1968 requires that a Supplementary Appropriation Bill be introduced into the Legislature as soon as practical after year end of the year that supplementary estimates have been necessary.

The Public Treasury (Administration and Payments) Amendment Act 2004 allows a Permanent Secretary or a Head of Department to transfer a part of a Department's approved budget to another Department within the same Ministry, subject to the consent of the Minister of Finance. Virements do not increase the overall appropriation amount but facilitate the redeployment of approved budget resources after the start of a financial year.

During the year \$25,476,209 (2016 - \$26,359,317) in Supplementary Estimates were approved and spent which consisted of \$15,854,566 (2016 - \$25,509,317) for current expenditure and \$9,621,643 (2016 - \$850,000) for capital expenditure.

13. Supplementary Estimates and Virements (Transfers) (cont'd)

During the year \$21,378,089 (2016 - \$13,132,892) in virements were approved and transferred which consisted of \$5,453,460 (2016 - \$3,342,028) for current expenditure and \$15,924,629 (2016 - \$9,790,864) for capital expenditure.

Additional expenditures of \$4,302,839 (2016 - \$122,801) were incurred in excess of amounts appropriated by the Ministry and will require final approval, which consisted of \$4,230,840 (2016 - \$0) for current expenditure and \$71,999 (2016 - \$122,801) for capital expenditure.

Additional virements of \$12,199,796 (2016 - \$3,530,828) require final approval and transfer, which consisted of \$4,228,812 (2016 - \$3,301,015) for current expenditure and \$7,970,984 (2016 - \$229,813) for capital expenditure.

14. Related Party Transactions

(a) Funds

The Fund is related to the GEHI Fund, the CPF, the MMLPF, the Bermuda Department of Tourism North America Retirement Plan, the PSSF, the Confiscated Assets Fund, the Insurance Fund, the GBSF, the Health Insurance Fund, the Mutual Re-insurance Fund, the FutureCare Fund and the Government Reserves Fund.

The financial activities of these funds are reported separately in each fund's financial statements. The Fund provides accounting and certain administrative services to these funds. These transactions are in the normal course of operations and are measured at the appropriate exchange amount. The other activities represent the net position of contributions payable to the funds and expenses paid out of the Fund on behalf of the funds. Schedules 3 and 3(a) display details of unpaid balances due from and due to the funds, which have arisen from normal operating activities. The 7% per annum rate of interest accruing on the balances is the statutory rate as fixed by the Interest and Credit Charges (Regulation) Act 1975 (2016 – 7% per annum).

(b) QUANGOs and Other Government-Related Organizations

The Fund is related to certain QUANGOs and other Government-related organizations. QUANGOs and other Government-related organizations are government businesses which have been established under their respective legislative incorporation acts.

The Fund enters into transactions with the QUANGOs and other Government-related organizations in the normal course of business which are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
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14. Related Party Transactions (cont'd)

Schedules 3 and 3(a) include details of balances due from and due to these entities which have arisen from normal operating activities. During the year, no interest was charged and/or incurred from or to the Fund and the various QUANGOs and other Government-related organizations.

(i) Bermuda Monetary Authority (the “BMA”)

In accordance with Section 8 (3) of the Bermuda Monetary Authority Act 1969, the BMA pays the remaining portion of its net profit (historically 50%) to the Fund after contributions to the BMA General Reserve and the paid up capital of the Authority. The BMA reported a net profit for the year ended December 31, 2016, however the Ministry of Finance allowed them to retain the Fund's portion.

(ii) Bermuda Land Development Company Limited (“BLDC”)

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Finance.

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Public Works.

(iii) Bermuda Housing Corporation (the “BHC”)

On July 12, 2011, the Government provided a letter of comfort to BNTB on behalf of BHC which states, “To the extent that the BHC operates programmes which do not break even, the Government appropriates annual grants which enable BHC to comply with its legislation.” The annual grant awarded for the year ended March 31, 2017 was \$6,050,000 (2016 - \$6,050,000).

(iv) WEDCO Guarantee

On April 24, 2012, the Minister of Finance consented to the borrowing of \$36 million by WEDCO from BNTB to facilitate the completion of the Infrastructure and Housing Project in Dockyard. The amount borrowed was subsequently reduced to \$25 million and the balance outstanding as at March 31, 2017 was \$23,594,273.

On June 18, 2015, the Minister of Finance consented to the borrowing of \$39 million by WEDCO from BNTB to facilitate the completion of the Land Reclamation Project in Dockyard. This loan facility is for a term of six years. The balance outstanding as at March 31, 2017 was \$37,988,198.

The Ministry of Finance further guarantees and will make good any default on the part of WEDCO in the payment of these loans to BNTB and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to BNTB has been fully discharged.

14. Related Party Transactions (cont'd)

(v) BHC Guarantee

BHC has a loan of \$36.7 million from BNTB, borrowed to finance the purchase of the units of phase three of the Grand Atlantic Housing Development (“Grand Atlantic”) and to repay the loans advanced by the bank for Grand Atlantic phases one and two. The balance outstanding as at March 31, 2017 was \$33,000,000.

The Ministry of Finance guaranteed to make good any default on the part of BHC in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by BHC until all indebtedness to BNTB has been fully discharged.

(vi) Regulatory Authority (the “RA”)

On January 28, 2013 the Regulatory Authority Act 2011 (the “RAA”) came into operation. Section 111 of the RAA committed the Government to make an initial payment of \$2 million as paid-up capital, which was to be used for purposes prescribed under the RAA. In 2013 the Government paid the RA \$1 million towards the paid-up capital. The \$1 million was paid with the intent that the RA would have funding until collecting sufficient revenues to cover operating expenses as per Section 111 (b)(ii) of the RAA. The RA achieved operational independence within the Financial Year and it was deemed not necessary to provide further funding. The Government has fulfilled its financial obligations towards the establishment of the RA in accordance with the intent of the Act.

On September 23, 2016, the Government provided a letter of comfort to BNTB on behalf of the RA supporting an overdraft facility of \$3.4 million. At March 31, 2017, \$374,182 had been drawn on the facility.

In accordance with Section 41 (1)(a) of the RAA, the RA will pay 50% of its net surplus to the Fund. The RA reported a net deficit for the year ended March 31, 2017 so Nil was owed to Government (2016 – \$48,000).

(vii) ACBDA Limited (“ACBDA”)

On December 24, 2014 (date of inception), the Government purchased 100 common shares of ACBDA. The shares are valued at par \$1 each and are held in trust by the Minister of Economic Development.

(viii) L. F. Wade International Airport Redevelopment

After several assessments commissioned by the Government, it was concluded that the useful life of the existing airport terminal was nearing expiration. The Government agreed to redevelop the airport by using a government to government contracting model with the Canadian Commercial Corporation (“CCC”) which is wholly owned by the Government of Canada. Since mid-2014 the Government has engaged with the CCC and its selected project partner

14. Related Party Transactions (cont'd)

Aecon Group Inc. (collectively the "Project Partner" or "Concessionaire"). The model involved an incremental contract development process that began when the parties entered into a Memorandum of Understanding on November 10, 2014, which led to the execution of a series of Letters of Agreement. A further interim agreement, called the Airport Development Agreement ("ADA"), which was entered into on August 31, 2015 sets out and describes the scope, principles and high level terms ("Heads of Agreement") of the Project's final and definitive arrangements.

After detailed negotiations, the Government and the Project Partners reached agreement on all material aspects of the Project, and a set of definitive core project agreements and associated schedules (collectively referred to as "the Agreement") were prepared and signed by the Minister of Tourism, Transport and Municipalities and the Minister of Finance on March 15, 2017 ("Financial Close") for the transaction.

The Agreement stipulates that the Government will enter into a 30-year concession agreement with a Special Purpose Entity, Bermuda Skyport Corporation Limited ("Skyport"). Skyport is owned by Aecon who will hold at least 35% of the equity, and other third party shareholders. The Agreement will include both construction of the new airport as well as operations and maintenance of the airport for the concession term, except for operations that Bermuda will retain, being air traffic control operations, meteorological services, airport fire and rescue services and ground electronics ("the Retained Government Services"). Under the Agreement, Government will provide Skyport with limited financial support and assistance, including:

- the accumulated Airport Improvement Fees revenue;
- guaranteed minimum regulated revenue; and
- the amount in respect of annual energy consumption for the airport.

All airport charges will be deregulated and governed by the terms of the Agreement. Skyport will have the sole right to charge and enforce all airport-related fees.

The Airport Redevelopment Concessions Act 2017, effective 9th March 2017, resulted in a number of concessions and exemptions to Skyport and its affiliates, CCC, Aecon and the finance parties. The concessions include relief from certain taxes and environmental exemptions. The value of these concessions is not able to be determined, as they are not capped.

The Government created a QUANGO, the Bermuda Airport Authority (the "BAA"), under the Bermuda Airport Authority Act 2017, to administer the Agreement and provide the Retained Government Services. All airport property, excluding airport lands, and all liabilities and contracts were transferred to the BAA at the vesting date.

14. Related Party Transactions (cont'd)

The Government has leased existing airport land and facilities to Skyport for the 30-year term of the Agreement. The Agreement provides that the lease and the transfer of the airport assets, labour force and responsibility for airport operations to Skyport occurred at Financial Close. The Agreement does not have any extension options, so at the end of the term, the airport and all airport assets will revert to the Government subject to the Agreement's handback standards

(ix) Bermuda Shipping and Maritime Authority

On July 12, 2016, the Bermuda Shipping and Maritime Authority (the "BSMA") was established by the Bermuda Shipping and Maritime Authority Act 2016. As of October 1, 2016, this new QUANGO commenced operations, replacing the Department of Maritime Administration. At March 31, 2017, the BSMA had a loan of \$1,230,000 from the Fund (total loan facility \$5,703,000). All chattels, movable property, liabilities and contracts vested immediately before October 1, 2016 in the Government and used by the BSMA for its operations were transferred to and vested in the BSMA.

(x) Bermuda Civil Aviation Authority

On July 12, 2016, the Bermuda Civil Aviation Authority (the "BCAA") was established by the Bermuda Civil Aviation Authority Act 2016. As of October 1, 2016, this new QUANGO commenced operations, replacing the Department of Civil Aviation. All chattels, movable property, liabilities and contracts vested immediately before October 1, 2016 in the Government and used by the BCAA for its operations were transferred to and vested in the BCAA.

(xi) Heritage Wharf

In March 2017, the Heritage Wharf (the "Wharf") was re-conveyed to Government from WEDCO for the total consideration of \$1. The Wharf was previously conveyed to WEDCO by Government in May 2009 for consideration of \$1, with \$58 million expensed as a capital item in the Fund's March 31, 2010 audited financial statements.

The Wharf has been recorded as a tangible capital asset in the Fund's Statement of Financial Position at a value of \$41.6 million. Corresponding revenue of \$41.6 million is recorded as Other Revenue in the Statement of Operations and Accumulated Deficit.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
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15. Debt

(a) Bank Overdraft

During the year the Government had an overdraft facility agreement at HSBC of \$50 million which expired on March 30, 2017. The daily charges applied to overdrawn balances was 3% above HSBC's base rate.

(b) Debt Issue

On October 19, 2016, the Government issued debt of \$665 million of 3.717%, 10 year bonds, due January 2027. The proceeds were used to repay the \$200 million, 5.0% loan facility with BNTB. The proceeds were also used to repurchase \$276.1 million of the 5.603%, \$500 million senior notes due 2020. The repurchase of the 2020 notes included a \$38.7 million early tender premium, shown as a line item on the statement of operations and accumulated deficit, and accrued interest of \$3.8 million. The net increase in interest bearing debt as a result of the issue was \$188.9 million.

16. Subsequent Events

(a) Bank Overdraft

As of May 2017, the Government has an overdraft facility agreement at HSBC of \$50 million which expires on November 30, 2017. The daily charges applied to overdrawn balances is 3% above HSBC's base rate.

(b) America's Cup Sponsorship Fee

In August 2017, the Government paid an Additional Sponsorship Fee of \$19.4 million to the America's Cup Event Authority ("ACEA"), pursuant to the terms of the America's Cup Host Venue Agreement (the "HVA") executed in November 2014. This payment represented the final obligation of the Government to the ACEA under the HVA.

(c) Hotel Bermuda Holdings Ltd. ("HBH") Guarantee

The Government has a Master Development Agreement ("MDA") with HBH, a part of the Desarrollos Hotelco Group, the developers of the proposed St. Regis Luxury Hotel, Casino, Spa and Golf Resort in St. George's. On May 12, 2017, the Minister of Finance announced the Government's willingness to support the financing of this project by committing to provide a guarantee of up to \$25 million for an estimated project cost of \$150 million. The guarantee will provide that the Government cannot be legally required to fund more than \$25 million to repay the lender if HBH is unable to meet their obligations to the lender. The financing being guaranteed is provided under a loan facility maturing in fifteen years.

16. Subsequent Events (cont'd)

The Government made a further commitment to the project, via an amendment to the MDA, to support the development on a number of infrastructure-related matters, including drilling a water well, installing a back-up generator, constructing a new realigned public road and provision of free metered water. The total value of these additional commitments is not to exceed \$2.7 million.

Pursuant to the provision of section 3 of the St George's Resort Act 2015, in June 2017 the Government entered into various land lease agreements with the developer for a period of 262 years.

(d) Bermuda Casino Gaming Commission

On April 4, 2017, the Government authorized the transfer of \$1.6 million from the Fund to the Bermuda Casino Gaming Commission in the form of an interest-free loan.

17. Comparative Figures

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

Government of Bermuda - Consolidated Fund
Schedule 1: Accounts Receivable
As at March 31

	2017	2016
	Actual	Actual
	\$	\$
Office of the Tax Commissioner	227,832,640	219,533,685
Works & Engineering	11,937,628	12,485,762
Registrar of Companies	8,941,249	9,234,286
Customs	6,434,678	3,735,119
Fire Services	6,330,116	5,709,801
Judicial Department	4,305,844	5,307,488
Accountant General	3,187,278	3,103,311
Public Lands & Buildings	2,214,575	2,062,738
Post Office	1,918,028	2,169,865
Department of Health	1,580,777	1,442,165
Department of Education	1,561,028	1,133,286
Office of the Auditor General	1,354,075	1,354,075
Environment & Natural Resources	1,268,048	859,645
Ministry of Public Works HQ	918,319	928,679
Ministry of Tourism Dev. & Transport HQ	721,420	129,420
Marine & Ports	494,938	710,919
Public Transportation	391,047	496,007
Telecommunications	271,148	280,047
Financial Assistance	219,708	89,784
Ministry of Finance HQ	134,912	235,588
Defence	128,936	128,936
Department of Human Resources	107,253	115,332
Police	70,933	85,606
Registry General	58,546	63,137
Immigration	44,000	45,000
Ministry of Health, Seniors & Environment HQ	31,708	31,708
Civil Aviation	-	2,645,982
Airport Operations	-	4,478,275
Maritime Administration	-	1,105,142
Other Departments	43,998	70,598
	282,502,830	279,771,386
Less: Provision for Doubtful Accounts	125,986,518	116,319,174
	156,516,312	163,452,212

Government of Bermuda - Consolidated Fund
Schedule 2: Inventories for Consumption
As at March 31

	2017	2016
	Actual	Actual
	\$	\$
Ministry of Public Works HQ	3,756,929	4,433,210
Public Transportation	3,691,367	3,748,675
Works & Engineering	3,359,622	2,936,983
Marine & Ports	2,468,749	2,504,960
Police	1,097,720	1,254,111
Department of Education	1,027,394	872,089
Department of Corrections	362,951	352,204
Environment & Natural Resources	84,157	87,554
Post Office	81,922	81,156
Defence	54,459	54,459
Immigration	39,208	104,946
Department of Health	-	315,422
	16,024,478	16,745,769
Less: Provision for Obsolescence	2,019,683	1,995,579
	14,004,795	14,750,190

Government of Bermuda - Consolidated Fund
Schedule 3: Due From Government Funds and Agencies
As at March 31

	2017	2016
	Actual	Actual
	\$	\$
Government Employees Health Insurance Fund	24,752,998	26,050,055
Regulatory Authority	4,752,079	3,363,683
Bermuda Hospitals Board	3,950,477	3,294,511
Bermuda Monetary Authority	1,329,506	1,221,758
Bermuda Shipping and Maritime Authority (Note 14(ix))	1,230,000	-
Golf Courses	1,176,678	840,286
Contributory Pension Fund	1,019,141	3,149,210
West End Development Corporation	329,638	321,897
Bermuda Housing Corporation	269,085	59,639
Government Reserves Fund	268,490	268,490
Bermuda College	217,290	203,273
Confiscated Assets Fund	185,967	793,144
CedarBridge Academy	126,787	108,544
Bermuda Airport Authority	121,979	-
Bermuda Land Development Company	112,462	90,225
Financial Intelligence Agency	28,313	25,810
Bermuda Economic Development Corporation	27,392	29,075
Parish Councils	25,544	21,213
Berkeley Institute	21,561	20,056
Bermuda Health Council	20,133	20,000
Pension Commission	10,485	9,762
Sandys Secondary Middle School	5,223	-
Whitney Institute	3,717	3,761
St. George's Preparatory School	1,940	1,795
Bermuda Housing Trust	767	767
Bermuda Deposit Insurance Corporation	-	73,987
Public Service Superannuation Fund (Note 9(b))	-	2,754,002
Unemployment Insurance Fund (Note 7)	-	201
	39,987,652	42,725,144

Government of Bermuda - Consolidated Fund
Schedule 3(a): Due to Government Funds and Agencies
As at March 31

	2017	2016
	Actual	Actual
	\$	\$
Ministers and Members of the Legislature Pensions Fund (Note 9(b))	12,748,566	13,004,038
Public Service Superannuation Fund (Note 9(b))	3,727,658	-
Bermuda Civil Aviation Authority	3,058,720	-
Department of Tourism North American Retirement Plan	197,175	197,175
Bermuda Hospitals Board	97,716	94,085
West End Development Corporation	6,981	6,981
Bermuda Land Development Company	5,142	5,142
Bermuda Economic Development Corporation	3,800	3,800
Golf Courses	1,943	1,943
Bermuda College	1,672	1,672
Bermuda Housing Corporation	400	400
Parish Councils	-	-
Contributory Pension Fund	-	-
Bermuda Health Council	-	-
Sandys Secondary Middle School	-	-
Contributory Pension Fund	-	-
Unemployment Insurance Fund	-	-
Government Reserves Fund	-	-
Government Employees Health Insurance Fund	-	-
	19,849,773	13,315,236

Government of Bermuda - Consolidated Fund
Schedule 4: Long-Term Receivables
As at March 31

	2017	2016
	Actual	Actual
	\$	\$
Student Loans and Teacher Training Awards	516,625	1,183,200
Customs Duty	197,844	451,288
	714,469	1,634,488

Government of Bermuda - Consolidated Fund
Schedule 5: Accounts Payable and Accrued Liabilities
As at March 31

	2017	2016
	Actual	Actual
	\$	\$
Department Trade Accounts	40,249,517	35,821,228
Base Lands Clean Up (Note 10(c))	34,380,059	34,435,975
Interest on Debt	31,875,293	25,927,818
Deposits Held	30,404,788	20,455,423
Employees' Leave Entitlements	18,566,660	16,275,195
Teachers' Salaries & Leave Entitlements	8,552,954	8,446,019
Salaries, Wages and Benefits	1,494,793	862,192
Leases Payable	161,400	180,582
Guarantee Payable to WEDCO (Note 10(a)(ii))	-	1,428,574
	165,685,464	143,833,006

Government of Bermuda - Consolidated Fund
Schedule 6: Deferred Revenue
As at March 31

	2017	2016
	Actual	Actual
	\$	\$
Post Office	255,249	336,373
Department of Health	160,764	122,971
Public Lands & Buildings	90,816	90,816
Youth, Sport & Recreation	22,981	15,948
Office of the Tax Commissioner	5,000	5,000
Accountant General	836	836
Civil Aviation	-	2,097,695
Environment & Natural Resources	-	118,894
Home Affairs	-	540
	535,646	2,789,073

Government of Bermuda - Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund
As at March 31

	2017	2016
	Actual	Actual
	\$	\$
Senior Notes Due 2016 - US\$		
Issue Date: May 21, 2009		
Interest: 6.98% payable semi-annually		
May 21 and November 21		
Notes Due: May 21, 2016	-	30,000,000
Senior Notes Due 2016 - US\$		
Issue Date: November 10, 2009		
Interest: 5.27% payable semi-annually		
November 10 and May 10		
Notes Due: November 10, 2016	-	60,000,000
BNTB Loan Due July 2017 - US\$		
Issue Date: July 20, 2015		
Interest: 4.75% payable monthly		
Last business day of the month		
Loan Due: July 31, 2017	-	150,000,000
Senior Notes Due 2019 - US\$		
Issue Date: May 21, 2009		
Interest: 7.38% payable semi-annually		
May 21 and November 21		
Notes Due: May 21, 2019	100,000,000	100,000,000
Senior Notes Due 2019 - US\$		
Issue Date: November 10, 2009		
Interest: 5.93% payable semi-annually		
November 10 and May 10		
Notes Due: November 10, 2019	80,000,000	80,000,000
Senior Notes Due 2020 - US\$		
Issue Date: July 13, 2010		
Interest: 5.603% payable semi-annually		
January 20 and July 20		
Notes Due: July 20, 2020	223,935,000	500,000,000
Senior Notes Due 2022 - US\$		
Issue Date: December 4, 2007		
Interest: 5.73% payable semi-annually		
June 4 and December 4		
Notes Due: December 4, 2022	140,000,000	140,000,000

Government of Bermuda - Consolidated Fund**Schedule 7: Interest Bearing Debt - Net of Sinking Fund (cont'd)****As at March 31**

	2017	2016
	Actual	Actual
	\$	\$
Senior Notes Due 2023 - US\$		
Issue Date: July 3, 2012		
Interest: 4.138% payable semi-annually		
January 3 and July 3		
Notes Due: January 3, 2023	475,000,000	475,000,000
Senior Notes Due 2023 - BMD\$		
Issue Date: December 16, 2013		
Interest: 4.75% payable semi-annually		
June 16 and December 16		
Notes Due: December 16, 2023	50,000,000	50,000,000
Senior Notes Due 2024 - US\$		
Issue Date: August 6, 2013		
Interest: 4.854% payable semi-annually		
February 6 and August 6		
Notes Due: February 6, 2024	750,000,000	750,000,000
Senior Notes Due 2027 - US\$		
Issue Date: October 19, 2016		
Interest: 3.717% payable semi-annually		
January 25 and July 25		
Notes Due: January 25, 2027	665,000,000	-
	2,483,935,000	2,335,000,000
Less: Sinking Fund (Note 5)	86,625,930	117,274,389
	2,397,309,070	2,217,725,611

Government of Bermuda - Consolidated Fund
Schedule 8: Revenue By Type
For the year ended March 31

	2017 Original Estimates	2017 Actual	2016 Actual
	\$	\$	\$
Taxes & Duties			
Payroll Tax	390,000,000	401,754,701	361,135,536
Customs Duty	209,484,000	211,086,777	192,593,226
Land Tax	63,186,000	62,422,116	67,068,082
Passenger Tax	43,166,000	41,025,248	40,794,380
	705,836,000	716,288,842	661,591,224
Other Taxes & Duties			
Stamp Duty	24,159,000	23,125,474	25,215,554
Foreign Currency Purchase Tax	21,000,000	20,310,285	19,628,127
Hotel Occupancy Tax	11,000,000	7,950,651	10,337,484
Non-Bermudian Land Acquisition Tax	9,000,000	5,044,735	6,914,789
Corporate Services Tax	5,750,000	5,221,796	5,919,034
Betting Tax	1,375,000	935,928	1,637,786
Timesharing Tax	20,000	60,902	173,344
	72,304,000	62,649,771	69,826,118
Total Taxes & Duties	778,140,000	778,938,613	731,417,342
Fees, Permits & Licences			
International Companies	66,063,000	62,606,713	60,074,386
Vehicle Licences & Registration	28,047,000	29,363,972	29,030,678
Registration of Aircraft	17,000,000	14,573,656	25,872,268
Immigration	11,429,000	16,652,240	22,159,934
Air Terminal & Aviation	17,895,000	8,860,366	12,508,016
Telecommunications	13,366,000	14,301,377	11,542,127
Bus Transportation	8,750,000	7,282,262	8,741,726
Registration of Shipping	501,000	3,065,117	4,611,604
Solid Waste Services	3,849,000	4,996,171	4,550,956
Postal Services	4,541,000	4,036,455	4,466,331
Water	2,888,000	2,537,721	3,900,523
Services to Seaborne Shipping	2,693,000	3,043,471	2,885,317
Local Companies	2,800,000	2,714,830	2,787,164
Trade and Service Mark	1,624,000	1,877,033	1,818,414
Other Customs Fees & Charges	2,077,000	1,914,236	1,803,757
Rentals	2,096,000	1,958,386	1,655,424
Ferry Services	1,538,000	1,182,334	1,314,996
Planning Fees and Searches	970,000	1,379,059	992,907
Wharfage	750,000	794,852	730,192
Companies Licences	635,000	865,000	660,113
Liquor Licences	320,000	513,040	384,928
Plant Production and Marketing Centre	200,000	183,326	196,456
	190,032,000	184,701,617	202,688,217
Other Revenue			
Other (Note 14(xi))	25,375,000	59,794,712	22,306,454
Fines & Forfeitures	2,982,000	2,622,489	3,394,265
	28,357,000	62,417,201	25,700,719
Investment Income	406,000	3,536,930	911,946
	28,763,000	65,954,131	26,612,665
TOTAL REVENUE	996,935,000	1,029,594,361	960,718,224

Government of Bermuda - Consolidated Fund
Schedule 9: Revenue By Ministry / Department
For the year ended March 31

	2017 Original Estimates	2017 Actual	2016 Actual
	\$	\$	\$
Non-Ministry Departments			
05 Office of the Auditor General	700,000	1,143,402	1,211,355
63 Parliamentary Registrar	330,000	352,606	358,403
01 Governor & Staff	-	-	1,458
92 Internal Audit	-	-	848
02 Legislature	-	(300)	900
	1,030,000	1,495,708	1,572,964
Cabinet Office Departments			
09 Cabinet Office	-	1,446	161
26 Department of Human Resources	-	104	-
14 Department of Statistics	-	47	1,282
	-	1,597	1,443
Ministry of Tourism Development & Transport			
34 Transport Control Department	28,051,000	29,491,093	29,152,072
57 Civil Aviation	17,000,000	14,587,756	25,893,098
31 Airport Operations	18,015,000	8,970,111	12,635,892
35 Public Transportation	8,763,000	7,335,174	8,807,497
30 Marine & Ports	5,551,000	5,573,948	5,529,087
73 Maritime Administration	500,000	3,180,274	4,849,403
48 Ministry of Tourism Dev. & Transport HQ	-	767,147	405,165
	77,880,000	69,905,503	87,272,214
Ministry of Legal Affairs			
03 Judicial Department	8,288,000	5,859,255	7,966,713
87 Ministry of Legal Affairs HQ	-	98,904	57,594
04 Attorney General's Chambers	-	-	100,270
74 Department of Court Services	-	(190)	1,250
	8,288,000	5,957,969	8,125,827
Ministry of Finance			
38 Office of the Tax Commissioner	554,946,000	560,333,886	527,965,758
11 Accountant General	406,000	3,542,707	3,448,291
10 Ministry of Finance HQ	1,846,000	1,487,316	2,011,785
28 Social Insurance	-	-	150
	557,198,000	565,363,909	533,425,984
Ministry of Education			
17 Department of Education	230,000	181,991	149,937
	230,000	181,991	149,937
Ministry of Health, Seniors & Environment			
22 Department of Health	3,453,000	3,550,853	3,502,692
79 Environment & Natural Resources	1,755,000	1,823,136	1,739,080
21 Ministry of Health, Seniors & Environment HQ	50,000	152,219	127,855
91 Health Insurance	-	7,000	7,000
	5,258,000	5,533,208	5,376,627

Government of Bermuda - Consolidated Fund
Schedule 9: Revenue By Ministry / Department (cont'd)
For the year ended March 31

	2017 Original Estimates	2017 Actual	2016 Actual
	\$	\$	\$
Ministry of Economic Development			
39 Registrar of Companies	70,054,000	66,381,714	64,054,479
46 Telecommunications	13,466,000	14,129,377	11,590,127
67 E-Commerce	-	1,000	125
	83,520,000	80,512,091	75,644,731
Ministry of Community, Culture & Sports			
20 Youth, Sport & Recreation	587,000	585,689	637,406
52 Community & Cultural Affairs	86,000	183,943	65,646
23 Child & Family Services	192,000	165,620	168,760
18 Libraries	16,000	17,301	14,090
19 Archives	2,000	868	1,886
	883,000	953,421	887,788
Ministry of National Security			
12 Customs	213,075,000	215,017,368	196,237,863
13 Post Office	4,467,000	4,006,791	4,437,551
45 Fire Services	8,000	776,843	667,692
07 Police	350,000	501,809	1,217,328
88 National Drug Control	6,000	2,818	1,000
83 Ministry of National Security HQ	-	111	-
25 Department of Corrections	-	50	450
06 Defence	-	-	1,530
	217,906,000	220,305,790	202,563,414
Ministry of Home Affairs			
27 Immigration	20,549,000	21,709,909	29,227,223
29 Registry General	1,910,000	2,109,749	2,085,194
32 Department of Planning	1,125,000	1,592,904	1,196,202
93 Ministry of Home Affairs HQ	614,000	1,326,960	1,011,004
60 Workforce Development	10,000	21,995	1,907
	24,208,000	26,761,517	33,521,530
Ministry of Public Works			
81 Public Lands & Buildings	4,900,000	43,411,270	1,533,183
82 Works & Engineering	14,319,000	9,099,347	10,462,067
68 Parks	59,000	92,934	149,684
36 Ministry of Public Works HQ	106,000	17,379	30,271
49 Land Valuation	6,000	567	545
97 Land, Surveys & Registration	1,144,000	160	15
	20,534,000	52,621,657	12,175,765
TOTAL REVENUE	996,935,000	1,029,594,361	960,718,224

Government of Bermuda - Consolidated Fund**Schedule 9(a): Interdepartmental Revenue By Ministry / Department**
For the year ended March 31

	2017 Interdepartmental Revenue	2017 Gross Revenue Actual	2017 Net Revenue
	\$	\$	\$
Non-Ministry Departments			
05 Office of the Auditor General	-	1,143,402	1,143,402
63 Parliamentary Registrar	979	352,606	351,627
02 Legislature	-	(300)	(300)
	979	1,495,708	1,494,729
Cabinet Office Departments			
09 Cabinet Office	-	1,446	1,446
26 Department of Human Resources	-	104	104
14 Department of Statistics	-	47	47
	-	1,597	1,597
Ministry of Tourism Development & Transport			
34 Transport Control Department	-	29,491,093	29,491,093
57 Civil Aviation	-	14,587,756	14,587,756
31 Airport Operations	58,156	8,970,111	8,911,955
35 Public Transportation	210,832	7,335,174	7,124,342
30 Marine & Ports	-	5,573,948	5,573,948
73 Maritime Administration	-	3,180,274	3,180,274
48 Ministry of Tourism Dev. & Transport HQ	-	767,147	767,147
	268,988	69,905,503	69,636,515
Ministry of Legal Affairs			
03 Judicial Department	-	5,859,255	5,859,255
87 Ministry of Legal Affairs HQ	-	98,714	98,714
	-	5,957,969	5,957,969
Ministry of Finance			
38 Office of the Tax Commissioner	1,610	560,333,886	560,332,276
11 Accountant General	-	3,542,707	3,542,707
10 Ministry of Finance HQ	-	1,487,316	1,487,316
	1,610	565,363,909	565,362,299
Ministry of Education			
17 Department of Education	940	181,991	181,051
	940	181,991	181,051
Ministry of Health, Seniors & Environment			
22 Department of Health	188,598	3,550,853	3,362,255
79 Environment & Natural Resources	13,147	1,823,136	1,809,989
21 Ministry of Health, Seniors & Environment HQ	7,374	152,219	144,845
91 Health Insurance	-	7,000	7,000
	209,119	5,533,208	5,324,089

Government of Bermuda - Consolidated Fund
Schedule 9(a): Interdepartmental Revenue By Ministry / Department (cont'd)
For the year ended March 31

	2017 Interdepartmental Revenue	2017 Gross Revenue Actual	2017 Net Revenue
	\$	\$	\$
Ministry of Economic Development			
39 Registrar of Companies	-	66,381,714	66,381,714
46 Telecommunications	-	14,129,377	14,129,377
67 E-Commerce	-	1,000	1,000
	-	80,512,091	80,512,091
Ministry of Community, Culture & Sports			
20 Youth, Sport & Recreation	10,995	585,689	574,694
52 Community & Cultural Affairs	80	183,943	183,863
23 Child & Family Services	1,600	165,620	164,020
18 Libraries	-	17,301	17,301
19 Archives	-	868	868
	12,675	953,421	940,746
Ministry of National Security			
12 Customs	1,087,676	215,017,368	213,929,692
13 Post Office	4,866	4,006,791	4,001,925
45 Fire Services	351	776,843	776,492
07 Police	3,332	501,809	498,477
88 National Drug Control	-	2,818	2,818
83 Ministry of National Security HQ	-	111	111
25 Department of Corrections	-	50	50
	1,096,225	220,305,790	219,209,565
Ministry of Home Affairs			
27 Immigration	4,145	21,709,909	21,705,764
29 Registry General	5,307	2,109,749	2,104,442
32 Department of Planning	18,230	1,592,904	1,574,674
93 Ministry of Home Affairs HQ	-	1,326,960	1,326,960
60 Workforce Development	-	21,995	21,995
	27,682	26,761,517	26,733,835
Ministry of Public Works			
81 Public Lands & Buildings	99,666	43,411,270	43,311,604
82 Works & Engineering	285,841	9,099,347	8,813,506
68 Parks	50	92,934	92,884
36 Ministry of Public Works HQ	-	17,379	17,379
49 Land Valuation	-	567	567
97 Land, Surveys & Registration	-	160	160
	385,557	52,621,657	52,236,100
TOTAL REVENUE	2,003,775	1,029,594,361	1,027,590,586

Appendix 4

Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program
For the year ended March 31

	2017 Capital Development	2017 Capital Acquisition	2017 Current Expenses	2017 Total Actual	2016 Total Actual
	\$	\$	\$	\$	\$
Economic Development					
11 Accountant General	-	77,940	83,836,496	83,914,436	80,506,308
82 Works & Engineering	3,413,626	-	48,923,280	52,336,906	49,857,644
31 Airport Operations	6,556,312	82,056	39,624,542	46,262,910	24,596,879
81 Public Lands & Buildings	6,652,011	-	35,110,213	41,762,224	42,000,604
48 Ministry of Tourism Dev. & Transport HQ	1,933,697	-	29,539,716	31,473,413	27,156,952
95 Ministry of Economic Development HQ	15,747,000	-	13,141,182	28,888,182	16,344,801
30 Marine & Ports	-	522,363	22,022,465	22,544,828	21,650,373
35 Public Transportation	-	(55,927)	20,932,329	20,876,402	21,876,005
12 Customs	-	6,398	17,105,126	17,111,524	17,391,312
36 Ministry of Public Works HQ	3,891,219	164,077	10,211,532	14,266,828	9,043,003
57 Civil Aviation	500,000	329,243	9,281,402	10,110,645	7,370,215
13 Post Office	-	14,970	9,840,882	9,855,852	10,170,875
43 Information Technology Office	-	789,421	7,208,666	7,998,087	8,203,328
38 Office of the Tax Commissioner	-	149,729	7,521,214	7,670,943	2,957,127
34 Transport Control Department	-	-	5,863,620	5,863,620	6,053,112
93 Ministry of Home Affairs HQ	1,480,224	-	3,214,596	4,694,820	4,080,813
73 Maritime Administration	650,000	2,200	3,865,774	4,517,974	2,994,509
10 Ministry of Finance HQ	-	79,593	4,070,044	4,149,637	4,439,091
05 Office of the Auditor General	-	-	3,575,680	3,575,680	3,111,519
32 Department of Planning	-	(5,158)	2,484,784	2,479,626	2,695,779
39 Registrar of Companies	-	-	2,220,101	2,220,101	1,902,556
29 Registry General	-	2,158	1,428,801	1,430,959	1,419,330
67 E-Commerce	-	-	1,094,512	1,094,512	886,052
84 E-Government	-	411,737	678,464	1,090,201	928,284
97 Land, Surveys & Registration	-	2,600	923,016	925,616	1,200,726
89 Energy	-	-	768,832	768,832	858,571
49 Land Valuation	-	15,137	699,184	714,321	748,270
80 Project Management & Procurement	382	-	658,737	659,119	680,615
46 Telecommunications	123,782	-	388,861	512,643	938,639
	40,948,253	2,588,537	386,234,051	429,770,841	372,063,292
Health					
24 Hospitals	120,000	-	145,000,892	145,120,892	148,115,140
22 Department of Health	13,217	2,864	24,786,576	24,802,657	24,369,671
21 Ministry of Health, Seniors & Environment HQ	-	-	9,421,985	9,421,985	12,876,752
91 Health Insurance	-	-	7,471,526	7,471,526	1,046,480
28 Social Insurance	-	-	6,368,346	6,368,346	6,782,490
	133,217	2,864	193,049,325	193,185,406	193,190,533
National Security					
07 Police	31,725	95,215	66,650,398	66,777,338	65,930,032
25 Department of Corrections	(23,122)	(10,763)	25,116,745	25,082,860	24,849,352
45 Fire Services	-	90,641	13,362,560	13,453,201	14,690,397
03 Judicial Department	-	39,227	7,767,228	7,806,455	7,355,565
06 Defence	(45)	(1,075)	7,237,654	7,236,534	7,352,218
87 Ministry of Legal Affairs HQ	-	7,338	5,954,795	5,962,133	5,845,544
27 Immigration	-	39,826	5,424,291	5,464,117	5,044,642
04 Attorney General's Chambers	-	18,439	4,338,317	4,356,756	4,320,406
74 Department of Court Services	-	-	4,011,904	4,011,904	3,917,499
75 Department of Public Prosecutions	-	(66,392)	2,794,277	2,727,885	2,797,770
83 Ministry of National Security HQ	-	-	1,287,285	1,287,285	1,368,462
	8,558	212,456	143,945,454	144,166,468	143,471,887
Education					
17 Department of Education	424,950	710,667	109,270,166	110,405,783	109,814,670
41 Bermuda College	-	-	15,527,760	15,527,760	16,008,136
60 Workforce Development	-	-	4,185,990	4,185,990	4,160,723
16 Ministry of Education HQ	-	-	2,208,067	2,208,067	1,953,938
	424,950	710,667	131,191,983	132,327,600	131,937,467

Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program (cont'd)
For the year ended March 31

	2017 Capital Development	2017 Capital Acquisition	2017 Current Expenses	2017 Total Actual	2016 Total Actual
	\$	\$	\$	\$	\$
Public Debt					
58 Interest on Debt	-	-	120,619,921	120,619,921	116,217,365
Early Tender Premium on Repurchased Debt (Note 15(b))	-	-	38,649,100	38,649,100	-
	-	-	159,269,021	159,269,021	116,217,365
Social Services & Assistance					
55 Financial Assistance	-	6,914	53,614,366	53,621,280	54,607,684
23 Child & Family Services	-	379,874	13,844,699	14,224,573	13,341,123
53 Bermuda Housing Corporation	4,800,000	-	6,050,000	10,850,000	8,210,000
88 National Drug Control	-	10,520	4,450,283	4,460,803	4,177,580
52 Community & Cultural Affairs	-	-	2,664,049	2,664,049	2,509,330
71 Ministry of Community, Culture and Sports HQ	-	-	2,210,060	2,210,060	2,257,190
	4,800,000	397,308	82,833,457	88,030,765	85,102,907
Other General Government Services					
68 Parks	218,776	(3,993)	8,733,666	8,948,449	9,520,669
20 Youth, Sport & Recreation	-	7,692	8,762,215	8,769,907	9,171,519
79 Environment & Natural Resources	263,753	62,000	7,977,660	8,303,413	8,319,088
09 Cabinet Office	6,219	767	7,023,054	7,030,040	6,296,919
02 Legislature	(34,752)	35,659	5,093,938	5,094,845	4,820,944
26 Department of Human Resources	-	-	2,856,020	2,856,020	2,995,986
14 Department of Statistics	-	-	2,678,670	2,678,670	2,202,088
51 Department of Communication & Information	-	15,290	2,080,516	2,095,806	2,251,129
18 Libraries	-	-	1,766,082	1,766,082	1,768,764
63 Parliamentary Registrar	-	-	1,400,557	1,400,557	1,022,665
56 Human Rights Commission	-	-	1,297,626	1,297,626	1,332,447
01 Governor & Staff	-	-	1,250,762	1,250,762	1,440,908
92 Internal Audit	-	-	1,168,646	1,168,646	1,261,357
19 Archives	(38,225)	15,968	1,103,612	1,081,355	1,269,755
85 Ombudsman's Office	-	-	785,430	785,430	851,112
98 Information Commissioner's Office	-	-	672,100	672,100	503,773
	415,771	133,383	54,650,554	55,199,708	55,029,123
Pensions and Other Employee Future Benefits					
Pensions and Retirement Benefits Expense	-	-	75,222,863	75,222,863	79,047,835
	-	-	75,222,863	75,222,863	79,047,835
TOTAL EXPENSES	46,730,749	4,045,215	1,226,396,708	1,277,172,672	1,176,060,409

Government of Bermuda - Consolidated Fund**Schedule 10(a): Current Expenses By Type****For the year ended March 31**

	2017 Original Estimates	2017 Actual	2016 Actual
	\$	\$	\$
Employees			
Salaries	296,975,000	287,832,690	295,881,467
Wages	69,397,000	78,709,347	75,909,524
Employer Overhead	78,511,000	76,865,880	74,457,094
Pensions and Retirement Benefits Expense	-	74,083,655	78,102,509
Other Personnel Costs	6,240,000	5,355,877	5,238,295
Training	3,006,000	1,664,780	1,867,324
Compensated Absences	-	1,139,208	945,326
	454,129,000	525,651,437	532,401,539
Operations			
Grants & Contributions	300,955,000	293,192,509	292,286,476
Interest on Debt	129,050,000	120,639,928	116,220,689
Professional Services	56,278,000	57,066,589	58,949,432
Amortization (Note 4(b)(v))	-	46,114,586	46,735,105
Early Tender Premium on Repurchased Debt (Note 15(b))	-	38,649,100	-
Loss on Disposal of Tangible Capital Assets	-	26,791,299	-
Materials & Supplies	23,674,000	20,757,517	17,201,248
Energy	20,234,000	16,676,024	16,139,652
Repairs & Maintenance	19,732,000	16,395,615	17,046,228
Rentals	13,768,000	13,424,096	13,665,371
Insurance	9,566,000	10,948,236	11,731,257
Advertising & Promotion	3,556,000	9,782,712	8,731,286
Bad Debts	-	6,969,057	6,173,307
Communications	7,484,000	6,580,876	6,458,080
Transport	4,519,000	5,209,018	3,624,904
Other	3,061,000	5,486,092	1,053,562
Travel	3,030,000	2,324,881	2,619,838
Bank Charges & Commissions	-	1,819,340	1,335,716
Clothing & Uniforms	1,099,400	1,266,393	785,974
Equipment	567,000	651,403	411,407
Sinking Fund Contribution (Note 4(b)(iii))	58,375,000	-	-
	654,939,000	700,745,271	621,169,532
TOTAL CURRENT EXPENSES	1,109,068,000	1,226,396,708	1,153,571,071

Government of Bermuda - Consolidated Fund
Schedule 10(b): Current Expenses By Ministry / Department
For the year ended March 31

	2017 Original Estimates	2017 Actual	2016 Actual
	\$	\$	\$
Non-Ministry Departments			
02 Legislature	5,051,000	5,093,938	4,810,833
05 Office of the Auditor General	3,572,000	3,575,680	3,111,519
63 Parliamentary Registrar	1,502,000	1,400,557	1,018,659
56 Human Rights Commission	1,268,000	1,297,626	1,324,648
01 Governor & Staff	1,395,000	1,250,762	1,440,908
92 Internal Audit	1,504,000	1,168,646	1,261,357
85 Ombudsman's Office	910,000	785,430	851,112
98 Information Commissioner's Office	864,000	672,100	503,773
	16,066,000	15,244,739	14,322,809
Cabinet Office Departments			
43 Information Technology Office	6,142,000	7,208,666	7,070,382
09 Cabinet Office	7,070,000	7,023,054	5,907,573
26 Department of Human Resources	3,657,000	2,856,020	2,963,196
14 Department of Statistics	4,137,000	2,678,670	2,202,088
51 Department of Communication & Information	2,318,000	2,080,516	2,247,281
84 E-Government	872,000	678,464	832,892
80 Project Management & Procurement	852,000	658,737	678,213
96 Sustainable Development	-	-	389,346
	25,048,000	23,184,127	22,290,971
Ministry of Tourism Development & Transport			
31 Airport Operations	19,959,000	39,624,542	23,639,377
48 Ministry of Tourism Dev. & Transport HQ	24,798,000	29,539,716	27,155,658
30 Marine & Ports	19,900,000	22,022,465	21,524,404
35 Public Transportation	19,200,000	20,932,329	21,546,661
57 Civil Aviation	-	9,281,402	7,363,850
34 Transport Control Department	5,350,000	5,863,620	6,053,112
73 Maritime Administration	-	3,865,774	2,985,120
	89,207,000	131,129,848	110,268,182
Ministry of Legal Affairs			
03 Judicial Department	8,161,000	7,767,228	7,343,543
87 Ministry of Legal Affairs HQ	6,113,000	5,954,795	5,831,680
04 Attorney General's Chambers	4,554,000	4,338,317	4,317,983
74 Department of Court Services	4,266,000	4,011,904	3,915,613
75 Department of Public Prosecutions	3,156,000	2,794,277	2,792,715
	26,250,000	24,866,521	24,201,534
Ministry of Finance			
58 Interest on Debt	129,000,000	120,619,921	116,217,365
Early Tender Premium on Repurchased Debt (Note 15(b))	-	38,649,100	-
11 Accountant General	86,817,000	83,836,496	80,495,473
Pensions and Retirement Benefits Expense	-	75,222,863	79,047,835
38 Office of the Tax Commissioner	3,181,000	7,521,214	2,936,612
28 Social Insurance	6,100,000	6,368,346	6,782,490
10 Ministry of Finance HQ	4,297,000	4,070,044	4,409,091
59 Sinking Fund Contribution	58,375,000	-	-
	287,770,000	336,287,984	289,888,866
Ministry of Education			
17 Department of Education	107,085,000	109,270,166	108,729,262
41 Bermuda College	15,528,000	15,527,760	16,008,136
16 Ministry of Education HQ	2,287,000	2,208,067	1,953,938
	124,900,000	127,005,993	126,691,336
Ministry of Health, Seniors & Environment			
24 Hospitals	145,674,000	145,000,892	147,995,140
22 Department of Health	26,966,000	24,786,576	24,364,794
21 Ministry of Health, Seniors & Environment HQ	9,732,000	9,421,985	12,876,752
79 Environment & Natural Resources	8,038,000	7,977,660	8,165,922
91 Health Insurance	3,995,000	7,471,526	1,042,580
	194,405,000	194,658,639	194,445,188

Government of Bermuda - Consolidated Fund**Schedule 10(b): Current Expenses By Ministry / Department (cont'd)****For the year ended March 31**

	2017 Original Estimates	2017 Actual	2016 Actual
	\$	\$	\$
Ministry of Economic Development			
95 Ministry of Economic Development HQ	13,727,000	13,141,182	11,470,801
39 Registrar of Companies	2,712,000	2,220,101	1,902,556
67 E-Commerce	1,537,000	1,094,512	886,052
89 Energy	943,000	768,832	858,571
46 Telecommunications	1,033,000	388,861	938,639
	19,952,000	17,613,488	16,056,619
Ministry of Community, Culture & Sports			
55 Financial Assistance	54,561,000	53,614,366	54,606,409
23 Child & Family Services	15,907,000	13,844,699	13,341,123
20 Youth, Sport & Recreation	9,055,000	8,762,215	9,171,519
52 Community & Cultural Affairs	2,939,000	2,664,049	2,509,330
71 Ministry of Community, Culture and Sports HQ	2,970,000	2,210,060	2,257,190
18 Libraries	1,861,000	1,766,082	1,762,766
19 Archives	1,294,000	1,103,612	1,227,826
	88,587,000	83,965,083	84,876,163
Ministry of National Security			
07 Police	64,595,000	66,650,398	65,805,982
25 Department of Corrections	25,337,000	25,116,745	24,817,794
12 Customs	17,112,000	17,105,126	17,375,038
45 Fire Services	12,506,000	13,362,560	14,560,472
13 Post Office	10,677,000	9,840,882	10,146,894
06 Defence	7,086,000	7,237,654	7,163,765
88 National Drug Control	4,179,000	4,450,283	4,164,580
83 Ministry of National Security HQ	1,297,000	1,287,285	1,343,512
	142,789,000	145,050,933	145,378,037
Ministry of Home Affairs			
27 Immigration	4,633,000	5,424,291	4,970,731
60 Workforce Development	4,557,000	4,185,990	4,025,398
93 Ministry of Home Affairs HQ	4,562,000	3,214,596	4,080,813
32 Department of Planning	3,202,000	2,484,784	2,683,992
29 Registry General	Appendix 4	1,428,801	1,409,330
42 Rent Commissioner	-	-	-
	18,704,000	16,738,462	17,170,264
Ministry of Public Works			
82 Works & Engineering	31,426,000	48,923,280	46,512,311
81 Public Lands & Buildings	20,799,000	35,110,213	37,751,829
36 Ministry of Public Works HQ	5,425,000	10,211,532	6,512,407
68 Parks	9,845,000	8,733,666	9,205,559
53 Bermuda Housing Corporation	6,050,000	6,050,000	6,050,000
97 Land, Surveys & Registration	1,050,000	923,016	1,200,726
49 Land Valuation	795,000	699,184	748,270
	75,390,000	110,650,891	107,981,102
TOTAL CURRENT EXPENSES	1,109,068,000	1,226,396,708	1,153,571,071

Government of Bermuda - Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department
For the year ended March 31

	2017 Interdepartmental Expense	2017 Actual Gross Expense	2017 Net Expense
	\$	\$	\$
Non-Ministry Departments			
02 Legislature	575	5,093,938	5,093,363
05 Office of the Auditor General	85	3,575,680	3,575,595
63 Parliamentary Registrar	2,071	1,400,557	1,398,486
56 Human Rights Commission	85	1,297,626	1,297,541
01 Governor & Staff	(1,275)	1,250,762	1,252,037
92 Internal Audit	160	1,168,646	1,168,486
85 Ombudsman's Office	-	785,430	785,430
98 Information Commissioner's Office	65	672,100	672,035
	1,766	15,244,739	15,242,973
Cabinet Office Departments			
43 Information Technology Office	178	7,208,666	7,208,488
09 Cabinet Office	130	7,023,054	7,022,924
26 Department of Human Resources	-	2,856,020	2,856,020
14 Department of Statistics	2,385	2,678,670	2,676,285
51 Department of Communication & Information	278	2,080,516	2,080,238
84 E-Government	-	678,464	678,464
80 Project Management & Procurement	(13,005)	658,737	671,742
	(10,034)	23,184,127	23,194,161
Ministry of Tourism Development & Transport			
31 Airport Operations	3,535	39,624,542	39,621,007
48 Ministry of Tourism Dev. & Transport HQ	300	29,539,716	29,539,416
30 Marine & Ports	196,104	22,022,465	21,826,361
35 Public Transportation	206,215	20,932,329	20,726,114
57 Civil Aviation	-	9,281,402	9,281,402
34 Transport Control Department	21,463	5,863,620	5,842,157
73 Maritime Administration	8,657	3,865,774	3,857,117
	436,274	131,129,848	130,693,574
Ministry of Legal Affairs			
03 Judicial Department	(43)	7,767,228	7,767,271
87 Ministry of Legal Affairs HQ	-	5,954,795	5,954,795
04 Attorney General's Chambers	65	4,338,317	4,338,252
74 Department of Court Services	8,320	4,011,904	4,003,584
75 Department of Public Prosecutions	-	2,794,277	2,794,277
	8,342	24,866,521	24,858,179
Ministry of Finance			
58 Interest on Debt	-	120,619,921	120,619,921
Early Tender Premium on Repurchased Debt (Note 15(b))	-	38,649,100	38,649,100
11 Accountant General	120	83,836,496	83,836,376
Pensions and Retirement Benefits Expense	-	75,222,863	75,222,863
38 Office of the Tax Commissioner	-	7,521,214	7,521,214
28 Social Insurance	186,273	6,368,346	6,182,073
10 Ministry of Finance HQ	740	4,070,044	4,069,304
	187,133	336,287,984	336,100,851
Ministry of Education			
17 Department of Education	65,441	109,270,166	109,204,725
41 Bermuda College	-	15,527,760	15,527,760
16 Ministry of Education HQ	-	2,208,067	2,208,067
	65,441	127,005,993	126,940,552
Ministry of Health, Seniors & Environment			
24 Hospitals	-	145,000,892	145,000,892
22 Department of Health	15,356	24,786,576	24,771,220
21 Ministry of Health, Seniors & Environment HQ	11,920	9,421,985	9,410,065
79 Environment & Natural Resources	37,187	7,977,660	7,940,473
91 Health Insurance	-	7,471,526	7,471,526
	64,463	194,658,639	194,594,176

Government of Bermuda - Consolidated Fund**Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department (cont'd)****For the year ended March 31**

	2017 Interdepartmental Expense	2017 Actual Gross Expense	2017 Net Expense
	\$	\$	\$
Ministry of Economic Development			
95 Ministry of Economic Development HQ	-	13,141,182	13,141,182
39 Registrar of Companies	18,601	2,220,101	2,201,500
67 E-Commerce	705	1,094,512	1,093,807
89 Energy	-	768,832	768,832
46 Telecommunications	21	388,861	388,840
	19,327	17,613,488	17,594,161
Ministry of Community, Culture & Sports			
55 Financial Assistance	2,490	53,614,366	53,611,876
23 Child & Family Services	14,328	13,844,699	13,830,371
20 Youth, Sport & Recreation	193,061	8,762,215	8,569,154
52 Community & Cultural Affairs	555	2,664,049	2,663,494
71 Ministry of Community, Culture and Sports HQ	65	2,210,060	2,209,995
18 Libraries	13,640	1,766,082	1,752,442
19 Archives	139	1,103,612	1,103,473
	224,278	83,965,083	83,740,805
Ministry of National Security			
07 Police	72,440	66,650,398	66,577,958
25 Department of Corrections	170,302	25,116,745	24,946,443
12 Customs	15,244	17,105,126	17,089,882
45 Fire Services	33,410	13,362,560	13,329,150
13 Post Office	(10,167)	9,840,882	9,851,049
06 Defence	2,797	7,237,654	7,234,857
88 National Drug Control	7,194	4,450,283	4,443,089
83 Ministry of National Security HQ	2,287	1,287,285	1,284,998
	293,507	145,050,933	144,757,426
Ministry of Home Affairs			
27 Immigration	254	5,424,291	5,424,037
60 Workforce Development	2,415	4,185,990	4,183,575
93 Ministry of Home Affairs HQ	159	3,214,596	3,214,437
32 Department of Planning	-	2,484,784	2,484,784
29 Registry General	105	1,428,801	1,428,696
	2,933	16,738,462	16,735,529
Ministry of Public Works			
82 Works & Engineering	13,884	48,923,280	48,909,396
81 Public Lands & Buildings	6,965	35,110,213	35,103,248
36 Ministry of Public Works HQ	690,545	10,211,532	9,520,987
68 Parks	(1,254)	8,733,666	8,734,920
53 Bermuda Housing Corporation	-	6,050,000	6,050,000
97 Land, Surveys & Registration	85	923,016	922,931
49 Land Valuation	120	699,184	699,064
	710,345	110,650,891	109,940,546
TOTAL CURRENT EXPENSES	2,003,775	1,226,396,708	1,224,392,933

Government of Bermuda - Consolidated Fund
Schedule 11: Schedules of Tangible Capital Assets and Assets Under Construction
As at March 31, 2017

	Estimated Useful Life	COST				ACCUMULATED AMORTIZATION				31-Mar-17 Net Book Value \$	31-Mar-16 Net Book Value \$
		Opening Balance \$	Additions \$	Disposals & Adjustments \$	Closing Balance \$	Opening Balance \$	Amortization Expense \$	Disposals & Adjustments \$	Closing Balance \$		
Tangible Capital Assets											
Land	Indefinite	45,642,338	=	=	45,642,338	=	=	=	=	45,642,338	45,642,338
Buildings & Betterments	2 - 40 years	642,383,315	7,043,394	(4,212,326)	645,214,371	(224,799,411)	(17,653,537)	931,853	(241,521,095)	403,693,276	417,583,904
Infrastructure	10 - 40 years	189,949,083	71,768,088	(28,971,907)	232,745,244	(75,018,065)	(9,930,317)	10,374,809	(74,073,563)	158,671,681	114,831,028
Vehicles & Heavy Equipment	5 - 7 years	99,088,783	1,240,896	(2,698,266)	97,631,383	(90,282,925)	(2,734,842)	2,528,367	(90,481,200)	7,170,183	8,835,858
Boats & Vessels	5 - 10 years	47,158,452	24,740	-	47,183,192	(42,276,330)	(1,506,937)	-	(43,783,267)	3,399,925	4,882,122
Computer Software	10 years	38,607,157	3,062,832	(872,312)	40,797,677	(22,644,745)	(3,976,114)	563,286	(25,957,573)	14,840,104	15,962,412
Office Equipment	5 years	18,115,127	1,720,652	(5,365,404)	15,470,375	(16,942,913)	(883,820)	4,980,526	(12,736,207)	2,734,168	2,272,214
Computer Hardware	3 - 7 years	22,896,233	1,173,641	(316,601)	23,753,273	(16,980,156)	(2,454,533)	194,485	(19,150,194)	4,603,079	6,006,077
Capital Leases	3 years	5,087,511	109,088	(104,325)	5,092,284	(4,547,983)	(158,146)	104,325	(4,599,804)	492,480	539,528
Furniture & Fixtures	7 years	5,928,518	224,525	(308,266)	5,844,777	(4,600,592)	(318,088)	208,817	(4,712,063)	1,132,714	1,327,928
Plant, Machinery & Equipment	10 - 30 years	107,692,491	7,774,621	(1,161,640)	114,305,472	(84,798,396)	(6,600,452)	869,164	(70,729,684)	43,575,788	42,894,095
Total Tangible Capital Assets		1,223,549,028	94,142,427	(44,011,049)	1,273,680,386	(562,871,506)	(46,114,588)	21,061,442	(587,724,650)	685,955,736	660,877,502
Assets Under Construction											
		61,697,557	17,793,287	(44,000,723)	35,490,121	-	-	-	-	35,490,121	61,697,557

Government of Bermuda - Consolidated Fund**Schedule 12: Current Expenditure - Estimates Compared to Expenditures****For the year ended March 31, 2017**

	Expenses	Expenditure ¹	Adjusted Estimates ²	Under (Over) Spent
	\$	\$	\$	\$
Non-Ministry Departments				
02 Legislature	5,093,938	5,051,184	5,050,865	(319)
05 Office of the Auditor General	3,575,680	3,549,047	3,572,471	23,424
01 Governor & Staff	1,250,762	1,247,283	1,395,034	147,751
92 Internal Audit	1,168,646	1,166,875	1,503,815	336,940
63 Parliamentary Registrar	1,400,557	1,389,098	1,829,592	440,494
56 Human Rights Commission	1,297,626	1,244,906	1,268,195	23,289
85 Ombudsman's Office	785,430	778,630	909,703	131,073
98 Information Commissioner's Office	672,100	665,295	864,273	198,978
	15,244,739	15,092,318	16,393,948	1,301,630
Cabinet Office Departments				
43 Information Technology Office	7,208,666	5,837,902	6,142,354	304,452
09 Cabinet Office	7,023,054	7,010,437	7,070,147	59,710
26 Department of Human Resources	2,856,020	2,851,471	3,657,058	805,587
51 Department of Communication & Information	2,080,516	2,054,045	2,304,984	250,939
14 Department of Statistics	2,678,670	2,663,131	4,137,074	1,473,943
84 E-Government	678,464	667,669	871,534	203,865
80 Project Management & Procurement	658,737	652,064	852,269	200,205
96 Sustainable Development	-	-	-	-
	23,184,127	21,736,719	25,035,420	3,298,701
Ministry of Tourism Development & Transport				
48 Ministry of Tourism Dev. & Transport HQ	29,539,716	28,033,290	27,681,910	(351,380)
31 Airport Operations	39,624,542	19,212,996	19,883,139	670,143
35 Public Transportation	20,932,329	20,109,770	20,908,010	798,240
30 Marine & Ports	22,022,465	20,422,084	20,812,096	390,012
57 Civil Aviation	9,281,402	4,325,063	4,233,788	(91,275)
34 Transport Control Department	5,863,620	5,284,376	5,350,001	65,625
73 Maritime Administration	3,865,774	2,467,006	2,432,056	(34,950)
	131,129,848	99,854,585	101,301,000	1,446,415
Ministry of Legal Affairs				
03 Judicial Department	7,767,228	7,348,627	8,160,907	812,280
87 Ministry of Legal Affairs HQ	5,954,795	5,939,191	6,112,109	172,918
04 Attorney General's Chambers	4,338,317	4,229,118	4,553,978	324,860
74 Department of Court Services	4,011,904	3,988,686	4,266,826	278,140
75 Department of Public Prosecutions	2,794,277	2,785,369	3,156,415	371,046
	24,866,521	24,290,991	26,250,235	1,959,244
Ministry of Finance				
58 Interest on Debt	120,619,921	120,619,921	128,500,000	7,880,079
Early Tender Premium on Repurchased Debt (Note 15(b))	38,649,100	-	-	-
11 Accountant General	83,836,496	83,087,553	86,467,278	3,379,725
Retirement Benefit (Refund) Expenses	75,222,863	-	-	-
28 Social Insurance	6,368,346	6,364,524	6,500,000	135,476
10 Ministry of Finance HQ	4,070,044	4,069,962	4,397,358	327,396
38 Office of the Tax Commissioner	7,521,214	3,402,604	3,531,312	128,708
59 Sinking Fund Contribution	-	58,375,000	58,375,000	-
	336,287,984	275,919,564	287,770,948	11,851,384
Ministry of Education				
17 Department of Education	109,270,166	108,525,957	110,338,208	1,812,251
41 Bermuda College	15,527,760	15,527,760	15,527,760	-
16 Ministry of Education HQ	2,208,067	2,208,067	2,392,240	184,173
	127,005,993	126,261,784	128,258,208	1,996,424
Ministry of Health, Seniors & Environment				
24 Hospitals	145,000,892	145,000,892	145,000,868	(24)
22 Department of Health	24,786,576	23,766,689	24,790,812	1,024,123
21 Ministry of Health, Seniors & Environment HQ	9,421,985	9,415,404	9,079,575	(335,829)
79 Environment & Natural Resources	7,977,660	7,671,185	8,038,176	366,991
91 Health Insurance	7,471,526	7,470,111	7,495,285	25,174
	194,658,639	193,324,281	194,404,716	1,080,435

¹ Adjusted for Non-Budgeted, Non-Cash Items² Includes all Approved Supplementary amounts during the year

Government of Bermuda - Consolidated Fund
Schedule 12: Current Expenditure - Estimates Compared to Expenditures (cont'd)
For the year ended March 31, 2017

	Expenses	Expenditure ¹	Adjusted Estimates ²	Under (Over) Spent
	\$	\$	\$	\$
Ministry of Economic Development				
95 Ministry of Economic Development HQ	13,141,182	13,137,536	13,885,553	748,017
39 Registrar of Companies	2,220,101	2,193,691	2,712,186	518,495
46 Telecommunications	388,861	388,403	1,032,801	644,398
67 E-Commerce	1,094,512	1,098,860	1,377,763	278,903
89 Energy	768,832	768,832	942,540	173,708
	17,613,488	17,587,322	19,950,843	2,363,521
Ministry of Community, Culture & Sports				
55 Financial Assistance	53,614,366	53,479,521	54,418,998	939,477
23 Child & Family Services	13,844,699	13,808,415	15,907,089	2,098,674
20 Youth, Sport & Recreation	8,762,215	8,689,474	9,055,349	365,875
52 Community & Cultural Affairs	2,664,049	2,657,530	2,939,202	281,672
71 Ministry of Community, Culture and Sports HQ	2,210,060	2,202,775	2,435,338	232,563
18 Libraries	1,766,082	1,743,948	1,861,231	117,283
19 Archives	1,103,612	1,082,403	1,294,308	211,905
	83,965,083	83,664,066	87,911,515	4,247,449
Ministry of National Security				
07 Police	66,650,398	64,884,278	64,594,940	(289,338)
25 Department of Corrections	25,116,745	24,890,399	25,337,456	447,057
12 Customs	17,105,126	16,084,522	17,123,165	1,038,643
45 Fire Services	13,362,560	12,368,685	12,505,518	136,833
13 Post Office	9,840,882	9,659,149	10,676,775	1,017,626
06 Defence	7,237,654	7,202,308	7,085,937	(116,371)
88 National Drug Control	4,450,283	3,837,802	4,167,889	330,087
83 Ministry of National Security HQ	1,287,285	1,288,708	1,296,573	7,865
	145,050,933	140,215,851	142,788,253	2,572,402
Ministry of Home Affairs				
27 Immigration	5,424,291	4,555,611	4,785,794	230,183
93 Ministry of Home Affairs HQ	3,214,596	3,212,943	4,409,040	1,196,097
60 Workforce Development	4,185,990	4,124,210	4,556,505	432,295
32 Department of Planning	2,484,784	2,473,437	3,202,209	728,772
29 Registry General	1,428,801	1,408,850	1,749,961	341,111
	16,738,462	15,775,051	18,703,509	2,928,458
Ministry of Public Works				
82 Works & Engineering	48,923,280	31,987,802	31,421,313	(566,489)
81 Public Lands & Buildings	35,110,213	19,414,959	20,806,468	1,391,509
68 Parks	8,733,666	8,529,370	9,845,298	1,315,928
36 Ministry of Public Works HQ	10,211,532	12,096,328	5,422,652	(6,673,676)
53 Bermuda Housing Corporation	6,050,000	6,050,000	6,050,000	-
97 Land, Surveys & Registration	923,016	880,289	1,049,367	169,078
49 Land Valuation	699,184	662,381	795,192	132,811
	110,650,891	79,621,129	75,390,290	(4,230,839)
TOTAL CURRENT	1,226,396,708	1,093,343,661	1,124,158,885	30,815,224

¹ Adjusted for Non-Budgeted, Non-Cash Items

² Includes all Approved Supplementary amounts during the year

Government of Bermuda - Consolidated Fund
Schedule 13: Commitments - Legislated
For the year ended March 31

	2017	2016
	Actual	Actual
	\$	\$
Unspent Capital Appropriations		
In accordance with Section 6 of the Appropriations Act 2016, unspent capital appropriations for incomplete capital projects to be carried forward to future years are as follows:		
Capital Development	8,319,573	2,138,743
Capital Acquisition	8,651,718	3,613,634
	16,971,291	5,752,377

Total Authorized Funding

Total Authorized Funding represents the estimated total cost of capital development projects and is subject to the voting of supply by the Legislature. Estimated future expenditure for continuing capital development projects is as follows:

Total Authorized Funding	1,018,725,575	912,977,575
Projects Completed during the year	(54,965,218)	(76,005,000)
Supplementary Estimate No.1	9,621,643	850,000
Revised Total Authorized Funding	973,382,000	837,822,575
Appropriated Capital Development	(395,939,820)	(353,403,445)
Unappropriated Capital Development Commitments	577,442,180	484,419,130

Government of Bermuda - Consolidated Fund
Schedule 14: Public Debt - Legislated Limit
As at March 31

	2017	2016
	Actual	Actual
	\$	\$

The Government Loans Act 1978 as amended, defines public debt as debt owed or guaranteed by the Fund, but only if and when, and to the extent that, the guarantee obligation becomes due and payable by the Government.

Section 2A(1) of the Act limits public debt (net of sinking fund assets) to \$2.50 billion, as amended February 22, 2013.

Debt (Schedule 7)	2,483,935,000	2,335,000,000
Less:		
Sinking Fund (Schedule 7)	86,625,930	117,274,389
Public Debt	2,397,309,070	2,217,725,611
Legislated Limit	2,500,000,000	2,500,000,000
Available Limit	102,690,930	282,274,389