Ministerial Statement
To The House of Assembly

By

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Minister of Economic Development

CedarBridge Academy's 2010 Audited Financial Statements

Date: Friday 31May 2013

Mr. Speaker, I am pleased to inform my Honourable Colleagues that I have tabled the Audited Financial Statements for the CedarBridge Academy for the years ended 31st March 2010.

While the Education Act 1996 does not require that these statements be tabled, the substantive Minister of Education, Senator the Honourable Nalton Brangman, is of the view that the affairs of any entity which receives Government funding must be transparent and open to public scrutiny.

Mr. Speaker, during the summer of 2010, the Department of Internal Audit performed an operational review of the CedarBridge Academy (CBA). The objective of the review was to assess the existence, adequacy and operating effectiveness of controls for the period April 1, 2009 to March 31, 2010 associated with key elements of business operations that are managed by the CedarBridge Academy.

The internal audit report noted significant deficiencies in the quality, adequacy and completeness of financial records, the absence of formalised operational policies and procedures, a lack of segregation of duties, and needed process improvements for the Board of Governors to comply with the *Education Act* 1996 and effectively exercise its oversight role.

Mr. Speaker, during fiscal year 2011-2012, the Office of the Auditor General examined the accounts, financial transactions and financial statements of CBA for the year ended March 31, 2009. The Auditor General then expressed an opinion on the financial statements of CBA in the form of an auditor's report on whether the financial statements are presented fairly in accordance with accounting principles generally accepted in Bermuda and Canada. During 2012-2013, the Office of the Auditor General performed a similar audit for the year ended March 31, 2010.

In the course of the Auditor General's examination of fiscal years 2008-2009 and 2009- 2010 (i.e., the year previous to and the same year as that reviewed by the Department of Internal Audit), the Auditor General also identified serious deficiencies in CBA's system of internal controls and overall control environment.

Audit points and concerns expressed by the Auditor General included deficiencies in the areas of corporate governance, compliance with the *Education Act* 1996 in terms of length of tenure of certain board members, employment contracts, financial management and internal control policies, and segregation of duties.

As a consequence, the Auditor General was not able to satisfy herself that all revenue and expenses of CBA had been reflected, nor was she able to satisfy herself that recorded transactions represented valid transactions of CBA; as such, the Auditor General denied expressing an opinion in her reports dated March 30, 2012 (for fiscal year 2008-2009) and November 27, 2012 (for fiscal year 2009-2010).

Mr. Speaker, it is important to place this information within the context that on November 8, 2010, a new Board of Governors was appointed by the former Education Minister. That new Board immediately prepared an action plan in response to the internal audit findings and recommendations of the internal audit, with targeted dates for completion.

When the Director of Internal Audit issued her report on January 28, 2011, the same month that the new Board held its first meeting, there was not much that the Board could have done to effect the financials that related to the years ended March 31, 2010 and March 31, 2011.

As a result, similar audit findings and a denial of opinion by the Auditor General are also expected for CBA’s 2011financial statements.

Mr. Speaker, the new Board responded proactively to the situation they inherited at CBA in 2010 and put in place several processes in order to improve the financial oversight the Board holds over the school.

These included the hiring of a qualified professional accountant, modifying processes to attain a greater degree of segregation of duties, enhancing financial and internal controls, implementing monthly reporting of financial results to the Finance Chair of the Board of Governors, providing targeted training on CBA' s financial system to personnel in the Finance Office, changing practices to document and support transactions more adequately, and implementing the requirement for two authorised signatories for the approval of online payroll transactions.

Mr. Speaker, I am pleased to report that the current members of the Board of Governors, appointed by this Government effective January 1, 2013, are fully aware of these audit reports and are continuing to exercise oversight and appropriate levels of monitoring to ensure that the recommended corrective actions are fully implemented.

Most importantly, the Board is committed to working with the Auditor General's Office to get caught up on the audits as the current financial reporting processes that were put in place allow for more efficient and timely audits to take place.

Thank you.