



FOLLOW UP OF PREVIOUSLY ISSUED RECOMMENDATIONS

FROM SELECTED GOVERNMENT-RELATED ENTITIES



NOVEMBER 2024

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Speaker of the House of Assembly
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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 Follow Up of Previously Issued Recommendations from Selected Government-related Entities.

Respectfully submitted

Heather Thomas, CPA, CFE, CGMA
Auditor General

Hamilton, Bermuda
November 15, 2024

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AUDITOR GENERAL'S COMMENTS

In this report, we include a compilation of management self-assessment questionnaires on their implementation statuses of 46 recommendations as at September 2024, whose last audit was for fiscal year 2021 or earlier and who are not scheduled for an audit in the fiscal year 2024/25.

Follow up on audit management letters is critical for:

- A. Ensuring implementation of recommendations,
 - a. Maintaining regulatory compliance,
 - b. Assessing effectiveness of implemented measures, and
 - c. Identifying areas requiring added attention.

Follow-ups have proven effective in enhancing compliance and ensuring that public resources are used efficiently and for their intended purposes. This maintains stakeholder confidence by displaying responsiveness to audit findings, demonstrates accountability and transparency and build trust with stakeholders through the mitigation of identified risks and adherence to professional standards.

The follow-up process is not merely an administrative requirement but a cornerstone of effective governance. It is a tool that enables our audits to lead to tangible improvements and uphold the public trust in the government financial management of the assets entrusted to them.

The production of this report required the timely responses and cooperation of the entities originally audited. I thank those entities that responded timely for providing their implementations statuses. I would also like to thank my team for their contributions to this report.

I invite you to provide feedback regarding this report or any other areas of work via email to oagbermuda@oagbermuda.bm

Heather Thomas
Auditor General

Summary of the status of Implementation from selected entities

Entity	Release	Audit Opinion	Number of Recommendations	Fully implemented	Partially implemented	Alternative action taken	No action taken
Bermuda Gaming Commission	March 2020	Unqualified	8	4	2	1	1
Board of Trustees of the Golf Courses	March 2020	Disclaimer	1		1		
Confiscated Assets Fund	March 2010	Qualified	3	2			1
Contributory Pension Fund	March 2012	Disclaimer	1		1		
FinTech Development Fund	N/A	N/A	1				1
FutureCare Fund	March 2017	Unqualified	13		3		10
Health Insurance Fund		Unqualified					
Mutual Re-Insurance Fund		Qualified					
Government Employees Health Insurance Fund	March 2012	Disclaimer	1		1		
Pension Commission	December 2019	Unqualified	4				4*
Public Service Superannuation Fund	March 2012	Disclaimer	1		1		
Regulatory Authority	March 2020	Unqualified	11	9	1		1
Sandys Secondary Middle School Capitation Grant Account	March 2016	Disclaimer	2	2			
[Total count]			46	17	10	1	18

- No response from management during the requested update period.

A few observations:

After an average of 13 (thirteen) years, 4 (four) of the 6 (six) recommendations remain either partially implemented or no action taken for the Confiscated Assets Fund, Contributory Pension Fund, Government Employees Health Insurance Fund and the Public Service Superannuation Fund.

After 7 (seven) years, all 13 (thirteen) recommendations remained either partially implemented or no action has been taken for the funds of Future Care, Health Insurance and the Mutual Re-Insurance Fund.

After 4 (four) years, 6 (six) out of the 22 (twenty-two) recommendations remained either partially implemented or no action taken for Bermuda Gaming Commission, Board of Trustees of the Golf Courses, Regulatory Authority and the Sandys Secondary Middle School Capitation Grant.

Background on management responsibility in a financial statement audit

Financial reporting is one of the grounds of good fiscal management. There are three main criteria for high-quality financial reports: *their completeness, in terms of the nature of financial operations reported; their comprehensiveness, in terms of entities covered; and their integrity, in terms of the degree of external validation.* External, independent and public assessment of the financial information prepared by the government is one of the major safeguards of a financial report's integrity.¹

When management makes a representation that “the financial statements are presented fairly in accordance with the applicable financial reporting framework,” it makes these claims or assertions:² (See Figure 2)

Completeness	Everything that should be recorded or disclosed in the financial statements has been included. There are no unrecorded or undisclosed assets, liabilities, transactions or events, and there are no missing or incomplete financial statement disclosures in the context of the requirements of the applicable financial reporting framework.
Accuracy and Valuation	Assets, liabilities and equity interests (or accumulated surplus/deficit) are included at appropriate amounts and in the appropriate period. Any resulting valuation or allocation adjustments are appropriately recorded, and related disclosures have been appropriately measured and described in the context of the requirements of the applicable financial reporting framework.
Existence	Everything that is recorded or disclosed in the financial statements exists at the appropriate date. Assets, liabilities, recorded transactions and financial statement notes exist, have occurred, and pertain to the entity in the context of the requirements of the applicable financial reporting framework.
Presentation	Assets, liabilities, transactions, and events are appropriately aggregated/disaggregated and clearly described, and related disclosures are relevant and understandable in the context of the requirements of the applicable financial reporting framework.

Figure 2 – Financial statement assertions

¹ OECD (2017), “Quality of governments' financial reporting”, in Government at a Glance 2017, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/gov_glance-2017-44-en

² Professional Engagement Guide (PEG) Volume 1-Core Concepts, Chapter 6 Financial Statement Assertions, Page 43, Exhibit 6.3-2

Why the Office did this Report

In the course of our audit, we may identify recommendations to address risk(s), or close a control gap or deficiency. These recommendations form part of our audit report package and serve as a call to action to address the findings, typically within a year before the next audit. Through our audit work and reports, we strive to promote government accountability and public administration excellence. Many of our audit reports contain suggestions/recommendations that identify areas of improvement. When the audited entities execute our recommendations, our audit reports achieve their desired impact with improved practices.

However, the entities covered in this report are long overdue for their audits and as a result; we considered it necessary to obtain updates on their progress in addressing our recommendations and assess their readiness for future audit(s).

This report contains a compilation of responses to management self-assessment questionnaires that list our observations and recommendations. These questionnaires were sent out to thirteen (13) entities (Table 1) *whose last audit was for fiscal year 2021 or earlier* and who are not scheduled for an audit in the fiscal year 2024/25.

Appendix III lists eight (8) entities whose financial statement audits are currently in progress as at the date of this report.

One entity, the Pension Commission did not provide responses by the requested deadline.

Although we have read the responses and, in some cases, discussed responses with the respective authors, it is important to note that these are management's representations. **We offer no assurance regarding their fairness, completeness or accuracy.**

The entities included in this report are purported to hold:

- \$2.2 billion of assets entrusted to them (which can be in the form of cash, property and equipment, rights to collect cash, or rights to receive benefit or service in the future).
- \$0.2 billion in liabilities, debts, or obligations.

These amounts reflect audited financial statement accounts for years ended between 2010 and 2020, with varying types of audit opinions (see Appendices I and II). There were a total of 46 recommendations (see Table 1).

In their capacity as stewards of public resources, the respective ministries, departments, and quasi-autonomous non-government organizations are responsible for making decisions, fulfilling commitments to implement the recommendations and prepare for appropriate and timely audits.

Suggested questions to ask:

1. For those recommendations with “fully implemented” responses, why is management still unable to have the audit up-to-date and timely?
2. When will the accounts in arrears be presented to the Office of the Auditor General for audit?
3. For those recommendations with “no action taken,” why no action has been taken to date?
4. What are the consequences to entities entrusted with public funds and resources with financial statement audits in arrears?

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Selected entities whose last audit was for fiscal year 2021 or earlier

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Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Mr. Dwight Furbert, Chief Financial Officer

Bermuda Gaming Commission (formerly Bermuda Casino Gaming Commission)

Audited entity	Last audited reporting year	Audit opinion	Assets	Liabilities	Accumulated Surplus (Deficit)	Annual Surplus (Deficit)
Bermuda Casino Gaming Commission	2020	Unqualified	430,390.00	-4,464,822.00	-4,034,432.00	-1,244,780.00
Bermuda Casino Gaming Commission was established under the <i>Casino Gaming Act 2014</i> , to maintain and administer licensing, supervision and control of casinos		N/A				

Status of implementation in management's opinion	Definition
Fully implemented	Recommendation was adopted, imbedded in management process, with evidences/audit trail available
Partially implemented	Recommendation was partly adopted, imbedded in management process, with evidences/audit trail available
No action taken	Recommendation was not adopted, with specific reason
Alternative action taken	Recommendation was not adopted, however alternative action was implemented, with evidences/audit trail available

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
Non-compliance with the terms of the overdraft facility agreement which requires the Commission to provide its audited year-end financial statements within 180 days of its fiscal year-end.	#1 - Comply with the terms and conditions of its overdraft facility agreement	Alternative action taken	As of June 2023, BGC no longer has an overdraft facility with the Bank of Butterfield
Unexplained variances in payroll liabilities and amortization expense for a tangible capital asset.	#2 - Review and reconcile general ledger with supporting schedules and documentation; investigate and resolve variances	Partially implemented	The BGC is currently in the process of investigating and reconciling historical variances in the two categories highlighted.
Non-compliance with Public Access to Information Act 2010 section 6 (6).	#3 - Comply with Public Access to Information Act 2010 section 6 (6)	Fully implemented	From 2021 forward, the Commissions has disclosed its contracts valued at \$50k or more, as requested by the PATI Act.
Non-compliance with legislation, Casino Gaming Act 2014 section 18A workplan and budget (3), (4 c), (5), (9), (10), section 26 (1) for submission of annual report to the Minister within 6 months after financial year end.	#4 - Comply with its legislation, e.g., section 18A (3), (4 c), (5), (9), (10) section 26 (1)	Fully implemented	18A (3): The Commission is now current with its work plan submissions. 18A (4c) and (5): The Minister of Finance is responsible for issuing the written approval for the budget and the Ministry for gazetting it via the tabling and publishing of Cabinet's approval of the workplan and budget.

Questionnaire for Management

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Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
			<p>18A (9): Compliance has commenced beginning the current fiscal year.</p> <p>18A (10): Annual Reports from 2021 forward are compliant.</p> <p>26 (1): The Commission is currently up-to-date with the submissions.</p>
<p>Failure to deliver audited consolidated accounts to lender (Government of Bermuda), within 90 days after the end of financial year; and monthly management accounts, within 30 days after the end of each month as per Section 12.1 of the Facility Agreement.</p>	<p>#5 - Comply with the terms and conditions of its Facility Agreement with the Government</p>	<p>No action taken</p>	<p>It's unreasonable to deliver audited accounts to Government within 90 days of fiscal year end when draft financials are due to auditors 120 days (4 months) after year end;</p> <p>From this year forward, we will comply with section 1 2.1 of our facility agreement with the Government of Bermuda</p>
<p>In-camera minutes for confirmation of retro-active acting appointments were not signed.</p>	<p>#6 - Review, approve and sign all board and committee minutes</p>	<p>Fully implemented</p>	<p>Going forward, all Board minutes are to be reviewed, approved and signed.</p>
<p>Board sub-committee meeting minutes were not provided to support deliberations and decisions.</p>	<p>#7 - Document, review and approve board sub-committee meeting minutes</p>	<p>Fully implemented</p>	<p>Going forward, all Board sub-committee minutes are to be reviewed, approved and signed.</p>
<p>Matters raising substantial doubt about the Commission's ability to continue as going concern:</p> <ul style="list-style-type: none"> a. dependence upon Government of Bermuda b. increasing level of indebtedness to commercial bank c. increasing level of deficit d. ability to generate revenue 	<p>#8 - Take action to address negative working capital, lack of funding and sources of revenue</p>	<p>Partially implemented</p>	<ul style="list-style-type: none"> a. Currently we are dependent upon Bermuda Govt. for funding (\$800K) operational grant for 2024/25) b. In June 2023, BGC's credit facility with BNTB was settled. c. Current expenditure levels have been reduced significantly compared to previous years. d. In August 2021, BGC became responsible for the collection of revenues for cruise ship casino licenses.

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Board of Trustees of the Golf Courses

Audited entity	Last audited	Audit opinion	Assets	Liabilities	Accumulated	Annual Surplus
Board of Trustees of the Golf Courses	2020	Disclaimer	1,838,805.00	-1,921,049.00	-82,244.00	-141,436.00
Board of Trustees of the Golf Courses was established under the <i>Golf Courses (Consolidation) Act 1998</i> , to have general control, management, and administration over Port Royal and Ocean View Golf Courses, and to maintain the golf courses in good and proper condition.		Serious deficiencies in the accounting records and in the system of internal controls; unable to determine whether adjustments were required in respect of recorded or unrecorded transactions				

Status of implementation in management's opinion	Definition
Fully implemented	Recommendation was adopted, imbedded in management process, with evidences/audit trail available
Partially implemented	Recommendation was partly adopted, imbedded in management process, with evidences/audit trail available
No action taken	Recommendation was not adopted, with specific reason
Alternative action taken	Recommendation was not adopted, however alternative action was implemented, with evidences/audit trail available

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
<p>Disclaimer of opinion issued on the financial statements for the years ended March 31, 2017 to 2020.</p> <p>Lack of sufficient and appropriate audit evidence to support balances and transactions in the financial statements and accompanying notes.</p>	<p>#1 - Immediate action should be taken to address (a) the deficiencies in the financial reporting process and system of internal controls of the Golf Courses, (b) management commitment to clean 2021 to 2024 data and address all previous audit observations before the end of 2024-2025 fiscal year.</p>	Partially implemented	<p>The audit for FYs 2017 to 2020 was completed only in May 2024, and management is currently focused on finalizing the accounts for FYs 2021 to 2024, as well as improving the current fiscal year's financial processes.</p> <p>In February 2022, management hired a Director of Finance to oversee the finance, human resources, and administration of the golf courses. In May 2023, management engaged an accounting firm to prepare the financial statements for FYs 2017 to 2023. In December 2023, the management expanded the firm's role to include more comprehensive accounting services, such as payroll, payables, receivables, bookkeeping, and financial reporting.</p> <p>Management is committed to submitting the completed financials for FYs 2021 to 2024 by March 31, 2025.</p>

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Confiscated Assets Fund

Audited entity	Last audited reporting year	Audit opinion	Assets	Liabilities	Accumulated Surplus (Deficit)	Annual Surplus (Deficit)
Confiscated assets fund (CAF)	2010	Qualified	26,294,472.00	-13,082,744.00	13,211,727.00	-9,972,900.00
Confiscated assets fund (CAF) was established by subsequent amendments to the <i>Proceeds of Crime Act 1997</i> for proceeds of criminal conduct recovered under a confiscation order and money paid to the Government of Bermuda by foreign jurisdiction in respect of confiscated assets		Unable to obtain sufficient appropriate audit evidence with respect to completeness of revenue \$127,591 and unable to determine adjustments necessary to revenue, accounts receivable, net financial assets, annual deficit and accumulated surplus				

Status of implementation in management's opinion	Definition
Fully implemented	Recommendation was adopted, imbedded in management process, with evidences/audit trail available
Partially implemented	Recommendation was partly adopted, imbedded in management process, with evidences/audit trail available
No action taken	Recommendation was not adopted, with specific reason
Alternative action taken	Recommendation was not adopted, however alternative action was implemented, with evidences/audit trail available

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
(a) Confiscation and forfeitures orders are not recorded in the correct fiscal year. (b) Lack of standardized process for complete and relevant financial information to properly account for transactions.	#1 – Define a standardized process or guidelines that meets stakeholder needs and aids in ensuring proper accounts and record-keeping in relation to the accounts of CAF.	No action taken	Work had started on this item but with resignations, reassignment of the persons working on this this has not progressed. Due to staffing constraints and staff changes in the Chambers, the BPS etc. no timing can be given on when this can restart.
Multiple instances of cash deposited into the Consolidated Fund during fiscal year with delayed transfer to the CAF bank account in the following fiscal year	#2 – Make timely transfers to the CAF's bank account to ensure proper records. Update to audit readiness of the process and availability of evidences involved	Fully implemented	Cash deposits from seizures etc. are made directly to the CAF BMD and USD bank accounts. In the instances where funds are returned after a ruling by the Courts then the funds are transferred from the CAF bank account at the same time that payment batch is prepared to facilitate the payment from the Consolidated Fund's bank account.

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
<p>(a) Lack of evidence of approval from the Ministers for the grants and expenditures from CAF.</p> <p>(b) A contract was not available for review.</p>	<p>#3 – Ensure all disbursements or expenditures are properly authorized in accordance with <i>Proceeds of Crime Amendment Act 2000</i> with supporting documents for the approval in file.</p> <p>Update to audit readiness of the process and availability of evidences involved</p>	<p>Fully implemented</p>	<p>All payments for grants etc made from the Forfeited cash are done only after receiving the required documented approval from the Minister of Finance and the Attorney General</p>

Questionnaire for Management

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Contributory Pension Fund

Audited entity	Last audited	Audit opinion	Assets	Liabilities	Accumulated	Annual Surplus
Contributory Pension Fund	2012	Disclaimer	1,591,905,299.00	-66,040,440.00	1,525,864,859.00	-6,890,471.00
Contributory Pension Fund was established under the <i>Contributory Pensions Act 1970</i> and subsequent amendments to provide old-age pension, disability and death benefits for persons meeting contribution, citizenship and/or residency requirements		Serious deficiencies in the accounting records and in the system of internal controls; unable to determine whether adjustments were required in respect of recorded or unrecorded transactions				

Status of implementation in management's opinion	Definition
Fully implemented	Recommendation was adopted, imbedded in management process, with evidences/audit trail available
Partially implemented	Recommendation was partly adopted, imbedded in management process, with evidences/audit trail available
No action taken	Recommendation was not adopted, with specific reason
Alternative action taken	Recommendation was not adopted, however alternative action was implemented, with evidences/audit trail available

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
Serious deficiencies in the accounting records and in the system of internal controls, resulting in disclaimers of audit opinion reported from 2005 to 2012.	#1 - Immediate action should be taken to address the deficiencies. Update on recording completeness and audit readiness of the accounts as facilitated by (a) better custody agreement; (b) regular management review of valuation and statements from investment managers.	Partially implemented	A new custody agreement was entered into with Bank of New York circa 2014-15 which aimed to provide better reporting on the investments held in custody. The Financial Reporting section as a part of the work done in connection with the triennial actuarial valuation for the Contributory Pension Fund (CPF) do independent pricing of the quoted investments using Bloomberg and also review the audited statements from the investment managers to support the investments assets on the CPF's balance sheet.

Questionnaire for Management

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FinTech Development Fund

Audited entity	Last audited reporting year	Audit opinion	Assets	Liabilities	Accumulated Surplus (Deficit)	Annual Surplus (Deficit)
FinTech Development Fund	None	N/A	Unknown	Unknown	Unknown	Unknown

Status of implementation in management's opinion	Definition
Fully implemented	Management has adequately prepared the accounts for financial statement audit, with evidences/audit trail available
Partially implemented	Management has partially prepared the accounts for financial statement audit, with specific reason
No action taken	Management has not prepared the accounts for financial statement audit, with specific reason

Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
#1 – Submit accounts and supporting documents for audit.	No action taken	This fund is not operational and has no assets or liabilities which would support the preparation of financial statements.

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

FutureCare Fund Health

Audited entity	Last audited reporting year	Audit opinion	Assets	Liabilities	Accumulated Surplus (Deficit)	Annual Surplus (Deficit)
FutureCare Fund	2017	Unqualified	3,755,029.00	-4,705,382.00	-950,353.00	660,917.00
FutureCare Fund was set up to provide hospital and medical insurance for all residents of Bermuda, over the age of 65 years; it is administered and managed by the Health Insurance Committee under the provisions of <i>Health Insurance Act 1970</i> and subsequent amendments		N/A				

Insurance Fund Mutual Re-

Audited entity	Last audited reporting year	Audit opinion	Assets	Liabilities	Accumulated Surplus (Deficit)	Annual Surplus (Deficit)
Health Insurance Fund	2017	Unqualified	4,945,563.00	-4,348,182.00	597,381.00	2,255,021.00
Health Insurance Fund was set up to provide hospital and medical insurance for all residents of Bermuda; it is administered and managed by the Health Insurance Committee under the provisions of <i>Health Insurance Act 1970</i> and subsequent amendments		N/A				

Insurance Fund

Audited entity	Last audited reporting year	Audit opinion	Assets	Liabilities	Accumulated Surplus (Deficit)	Annual Surplus (Deficit)
Mutual Re-Insurance Fund	2017	Qualified	15,919,985.00	-9,735,696.00	6,184,289.00	2,961,092.00
Mutual Re-Insurance Fund was established under the <i>Health Insurance Act 1970</i> to spread the cost of certain claims among licensed insurers and approved schemes; a prescribed sum is allocated per the <i>Health Insurance (Mutual Re-insurance Fund) (Prescribed Sum) Order 2014</i> ; it is administered and managed by the Health Insurance Committee under the provisions of <i>Health Insurance Amendment (No. 2) Act 2009</i>		Unable to obtain sufficient appropriate audit evidence with respect to completeness of re-insurance fees from Government Employees Health Insurance Fund amounting to \$6,476,538 and related receivable amounting to \$2,150,312				

Status of implementation in management's opinion	Definition
Fully implemented	Recommendation was adopted, imbedded in management process, with evidences/audit trail available
Partially implemented	Recommendation was partly adopted, imbedded in management process, with evidences/audit trail available
No action taken	Recommendation was not adopted, with specific reason
Alternative action taken	Recommendation was not adopted, however alternative action was implemented, with evidences/audit trail available

Questionnaire for Management

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Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
Lack of population information maintained at individual claim level (for statistical sampling at individual level).	#1 - Provide complete and accurate claims populations at the individual claim level. Update on audit readiness of claims population.	No action taken	Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.
Lack of checks or reviews done by the Health Insurance Department (HID) to verify the accuracy, completeness and eligibility of the claims adjudicated by third parties. No independent opinion obtained on the system of controls at third parties involved in the adjudication process.	#2 - Perform review on work performed by third parties and obtain regular attestation report on system and organization controls at third parties. Update on HID's retrospective process noted to be implemented in FY 2023-2024 and its facilitation toward audit readiness.	Partially implemented	The Department will complete full implementation in the next quarter.
Lack of evidence that all claim and revenue reports generated were reviewed for completeness and accuracy by a person independent of the preparer on a regular basis.	#3 - Perform regular review of claims and system-generated revenue reports, investigate and resolve differences. Update on implementation of review process, monthly reporting and reconciliations toward audit readiness.	Partially implemented	The Department will complete full implementation in the next quarter.
Lack of controls in place to ensure that all submitted claims were properly uploaded.	#4 - Implement policies and procedures to review claims submitted and uploaded into the system. Update to audit readiness of the process and availability of evidences involved	No action taken	Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.

Questionnaire for Management

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Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
Lack of assessment of reasonability of the allocation of administrative expenses especially for the Mutual Re-insurance Fund whose operations and functions are different from those of the Health Insurance Fund and the FutureCare Fund.	<p>#5 - Design and implement policies for determining a reasonable allocation of expenses across FutureCare Fund, Health Insurance Fund and Mututal Re- Insurance Fund.</p> <p>Update to audit readiness of the process and availability of evidences involved</p>	No action taken	Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.
Adjusting entries pertaining to long outstanding bank reconciling items were not posted to the specific medical provider or policyholder sub-ledgers for accurate tracking.	<p>#6 - Complete timely bank reconciliations with review and disposition of reconciling items, including outstanding items owed between FutureCare Fund, Health Insurance Fund and Mututal Re-insurance Fund.</p> <p>Update on clearing of outstanding items in bank reconciliations, and timeliness of recording going forward.</p>	No action taken	Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.
Management accounts are not prepared on a monthly basis because the financial reporting is only performed annually as part of the year- end process.	<p>#7 - Complete financial reporting regularly.</p> <p>Update on performance of periodic financial statements preparation.</p>	No action taken	Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.
Budget amounts are not reported in the financial statements.	<p>#8 - Comply with accounting standards (of financial statement presentation of actual results and budget).</p> <p>Update on audit readiness of financial statement</p>	No action taken	Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.

Questionnaire for Management

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Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
<p>The Mutual Re-insurance Fund trial balance is prepared manually without evidence of review.</p>	<p>#9 - Implement use of accounting system for the Mutual Re-insurance Fund.</p> <p>Update on audit readiness of the general ledger in Luminx and its trial balance.</p>	<p>No action taken</p>	<p>Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.</p>
<p>Lack of strategic plan to manage inter-fund balances; their recoverability is uncertain with 100% provision.</p>	<p>#10 - Design and implement a strategic plan to manage inter-fund balances.</p> <p>Update on audit readiness of the process and availability of evidences involved</p>	<p>No action taken</p>	<p>Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.</p>
<p>Clearing accounts used in initial set-up of new individuals and groups are not reconciled regularly leaving unknown balances.</p>	<p>#11 - Perform regular reconciliation of clearing accounts.</p> <p>Update on audit readiness of the process and availability of evidences involved</p>	<p>No action taken</p>	<p>Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.</p>
<p>Lack of policy on review and monitoring of terms of contracts with third parties.</p>	<p>#12 - Implement policies and procedures for contract review and monitoring.</p> <p>Update on implementation of policy for timely contract review and monitoring.</p>	<p>Partially implemented</p>	<p>The Department has a draft policy that is near completion and will move toward implementation in the next quarter.</p>
<p>Lack of policy on the process to be followed in allocating grant funding received from the Government of Bermuda.</p>	<p>#13 - Design and implement policies for grant allocation across FutureCare Fund, Health Insurance Fund and Mututal Re- insurance Fund.</p> <p>Update on audit readiness of the process and availability of evidences involved</p>	<p>No action taken</p>	<p>Implementation of recommendation is still pending at this time. The Department will be able to implement in the short term and has a plan to do so.</p>

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Government Employee Health Insurance Fund

Audited entity	Last audited	Audit opinion	Assets	Liabilities	Accumulated	Annual Surplus
Government Employees Health Insurance Fund (GEHI)	2012	Disclaimer	10,552,306.00	-22,679,047.00	-12,126,741.00	1,869,301.00
Government Employees Health Insurance Fund (GEHI) was established under the <i>Government Employee (Health Insurance) Act 1986</i> and subsequent amendments to provide health insurance benefits for government employees, ministers and members of the Legislature, their enrolled dependents. It is administered and managed by the Accountant General		Serious deficiencies in the accounting records and in the system of internal controls; unable to determine whether adjustments were required in respect of recorded or unrecorded transactions				

Status of implementation in management's opinion	Definition
Fully implemented	Recommendation was adopted, imbedded in management process, with evidences/audit trail available
Partially implemented	Recommendation was partly adopted, imbedded in management process, with evidences/audit trail available
No action taken	Recommendation was not adopted, with specific reason
Alternative action taken	Recommendation was not adopted, however alternative action was implemented, with evidences/audit trail available

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
Serious deficiencies in the accounting records and in the system of internal controls resulting in disclaimers of audit opinion reported from 2006 to 2012.	<p>#1 - Immediate action should be taken to address the deficiencies in the accounting records and controls of GEHI.</p> <p>Update on work begun to strengthen the system of internal controls for the GEHI Fund, the steps taken to address claims and related documents in terms of proper filing and archiving, and audit-readiness of the accounts and supports for subsequent reporting periods.</p>	Partially implemented	In terms of filing work was done to ensure that paper claims received in the office were properly filed and labeled to ensure ease of retrieval. Service providers are now strongly encouraged to submit claims using the GEHI portal which will assist with the retrieval of claims documentation.

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Public Service Superannuation Fund

Audited entity	Last audited reporting year	Audit opinion	Assets	Liabilities	Accumulated Surplus (Deficit)	Annual Surplus (Deficit)
Public Service Superannuation Fund (PSSF)	2012	Disclaimer	515,071,309.00	-11,406,832.00	503,664,477.00	16,658,791.00
Public Service Superannuation Fund (PSSF) was established by the <i>Public Service Superannuation Act 1981</i> and subsequent amendments, to provide retirement pensions for retired employees of the Government, and various quasi autonomous non-governmental organizations; it is administered and managed by the Accountant General						

Status of implementation in management's opinion	Definition
Fully implemented	Recommendation was adopted, imbedded in management process, with evidences/audit trail available
Partially implemented	Recommendation was partly adopted, imbedded in management process, with evidences/audit trail available
No action taken	Recommendation was not adopted, with specific reason
Alternative action taken	Recommendation was not adopted, however alternative action was implemented, with evidences/audit trail available

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
Lack of fund accounting and inability to provide documentation to support the account balances and transactions.	<p>#1 - Implement control activities to address the deficiencies in accounting of PSSF due to disclaimers of audit opinion reported from last audit.</p> <p>Update on recording completeness and audit readiness of the accounts as facilitated by (a) better custody agreement; (b) regular management review of valuation and statements from investment managers.</p>	Partially implemented	A new custody agreement was entered into with Bank of New York circa 2014-15 which aimed to provide better reporting on the investments held in custody. The Financial Reporting section as a part of the work done in connection with the actuarial estimates for the pension obligations do independent pricing of the quoted investments using Bloomberg and review the audited statements from the investment managers to support the investments assets on the PSSF's balance sheet. This work is reviewed by the Office of the Auditor General in connection with the work done for the annual Consolidated Fund Audit

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Regulatory Authority

Audited entity	Last audited	Audit opinion	Assets	Liabilities	Accumulated	Annual Surplus
Regulatory Authority	2020	Unqualified	13,953,868.00	-12,364,666.00	1,589,202.00	-380,098.00
The Regulatory Authority operates as an electronic communications and electricity regulator under the <i>Electronic Communications Act 2011</i> and <i>Electricity Act 2016</i> respectively, to promote and preserve competition, to promote the interests of the residents and consumers of Bermuda, to promote innovation, to promote Bermudian economy, employment and ownership		N/A				

Status of implementation in management's opinion	Definition
Fully implemented	Recommendation was adopted, imbedded in management process, with evidences/audit trail available
Partially implemented	Recommendation was partly adopted, imbedded in management process, with evidences/audit trail available
No action taken	Recommendation was not adopted, with specific reason
Alternative action taken	Recommendation was not adopted, however alternative action was implemented, with evidences/audit trail available

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
Deficiencies in the purchase of goods and services: (a) board's approval of purchase does not state vendor's name or the spend threshold; (b) splitting purchase order of related services to restrict expenditure below \$50,000 and not require board approval; (c) lack of budget composition and budget-to-actual management accounting; (d) improper tendering process; (e) lack of board approval for change in cost originally approved, at above policy threshold for changes.	#1 - Comply with procurement policy and maintain complete audit trail on authorization and decisions made over purchases.	Fully implemented	Improved controls over purchasing were implemented during 2021. A new PO system was rolled out and Board minutes are better documented to specify the full details of purchases greater than \$50, 000. Quarterly accounts are prepared which encompass budget to actual comparisons. These accounts are presented to the Finance, Audit and Risk Committee and the Board quarterly.

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
<p>Incompatible duties such as Financial Controller and Accountant are allowed to authorize payments/disbursements as "any two... signing jointly."</p> <p>The bank authorization allows the Finance department alone with access and control of the records (whether it's input by the office manager and review of transactions by either accountant and controller), to also authorize cash in bank to be moved.</p>	<p>#2 - Review Bank Authorization for incompatible duties.</p>	<p>No action taken</p>	<p>The Interim Chief Executive and the management team to meet and explore solutions.</p>
<p>Inadequate control on human resource management.</p>	<p>#3 - Define, implement and monitor required controls over human resource management process, including consequences for breakdown in those controls.</p>	<p>Fully implemented</p>	<p>A Human Resource Manager was hired Aug 2019 and completely took over the payroll process in April 2020. These audit observations have been addressed as a result.</p>
<p>Missing contracted party signature in work orders with distinct pricing and binding upon signature of the parties; missing framework agreement.</p>	<p>#4 - Maintain complete files on contracts and all other agreements.</p>	<p>Fully implemented</p>	<p>The RA maintains a detailed database that supports contract management. Management have ensured that all work orders have the signature of both, a RA representative and vendor representative since 2021.</p>
<p>Inadequate controls over tangible capital assets (TCA), i.e., (a) physical verification of TCAs and review of TCAs for impairment, (b) incomplete TCA register, missing unique asset identification, descriptions or specifications and cost per asset item, (c) missing audit trail on asset disposal.</p>	<p>#5 - Implement controls to manage, safeguard and properly report on tangible capital assets.</p>	<p>Partially implemented</p>	<p>The asset tagging project commenced during 2023/24. All assets have been tagged. During 2024/25 the Finance department endeavor to implement a tracking and monitoring program to better manage tangible assets.</p>

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
Non-compliance with conflict of interest and gifts hospitality policy.	#6 - Clarify requirements to declare interests and process to manage conflicts of interest situations, comply with conflict of interest and gifts hospitality policy and review compliance with such policy.	Fully implemented	The register has been consistently updated since its implementation in August 2021. The COI forms are signed by mid April annually and the register is updated by the HR Manager. New staff are required to sign the COI forms within the first week of joining and the register is updated.
Lack of review of transaction recording and journal entries, e.g., in training and travel expense for matching purchase orders to invoices, in expense classification, in accounting fees transaction description.	#7 Review records and journal entries for accuracy.	Fully implemented	Effective April 2020, the Finance team was fully constituted with the Financial Controller and the Accountant 1 as qualified accountants. We have therefore implemented all the controls as designed and no such exceptions will be expected going forward.
Non-compliance with the Regulatory Authority Act 2011 sections 31, 43 (5), 46 (5). Non-compliance with Public Access to Information Act 2010 section 6 (6).	#8 Comply with its legislation, e.g., Sections 31, 43 (5), 46 (5) and with Public Access to Information Act 2010 Section 6 (6).	Fully implemented	Effective April 2020, the Finance team was fully constituted with the Financial Controller and the Accountant 1 as qualified accountants. We have therefore implemented all the controls as designed and no such exceptions will be expected going forward.
Understatement of revenue: (1) from a denied revenue exemption that was effectively allowed to be deducted from the determination of the turnover (base for license fees); management found the wording vague and applied approval with conditions, not as denial; (2) from inadequate review of returns submitted.	#9 Make response letters clear regarding decisions to approve or deny, or approve with conditions; where applicable, provide evidence of conditions being met.	Fully implemented	Effective April 2020, the Finance team was fully constituted with the Financial Controller and the Accountant 1 as qualified accountants. We have therefore implemented all the controls as designed and no such exceptions will be expected going forward. Additionally, a full review of the ICOL procedures will be assessed during 2024/25 to ensure that existing practices are aligned with it. Any amendments will be updated and approved by June 2024.

Questionnaire for Management

Please note the definition of status and address the sections with yellow-shaded header

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
<p>Lack of accountability in the administration of class licenses, e.g., licenses issued without receiving fees, open items not reviewed and resolved periodically, licenses issued or cancelled but status showing as in progress, cash received despite non-cash policy, duplicate entry of licenses recorded, manual tracking of radio IDs issued and limited information on issuance.</p>	<p>#10 Establish adequate controls over class licenses for completeness and accuracy of amounts reported and remitted to Government.</p>	<p>Fully implemented</p>	<p>An Accountant was hired in 2020 and was assigned the responsibility to oversee the Class Licence process. A new Licensing Administrator was hired in 2022. The process has been revamped. Licences are now only issued when funds are received and are not left in the licensing manager in any other status other than ISSUED or CANCELLED. The duplication errors do not occur with the new staff responsible for the process.</p>
<p>Lack of evidence of approval and sign-off on invoices processed for payment. Purchase orders were raised after receiving invoice or service.</p>	<p>#11 Comply with its procurement policy and procedures.</p>	<p>Fully implemented</p>	<p>Improved controls over purchasing were implemented during 2021. A new PO system was rolled out and Board minutes are better documented to specify the full details of purchases greater than \$50, 000.</p> <p>The procurement policy will be reviewed to ensure that existing practices are aligned with it. Any amendments will be updated and approved during FY2024/25.</p>

Sandys Secondary Middle School Capitation Grant Account (SSMCGA)

Audited entity	Last audited	Audit opinion	Assets	Liabilities	Accumulated	Annual Surplus
Sandys Secondary Middle	2016	Disclaimer	188,763.00	-23,268.00	165,495.00	95,775.00
<p>Sandys Secondary Middle School Capitation Grant Account is used to finance the operations and delivery of education at the Sandys Secondary Middle School, which was established by the <i>Sandys Secondary School Act 1950</i>. It is an aided school by the Government under the <i>Education Act 1996</i>.</p>						

Status of implementation in management's opinion	Definition
Fully implemented	Recommendation was adopted, imbedded in management process, with evidences/audit trail available
Partially implemented	Recommendation was partly adopted, imbedded in management process, with evidences/audit trail available
No action taken	Recommendation was not adopted, with specific reason
Alternative action taken	Recommendation was not adopted, however alternative action was implemented, with evidences/audit trail available

Observation	Recommendation	Status of implementation in management's opinion	Describe actions plan and timing; actions taken; results; reasons for status
Challenge in obtaining financial statements and accompanying notes.	#1 - Immediate action should be taken to address the deficiencies in the accounting records and controls of SSMCGA.	Fully implemented	The management and Board do understand the importance of carrying out each audit on a timely basis & agree with the observation provided. The proper measures, which consists of management providing financial statements that are accurately prepared and are reviewed by the treasurer each year, on March 1 in preparation for the yearly audit. These files will be readily available for the auditors use by the end of June 30.
Non-compliance with the Usage of Aided Schools Grants policy and The Education Act 1996, section 21 which required preparation for audit of the Capitation Grant Account no later than June 30th each year.	#2 -Comply with policy governing use of aided school grants and legislation.	Fully implemented	The management and Board do understand the importance of carrying out each audit on a timely basis & agree with the observation provided. The proper measures, which consists of management providing financial statements that are accurately prepared and are reviewed by the treasurer each year, on March 1 in preparation for the yearly audit. These files will be readily available for the auditors use by the end of June 30.

APPENDIX I - Summary of audit opinions

The entities in this report had the following audit opinions (see Figure 5)

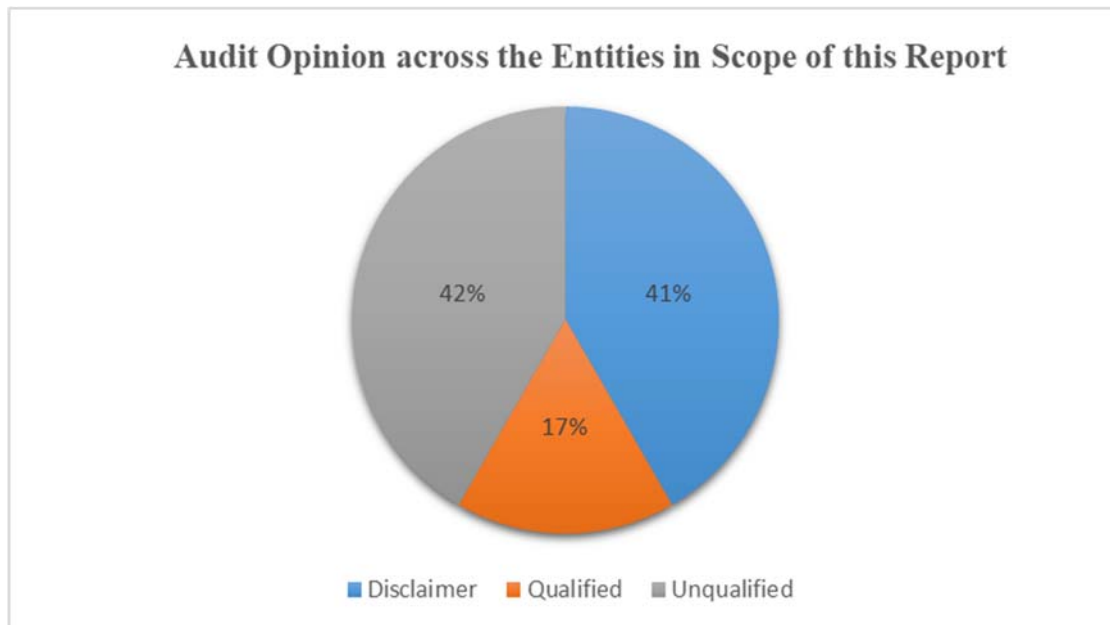


Figure 5 Audit Opinion

TYPES OF AUDIT OPINIONS:

1. Unqualified / Unmodified (Clean) Opinion

The auditor shall express an unmodified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

2. Qualified Opinion

The auditor shall express a qualified opinion when:

- (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or
- (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

APPENDIX I - Summary of audit opinions (continued)

3. Adverse Opinion

The auditor shall express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

4. Disclaimer of Opinion

The auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. In addition, the auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

APPENDIX II – Assets Entrusted and Liabilities Owed

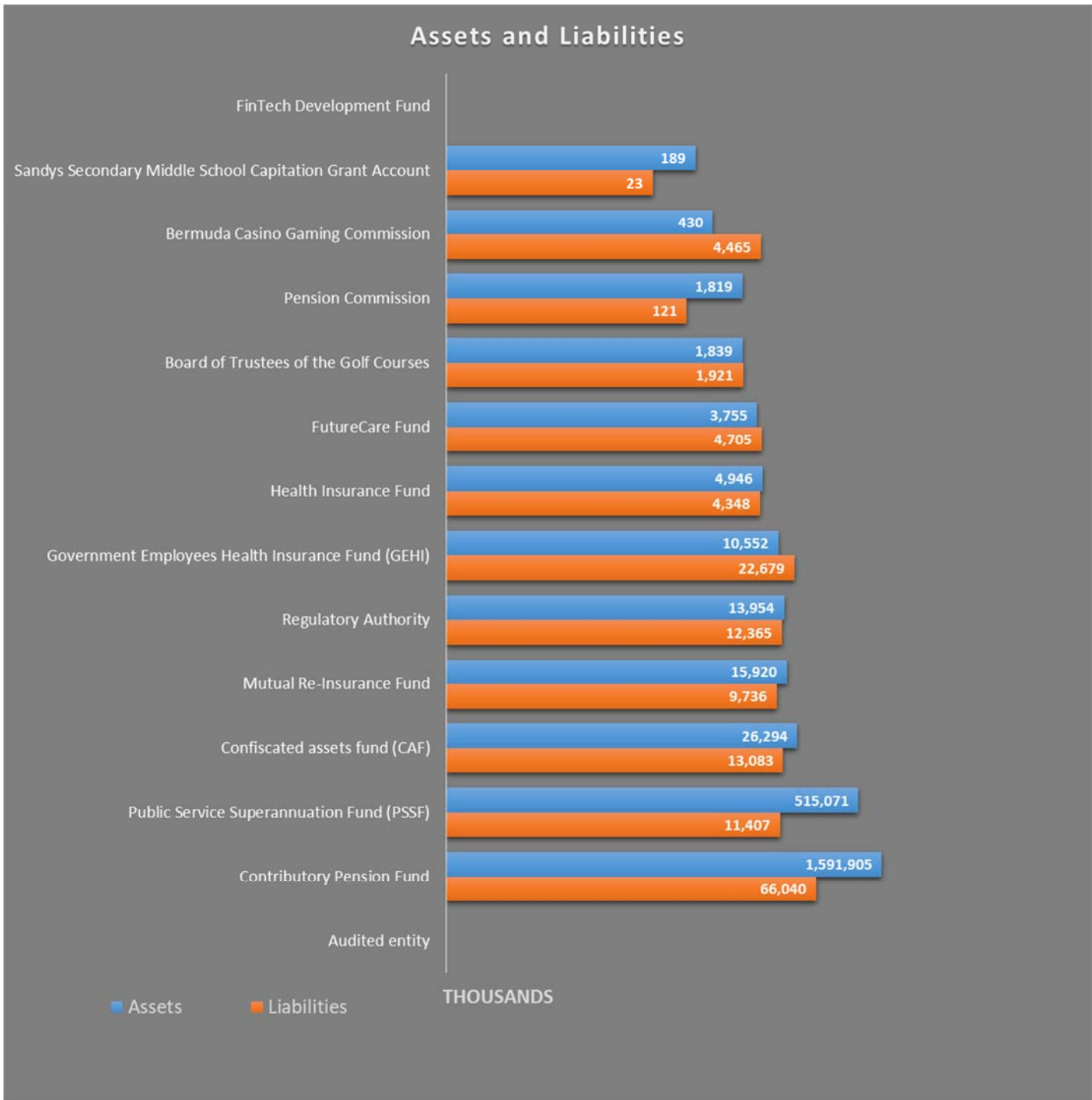


Figure 6 Assets and liabilities component within entities in scope

APPENDIX III – Audits in progress

1. 2015 The Berkeley Institute Capitation Grant Account
2. 2016 Ministers and Members of the Legislature Pensions Fund (MMLPF)
3. 2017 Trustees of the National Sports Centre
4. 2017 Government Borrowing Sinking Fund
5. 2019 Bermuda Economic Development Corporation
6. 2019 to 2023 Office of the Privacy Commissioner
7. 2021 Unemployment Insurance Fund
8. 2022 Bermuda Shipping and Maritime Authority [Finalized November 2024]