



GOVERNMENT OF BERMUDA

## **The Ministry of Finance**

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### **Ministry of Finance Headquarters**

**Ministerial Statement**  
To the House of Assembly  
**By**

**The Hon. E.T. Richards, JP, MP.**  
Minister of Finance

### **Consolidated Fund Financial Statements 2015**

**Date: 20 May, 2015**

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Mr. Speaker, I am pleased to table audited financial statements relating to the Consolidated Fund for the year-ended March 31, 2015.

As Honourable Members are aware the Consolidated Fund is the general operating fund of the Bermuda Government and is the Fund through which Government conducts the majority of its transactions. The Consolidated Fund financial statements report the financial position, operations, change in net debt and cash flows resulting from the activities of the Government. This includes the accounts of the Senate, the House of Assembly, all Government departments and offices and all courts.

Mr. Speaker, I am pleased to note that the annual accounts of the Consolidated Fund of the Government of Bermuda were given an unqualified audit opinion for the third consecutive year following six years of qualified opinions. Despite the clean audit opinion, the Auditor General has, for the fifth consecutive year, included explanatory paragraphs as ‘other matters’ which she deems appropriate. These “other matters” relate to the following:

- The increased level of the net debt and the need for the Government of Bermuda to take concerted action to address it;
- Ongoing incidents of non-compliance with the Government of Bermuda’s Financial Instructions; and
- The preparation of Summary Financial Statements for the Bermuda Government.

It is important to note that these explanatory paragraphs do not alter the Auditor General’s unqualified opinion, but are highlighted matters. However, the Government shares the Auditor’s concerns in these areas and has already started to tackle these matters. For instance Mr. Speaker, the Ministry of Finance has already put in place a three-year plan to eliminate the deficit and ultimately reduce the debt.

Mr. Speaker, liabilities related to pension and other employee future benefits are included in the “Net Debt” amount disclosed in the Financial Statements and the Government has already started the review of these benefits to ensure their sustainability.

Also, I can report that the Cabinet Office and Ministry of Finance have collaborated to develop an enhanced Financial Instructions Training Programme. The key aim of this Programme is to raise awareness and understanding of Financial Instructions with a view to positively impacting compliance and reporting.

Mr. Speaker, with regard to the preparation of Summary Financial Statements for the Bermuda Government, the Ministry agrees there are benefits to issuing consolidated financial statements and Members will recall that legislation was passed in 2014 to create the reporting entity under which summary statements will be prepared.

Whilst legislative changes are required to effect consolidated reporting, they are simply one aspect of a complex approach that would be required to achieve this accounting objective. Accordingly, progress is being made on this important initiative, but it should be emphasised that consideration must be given to resources, accounting systems, management roles and other factors that are critical in the accomplishment of this task.

Mr. Speaker, the sign-off date for the completion of the audit was April 25<sup>th</sup> 2016. The Ministry's position is that the audited financials should be able to be completed within nine months of the March 31 year-end, and have instructed the Accountant General to work diligently with the Office of the Auditor General and new Auditor General to address the issues causing delays in issuing the annual accounts of the Consolidated Fund.

Some financial highlights of the [2015](#) Consolidated Fund Financial Statements are as follows:

The total revenue raised by the Consolidated Fund for fiscal 2014/15 was approximately \$903.7 million, representing an increase of \$19.8 million (2.2%) from fiscal 2013/14 total revenue of \$883.9 million. This exceeded original budget estimates by approximately \$2.0 million (0.2%). The most significant generators of revenues for fiscal 2014/15 were Payroll Taxes, accounting for \$326.9 million or 36.2% of total revenue (2014 - \$330.9 million or 37.4%) and Customs Duty, accounting for \$171.5 million or 19% (2014 - \$175.0 million or 19.8%). Total revenue on a modified cash basis (on the same basis that is shown in the Budget Book) was \$880.4 million (2014 - \$883.9 million), which was \$21.3 million less (2014 - \$12.7 million more) than original budget estimates.

Current expenses for fiscal 2014/15 were \$1.211 billion (2014 - \$1.267 billion). 2014 excluded the effect of a net gain on benefits plans amendments of \$214.1 million, which had the effect of reducing total expenses to \$1.053 billion for 2013/14. The 2013/14 net gain was primarily attributable to the elimination of the pensions' cost of living adjustment. The three largest components of current expenses were employee costs, grants and contributions and interest on debt. Total employee costs were \$567.1 million or 47.0% (2014 - \$594.8 million or 47.0%) of total expenses. Included in this amount is \$144.3

million (2014 - \$161.2 million) of non-cash retirement benefit expenses. Grants and contributions were \$296.4 million or 24.5% (2014 - \$287.0 million or 22.7%) and interest on debt was \$113.2 million or 9.3% (2014 - \$109.7 million or 8.7%).

Total current expenditure on a modified cash basis (on the same basis that is shown in the Budget Book) was \$1.094 billion (2014 - \$1.118 billion), which was \$12.7 million less (2014 - \$180 thousand less) than the original budget estimates of \$1.107 billion.

Mr. Speaker total capital account cash expenditure was \$49.8 million, which was \$12.2 million lower than the original budget estimates.

Total capital and current account cash expenditure for 2014/15 was \$1.144 billion, which was \$24.8 million or 2.1% lower than the original budget estimate of \$1.169 billion.

The all-inclusive [results from government operations \(both current and capital\) for the year ending March 31, 2015, were](#) a deficit of \$324 million. There are many non - cash expenses included in this figure. If we strip those away, the modified cash all-inclusive results from government operations (on the same basis that is shown in the Budget Book) was a deficit of \$263.8 million. This compares to a deficit of \$267.3 million that was originally budgeted. Therefore, the actual overall deficit was down by \$3.5 million or 1.3% when compared to the original estimate. The decreased deficit is-a result of better management of discretionary current and capital expenditures.

Cash and cash equivalents at the end of fiscal 2014/15 totaled \$39.4 million which was \$17.6 million higher than the balance at the end of 2013/14.

Mr. Speaker, net Public Debt, which excludes guarantees and is net of the Government Borrowing Sinking Fund, increased by \$281.2 million during fiscal 2014/15 and stood at \$2.050 billion at the end of the year representing a 15.9% increase. There was no new borrowing in 2014/15. The 2014/15 deficit was financed by drawing funds from the Sinking Fund. As at March 31, 2015 the Sinking Fund balance was \$135.7 million.

The level of debt mentioned above is not only unsustainable but economically and fiscally imprudent and the Government has already committed to redouble our efforts and determination to eliminate the government deficit in three years, and eventually pay down on our debt.

Mr. Speaker, the statements of the Consolidated Fund provide valuable information on the financial position of the Government and I would encourage the public to examine these statements.

Thank you Mr. Speaker

May 15, 2015