

BERMUDA PUBLIC ACCOUNTABILITY BOARD

FINANCIAL STATEMENTS

MARCH 31, 2024



Bermuda Public Accountability Board (BPAB)
The Rosebank Building, 2nd floor
12 Bermudiana Road, Hamilton HM 11
Website: <http://bpab.bm>
Email: info@bermudapab.com

Management's Responsibility for the Financial Statements

These financial statements have been prepared by management, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgments, where appropriate.

Management is responsible for maintaining a comprehensive system of financial management and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislation, assets are safeguarded, and reliable financial records are properly maintained and available on a timely basis.

The Directors of the Bermuda Public Accountability Board (the "Board") are responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Board also reviews the financial statements before approval. The financial statements have been approved by the Board and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.

A small, stylized signature of Michelle Seymour-Smith in black ink, positioned above a horizontal line.

Michelle Seymour-Smith
Chair

A handwritten signature of Wanda Mwaura in blue ink, positioned above a horizontal line.

Wanda Mwaura
Executive Director

Date: September 19, 2024

Date: September 19, 2024



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Opinion

I have audited the financial statements of the Bermuda Public Accountability Board, which comprise the statement of financial position as at March 31, 2024, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Public Accountability Board as at March 31, 2024, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Bermuda Public Accountability Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the Bermuda Public Accountability Board's Annual Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information appears to be materially misstated. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Bermuda Public Accountability Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bermuda Public Accountability Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bermuda Public Accountability Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bermuda Public Accountability Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bermuda Public Accountability Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bermuda Public Accountability Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of our auditor's report.

Hamilton, Bermuda
September 19, 2024



Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA PUBLIC ACCOUNTABILITY BOARD

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2024

	2024	2023
	\$	\$
FINANCIAL ASSETS		
Cash	226,114	234,990
Contribution revenue receivable (note 3)	75,000	-
Other receivable	210	-
Deposit for office lease (note 4)	<u>-</u>	<u>2,500</u>
	<u>301,324</u>	<u>237,490</u>
LIABILITIES		
Accounts payable and accrued liabilities (notes 4 & 7)	57,553	2,963
Deferred revenue (notes 4 & 8)	<u>-</u>	<u>13,750</u>
	<u>57,553</u>	<u>16,713</u>
NET FINANCIAL ASSETS	<u>243,771</u>	<u>220,777</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	166	498
Prepaid expenses	<u>838</u>	<u>1,666</u>
	<u>1,004</u>	<u>2,164</u>
ACCUMULATED SURPLUS	<u>244,775</u>	<u>222,941</u>

CONTRACTUAL OBLIGATION (Note 8)

The accompanying notes are an integral part of these financial statements

BERMUDA PUBLIC ACCOUNTABILITY BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
MARCH 31, 2024

	2024	2024	2023
	\$	\$	\$
	Budget	Actual	Actual
	(Note 12)		
REVENUES			
Government grants (note 3)	300,000	300,000	300,000
Inspection fees (note 3)	50,000	32,628	56,414
Donated audit services	6,000	25,200	14,000
Registration fees (note 3)	20,000	25,000	25,000
	<u>376,000</u>	<u>382,828</u>	<u>395,414</u>
EXPENSES (note 4)			
Professional fees	381,900	340,855	416,306
General administration	51,194	20,139	25,334
	<u>433,094</u>	<u>360,994</u>	<u>441,640</u>
ANNUAL SURPLUS (DEFICIT)	<u>(57,094)</u>	21,834	(46,226)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>222,941</u>	<u>269,167</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>244,775</u>	<u>222,941</u>

The accompanying notes are an integral part of these financial statements

BERMUDA PUBLIC ACCOUNTABILITY BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
	\$	\$
ANNUAL SURPLUS (DEFICIT)	21,834	(46,226)
Amortization of tangible capital assets	332	819
Change in prepaid expenses	828	(1,392)
CHANGE IN NET FINANCIAL ASSETS	22,994	(46,799)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	220,777	267,576
NET FINANCIAL ASSETS, END OF YEAR	243,771	220,777

The accompanying notes are an integral part of these financial statements

BERMUDA PUBLIC ACCOUNTABILITY BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	21,834	(46,226)
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	332	819
	<u>22,166</u>	<u>(45,407)</u>
Changes in non-cash working capital:		
Increase in contribution revenue receivable	(75,000)	-
Increase in other receivable	(210)	-
Decrease in deposit for office lease	2,500	-
Decrease (increase) in prepaid expense	828	(1,392)
Increase (decrease) in accounts payable and accrued liabilities	54,590	(1,536)
(Decrease) increase in deferred revenue	<u>(13,750)</u>	<u>4,583</u>
NET DECREASE IN CASH	(8,876)	(43,752)
CASH, BEGINNING OF YEAR	<u>234,990</u>	<u>278,742</u>
CASH, END OF YEAR	<u>226,114</u>	<u>234,990</u>

The accompanying notes are an integral part of these financial statements

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

1. AUTHORITY

The Bermuda Public Accountability Board (“BPAB”) was established under the Bermuda Public Accountability Act 2011 (the “Act”) as a body corporate, having perpetual succession and a common seal. BPAB commenced operations on August 1, 2012.

Under the Act, BPAB was granted powers to carry out independent supervision of public accountants who perform audits of Public Interest Entities (“PIEs”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada, BPAB is classified as an “other government organization”.

Significant accounting policies are discussed below.

(a) Basis of presentation

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada and have been prepared on a going concern basis (see Note 5).

(b) Cash

Cash represents cash on deposit with one financial institution that can be withdrawn without prior notice or penalty.

(c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current period and are not intended for sale in the normal course of operations.

(d) Tangible capital assets and amortization

Tangible capital assets are initially recorded at cost, which is the amount of consideration paid to acquire the asset. A tangible capital asset is amortized over its useful life which is the estimated period over which the asset is expected to be used in the ordinary course of operations. Tangible capital assets are subsequently measured at a net carrying amount representing cost less accumulated amortization. Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the value of future

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Tangible capital assets and amortization (continued)

economic benefits associated with a capital asset is less than its net book value. A write-down for impairment is recognized if the net carrying amount is less than the estimated net recoverable value. Impairment provisions are determined on a specific identification basis and are recognized in the statement of operations and accumulated surplus when determined.

(e) Lease

A lease for rental of office space is classified as an operating lease. Contractual lease payments are expensed, net of rental income received for sharing of office space, where applicable, evenly over the term of the lease.

(f) Financial instruments

Financial instruments consist of cash, contribution revenue receivable, other receivable and accounts payable and accrued liabilities. These financial instruments are measured at cost based on the consideration receivable or payable.

Write-downs on financial assets are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Such a write-down is recognized in the statement of operations and accumulated surplus in the period the loss arises.

(g) Management uncertainty

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue recognition

Revenues derived from registration fees are recognized upon issuance of the certificate of registration once the fees are received and registration process is completed.

Revenues derived from inspection or investigation fees are recognized in the year in which the inspection or investigation activity occurred that gave rise to the revenues to the extent the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Revenues derived from cash contributions in the form of government grants that are unrestricted, and available to fund operations of the current and/or future periods, are recognized based on the amount of cash received or receivable.

Revenues derived from government cash contributions with externally imposed restrictions are recognized as revenue in the year the restrictions are fulfilled and deferred where such restrictions remain unfulfilled.

(i) Donated services

Donated services are recognized to the extent an estimate of the fair value of such services can be made. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Such amount is included within expenses with a corresponding amount included in revenues as donated services in the year in which the services are provided.

(j) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are stated at their cost. BPAB recognizes a provision if a present obligation has arisen as a result of a past event, payment is probable, and the amount can be measured reliably. Accrued liabilities are recognized based on the best estimate of the expenditure required to settle the present obligation at the statement of financial position date, representing the amount BPAB would rationally pay to settle the obligation to a third party.

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Prepaid expenses

Prepaid expenses represent the amounts related to subscriptions and licenses expensed in the subsequent year end.

(l) Expenses

Expenses are recognized on an accrual basis when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration paid or payable.

Expenses are classified as either Professional fees or General administration. Professional fees primarily represent expenses incurred for services performed during the year by individuals or entities as well as professional development and membership fees. Fees paid are based on an agreed rate per hour basis or fixed amount agreed between BPAB and the party providing the service. General administration expenses represent all other expenses incurred during the year in the ordinary course of operations.

(m) Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Bermuda dollars, BPAB's functional currency, at the prevailing exchange rates on the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rates prevailing on the period-end date. Foreign exchange gains and losses arising on the settlement of such transactions are included in the statement of operations and accumulated surplus.

(n) Adoption of Public Sector Accounting Standards

There were no new accounting standards that were adopted during the year and no newly issued accounting standards yet to be adopted that have had, or expected to have, a significant impact on BPAB's accounting or disclosures.

3. REVENUES

BPAB derives its revenue primarily from government grants as well as registration fees and reimbursement from the PIE public accountant firms of expenditures incurred in carrying out inspections or investigations.

Revenues derived from registration fees during the years ended March 31, 2024 and 2023 of \$25,000 per year, represents fees of \$5,000 received for annual registration from each of the five PIE public accountant firms.

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

3. REVENUES (continued)

Revenues derived from government grants during the years ended March 31, 2024 and 2023 represents \$300,000 per year received in cash to support ongoing activities in the normal course of operations. Contribution revenue receivable at March 31, 2024 represents \$75,000 (2023 - \$Nil) due from the Bermuda Government's Ministry of Finance as the government grant funding related to the quarter ended March 31, 2024 was received April 10, 2024.

Revenues derived from inspection fees amounted to \$32,628 and \$56,414 during the years ended March 31, 2024 and 2023, respectively.

4. EXPENSES BY OBJECT

BPAB is reliant on funding from the Government of Bermuda's Ministry of Finance to fund obligations as they come due for expenditures that are not covered by registration fees (see Note 5).

Expenses incurred for inspections and investigations are reimbursable from the PIE public accountant firms.

The following is a summary of expenses by object.

	2024	2023
	\$	\$
Professional fees		
Employment costs (notes 7 & 9)	164,822	164,608
Compliance Committee members' fees	62,357	62,500
Inspection fees (note 7)	32,628	56,414
Directors' fees	32,556	67,500
Donated audit services	25,200	14,000
Consulting fees – general (note 7)	21,500	48,800
Website maintenance costs (note 7)	992	1,498
Professional development and membership fees	800	986
	<u>340,855</u>	<u>416,306</u>

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

4. EXPENSES BY OBJECT (continued)

	2024	2023
	\$	\$
General administration		
Office space rent (note 8)		
Lease rental fees	28,750	30,000
Less: rental income for shared office space	(13,750)	(10,416)
	15,000	19,584
Utilities – internet and phone service	1,837	1,864
Technology – subscriptions & license fees	1,690	1,956
Advertising costs	661	343
Bank charges	550	603
Amortization of tangible capital assets	332	819
Office supplies	69	15
Stamp duty	-	150
	20,139	25,334
 Total Expenses	 360,994	 441,640

Accounts payable and accrued liabilities at March 31, 2024 included \$13,064 (2023 - \$Nil) net compensation for one month due to the executive director and \$1,036 (2023 - \$2,788) due to the executive director for expenses paid on behalf of BPAB.

Compliance committee fees of \$11,194 (2023 - \$Nil) and director fees of \$6,959 (2023 - \$Nil), net of payroll tax withheld, were payable for the quarter ended March 31, 2024. These liabilities were settled within one month subsequent to year end.

In exchange for sharing office space, BPAB received \$15,000 in rental income in March 2023. Of that amount, \$13,750 was unearned as of March 31, 2023, and earned during the year ended March 31, 2024. The related lease and sublease agreements were not renewed upon expiry on February 29, 2024 and the deposit paid at the inception of the initial lease was applied and expensed as the final rent payment due to the landlord under the lease agreement for the month of February 2024 (see note 8).

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

5. ECONOMIC DEPENDENCE

BPAB is economically dependent upon legislated funds provided by the Government to fund its daily operations, cash flow and capital acquisitions. BPAB's ability to continue as a going concern and discharge its liabilities in the normal course of business is dependent upon the continued support of the Government.

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets held for use in the ordinary course of operations, or for administrative purposes, represent computer hardware purchased in 2020 at a cost of \$1,462 and in 2022 at a cost of \$996, amortized over their estimated useful life of three years. The accumulated amortization as at March 31, 2024 and 2023 amounted to \$2,292 and \$1,960, respectively. See Note 4 for amortization expense recorded during the years ended March 31, 2024 and 2023.

7. RELATED PARTY TRANSACTIONS

BPAB is related to all Government of Bermuda ministries ("Government"), departments, agencies, funds and quasi-autonomous non-governmental organizations under the common control of the Government. BPAB is also related to organizations that the Government jointly controls or significantly influences. BPAB enters into transactions with the Ministry of Finance for funding of BPAB's activities in the normal course of operations. Such transactions are measured at the amount of consideration established and agreed in advance as government funding.

BPAB as a government entity is exempt from employer portion payroll tax in Bermuda; however, BPAB is obligated to ensure payroll tax is paid on the employee portion of payroll tax related to compensation paid to its executive and non-executive directors and compliance committee members. In this respect, BPAB withholds payroll tax from each of its executive and non-executive directors and compliance committee members and submits such payments to the Government's payroll tax department when filing payroll tax returns on a quarterly basis. Accounts payable and accrued liabilities at March 31, 2024 and 2023 included \$2,633 and \$2,963, respectively, of payroll tax payable withheld from payments to its executive and non-executive directors and compliance committee members which was paid within the Government required 15 days after quarter end.

BPAB funds 50% of social insurance premiums to match contributions paid by its employee under the Government's social insurance program. As a result, for each of the years ended March 31, 2024 and 2023, BPAB paid and expensed \$1,868 per year in employment costs (see note 4) representing the employer portion of social insurance required to be paid per year.

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

7. RELATED PARTY TRANSACTION (continued)

During the years ended March 31, 2024 and 2023, the Executive Director was remunerated for services performed outside of her role as Executive Director. Total costs amounted to \$23,900 (2023 - \$67,800) and were comprised of consulting fees of \$21,500 (2023 - \$48,800), inspection fees of \$2,400 (2023 - \$18,400) and website maintenance costs of \$Nil (2023 - \$600) (see note 4). The consulting fees for 2024 include consulting fees payable at March 31, 2024 of \$20,700 related to a legislation and practices review in preparation for consultation with the profession and future changes to BPAB's legislation and practices. The consulting fees for 2023 included \$48,000 related to reassessments of Bermuda's audit oversight regime for equivalence by the United Kingdom's Financial Reporting Council and the Swiss Federal Audit Oversight Authority in addition to a review by the International Forum of Independent Audit Regulators related to BPAB's application for membership.

BPAB did not have any other significant related party transactions for the years ended March 31, 2024 and 2023.

8. CONTRACTUAL OBLIGATION

Contractual obligations are commitments entered into under contracts or agreements representing amounts that will become liabilities in the future. BPAB has entered into a contractual obligation with respect to a three-year sublease agreement that commenced March 1, 2024 whereby BPAB agreed to share the office space, including utilities, at 14 Bermudiana Road, 2nd floor, Hamilton HM 11 for an expense of \$1,250 per month. The one-year lease previously entered into by BPAB directly with the landlord for an expense of \$2,500 per month, and the related one-year sub-lease agreement to share such office space for \$1,250 per month sub-lease revenue, were not renewed upon expiry on February 29, 2024 (see note 4).

9. POST EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

During the years ended March 31, 2024 and 2023, BPAB contributed \$7,500 per year, representing 5% of salary to match the contribution paid by the employee to a defined contribution pension plan (see note 4).

The terms of the Employment Agreement entered into between BPAB and the employee provides for sick leave and annual vacation leave under the terms of an Employment Agreement with the Executive Director. At March 31, 2024 and 2023, there was no liability for sick leave or annual vacation requiring accrual.

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

10. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of its risk management framework. BPAB manages its risks and risk exposures through sound business practices. The risks that BPAB is exposed to through its financial instruments at the reporting date of March 31, 2024 are as follows:

(a) Credit risk

Concentration of credit risk arises from cash held with one bank in Bermuda, contributions receivable from the Government's Ministry of Finance and other receivable. The maximum exposure to such credit risk is equal to the carrying value of these financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. It is the Board's opinion that BPAB is not exposed to significant credit risk. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure credit risk.

(b) Liquidity risk

Liquidity risk is the risk that BPAB will not be able to meet its financial obligations as they fall due. BPAB's objective in managing liquidity risk is to ensure that it will have sufficient funds to operate and meet its commitments to service providers, including in the conduct of inspection or investigation activity. In being able to meet its obligations as they come due, BPAB is able to avoid suffering damage to its reputation.

BPAB manages exposure to liquidity risk by collecting timely from PIE public accountant firms' registration fees and reimbursement for inspection costs incurred. BPAB closely monitors cash flow needs related to accounts payable and accrued liabilities for obligations to service providers ensuring government grant funding is in place to fund obligations as they come due. The expected cash flows required to settle accounts payable and accrued liabilities are current. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure liquidity risk.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the carrying value of recognized assets and liabilities or future cash flows of BPAB's results of operations. BPAB has no significant exposure to market risk or currency risk and is currently not exposed to interest rate risk arising from financial instruments. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure market risk.

BERMUDA PUBLIC ACCOUNTABILITY BOARD

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2024

11. CAPITAL MANAGEMENT

BPAB's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. BPAB seeks to achieve this objective through the receipt of inspection fees, registration fees, and government grants enabling it to maintain an accumulated surplus. In doing so, BPAB maintains sufficient liquidity to meet its short-term obligations as they come due. BPAB is not subject to externally imposed capital requirements for general funds received to fund operations.

12. BUDGET

The final budget for the year ended March 31, 2024 was approved by the board of directors of BPAB on June 20, 2023 and by the Bermuda Government's Minister of Finance on July 17, 2023.

