



*Government of Bermuda*

Ministry of Economic Development and Tourism

**Ministerial Statement**

To the House of Assembly

by

**The Hon. Jamahl Simmons, JP, MP**

Minister of Economic Development and Tourism

**AUDIT OF THE BERMUDA TOURISM AUTHORITY  
FOR THE YEAR ENDING DECEMBER 31, 2016**

Friday, September 15<sup>th</sup>, 2017

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**Mr. Speaker,** I rise today to provide this Honourable House with the summary findings of the audit of the Bermuda Tourism Authority (the “Authority”) for the year ending December 31, 2016 that was presented to me shortly after becoming the Minister with responsibility for the Authority.

I must say that I was quite disturbed with its findings and the lack of accountability – of which I will highlight further in my Statement.

**Mr. Speaker,** in planning and performing the audit of financial statements of the Authority, the Auditor-General reviewed the accounting procedures and systems of internal controls to the extent that it was considered necessary to evaluate the system as required by generally accepted auditing standards.

During the course of the audit, thirteen (13) areas of improvements and the need for strengthened internal controls strengthened were identified. These include:

1. No evidence to support that either the Compensation and Remuneration Committee or the BTA Board ensured that the eligibility criteria for bonuses to the Executive Management team were met.
2. Performance appraisal forms of selected employees were not provided by the Authority. The personal component of the incentive bonus calculation

is based on the individual performance appraisal of the Authority's employees.

3. Lack of Board approval for 30% discretionary bonus to the former CEO.
4. Credit balance in accrued income. A payment was incorrectly posted as a credit instead of bad debt recovery.
5. Lack of signed contracts for services and sponsorships
6. Payments made prior to completion of milestones
7. Incomplete disclosures related to party transactions.
8. Revisions to new capitalization policy. The Authority's current policy does not contain requirements for asset identification numbers and regular verification of the register's contents.
9. Inconsistency in estimated useful lives. The Authority's financial statements estimate the useful lives of equipment at 3-5 years whereas the Authority's Master Financial Policy for depreciation is 5 years.
10. The former CEO of the Authority referred to it as a private sector organization in June 2016 Board minutes. The Authority is, in fact, a Public Authority.
11. In camera sessions of Board meetings. 12 of the 13 Board minutes for the year include in-camera sessions which are not recorded in the minutes.
12. The Audit and Risk Committee minutes of September 2016 confirmed that the Committee would meet every quarter. However, there were no meetings held for neither the last quarter of 2016 nor the first quarter of 2017.
13. Declaration of Interests by employees and potential employees. The Authority did not provide a response on whether they had received any declarations of interests from any employees and how this requirement is communicated to its employees.

**Mr. Speaker**, in response to the aforementioned items, the Auditor General submitted the following recommendations:

- For those charged with governance to perform their role in a responsible manner, minimally the Executive Management, bonus eligibility should be reviewed and approved. Accordingly, the Board should update its Governance Charter to ensure that there is proper oversight and review of incentive bonuses particularly, the Executive Management team.
- Given the discretionary nature of the incentive bonus awarded to the former CEO, the Board or the Compensation and Remuneration Committee should approve the bonus percentage awarded to the former CEO and document such approval in its minutes.
- The Board should ensure that the minutes of all meetings, including in-camera sessions are documented.
- Although the Authority has its own financial policies, the Government's Financial Instructions should form the minimum standard for financial controls in every QUANGO.
- The Audit and Risk Committee should comply with its policy.
- Management should:
  - o Follow its compensation philosophy and ensure the timely completion of the signed performance appraisals. Moreover, the Compensation and Remuneration Committee should **not** be approving the incentive bonuses prior to receipt of the completed performance appraisal forms.
  - o Correct misstatements in a timely manner.
  - o Ensure contracts are timely signed to manage any potential contract risk to the Authority.
  - o Ensure that the contract provisions are met **prior** to making any payments.
  - o Ensure compliance with all relevant disclosure requirements of Public Sector Accounting Standards, PSAS, when preparing its financial statements.

- Review and amend, if necessary, its depreciation policy, to ensure that it is implemented consistently.
- Comply with all the requirements of its Act.

**Mr. Speaker**, these observations do not highlight all points or suggestions for improvements to the system of internal control. It does, however, isolate problem areas so that corrective measures can be undertaken. I can report that the Bermuda Tourism Authority has acknowledged the issues raised in the report and have begun to implement these recommendations.

However, it is unfortunate that such measures had to be identified through the audit process for actions to be undertaken to improve the level of transparency within this organization.

**Mr. Speaker**, as Minister responsible for Tourism, I am obligated, to increase the accountability of the Bermuda Tourism Authority, develop a process for better monitoring the funds utilized by the BTA, while demanding a greater return on our investment. The findings of this audit are unacceptable and I will be monitoring the BTA closely to ensure higher standards of transparency and accountability from the organization.

To this end, my Ministry will be reviewing the updates relating to the items identified in this report and I will keep this Honourable House updated accordingly.

Thank you, **Mr. Speaker**.