

Internal Audit Report

DEPARTMENT OF ENVIRONMENTAL HEALTH

DEH OVERTIME REVIEW - *PHASE 1*

Audit Reference 1617-AAS18

FEBRUARY 2018



**INTERNAL
AUDIT SERVICE**

CAYMAN ISLANDS GOVERNMENT

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SECTION I. EXECUTIVE SUMMARY

1. Introduction

- 1.1. On November 27, 2017 the Chief Officer (CO) of the Ministry of Health, Environment, Culture and Housing (HECH) requested that the Internal Audit Service (IAS) review the circumstances that resulted in the Department of Environmental Health (DEH) grossly overspending its overtime (OT) budget. This overspend led to DEH fully exhausting its entire personnel budget by October 2017 and having to submit a request for additional funds, in the amount of CI\$2.442 million, in order to carry the department through to December 31, 2017. The request for additional funding was submitted to the CO via a memo dated October 30, 2017 and stated that DEH would “be unable to meet its monthly salary/wage related obligations to staff” without the extra funds.
- 1.2. Given the breadth of work that would need to be undertaken to ascertain the full set of circumstances that led to the overspend, coupled with the required timeline for submission of a preliminary conclusion, it was agreed with the CO that a phased approach would be adopted if necessary. It was agreed that the initial phase would be on management monitoring and reporting, and any subsequent phases would be scoped as necessary based upon the findings of the initial review.
- 1.3. The following objectives were agreed with the CO: To determine whether:
 - There are adequate monitoring processes in place to keep track of expenditure;
 - Variance analysis (budget vs. actual spend) is carried out in appropriate intervals;
 - Management reporting on expenditure and variances occurs and is timely; and
 - Management’s actions in response to management reports are appropriate and timely.

2. Scope/Limitations on Work Undertaken

- 2.1. The audit scope was limited to a review of management monitoring and reporting activities that occurred in FY2016/17.
- 2.2. The Assistant Director – Solid Waste was on required leave at the time of this review and consequently unable to access his work computer to provide evidence to support some of his claims.

3. Audit Methodology

- 3.1. We undertook the following steps during our review:

- Conducted interviews with key personnel, namely the Director – DEH, Assistant Director (Solid Waste) – DEH (ADSW), Finance Manager – DEH, HR Manager – DEH, Chief Financial Officer (CFO) – HECH, Deputy CFO (DCFO) – HECH and the CO – HECH;
- Reviewed the job descriptions, particularly the “Principal Accountabilities” for the abovenamed positions, with the exception of the job description for the CO;
- Perused the “Delegation to Act as Appointing Officer” memo;
- Reviewed DEH’s Overtime Policy and Procedures Manual;
- Reviewed applicable Laws and Regulations;
- Reviewed historical emails, memos, Funds Available Analysis (FAA) reports and other pertinent documents as forwarded to the IAS by the CO, Finance Manager, Director, ADSW, CFO and DCFO.

4. Audit Conclusion

4.1. The IAS concludes, based on the work undertaken and the evidence reviewed, that:

“The overtime overspend that occurred at DEH was the result of multiple failures and missed opportunities to report the issue across numerous roles and responsibilities within both the Department and the Ministry.

Ultimately, the Director of DEH had the responsibility of managing the approved budget, avoiding cost overruns and escalating concerns to the Ministry, all of which he substantially failed to do. At the Ministry level, the CO should have been agreeing and authorizing overtime for the Department and the CFO and DCFO should have been monitoring expenditure, budget variances and forecasts, and escalating concerns to the CO to ensure the Department was operating within the parameters of its approved budget; however, these responsibilities were not carried out as intended.”

4.2. Overall, we have made 6 recommendations to address the identified issues and related areas. All of these have been classified as high priority, thus warranting immediate action by the CO of HECH.



Andy Bonner

Director, Internal Audit Service
February 20th 2018

SECTION II. AUDIT RECOMMENDATIONS & MANAGEMENT RESPONSES

Recommendation	Management Responses
HIGH PRIORITY RECOMMENDATIONS	
<p>Recommendation 1</p> <p>The Chief Officer of HECH should assess the actual performance of the respective post holders in comparison to their principal accountabilities and determine the appropriate course of corrective and/or disciplinary action given the severity of the overtime matter.</p>	<p><i>Recommendation Accepted.</i></p> <p>Recommendation Owner: CO HEC&H</p> <p>Target implementation date: Q1 2018</p>
<p>Recommendation 2</p> <p>The Chief Officer should ensure that the holders of the named positions are appropriately trained to effectively carry out their principal accountabilities.</p>	<p><i>Recommendation Accepted.</i></p> <p>Recommendation Owner: CO HEC&H</p> <p>Target implementation date: Q1 2018 for training needs assessment. Once training needs are identified they will be scheduled accordingly.</p>
<p>Recommendation 3</p> <p>The Chief Officer of HECH should implement thresholds at which point it is mandatory for information to be further examined by the Ministry's CFO and DCFO, and reported/escalated to the CO. Similarly, thresholds should be implemented at the departmental level whereby they are required to escalate, with urgency, matters to the Ministry for review and decisive action.</p>	<p><i>Recommendation Accepted.</i></p> <p>Recommendation Owner: CO HEC&H</p> <p>Target implementation date: Q1 2018</p>
<p>Recommendation 4</p> <p>The Chief Officer of HECH should review, revise and reissue where necessary all delegations issued/in effect within the Ministry of HECH so as to ensure that the stipulations therein are adhered to by all parties.</p>	<p><i>Recommendation Accepted.</i></p> <p>Recommendation Owner: CO HEC&H with assistance from the HR Manager HEC&H</p> <p>Target implementation date: Q1 2018</p>

Recommendation	Management Responses
<p>Recommendation 5</p> <p>The Chief Officer or the Director of DEH, if provided with delegated authority, should ensure that an appropriate approval process that will facilitate proper oversight and budgetary control is instituted at DEH. Said approval process should directly align with whatever delegations are in place at the time to avoid further breaches.</p>	<p><i>Recommendation Accepted.</i></p> <p>Recommendation Owner: CO HEC&H</p> <p>Target implementation date: Q1 2018</p>
<p>Recommendation 6</p> <p>The CFO should make certain that any necessary reallocations are completed in a timely manner so as to ensure that output categories accurately reflect revenue and/or expenditure. As it relates specifically to the \$762K, the Chief Officer of HECH should arrange, via the CFO, for a Cabinet Paper to be prepared to reallocate the ERP funds from EVH 18 to EVH 4.</p>	<p><i>Recommendation Accepted.</i></p> <p><i>The Ministry submitted a Cabinet Paper for the additional / supplementary funding for the DEH prior to Dec 31 2017, and I believe that the funds will be allocated / reallocated across the outputs as required. This supplementary was approved by Cabinet as an "11(5)" supplementary, and Minister HEC&H will need to make a statement in the LA and the supplementary appropriation will ultimately form part of an overall CIG supplementary appropriation bill in the LA. So this recommendation has been accepted and effectively completed, though it won't be "fully" completed until the overall CIG supplementary appropriation bill for the 2016/17 financial period is tabled in the LA and considered by Finance Committee.</i></p> <p>Recommendation Owner: CFO HEC&H (with CO HEC&H)</p> <p>Target implementation date: Immediately</p>



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