



**2013/14
FOLLOW-UP**

Audit Report

JUNE 2014

**INTERNAL AUDIT UNIT
CAYMAN ISLANDS GOVERNMENT**

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2nd Floor, Government Administration Building, 133 Elgin Avenue, George Town, Grand Cayman, Cayman Islands
Telephone: (345) 949-6420

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I. EXECUTIVE SUMMARY

In accordance with the 2013/14 Audit Plan, a follow-up review was recently concluded across all Ministries, Portfolios, Statutory Authorities and Government Companies to evaluate the progress made by entities to implement outstanding Internal Audit recommendations.

As of March 7, 2014, there were 310 recommendations that remained outstanding from 52 audit reports that were issued from August 2008 to February 2014.

A total of 124 (40%) of those recommendations were finalized during this review:

- 100 that were reported by entities as being fully implemented and were verified as such by Internal Audit
- 24 that were assessed as no longer relevant due to changes in operating circumstances or because they were superseded by a recommendation in a subsequent audit.

The 186 recommendations that remain outstanding include 68 that were issued 3 or more years ago. For 54 of the 186 recommendations, management did not respond to our request for implementation updates.

Our analysis of the reasons provided by management for the non-implementation of the recommendations highlighted human resources and amendments to laws and regulations as the major factors contributing to the delays.

II. CONCLUSION

Taking into account the findings identified in this report and in line with the detailed results of our testing, our conclusion is that the entities have not demonstrated reasonable progress in implementing actions agreed to address outstanding Internal Audit recommendations.

It is imperative that the internal control deficiencies, which prompted the recommendations, be resolved as quickly as possible in order to minimize the risk of adverse consequences to the achievement of objectives. Internal Audit will continue to monitor recommendations until they are appropriately resolved.



Deloris Gordon
Director, Internal Audit

June 30, 2014

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III. INTRODUCTION

Background

Under the Public Management and Finance Law, the Internal Audit Unit reviews entities' management systems for efficiency, effectiveness and compliance with policies, procedures, laws and regulations. As part of our on-going reviews, one of our primary responsibilities is determining if entities take corrective or improvement action regarding agreed audit recommendations. These reviews, which are conducted annually, are geared toward verifying whether agreed audit recommendations have been fully implemented or are otherwise addressed as per our methodology.

Scope and Methodology

As of March 7, 2014, there were 343 audit recommendations being monitored by the Internal Audit Unit. However, the agreed implementation dates for 33 of those recommendations had not yet passed and were therefore considered out of the scope of this review.

The 2013/14 follow-up review covered 310 recommendations that were due from 52 of our audit reports with implementation dates ranging from July 2008 to March 2014. See **Schedule 1** for the full listing of audits covered in this follow-up review.

The 52 audits were conducted across 48 entities for which reports were issued between August 2008 and February 2014. Recommendations with dates for implementation not yet due will be followed up as part of the 2014/15 follow up review.

In addition, we are aware that implementation is a continuous process and for some recommendations that are reported as not implemented, implementation may have taken place subsequent to our audit testing. These will also be reported on during the 2014/15 follow up review.

The recommendation tracking process is facilitated by the TeamCentral Audit Issues Tracking System. This software is accessible by entities within the Government's network domain. We are presently working to have all public sector entities accessing this system as soon as possible. This will enhance the efficiency of the follow-up process and will allow all entities to provide implementation updates as soon as they occur.

The follow-up methodology included the following:

- Issued reminder emails to entities that have outstanding audit recommendations;
- Obtained written responses from management on the status of audit recommendations, including reasons for non-implementation, where necessary.
- Analyzed the results including conducting an aged analysis of the recommendations

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In order to assess the level of compliance as well as to test the effectiveness of the controls in place, verification testing was performed on recommendations that management¹ reported as being implemented. During the testing process, Internal Audit discussed and clarified findings and recommendations with management. Based on the results of our review, one of the following categories is assigned to describe the implementation status of each recommendation:

- **Implemented** – Our testing indicated that the recommendation has been fully implemented.
- **Management Accepts Risk** – Management has advised that the Internal Audit recommendation will not be implemented because management has accepted the risks of not doing so. (There were no recommendations in this category in the 2013/14 Follow-Up Review).
- **No Longer Relevant** – The Internal Audit recommendation is rendered no longer relevant due to any of the following reasons:
 - Changes in operating circumstances and/or management systems
 - The recommendation has been superseded by a recommendation in a subsequent audit
 - The entity has merged with another that already implemented that recommendation
 - The recommendation was addressed to a Ministry/Portfolio that is no longer responsible for the relevant entity. The recommendation is closed if the new Ministry/Portfolio has a similar outstanding recommendation or has already implemented that recommendation.
- **Not Implemented** - Our testing indicated that the recommendation was not fully implemented or there was insufficient information available to verify that the agreed actions were taken. Also included in this category are recommendations that were reported as not implemented and those for which an update was not provided.

¹ The head of an entity may delegate the updating of the TeamCentral database, but is responsible for approving that progress report. In accordance with Internal Audit's methodology, only the head of the entity has the capability to submit an 'implemented' status.

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IV. AUDIT FINDINGS

From our follow up review, we determined that 124 (40%) of the 310 past due recommendations were finalised. The breakdown of the implementation status of the audit recommendations by entity is detailed in **Schedule 2**; however, the following chart summaries the status of the 310 recommendations:

Recommendation Status	# of Recommendations	Percentage of Total
Implemented	100	32%
No Longer Relevant	24	8%
Management Accepts Risk	-	-
Not Implemented	186	60%
TOTAL	310	100%

We noted that 33 of 48 entities (69%) had implementation rates below 50% as shown in **Schedule 3**. In fact, 19 of those entities did not have any of their recommendations implemented since the last review. Furthermore, no response was received for 54 recommendations.

A graphical depiction of the total number of recommendations that were implemented during the review for each Ministry, Portfolio and SAGC as compared with their total in the review is shown in **Schedule 4**.

An ageing analysis of the recommendations that were not implemented during the 2013/14 Follow-Up Review is shown in **Schedule 5**. From this analysis, the following was determined:

- 38 of 48 (79%) entities followed-up have recommendations that were not implemented
- 68 of 186 (37%) of the outstanding recommendations are 3 or more years old
- 23 of the 48 (48%) entities account for the recommendations that have been outstanding for 3 or more years

Entities were asked to submit the reasons for the non-implementation of recommendations as a part of their status updates. However, specific reasons were provided for only 44 (24%) of the recommendations. Our analysis of those responses determined that the following factors contributed to the implementation delays:

- **Human Resources:** There is a lack of adequate staff/capabilities to perform the actions needed to implement the recommendations.
- **Law/Regulations:** There are laws or regulations that need to be developed or amended.
- **Inter-Agency Co-Operation:** There is a need for multi-agency cooperation in order to fully implement the recommendation.
- **Budget:** Financial resources are needed in order to implement the recommendations, ie procurement of computer software (upgrades) and hardware (replacement)

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The following table summarizes the breakdown of factors for non-implementation as provided by entities:

Factors	Quantity	%
Human Resources	26	59%
Law/Regulations	10	23%
Inter-Agency Co-Operation	4	9%
Budget	4	9%
Total	44	100%

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SCHEDULE 1 – List of Audits Included in This Review

Project Quantity	Project Codes	Report Issue Date	Entity	Ministry/Portfolio/SAGC
1	0708-16	13-Aug-08	All Ministries & Portfolios	All Ministries & Portfolios
2	0809-06	6-Apr-09	All Ministries & Portfolios	
3	0809-11	11-Dec-09	All Ministries & Portfolios	
4	0910-01	2-Mar-10	All Ministries & Portfolios	
5	0910-02	4-Sep-09	All Ministries & Portfolios	
6	1011-03	5-Aug-11	All Ministries & Portfolios	
7	1112-07	27-Nov-13	All Ministries & Portfolios	
8	1213-12	24-Feb-14	Radio Cayman	Cabinet Office
9	0809-08	6-Oct-09	CAL	Cayman Airways Ltd. (CAL)
10	1011-01	23-May-11	CIMA	Cayman Islands Monetary Authority (CIMA)
11	0809-09	24-Sep-09	CINICO	Cayman Islands National Insurance Company Ltd. (CINICO)
12	0910-05	23-May-10	Cayman Turtle Farm	Cayman Turtle Farm Ltd.
13	1213-03	1-May-13	Elections Office	Deputy Governor's Office
14	0910-03	18-Jun-10	HSA	Health Services Authority (HSA)
15	0910-06	30-Jun-11	HSA	
16	1011-09	7-Mar-12	ICTA	Information & Communications Technology Authority (ICTA)
17	0809-02	10-Feb-09	Judicial Admin	Judicial Administration
18	1213-10	1-Aug-13	Judicial Admin	
19	1011-11	27-Jul-12	Tourism	Ministry of District Administration, Tourism & Transport (DAT&T)
20	1213-07	28-Nov-13	Tourism	
21	1011-05	25-Jul-11	Education Council	Ministry of Education, Employment & Gender Affairs (EE&GA)
22	1011-08	17-Jul-12	Education Services	
23	0910-08	17-Mar-10	Customs	Ministry of Finance & Economic Development (F&ED)
24	1213-13	6-Nov-13	Treasury	
25	1213-09	12-Feb-14	Commerce and Investment	Ministry of Financial Services, Commerce & Environment (FSC&E)
26	1213-11	27-Feb-14	General Registry	
27	0910-13	28-Sep-10	Liquor Licensing Unit	
28	0809-04	6-Aug-10	Environmental Health	Ministry of Health, Sports, Youth & Culture (Ministry of HSY&C)
29	0910-04	9-Feb-10	Children and Family Services	Ministry of Home & Community Affairs - Community Affairs (H&CA - CA)
30	1112-06	24-Oct-13	Ministry of CA Admin	
31	0809-01	3-Feb-09	Ministry of CA Admin	
32	0708-05	3-Apr-09	Computer Services	Ministry of Home & Community Affairs - Home Affairs (H&CA - HA)
33	0910-11	4-Mar-11	Computer Services	
34	0910-15	23-Feb-11	Immigration	
35	1213-14	27-Nov-13	Immigration	
36	1213-04	29-May-13	Ministry of HA Admin	
37	0809-05	25-Aug-09	OFTEL	
38	1112-04	25-Jul-12	Prisons	
39	0910-09	20-Jul-10	Police	

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Project Quantity	Project Codes	Report Issue Date	Entity	Ministry/Portfolio/SAGC
40	1011-13	20-Jul-12	Agriculture	Ministry of Planning, Lands, Agriculture, Housing & Infrastructure (PLAH&I)
41	1213-15	20-Feb-14	Agriculture	
42	1213-02	29-May-13	Lands and Survey	
43	0809-10	4-Sep-09	Petroleum Inspectorate	
44	0708-15	21-Aug-08	Planning	
45	1112-05	20-Nov-13	Postal Services	
46	1011-02	14-Dec-10	Vehicle and Drivers' Licensing	
47	0708-13	3-Mar-09	Vehicle and Equipment Services	
48	1213-06	3-Jun-13	Vehicle and Equipment Services	
49	0809-07	14-May-09	NHDT	National Housing Development Trust (NHDT)
50	0910-14	16-Feb-11	PSPB	Public Service Pensions Board (PSPB)
51	1011-06	9-Dec-11	SIAHDC	Sister Islands Affordable Housing Development Corporation (SIAHDC)
52	1011-04	7-Apr-11	UCCI	University College of the Cayman Islands (UCCI)

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SCHEDULE 2 – Implementation Status of Audit Recommendations (ISOAR)

Min/Port/SAGC	Agency	Total in Team/Central	Not Due For Implementation	Total In This Review	Implemented (1)	Management Accepts Risk (2)	No Longer Relevant (3)	Not Implemented (4)	Finalized (1) + (2) + (3)	** Not Implemented as of Mar-07-14 (4)
Cabinet Office	Cabinet Admin Radio Cayman	1 9	- -	1 9	- -	- -	1 -	- 9	1 -	- 9
Deputy Governor's Office	Elections Office	7	-	7	7	-	-	-	7	-
Judicial Administration	Judicial Admin	20	4	16	5	-	1	10	6	10
Ministry of District Administration, Tourism & Transport	Tourism	8	-	8	2	-	-	6	2	6
Ministry of Education, Employment & Gender Affairs	Ministry of EE&GA Admin Education Services	4 9	- -	4 9	1 6	- -	- -	3 3	1 6	3 3
Ministry of Finance & Economic Development	Min of F&ED Admin Customs Treasury	1 11 5	- - -	1 11 5	1 - 1	- - -	- 4 -	- 7 4	1 4 1	- 7 4
Ministry of Financial Services, Commerce & Environment	Ministry of FSC&E Admin Commerce and Investment Environment General Registry	4 10 4 5	- 6 - 3	4 4 4 2	- - 3 -	- - - -	- - - -	4 4 1 2	- - 3 -	4 4 1 2
Ministry of Health, Sports, Youth & Culture	Ministry of HSY&C Admin Environmental Health Mosquito Research and Control Unit	7 11 6	- - -	7 11 6	1 - 4	- - -	- 8 -	6 3 2	1 8 4	6 3 2
Ministry of Home and Community Affairs - Community Affairs	Ministry of CA Admin Children and Family Services	12 8	- 1	12 7	3 -	- -	1 -	8 7	4 -	8 7
Ministry of Home and Community Affairs - Home Affairs	Ministry of HA Admin Computer Services Hazard Management Immigration Police Prisons	28 4 3 14 3 13	4 - - - - -	24 4 3 14 3 13	5 2 - 3 3 12	- - - - - -	- - 3 - 1 -	19 2 - 11 2 1	5 2 3 3 1 12	19 2 - 11 2 1

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Mini/Port/SAC	Agency	Total In Team Central	Not Due For Implementation	Total In This Review	Implemented (1)	Management Accepts Risk (2)	No Longer Relevant (3)	Not Implemented (4)	Finalized (1)+(2)+(3)	** Not Implemented as of Mar-07-14 (4)	
Ministry of Planning, Lands, Agriculture, Housing & Infrastructure	Ministry of PLAH&I Admin Agriculture Lands and Survey Petroleum Inspectorate Planning Postal Services Public Works Vehicle and Drivers' Licensing Vehicle and Equipment Services	8	-	8	1	-	-	7	1	7	
		30	12	18	2	-	-	16	2	16	
		6	-	6	6	-	-	-	-	6	-
		7	-	7	1	-	-	6	1	1	6
		2	-	2	1	-	-	1	1	1	1
		13	2	11	1	-	-	10	1	1	10
		3	-	3	3	-	-	-	-	3	-
		1	-	1	1	-	-	-	1	-	1
		11	-	11	7	-	-	-	4	7	4
		2	-	2	-	-	-	1	1	1	1
		3	1	2	-	-	-	-	-	2	-
9	-	9	-	-	-	-	7	2	7		
2	-	2	-	-	1	-	1	1	1		
1	-	1	-	-	-	-	-	1	-		
2	-	2	-	-	-	-	-	2	-		
1	-	1	-	-	-	-	-	1	-		
16	-	16	-	-	10	-	1	11	5		
5	-	5	-	-	5	-	-	5	-		
5	-	5	-	-	2	-	1	3	2		
1	-	1	-	-	1	-	-	1	-		
3	-	3	-	-	-	-	-	3	-		
4	-	4	-	-	-	-	-	4	-		
1	-	1	-	-	-	-	-	1	-		
343	33	310	100	24	32%	8%	186	124	186		
									36%	54%	

** See the Aging Analysis in Schedule 5 on page 14.

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SCHEDULE 3 – Number of Recommendations Implemented During the Review

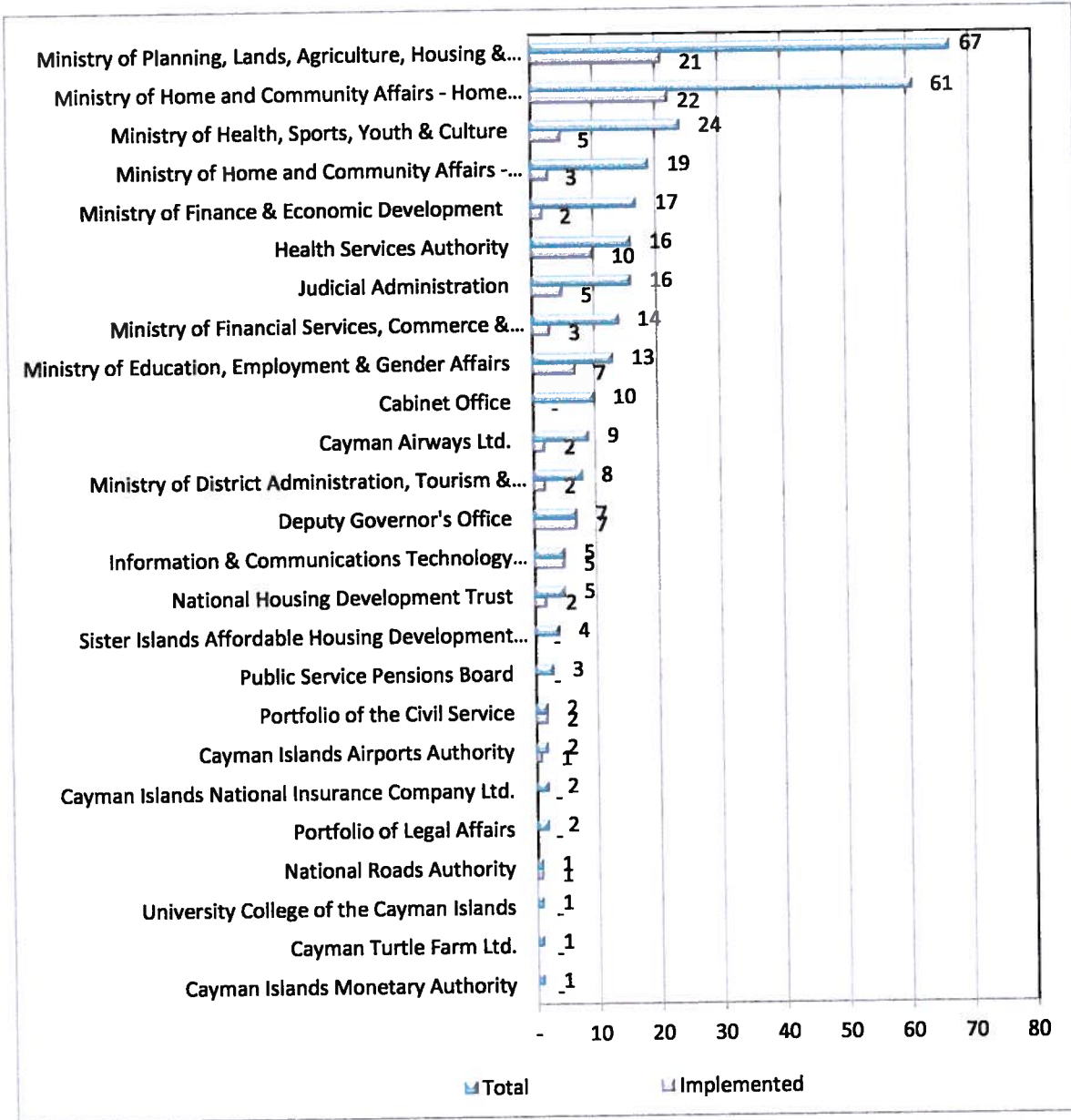
Agency	Total Recommendations	Implementation Rates	
		#	%
Elections Office	7	7	100%
Lands and Survey	6	6	100%
Information & Communications Technology Authority	5	5	100%
Public Works	3	3	100%
Portfolio of the Civil Service	2	2	100%
Min of F&ED Admin	1	1	100%
National Roads Authority	1	1	100%
Prisons	13	12	92%
Environment	4	3	75%
Education Services	9	6	67%
Mosquito Research and Control Unit	6	4	67%
Vehicle and Equipment Services	11	7	64%
Health Services Authority	16	10	63%
Computer Services	4	2	50%
Cayman Islands Airports Authority	2	1	50%
National Housing Development Trust	5	2	40%
Judicial Admin	16	5	31%
Ministry of CA Admin	12	3	25%
Tourism	8	2	25%
Ministry of EE&GA Admin	4	1	25%
Cayman Airways Ltd.	9	2	22%
Immigration	14	3	21%
Ministry of HA Admin	24	5	21%
Treasury	5	1	20%
Ministry of HSY&C Admin	7	1	14%
Petroleum Inspectorate	7	1	14%
Ministry of PLAH&I Admin	8	1	13%
Agriculture	18	2	11%
Postal Services	11	1	9%
Cabinet Admin	1	-	0%
Cayman Islands Monetary Authority	1	-	0%
Cayman Islands National Insurance Company Ltd.	2	-	0%
Cayman Turtle Farm Ltd.	1	-	0%
Children and Family Services	7	-	0%
Commerce and Investment	4	-	0%
Customs	11	-	0%
Environmental Health	11	-	0%
General Registry	2	-	0%
Hazard Management	3	-	0%
Ministry of FSC&E Admin	4	-	0%

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Agency	Total Recommendations	Implementation Rates	
		#	%
Planning	2	-	0%
Police	3	-	0%
Portfolio of Legal Affairs	2	-	0%
Public Service Pensions Board	3	-	0%
Radio Cayman	9	-	0%
Sister Islands Affordable Housing Development	4	-	0%
University College of the Cayman Islands	1	-	0%
Vehicle and Drivers' Licensing	1	-	0%
TOTAL	310	100	32%

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SCHEDULE 4 – Recommendations: Total in Review Vs Implemented



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SCHEDULE 5 – Aging Analysis of the Past Due Recommendations as of March 7, 2014

Min/Port/SAGC	Agency	Total	Current (0 - 12 months)	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 6 years
Cabinet Office	Cabinet Admin	-	-	-	-	-	-	-
	Radio Cayman	9	9	-	-	-	-	-
Deputy Governor's Office	Elections Office	-	-	-	-	-	-	-
Judicial Administration	Judicial Admin	10	9	-	-	-	-	1
Ministry of District Administration, Tourism & Transport	Tourism	6	5	1	-	-	-	-
Ministry of Education, Employment & Gender Affairs	Ministry of EE&GA Admin	3	1	-	2	-	-	-
	Education Services	3	-	3	-	-	-	-
Ministry of Finance & Economic Development	Min of F&ED Admin	-	-	-	-	-	-	-
	Customs Treasury	7 4	- 1	- -	4 -	- 3	3 -	- -
Ministry of Financial Services, Commerce & Environment	Ministry of FSC&E Admin	4	-	-	-	4	-	-
	Commerce and Investment Environment	4 1	4 -	- -	- 1	- -	- -	- -
	General Registry	2	2	-	-	-	-	-
Ministry of Health, Sports, Youth & Culture	Ministry of HSY&C Admin	6	3	-	-	-	2	1
	Environmental Health Mosquito Research and Control Unit	3 2	- -	- -	- 2	- -	3 -	- -
	Ministry of CA Admin	8	8	-	-	-	-	-
Ministry of Home and Community Affairs - Community Affairs	Children and Family Services	7	1	-	-	-	6	-
Ministry of Home and Community Affairs - Home Affairs	Ministry of HA Admin	19	2	15	-	-	2	-
	Computer Services	2	-	-	-	-	-	2
	Hazard Management	-	-	-	-	-	-	-
	Immigration	11	5	-	-	6	-	-
	Police Prisons	2 1	- -	- 1	- -	- -	2 -	- -
Ministry of Planning, Lands, Agriculture, Housing & Infrastructure	Ministry of PLAH&I Admin	7	2	-	-	-	5	-
	Agriculture	16	8	8	-	-	-	-
	Lands and Survey	-	-	-	-	-	-	-
	Petroleum Inspectorate	6	-	-	-	-	6	-
	Planning	1	-	-	1	-	-	-
	Postal Services	10	10	-	-	-	-	-
	Public Works	-	-	-	-	-	-	-
Vehicle and Drivers' Licensing Vehicle and Equipment Services	1 4	- -	- 2	- -	1 -	- -	- 2	
Portfolio of Legal Affairs	1	-	-	-	-	1	-	
Portfolio of the Civil Service	-	-	-	-	-	-	-	

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Min/Port/SAGC	Agency	Total	Current (0 - 12 months)	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 6 years
	Cayman Airways Ltd.	7	-	-	-	-	7	-
	Cayman Islands Airports Authority	1	-	-	1	-	-	-
	Cayman Islands Monetary Authority	-	-	-	-	-	-	-
	Cayman Islands National Insurance Company Ltd.	2	-	-	-	-	2	-
	Cayman Turtle Farm Ltd.	1	-	-	-	-	1	-
	Health Services Authority	5	-	-	1	2	2	-
	Information & Communications Technology Authority	-	-	-	-	-	-	-
	National Housing Development Trust	2	-	-	-	-	-	2
	National Roads Authority	-	-	-	-	-	-	-
	Public Service Pensions Board	3	2	-	-	1	-	-
	Sister Islands Affordable Housing Development Corporation	4	-	-	4	-	-	-
	University College of the Cayman Islands	1	-	-	-	1	-	-
	TOTAL	186	72	30	16	18	42	8
		100%	39%	16%	9%	10%	23%	4%