



**MINISTRY OF HOME AND COMMUNITY AFFAIRS  
SEAMEN AND EX-SERVICEMEN BENEFITS' PROGRAM  
INTERNAL AUDIT REPORT**

**October 2013**

**INTERNAL AUDIT UNIT  
CAYMAN ISLANDS GOVERNMENT**

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## I. EXECUTIVE SUMMARY

Under the Public Management and Finance Law, the Internal Audit Unit (IAU) is required to review the management systems of all ministries, portfolios, statutory authorities and government companies.

In accordance with the 2012/13 audit plan, we recently concluded an audit of the administration of the Seamen and Ex-Servicemen Benefits'. This audit was scheduled based on concerns raised by senior management.

### Summary of Major Findings

During the audit, a number of control weaknesses were identified which impact negatively on the administration of the Seamen and Ex-Servicemen Benefits' Program. We have summarised the major audit findings along with recommendations and management responses for corrective actions geared towards improvement.

Findings	Recommendation	Management Response & Action
Beneficiaries were granted the Ex-Gratia benefits based on personal affidavits submitted rather than an independent certification of entitlement.	Reassess all beneficiaries who are currently benefiting from the Ex-Gratia Program to determine their entitlements; use means assessment test conducted by DCFS; and use independent means to verify eligibility.	The Chief Officer noted the recommendations but since this is a policy matter, the recommendation will be presented to the Honourable Minister with responsibility for Seamen and Ex-Servicemen Ex-Gratia Benefit for a policy decision to be made via Cabinet.
There was no formal system in place to periodically confirm the continued entitlement for the benefits.	In addition to the DCFS' assessment the Ministry should: <ul style="list-style-type: none"> <li>• Require recipients to complete a "Life and/or On Island Certificate" annually which should be certified by designated leaders within the community.</li> <li>• Verify beneficiary names against business license list from the Department of Commerce &amp; Investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Management has implemented the process of distributing Seamen Continuation Confirmation Certificates (SCCC).</li> <li>• The Ministry has actively coordinated with DCI since 2009 when the responsibility for the Seamen Ex-Gratia Benefit was transferred to it and will continue to do so moving forward.</li> <li>• Proactively advised those seamen beneficiaries at the Pines Retirement Home of the discontinuation of the seamen's benefit in accordance with the criteria.</li> </ul>
We did not see any evidence of approval of applications for a number of beneficiaries.	Ensure that approval sheets are retained and an effective record keeping system is in place in compliance with the Financial Regulations.	The recommendation was noted and the highlighted cases will be reviewed by 30 June 2014 under legal direction.


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Findings	Recommendation	Management Response & Action
The integrity of the data used to generate the benefits payroll is not assured	The Ministry should engage CSD to develop a monthly exception report highlighting changes that have been made to the payroll. This report should be reviewed by an independent officer.	The Ministry agreed and will liaise with CSD to develop an appropriate exception report which will be used for monitoring of the payroll monthly by an independent officer.

### Conclusion

It is our audit conclusion that the Seamen and Ex-Servicemen Benefits Program has never been adequately implemented since the Program commenced. We have noted that the Auditor General reviewed the Program operations in 2001 and the same deficiencies as reported in that report have been identified during our audit, despite recommendations for improvement being made by the Auditor General. We commend the Ministry however for proactively taking action to implement some of our audit recommendations prior to the finalization of this report. However of concern is the fact that the Ministry has attributed a number of the deficiencies to policy decisions and as such could not provide us with an implementation plan. It is our opinion however, that unless appropriate guidelines are developed to clarify and adequately implement the intended outcome of the policy, then the Program will not achieve its objectives, which is to provide assistance to those who legitimately qualify for this assistance.



.....  
Deloris E. Gordon  
Director, Internal Audit Unit

October 24, 2013

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## II. INTRODUCTION

### Background

#### *Program Structure and Financial Operations*

Since September 2000 the Government of the Cayman Islands introduced an ex-gratia benefit for qualifying Caymanian seamen and their surviving spouses in recognition of their contribution to the Cayman Islands. Currently, qualified seamen or their surviving spouses are paid a monthly benefit of CI\$550.00. A similar payment is also made to eligible ex-servicemen.

Since July 2009 the Government and the Ministry with responsibility for Community Affairs has been responsible for evaluating and paying beneficiaries of the Seamen and Ex-Servicemen Ex-Gratia Benefits Program. Previously, this was the responsibility of the Ministry of Health and Human Services.

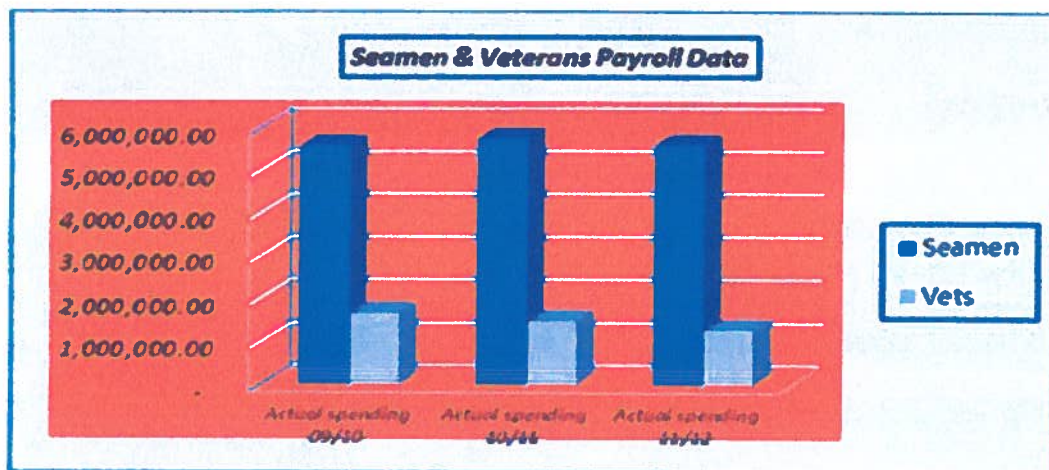
The number of seamen beneficiaries has grown steadily over the years from 250 in the year 2000 to its current number of approximately 862. This increase is mainly due to the number of seamen reaching the age of 60, which is the qualifying age to access benefits. However, as at this time financial resources are not sufficient to fund the increase in the number of applications. Approximately 60 applicants are pending review as at 15 May 2013.

The Ex-Servicemen Ex-Gratia Benefits Program started in 1995 when a motion was passed by the Legislative Assembly to honour 200 ex-servicemen who assisted the United Kingdom and its allies in World War I and II. The current number of beneficiaries now stands at approximately 190.

During the last three financial years approximately \$21.5 million in ex-gratia benefits were paid out to the seamen and ex-servicemen as follows:

Groups	Actual Spending			Total
	09/10	10/11	11/12	
Seamen	\$ 5,593,030.00	\$5,759,200.00	\$ 5,809,200.00	\$ 16,961,430.00
Ex-servicemen	1,681,750.00	1,501,258.50	1,295,200.00	4,478,208.50
<b>Total</b>	<b>\$ 7,274,780.00</b>	<b>\$ 7,260,458.50</b>	<b>\$6,904,400.00</b>	<b>\$ 21,439,638.50</b>

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### **Program Administration**

The Seamen and Ex-Servicemen Ex-Gratia Benefits' Program is overseen by a team comprised of the Chief Human Resources Manager, Financial Administrator and Executive Officer II. The Executive Officer II conducts the daily operations of the Program.

The administration of the Program has transferred ministries and personnel over the years and as such the standard of assessment may have been inconsistent. The Ministry is therefore concerned that although there was an established criteria developed by Executive Council in September 2000, it was not completely adhered to and persons who did not meet the criteria were provided benefits under the Ex-Gratia Benefits' Program.

The profile of seamen and ex-servicemen are maintained in the Integrated Resource Information System (IRIS). The ex-gratia benefits are deposited to the beneficiaries' bank accounts or through cheque payment on a monthly basis.

### **Eligibility Criteria**

Please see *appendix 1* for the details of the eligibility criteria.

### **Prior Audit**

There was no prior audit of the Program by the Internal Audit Unit. However the Seamen Ex-Gratia Benefit Program was audited by the Auditor General's Office in 2001. A number of recommendations from that report remained outstanding as at the time of our audit and have been raised again in our report.

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### **Audit Objectives and Scope**

During this audit, we examined and assessed the adequacy of the management systems and internal controls in place at the Ministry regarding the operation of the Ex-Gratia Program, specifically the objectives of the audit were to determine if:

- Beneficiaries under the Program met the eligibility criteria;
- Amounts paid were done in accordance with policies and procedures;
- Follow-up reviews for eligibility status were conducted periodically; and
- Amendments to beneficiaries' records were appropriately managed.

The audit covered transactions from inception to June 2012.

### **Audit Methodology**

The audit methodology involved understanding and documenting the processes under review and the internal controls governing those processes, performing risk assessment to identify and evaluate potential risks and key controls, and testing whether those controls were operating as intended.

Only findings of internal control weaknesses that could affect the adequacy and effectiveness of management systems are reported; however, the audit conclusion will be based on our overall assessment of the control procedures against the audit objectives.

### **Audit Criteria**

The internal control activities over the Ex-Gratia Program were measured against the following:

- Eligibility Criteria for Seamen Ex-Gratia Benefits developed and approved in February 2002;
- Ex-Gratia Payments-Caymanian Seamen, Ex-servicemen and Poor Relief Payments Revised Criterion and Report on Outstanding Applications dated April 7, 2005;
- Ex-Servicemen Private Members Motion 15-94;
- Ex-Servicemen criteria approved in 1995;
- The Public Management and Finance Law and Financial Regulations; and
- Generally accepted accounting and business best practices.

In addition to evaluating the internal control activities, other fundamentals of the internal control framework were also assessed, where applicable. The audit criteria utilized was obtained from the COSO audit model which identifies other elements of good internal controls as:

- The control environment which is the foundation for the effectiveness of all the other internal control components and reflects management's commitment and attitude towards the control structure.

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- **Ongoing risk assessment** which should be performed by management and involves identifying and analyzing the significance and likelihood of potential risks that may adversely affect the entity's ability to meet its objectives.
- **Information and communication systems** ensure that pertinent information is identified, captured and communicated in a form and within a timeframe that enable the achievement of objectives.
- **Ongoing monitoring and review** of activities and processes is necessary in order to assess their performance over time and against pre-determined requirements.



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### III. AUDIT REPORT

#### 1. Deficiencies in Beneficiaries' Approval Process

The Financial Regulations (2010 Revision) Part VII Section 29 states that "A Chief Officer of a prescribed entity shall ensure that an appropriate system of internal control operates within the entity and that that system is adequate to safeguard the entity or executive resources for which the prescribed entity is responsible."

The government provides seaman's ex-gratia benefits to retired Caymanian Seamen or their surviving spouse, in recognition of their contributions to the Islands. To qualify for this benefit, applicants have to meet established criteria based on nationality or citizenship, qualifying service, age, residency and financial capabilities.

During our examination of seamen and ex-servicemen's files, we noted the following:

##### a. *Qualifying Service*

The Eligibility Criteria for Seamen Ex-Gratia Benefits of February 2002 checklist of requirements indicated that each applicant must submit sufficient documents to prove the person's seagoing or serviceman career. For seamen, it can be the Seaman's Discharge Book (SDB) which serves as a seafarer's official record of service or, in its absence, a notarised affidavit executed by two (2) persons who knew that the applicant was a seaman.

During our audit, we reviewed a random sample of 124 seamen's files out of a total population of approximately 862. Of the 124 files, 57 applications were approved after February 2002 and the other 67 were granted from September 2000 to January 2002. Regardless of the approval dates, we found that 85 (69%) of the 124 beneficiaries were granted the ex-gratia benefits based on the affidavit submitted. As gathered, some of these beneficiaries cannot present their SDBs as the document was either misplaced over the years or lost during hurricane Ivan. Details are:

Date Approved	Total Sample	Total Beneficiaries who submitted affidavits	%
September 2000 to January 2002	67	43	64
February 2002 onwards	57	42	74
Total	124	85	69

For the ex-servicemen, the Ministry relied on the list of beneficiaries recorded by the previous Ministries who managed the benefit on the basis of affidavits submitted by the applicants. Although the Ex-Servicemen Private Member's Motion 15/94 dated June 15<sup>th</sup> 1994 provided for 200 beneficiaries, the Ministry advised that they were unable to locate relevant documentation listing the names of these 200 ex-servicemen.

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**b. Financial Capabilities**

As stated in the Eligibility Criteria for Seamen Ex-Gratia Benefits of February 2002; the following categories are not eligible for the Seamen Ex-gratia benefit unless he/she is 60 years old and can prove, by means test carried out by the Department of Children & Family Services (DCFS) that he/she is in need of financial assistance.

1. Seamen or their surviving spouses who are receiving an income up to CI\$ 2000.00 (including any Government assistance) as total household income per month.
2. Seamen or their surviving spouses who own a business.

From our audit we noted that only 2 (2%) of the files reviewed had the independent needs assessment document on file. 37 (30%) of the applications were supported with the affidavit of financial standing submitted; while information about the financial capabilities of the remaining 85 (68%) were not on file. However, all were approved and provided with the ex-gratia benefit.

It was gathered that the DCFS is unable to complete the needs assessment requests of the Ministry in a timely manner due to resources limitation. As a result, we noted that applications were approved based on the income information stated by the beneficiaries themselves without any independent verification.

Inadequacy in the assessment of applicants' eligibility and reliance on personal affidavits, without independent verification presents an inherent risk that the information presented may not be correct. This exposes the Ministry to the risk of providing financial benefits to individuals who may not be genuinely entitled to it.

**Recommendation**

The Chief Officer of the Ministry of Home and Community Affairs (Community Affairs) should:

- Reassess all beneficiaries who are currently participating in the Ex-Gratia Program to determine their entitlements.
- Ensure that the results of the means assessment conducted by the DCFS are strictly implemented in assessing the need for benefits.
- Implement more reliable methods for validating potential beneficiaries who do not have the necessary documents to prove their seagoing and servicemen careers by obtaining information from reputable independent sources such as the following:
  - The Cayman Islands Shipping Registry
  - The Cayman Islands Seafarer's Association
  - The Cayman Islands Veteran's Association
  - The Cayman Islands National Archive (CINA)
  - International organisations for seafarers (Seafarers International Union) and ex-Servicemen(World Ex-Servicemen Federation)

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### **Management's Response**

*The Chief Officer notes these recommended changes. However, as this is a policy matter, this internal audit will be presented to the Honourable Minister with responsibility for Seamen and Ex-Servicemen Ex-Gratia Benefit for a policy decision to be made via Cabinet.*

*Please note that the Ministry prepared Seamen Continuation Confirmation Certificates and Affidavit of Income Forms and have distributed same to the Seamen currently receiving the Ex-Gratia Benefit. These were mailed out to all existing beneficiaries on 8 February 2013. It is therefore anticipated that the reassessment of all beneficiaries will be conducted upon the receipt of updated information for all current recipients.*

**Implementation Date:** 8 February 2013

## **2. Inadequate Procedures to Confirm Continuous Eligibility for Benefits**

Section 31 of the Financial Regulations (2010) states that a Chief Officer of a prescribed entity is responsible for (a) identifying the risks to which his entity is exposed to, (b) establishing strategies to mitigate or manage those risks, and (c) ensuring those strategies are implemented.

It is a good business practice for programs that disburse benefit payments to conduct periodic eligibility confirmations which aim to protect such programs from undue payments and fraudulent claims.

In our review of 124 files of beneficiaries, we noted the following:

### ***a. Verification of living status and residency***

We understand that except for media obituaries and periodic checks at the Births and Death Registrar, the Ministry does not have a formal system in place to determine whether beneficiaries of the Program are still alive or whether they are residing in the Cayman Islands. This was also an observation of the Auditor General's Office when the Program was reviewed in 2001/2002.

As a result, we noted that the benefit of a seafarer was continuously credited to his account for approximately 20 months totalling \$11,500.00 although he is no longer alive. We were informed that the seafarer's death certificate dated July 20<sup>th</sup> 2009 was submitted late to the Ministry. There is no record on file to document the actual date the certificate was received.

Staffing was identified as one of the main reasons for not implementing a periodic confirmation schedule.

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**b. Verification of trade and business licenses**

The Eligibility Criteria for Seamen Ex-Gratia Benefits of January 2002 states that seafarers or their surviving spouses who own a business are not eligible to be provided the benefit unless he/she can prove, by a means test carried out by the Department of Children and Family Services (DCFS) that he/she is in need of financial assistance.

Comparison of seamen beneficiary files at the Ministry of Home and Community Affairs with the trade and business license database of the Department of Commerce and Investment (DCI) for possible identical data was performed to identify individuals who have a positive match in both based on last names, first names and middle names.

We noted that 25 of 124 (20%) of the names of seamen beneficiaries correspond with the names of business owners in DCI's records.

We were advised that although there is no formal procedure in place to check the names of all applicants with DCI's database, the Ministry has actively coordinated with DCI in this regard since obtaining responsibility for the Seamen Ex-Gratia Benefit in 2009. Although not a mandatory requirement and has not been done for all applicants; checks have been conducted for applicants that were suspected to be business owners. All other applicants who have declared that they own a business on their application were requested to visit the DCFS for an assessment.

**c. Breach of the income threshold policy**

To qualify for the seamen's monthly financial assistance of \$550; seamen or their surviving spouse should be receiving a monthly household income of no more than \$2000 as revised by Cabinet note. "Ex-Gratia Payments – Caymanian Seamen's, Ex- Servicemen and Poor Relief Payments Revised Criterion and Report on Outstanding Application" dated April 7, 2005.

Our review of the DCFS' needs assessment report and/or applicant's affidavit of income received to determine the monthly household income of beneficiaries revealed the following:

- 4 beneficiaries who are currently residents of the Pines are also obtaining other Government assistance valuing in excess of CI\$ 2,000:

	Type of Beneficiary	Amounts paid to the Pines by DCFS on beneficiaries' behalf	Seaman's ex-gratia payments	Total Benefits/Income
1	Seaman	\$ 3,100	\$ 550	\$ 3,650
2	Seaman's spouse	2,100	550	2,650
3	Seaman	2,600	550	3,150
4	Seaman	2,550	550	3,100

- 2 beneficiaries are receiving a total household monthly income in excess of the CI\$2,000 threshold:

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	Type of Beneficiary	Other income	Seamen's ex-gratia payments	Total income
1	Seaman	\$ 4,480	\$ 550	\$ 5,030
2	Seaman	4,101	550	4,651

As gathered, the above information was not considered in the evaluation of the beneficiaries; particularly the information on the Pines' residents, as the DCFS' reports were received after the entitlements were approved. In addition, as affidavits are only required upon initial application they would not reflect any subsequent changes in beneficiaries' circumstances.

The Ministry, therefore, did not comply with their internal procedure of using the information in the DCFS' needs assessment report in their review.

Not having a formal system in place to verify the continued existence and qualification of beneficiaries under the Program could cost the government. Beneficiaries who are deceased, living outside of the Cayman Islands or who are receiving income above the threshold may still be obtaining the monthly ex-gratia benefits.

### Recommendation

The Chief Officer of the Ministry of Home and Community Affairs (Community Affairs) should establish an annual confirmation plan to mitigate the risks of unqualified or deceased persons being paid.

In addition to the current process of verification with the General Registry for death records and requesting DCFS to conduct an annual means assessment, the Ministry should also implement the following alternatives:

- Request recipients to complete a "Life and/or On Island Certificate" annually which should be certified by designated leaders within the community (i.e., Pastor, Attending Physician or Bank Manager where their bank account is maintained).
- Request from the Department of Commerce and Investment a list of issued business licence with the name of its owner/s on a yearly basis. Any match should trigger further investigation to ensure that the beneficiary still qualifies for the government grants.

### Management's Response

*The Ministry has proactively advised those Seamen beneficiaries at the Pines Retirement Home of the discontinuation of the Seamen Benefit to them in accordance with the criteria. Thus, this section of the audit has already been addressed. With regard to the Ministry's non-compliance with internal procedures where IAU has stated that DCFS assessment was completed and not used to determine a seaman's eligibility; the Ministry would like to state that the Seamen mentioned were reviewed by another Ministry prior to the Ministry of Home and Community Affairs gaining responsibility for this Program in 2009.*

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*The alternatives listed are noted; since the Ministry has mailed out Seamen Continuation Confirmation Certificates (SCCC) and is in the process of retrieving same, this process therefore supplements the "life and/or On Island Certificate" mentioned above and is anticipated to be carried out every other year.*

*The Ministry will coordinate with DCI in the evaluation of all future applications for this Program.*

**Implementation Date:** 8 February 2013

### **3. Inadequate Guidelines to Effectively Implement the Seamen's Benefit Program**

The Financial Regulations (2010 Revision) Part VII Section 29 states that "A Chief Officer of a prescribed entity shall ensure that an appropriate system of internal control operates within the entity and that that system is adequate to safeguard the entity or executive resources for which the prescribed entity is responsible."

In processing and evaluating seamen's ex-gratia benefit applications, the Ministry utilizes the internal policy established for the purpose as well as the requirements described in the criteria checklist.

During our audit, we noted that the policy requires benefit payments to be provided from the day a qualified application is received. However, our audit testing identified that payment starts when it is approved and is also dependent on the availability of funds.

In addition, we noted that the following areas of the policy need to be further clarified for ensuring consistency and effectiveness in managing the Program:

- The policy states that to continue benefiting from the Program, a beneficiary should be residing in the Cayman Islands. However it does not specify a minimum period per annum, any clarification as to what is considered residency, and whether there are any exceptions, such as for example medical grounds.
- Specification of what encompasses a standard means test in the assessment of financial standing upon application, (such as for example requiring bank references, business checks, home visits, etc.) or the frequency of any reassessments.
- Whether household income is limited to beneficiary and spouse only or to include the income of other household members, where present.

The lack of clarity in the requirements and assessment procedures could result in inconsistency in approving grant of seamen's benefits which may result in negative public image for the Government, and/or ineligible persons obtaining benefits.

#### **Recommendation**



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The Chief Officer of the Ministry of Home and Community Affairs (Community Affairs) should revise the policy for the processing of Seamen's Ex-gratia Payments and ensure that operational guidelines to fully implement the provisions of the internal policies are established and documented.

#### Management's Response

*The Chief Officer notes the recommendations and anticipates that the SCCC's that will be circulated every other year will address the above recommendations. In addition, the verification processes currently utilized is a policy matter; hence, the final internal audit document will be presented to the Honourable Minister with responsibility for Seamen and Ex-Servicemen Ex-Gratia Benefit for a policy decision to be made via Cabinet.*

*The Honourable Minister with responsibility for Seamen and Ex-Servicemen Ex-Gratia Benefit must review this audit for a policy decision to be made via Cabinet. Therefore this implementation date is to be advised.*

**Implementation Date:** 8 February 2013

#### 4. Evidence of Approval Not Retained

Section 43 (1) of the Financial Regulations (Revision 2010) states that "A prescribed entity, statutory authority or government company is required to retain records pertaining to output reporting, entity financial transactions and executive financial transactions (including revenue, expenses, assets and liabilities) in such a manner that such records can be readily produced for operational and audit purposes."

As part of the Ministry's internal procedure in processing the ex-gratia benefits of seamen, applications must be approved by the Chief Officer or his designate prior to them being added to the payroll.

We noted that 27 (18%) of the 148 beneficiaries' files reviewed did not have the signature/approval page on file (7) or were left unsigned (20). These are:

	Name	Start Date of Benefit Payment	Approval Sheet Not on File	Unsigned
<b>Seafarers</b>				
1	Seafarer 1	Aug 2001	x	
2	Seafarer 2	Sept 2005		x
3	Seafarer 3	Oct 2004		x
4	Seafarer 4	Feb 2006		x
5	Seafarer 5	Dec 2000		x
6	Seafarer 6	Oct 2004	x	
7	Seafarer 7	Sept 2002		x
8	Seafarer 8	Apr 2006		x
9	Seafarer 9	Sept 2004		x
10	Seafarer 10	Sept 2008		x
11	Seafarer 11	May 2005		x

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12	Seafarer 12	Sept 2000		x
13	Seafarer 13	Sept 2002		x
<b>Ex-Servicemen</b>				
14	Ex-Serviceman 1	Dec 1995		x
15	Ex-Serviceman 2	Feb 1996	x	
16	Ex-Serviceman 3	May 1996	x	
17	Ex-Serviceman 4	Dec 1999		x
18	Ex-Serviceman 5	Dec 1995	x	
19	Ex-Serviceman 6	Dec 1995	x	
20	Ex-Serviceman 7	Dec 1995		x
21	Ex-Serviceman 8	Dec 1995		x
22	Ex-Serviceman 9	Sept 1997		x
23	Ex-Serviceman 10	Oct 2001		x
24	Ex-Serviceman 11	Dec 1995		x
25	Ex-Serviceman 12	Dec 1995		x
26	Ex-Serviceman 13	Dec 1995		x
27	Ex-Serviceman 14	Dec 1995	x	
<b>TOTAL</b>			<b>7</b>	<b>20</b>

The Administrator of the Program informed us that she also noticed the absence of an approval for some files when the documents were turned over to her. Contributory to this is the fact that the administration of the Program has transferred ministries and personnel from September 2000.

Payments made to beneficiaries with no documented approval were unauthorized based on the Government's policies. Moreover, the Ministry did not operate in compliance with the Financial Regulations, as documents were unavailable for audit review.

### Recommendation

The Chief Officer of the Ministry of Home and Community Affairs (Community Affairs) should ensure that approval sheets are on hand and an effective record keeping system is in place in compliance with the Financial Regulations.

### Management's Response

*The Chief Officer notes the recommendations and the highlighted cases will be reviewed by 30 June 2013 under legal direction.*

**Implementation Date:** 30 June 2014



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### 5. Access Rights In Excess of the User's Responsibilities

Good user account administration should control users' access levels to ensuring that only those required to execute an employee's responsibilities are granted, whilst disallowing access to functions outside the user's scope or authority.

Based on information obtained from [REDACTED] from the Computer Services Department (CSD) and our analysis of users' access, we noted the following exceptions:

- 5 Officers not involved in the administration of seamen and ex-servicemen's benefits can enter and maintain data about a beneficiary:

	Job Name	Responsibility Name
1	Accounts Officer I.SOC.Y.0019	CIG CIP Ex-Servicemen& Seamen (CWY)
2	Payments & Payroll Officer.TSY.Y.0001	CIG CIP Ex-Servicemen& Seamen (CWY)
3	Payments and Payroll Officer.TSY.Y.0001	CIG CIP Ex-Servicemen& Seamen (CWY)
4	Analyst/Programmer.CSD.Y.0006	CIG CIP Ex-Servicemen& Seamen (CWY)
5	Payments & Payroll Officer.TSY.Y.0002	CIG CIP Ex-Servicemen& Seamen (CWY)

- 3 Officers who are not involved in the processing of the monthly benefit payment has the ability to process the seamen and veteran's payroll:

	Job Name	Responsibility Name
1	Deputy Fund & Cash Flow Manager.TSY.Y.0003	CIG CIP Ex-Servicemen& Seamen - Treasury (CWY)
2	Senior EPS Reporting Accountant.TSY.Y.0002	CIG CIP Ex-Servicemen& Seamen - Treasury (CWY)
3	Senior Business Analyst (IRIS).CSD.Y.0001	CIG CIP Ex-Servicemen& Seamen - Treasury (CWY)

- 8 Officers were given super user access who can establish a payroll element for the beneficiary, define retroactive pay set, map payroll costing to the GL, among others although such is not related to their job duties:

	Job Name	Responsibility Name
1	Payments & Payroll Officer.TSY.Y.0003	CIG HR Veterans/Seamen SUPER User (CWY)
2	Payments & Payroll Officer.TSY.Y.0001	CIG HR Veterans/Seamen SUPER User (CWY)
3	Business Analyst (IRIS).CSD.Y.0003	CIG HR Veterans/Seamen SUPER User (CWY)

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	Job Name	Responsibility Name
4	Payments and Payroll Officer.TSY.Y.0001	CIG HR Veterans/Seamen SUPER User (CWY)
5	Analyst/Programmer.CSD.Y.0006	CIG HR Veterans/Seamen SUPER User (CWY)
6	Senior Business Analyst (IRIS).CSD.Y.0004	CIG HR Veterans/Seamen SUPER User (CWY)
7	Payments & Payroll Manager.TSY.Y.0001	CIG HR Veterans/Seamen SUPER User (CWY)
8	Payments & Payroll Officer.TSY.Y.0002	CIG HR Veterans/Seamen SUPER User (CWY)

This happened as the users' access privileges were not periodically reviewed. Consequently, individuals continued to have access although they have no direct or indirect involvement with regards to the Program

Unnecessary user accounts increase the number of opportunities for potential intruder to gain access to the database and abuse the privileges attached to the account.

#### Recommendation

The Chief Officer of the Ministry of Home and Community Affairs (Community Affairs) should evaluate the list of personnel who currently have access in IRIS in connection with the seamen and ex-servicemen benefit and identify unnecessary users that should be disabled or removed. Additionally, it should be ensured that user accounts that have been flagged as unnecessary are disabled on a timely manner.

#### Management's Response

*The current persons on the list are from the Treasury and Computer Services Department.*

#### Treasury Personnel

*The Ministry will confirm the necessity for each person listed before user accounts can be disabled. Treasury personnel, with the exception of Deputy Fund & Cash Flow Manager, Senior EPS Reporting Accountant, and Payments & Payroll Officer assists the Ministry with payroll changes that need to take effect, however the Ministry will have to determine how much personnel should have access.*

#### Computer Services Personnel

*The Ministry will confirm the necessity of CSD personnel.*

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**6. Review of Changes In Payroll Data Not Ascertained**

Section 31 of the Financial Regulations (2010) states that a Chief Officer of a prescribed entity is responsible for (a) identifying the risks to which his entity is exposed to, (b) establishing strategies to mitigate or manage those risks, and (c) ensuring those strategies are implemented. As a good business practice, exception reports are generated to highlight data changes that may have a high risk potential for fraud to facilitate review.

During our audit, we noted that the Ministry relies on a payroll register which shows all payroll transactions (amount to be paid and change in circumstances) for the month. As gathered, the administrator of the Benefit Program mainly focuses on monitoring the total of the amount for payment. However evidence of monitoring and review procedures focusing on checking the authority and accuracy of any changes that are performed on the beneficiaries' personal data in the payroll systems was not in place.

The integrity of the data that is generating the Seamen and Ex-Servicemen Payroll is not assured. Changes to beneficiaries' data can be made without detection, resulting in loss of funds to the government. Considering the issue mentioned in finding #5 above, this concern may be further aggravated.

**Recommendation**

The Chief Officer of the Ministry of Home and Community Affairs (Community Affairs) should establish procedures to ensure that changes in the circumstances of the beneficiaries are thoroughly reviewed. The Computer Services Department (CSD) should be engaged to develop a monthly exception report highlighting changes that have been made to the Seamen and Ex-servicemen's standing data. This report should be reviewed by an independent officer.

**Management's Response**

*Recommendation is deemed necessary to ensure internal controls are in effect. Liaising with CSD to develop a monthly exception report of changes will need to be confirmed. Once this is established, the payroll Administrator's work will be monitored monthly by an independent officer to verify that all changes are justified.*

**Implementation Date:** 31 May 2013

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### Appendix 1 – Eligibility Criteria

**For Seamen** - (as extracted from the minutes the meeting of the Executive Council of the Cayman Islands - Meeting No. 186/00 held on the 12<sup>th</sup> September 2000)

- Applicant must have been a seamen or the surviving spouse of seamen.
- If Seaman is deceased (the surviving spouse) must attach a certified copy of the Death or Certificate of Affidavit of death.
- If the applicant is a surviving spouse (he) must attach a Certified copy of the Marriage Certificate
- Seaman or surviving spouse must be 60 years or older or Seaman must have died at Sea and applicant must be retired from Sea.
- Applicant must attach Seaman's Discharge Documents.
- Seaman must be Caymanian.
- Applicant must produce a Certified copy of the relevant pages of his Passport or other document to prove that he is Caymanian.
- Certified Copy of the Birth Certificate of Seaman and surviving spouse (if applicable).
- Applicant must not be receiving an Ex-serviceman grant.
- If Seaman or surviving spouse has disability, which requires the authorization of someone to be responsible for the handling of the Seaman's grant then a Medical Certificate must be attached.
- Seaman or surviving spouse must attach their bank account number.
- Affidavit must be made by (2) persons who know that applicant is/was a Seaman or was the spouse of a Seaman.
- Signature of applicant and signature of persons referring applicant must be signed in the presence on a Justice of the Peace.

**For Ex-Servicemen** – (based on extract of Executive Council #5671 Exp. 2424/95)

- Only Caymanian ex-servicemen or their widows are eligible.
  - a. Caymanian: the ex-serviceman would have to be ordinarily resident in the Cayman Islands, Caymanians or have had Caymanian status at the time of qualifying service.
  - b. Qualifying service: having served in the armed forces of a country during wartime. This should be limited to service during World War I and II, the Trinidad Royal Navy Volunteer Reserve (TRNVR), the Homeguard, the Royal Fleet Auxiliary (supply), the armed forces of Great Britain, and the Merchant Marines, all during one of the above wars.
  - c. War Zone must be specified in all applications as not all Merchant Marines (ordinary seamen) would qualify if they sailed during a time of war (apart from World Wars) but not in a war zone. War zone would be any of the following seas in the vicinity of a war or areas specified under section A (ii): The North Atlantic extending as far down as the Eastern Caribbean, the Gulf of Mexico, the Caribbean Sea, the Pacific Ocean including the seas around South East Asia, the Indian Ocean, the Middle Eastern Gulf and the Mediterranean Sea.
  - d. Ex-serviceman: a person who has served in the armed services/forces of a country.
  - e. Armed forces: group of persons organised for military or police functions.

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- f. **Widows of ex-servicemen:** A woman who was married to an ex-serviceman or was his common-law wife at the time of his death. Divorcees are not eligible.
- g. **Merchant Marine:** A person who was seaman operating in one of the above war zones.
- **E-servicemen dishonourably discharged** are not eligible.
- **All persons on the initial list approved by the EXCO** should be considered eligible along with others approved by the Ministry of Community Development under Section A of the guidelines.
- **Other persons who are not on the approved list but wish to be included to receive assistance** should provide one or more of the following as proof of service.