



**CORE GOVERNMENT ENTITIES
FY 2013/14 YEAR-END OFFICIAL TRAVEL
EXPENDITURES AUDIT**

Audit Report

March 2015

**INTERNAL AUDIT UNIT
CAYMAN ISLANDS GOVERNMENT**

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The Internal Audit Unit, 2nd Floor, Government Administration Building, Elgin Ave., George Town, Grand Cayman, Cayman Islands
Telephone: (345) 949-6420



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	1
Summary of Major Findings.....	1
Conclusion.....	2
II. INTRODUCTION	3
Background.....	3
Prior Audits	4
Audit Objectives and Scope.....	4
Audit Methodology	4
Audit Criteria	5
III. AUDIT REPORT	6
1. Travel Not Approved by the Appropriate Accountable Officer	6
2. Per Diem Not in Accordance with the Official Travel Policy.....	9
3. Hotel Accommodation Rate Exceeded the Maximum Lodging Rate	9
4. Ambiguity Over the Use of Business Cases To Justify Travel.....	11
5. Untimely Submission of Travel Claims	12
6. Documents Not Available for Verification	14
7. Lack of Completed Application Forms for Sister Islands Travel.....	15
8. Policy Scope Requires Clarification.....	16
9. Potential Conflict Between Policy and Law.....	17
10. Deficiencies in the Official Travel Policy.....	18



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

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 2013-2014 Audit Plan, we recently concluded the year-end official travel expenditures audit of all core government entities.

Summary of Major Findings

We have summarized the major audit findings along with recommendations and management responses for corrective actions geared towards improvement.

FINDING	RECOMMENDATION	MANAGEMENT RESPONSE & ACTION
<p>During our review of travel expenses, we noted that 45 of 688 official travel transactions, were not approved by the appropriate Accountable Officers or were not approved at all.</p> <p>We also noted that a key contributor to this finding is the lack of guidance for employees travelling in different capacities.</p>	<p>1) The PoCS should revise the Policy to establish appropriate authorisations for officials travelling in different capacities.</p> <p>2) All entities should ensure that official travel is approved by the appropriate Accountable Officer</p>	<p>The PoCS accepted that greater clarity ought to be provided as to the appropriate Accountable Officer and has committed that appropriate policy revisions will be made accordingly.</p> <p>The Management of the concerned entities are in agreement with the recommendation and have committed to action plans for future compliance.</p>
<p>During the audit, we noted per diem rates for 3 travel transactions that exceeded the daily per diem amounts provided in the Official Travel Policy.</p>	<p>Ensure that daily per diem rates for official travel are paid in accordance with the Official Travel Policy.</p>	<p>The Management of the Portfolio of Legal Affairs is in agreement with the recommendation and will comply going forward.</p>
<p>We noted that there were no business cases in place to support 16 instances where the accommodation costs exceeded the maximum lodging rates as set out in the policy.</p>	<p>Ensure that accommodation costs associated with official travel are in accordance with the maximum lodging rates stipulated in the Official Travel Policy. Where deviations are necessary, entities should properly justify those deviations in a business case.</p>	<p>The Management of the concerned entities are in agreement with the recommendation and have committed to adherence to the Policy going forward.</p>
<p>A number of entities cited ambiguities in the Policy as the reason why 49 Official Travel Application Forms were not supported by business cases. The IAU, having reviewed various sections of the Policy agree, that in its current form, it is reasonable that entities are uncertain as to when to use business cases.</p>	<p>The PoCS should revise the Policy to clarify the circumstances in which a business case is required and the format that this should take, including minimum criteria to be applied when assessing the need for official travel.</p>	<p>The PoCS accepted that there is genuine miscommunication on what is expected in terms of a business case and advised that clarification has been inserted in the revised policy.</p>
<p>Expense claim forms were not being submitted within the 7 days of return from official travel as required by the Policy; we have noted that these were being submitted between 10 and 204 days after the return</p>	<p>1) Reinforce the terms and conditions under which an official travel advance is granted;</p> <p>2) Expense claims submitted after 7 days</p>	<p>The Management of the concerned entities are in agreement with the recommendation and will ensure that expense claims are submitted within 7 days of return from travel.</p>



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

FINDING	RECOMMENDATION	MANAGEMENT RESPONSE & ACTION
date.	should not be approved and processed except in extraordinary or extenuating circumstances.	
Relevant documentation, such as Official Travel Application forms, evidence of class of airline travel and hotel receipts, to support 45 payments was not available for audit verification.	Chief Officers should ensure that an effective record keeping system is established and maintained in order to achieve compliance with the Financial Regulations.	The Management of the concerned entities are in agreement with the recommendation and have committed to action plans for future compliance.

Conclusion


Based on our audit of official travel expenditures we can conclude that the implementation of the Official Travel Policy has served the intended purpose of bringing a consistent approach to the management of official travel within government entities.

We have however noted from our audit that a number of entities were still not fully compliant with some aspects of the Policy. Noteworthy is the fact that entities were not completing business cases; however, we have noted that this was due in large part to entities being unclear as to the application of the Policy in this area.

We have also noted and made recommendations for Policy clarifications in a number of areas which we believe resulted in ambiguity in their applications. Such ambiguities/deficiencies caused the entities to formulate differing interpretations and applications of the Policy. The Chief Officer of the Portfolio of the Civil Service has acknowledged that there is room for further clarification of the Policy and has committed to implementing a revised version by March 31, 2015. Additionally, Management of the concerned entities have acknowledged deficiencies within their own management systems and have committed to or commenced the implementation of our recommendations.

These actions signify Management's commitment to system improvements, which should result in increased effectiveness in managing official travel within the Cayman Islands Government.

As is customary, Internal Audit will continue to monitor and report on the progress made towards implementation of the agreed action plans stated in this report.



Deloris E. Gordon
Director, Internal Audit Unit

March 25, 2015



II. INTRODUCTION

Background

In a May 2014 report - Management of Travel and Hospitality Expenditures - issued by the Office of the Auditor General (OAG), he concluded that “official travel and hospitality expenditures were not managed effectively and efficiently, leading to the high likelihood that the Government mishandled significant amounts of public resources in carrying out these transactions.” The OAG’s audit covered the period July 1, 2009 to June 30, 2012 and the following are some of the recommendations that were included in that report:

- Develop policies for the management of travel expenditures to include such areas as key financial controls and requirements for monitoring and disclosure;
- The Government should agree to establish policies and procedures for travel and hospitality expenditures incurred by Members of the Legislative Assembly. The policies and procedures should clearly outline the principles of ensuring value for money in public expenditure.

On July 19, 2013 prior to the release of the OAG’s report, the Cayman Islands Government’s (CIG) Official Travel Policy was circulated providing “guidelines for official travel by Civil Servants”. Its stated purpose was “to implement service wide standards for assessing whether travel is required; and managing travel expenditure”. The scope of the Policy was for “travel where a Civil Servant is authorised to conduct business on behalf of the Cayman Islands Government or to attend an event or conference as a representative of the Cayman Islands Government”. It provided guidance for air travel and hotel accommodation, and included an Official Travel Rate Sheet providing maximum rates for per diem and lodging to various countries and regions.

The OAG’s report assessed travel for all Government officials; however, the Government’s Official Travel Policy did not address travel by elected officials and other officials who travel on behalf of the Government. However, on October 9, 2013, the Office of the Premier issued a memo to Ministers and Councilors of Cabinet to provide “guidelines on overseas travel for Ministers and Councilors”. The Premier in the memo, urged the Ministers and Councilors to endeavour to ensure that their “travel costs fall in line” with the Government’s Travel Policy.

The objective of the OAG’s report was to assess whether travel and hospitality expenditure was managed to ensure value-for-money. The 2013 Official Travel Policy did not specify as one of its purposes, the assessment of value-for-money, however in his memo to all Civil Servants on the Policy, the Deputy Governor stated that the “Policy is in keeping with the Government’s commitment to ensuring value for money”. In addition, the Policy outlines a requirement for Ministries and Departments to justify the need for travel on the travel application form or in the form of a business case as necessary.

Prior to the issuance of the Official Travel Policy, Government entities did not have any consistent standards and systems in place for managing official travel. Section 11 of the Personnel Regulations, “Reimbursement of costs incurred in course of duties”, which was the applicable section used for overseas travel, was insufficient to ensure consistency in the management of airfares, per diem and hotel costs across all entities.



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

The Policy was developed by the Portfolio of the Civil Service and makes provisions for annual reviews, in particular the updating of the Official Travel Rate Sheet.

Effective September 2014, the Deputy Governor has commenced the publication of costs related to official travel by Civil Servants.

Prior Audits

This is the first audit of official travel expenditures since the implementation of the CIG Official Travel Policy.

Audit Objectives and Scope

In this audit we examined the controls established across ministries and portfolios for the management of official travel expenditure, with a focus on assessing entities' compliance with the Official Travel Policy that was issued in July 2013.

The specific objectives of the audit were to determine whether:

- Adequate systems were implemented to manage official travel;
- Official travel transactions were properly authorized/approved; and,
- Official travel was conducted in accordance with the Government's Official Travel Policy.

The scope included travel expenditure transactions incurred between July 2013 and June 2014.

In January 2015, subsequent to the completion of our audit fieldwork, the Ministry of Home Affairs, Health and Culture, and the Ministry of Community Affairs, Youth & Sports were created following a reorganization exercise. Our audit report has however reported audit findings based on the structure that existed prior to the reorganization.

Audit Methodology

The audit methodology involved obtaining an understanding of the internal control systems for managing official travel and designing audit programs to test whether the key controls were operating as intended, including assessing compliance with the Official Travel Policy.

Only findings of internal control weaknesses or non-compliances with the Official Travel Policy that could affect the adequacy and effectiveness of management of official travel have been reported; however, the audit conclusion is based on our overall assessment of the management systems against the audit objectives.



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

Audit Criteria

The management systems and internal controls in place were measured against the following:

- The CIG Official Travel Policy;
- Financial Regulations;
- Public Service Management Law and Personnel Regulations, and;
- Generally accepted management and business practices.

In addition to evaluating the internal control activities, other fundamentals of an effective internal control framework were also assessed as defined by the COSO 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;
- 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; and,
- Ongoing **monitoring and review** of activities and processes is necessary in order to assess their performance over time and against pre-determined requirements.



III. AUDIT REPORT

1. Travel Not Approved by the Appropriate Accountable Officer

Section 4 of the Official Travel Policy states that “all official travel must be authorised by the Accountable Officer on the Application for Official Travel Form. In the case of Employees appointed by His Excellency the Governor, the accountable officer is the Governor. In the case of Employees appointed by the Deputy Governor, the accountable officer is the Deputy Governor. In the case of other Employees, the accountable officer is the respective Chief Officer (or their delegate) and such an application should be supported by the Appointing Officer (i.e. Head of Department where this is not the Chief Officer).”

During our review of travel expenses from July 2013 to June 2014, we noted that 31 out of 688 official travel transactions were not approved by the appropriate Accountable Officers. We further noted that an additional 14 of the sampled transactions were not approved at all; resulting in a total of 45 sampled transactions not being compliant with the Official Travel Policy.

We further noted that of the 45 non-compliant transactions, 12 of them required approval from Her Excellency the Governor, whilst 6 of them required the approval of the Deputy Governor.

Reasons provided as to why the authorisations were not in compliance with the Policy are as follows:

- The Office of the Auditor General advised that requests for the Governor’s approval were submitted via email prior to the travels; which were necessary for the fulfilment of job duties;
- In regards to approvals from the Governor and Deputy Governor we were advised that approvals are often obtained in a format other than the travel application form;
- Other entities advised that there were instances where officers were travelling in different capacities other than their appointed posts and which were outside of their line-managed appointments. In such circumstances, approval was given by the entity organizing the official travel;
- In other instances, we noted that the application forms were approved by heads of departments however, we were not provided any documentation to evidence the delegation of this authority.

Whilst we can conclude that some entities were not in compliance with the Official Travel Policy, it is apparent, based on this finding, that an expectation of the Governor and Deputy Governor signing off on official travel forms, as required in the Official Travel Policy, may not be the most effective way to obtain approvals. Whilst these Senior Officials may be able to give their assent to the official travels of their direct reports through the normal working relationships, it may be onerous for them to perform the largely administrative task of approving travel application forms.

In discussions with the Chief Officer of the Portfolio of the Civil Service, it was acknowledged that the Policy is presently unclear as it pertains to employees travelling in different capacities.



Recommendation

The following are recommended:

- a. The Portfolio of the Civil Service should revise the Official Travel Policy to establish appropriate authorisation for official travel including where individuals are travelling in a different capacity outside of their line-managed appointments. In addition, guidance on acceptable formats for such authorisations should be provided, such as in cases when authorisations are obtained from the Governor and the Deputy Governor.
- b. All entities should ensure that official travel is approved by the appropriate Accountable Officer and evidenced by a completed and duly approved Official Travel Application Form. Where travel approval is received/documented in a manner other than the Official Travel Application Form, such approval should be attached to the relevant accompanying documentation.

Management's Response

Portfolio of the Civil Service

Response to recommendation a):

1) Management accepts that greater clarity ought to be provided as to the appropriate Accountable Officer where an individual is travelling in a capacity other than an employee within their respective Civil Service entity.

2) Consideration will be given in the revised policy to the administrative role envisioned for the Governor and Deputy Governor.

Appropriate policy revisions will be made accordingly.

Implementation Date: *The Revised Policy will be circulated for comments and implemented by 31st March 2015.*

Office of the Auditor General

We are in agreement with the recommendation, except that the request to the Governor and approval will be provided by the Governor via email and not evidenced on the Official Travel Application form.

Implementation Date: *January 2015*

Cabinet

Cabinet Office agrees with the recommendations and will ensure this going forward.

Implementation Date: *January 2015*



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

Office of the Complaints Commissioner

Management agrees with this recommendation and will ensure that going forward all official travel is approved by the appropriate accountable officer and evidenced by a completed and duly approved Official Travel Application Form.

Implementation Date: January 2015

Ministry of District Administration, Tourism & Transport

In the case of 'other employees' the Official Travel Policy states that the Chief Officer is the authorizing Accountable Officer. The Ministry has a staff complement of approximately 300 employees; it is impractical to assume the Chief Officer will sign off on all 'other employees' official travel, hence the reason for Heads of Departments authorizing official travel for staff in their respective departments.

In order to officially delegate the authority to the Heads of Departments, the Chief Officer has signed off an Official Travel Delegation to HODs memo on December 11, 2014.

As of end of March 2014, the Chief Officer's official travel is authorized by the Deputy Governor.

Implementation Date: March 2014 and December 11, 2014

Portfolio of Legal Affairs

The recommendation is accepted. The Portfolio has taken steps to refine its procedures and to ensure that official travel is at all times reflected on the official travel form.

Implementation Date: December 2014

Ministry of Health, Sports, Youth & Culture

The Ministry will ensure that approval is noted on the relevant Official Travel Application Form.

Implementation Date: Will enforce effective January 2015

Ministry of Financial Services, Commerce & Environment

In this instance, the Travel Application form was signed by the Director of Environment and there is no paper trail to suggest that it was forwarded on or responded to by the CO or Deputy CO. Note that this is not a typical situation and we have now put measures in place to ensure all travel, including those paid through grants, are approved as per the Official Travel Policy.

Implementation Date: December 2014



2. Per Diem Not in Accordance with the Official Travel Policy

Appendix 1 of the Official Travel Policy – Official Travel Rate Sheet – lists daily per diem rates for various travel destinations.

During the audit, we noted per diem rates for 3 travel transactions incurred by the Portfolio of Legal Affairs that exceeded the daily per diem rates as set out in the Official Travel Rate Sheet. The deviations from the stipulated rates ranged from CI\$10.00 to CI\$50.00 per day for business trips with a duration of between 4 and 10 days.

The Portfolio of Legal Affairs did not operate in compliance with the Official Travel Policy.

Recommendation

The Portfolio of Legal Affairs should ensure that the payment of daily per diem rates for official travel are in accordance with the Official Travel Policy.

Management's Response

Portfolio of Legal Affairs

The recommendation is accepted. Going forward all efforts will be made to ensure that per diem rates for official travel are paid in accordance with the maximum rates stipulated in the Official Travel Policy.

Implementation Date: *December 2014*

3. Hotel Accommodation Rate Exceeded the Maximum Lodging Rate

Appendix 1 of the Official Travel Policy – Official Travel Rate Sheet – lists the maximum lodging rates to be applied when travelling to various travel destinations/regions, and based on the travel season. Section 5 of the Policy makes allowances for accommodation rates that exceed the maximum rates, however, a business case is required to support this. The policy provides, as an example of a justified reason for exceeding the accommodation rates, circumstances “where a particular accommodation is linked to a conference/event venue”.

During our review of travel expenses from July 2013 to June 2014, we noted 16 instances where the accommodation costs exceeded the maximum lodging rates as set out in the Official Travel Rate Sheet. The amounts ranged from CI\$2.08 to CI\$201.78 per night and resulted in an excess cost to the government of \$2,666.40.

In their responses to these exceptions, two of the concerned entities stated that, in some instances, the deviations from the Policy occurred due to employees being housed at the conference hotel, which sometimes charge higher rates. However, they further commented that, although the accommodation



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

rates may be higher, there are real savings on ground transportation, as travel to and from the conference hotel is avoided.

Additionally, one Ministry cited safety concerns as another reason for Policy deviations, stating that the stipulated rates for certain locations are not sufficient to secure rooms in safe locations or in hotels with safe floor plans (i.e. hotels where the rooms do not open to the exterior).

Although the reasons provided by the entities are all valid reasons for exceeding the maximum rates, we found that none of the 16 deviations were supported by a business case, which is a requirement of the Policy.

When discussed, we were advised by the Portfolio of the Civil Service, who has responsibility for revisions to the Travel Policy, that the accommodation rates are currently being reviewed as a part of the overall policy revision process.

Based on our audit, we can conclude that the relevant entities were not in compliance with Section 5.1 and Appendix 1 of the Official Travel Policy.

Recommendation

All entities should ensure that accommodation costs associated with official travel are in accordance with the maximum lodging rates stipulated in the Official Travel Rate Sheet contained in the Policy. Where deviations are necessary, entities should properly justify those deviations in a business case as per section 5.1 of the Official Travel Policy.

Management's Response

Ministry of District Administration, Tourism & Transport

Management notes that the findings listed in this report relate to the period prior to the CFO's appointment in March 2014. Since said appointment, all official travel has been processed in line with the official travel policy. As such, Management has already implemented this recommendation. (This statement was not verified by Internal Audit)

Implementation Date: *Effective March 2014.*

Portfolio of Legal Affairs

Accepted. Going forward all efforts will be made to ensure that accommodation costs associated with official travel are in accordance with the maximum lodging rates stipulated in the Official Travel Policy.

Implementation Date: *December 2014*



Ministry of Home Affairs

Going forward, the Ministry will document all deviations from the stipulated accommodation rates in a business case.

Implementation Date: *February 2015*

4. Ambiguity Over the Use of Business Cases To Justify Travel

Section 3.4 of the Official Travel Policy states “the Department must **justify** any need to travel in order to effectively achieve their business objective, as opposed to using a travel alternative. This should be documented on the Application for Official Travel form”.

During our audit, we noted that 49 Official Travel Application Forms were not properly supported by business cases. In these instances, we found that either 1) there were no business cases attached to the application forms or, 2) the prescribed business case section of the application forms were either not completed or contained insufficient information to justify the need for travel. Whereas many Application Forms had the “Purpose” section duly completed, the limited information contained therein was insufficient to justify the travels undertaken.

When discussed with relevant entities we were advised as follows:

- The Policy does not define what a business case should be. Entities further advised that, by completing the “Purpose” section of the Application Form, including providing brief descriptions of the travel purpose, they thought this was sufficient to fulfil this requirement.
- The Official Travel Application Form contains a clause stating that business cases are only needed “where required pursuant to the Policy”. This statement was interpreted by some entities to mean that, where the Chief Officer may have any queries outside of the stated travel purpose, only then would additional justification be sought via a business case.

Based on these findings it is apparent that the Policy, as written, is not clear and entities are uncertain how to apply the various sections in regards to the need for a business case. For example, Section 1.1 states that one purpose of the Policy is “to implement service wide standards for assessing whether travel is required”. When read in conjunction with Section 3.4 as noted above, one could conclude that business cases are required in all instances of travel. On the other hand, under Section 5.1. “Airmiles” and “Hotel/Accommodations” there are specific examples stated for the use of a business case; thus, giving the implication that business cases are only needed to justify deviations in those areas.

It is therefore understandable that entities may be uncertain as to when to use business cases. In addition, when we raised this with the Portfolio of the Civil Service they acknowledged that the expectations for the use of a business case to justify official travel requires further clarification in the Policy.



Recommendation

The Portfolio of the Civil Service should revise the Policy to clarify the circumstances in which a business case is required and the format that this should take. In addition, guidance on minimum criteria to be applied in assessing the need for travel should be provided as well.

Management's Response

Portfolio of the Civil Service

Management accepts that there is genuine miscommunication on what is expected in terms of a business case. All travel requests should at a minimum (i) confirm that the accountable officer deems such travel to be necessary and (ii) specify the purpose of the travel, namely the where, what, why and when. This is sufficient justification for any travel which is compliant to the Policy. Where the travel approved deviates from the policy (eg. by allowing persons to travel in business class when they are otherwise entitled to coach class of travel, by authorising higher hotel rates than prescribed by the policy, etc.), then in addition to stating the purpose of travel the travel documents ought to set out the rationale/justification for deviating from the policy. This clarification has been inserted in the revised policy.

Implementation Date: *The Revised Policy will be circulated for comments and implemented by 31st March 2015.*

5. Untimely Submission of Travel Claims

The Official Travel Application Form requires applicants to sign a declaration attesting to their understanding and acceptance of the term of the official travel. This includes a commitment to present to the Chief Officer with any unclaimed expenses incurred within 7 days of their return. Further, the Expenses Claim Form provides a mechanism for itemizing and reporting travel expenses, including a section where the employee is to determine what balance is due to the Government or themselves. Similar to the Application for Official Travel, the Expenses Claim Form requires employees to certify that the Claim Form is a true reflection of the expenses incurred.

Our testing indicated that the submission of claim forms by employees was not carried out in a timely manner. We noted that 12 travel expense claim forms, requesting reimbursement for expenses ranging from CI\$34.00 to CI\$2,159.03, were submitted between 10 and 204 days after the employees' return dates.

In their responses to our findings, some entities cited the following reasons for delayed submission of expense claim forms:

- Annual leave (taken by the employee) immediately following training;
- Pursuit of receipts to support the expense claims.



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

Notwithstanding the explanations by Management, these exceptions illustrated that key internal controls were not operating effectively. Employees were not submitting claim forms in a timely manner despite having signed declarations to do so. Moreover, entities continued to pay the claims although, in accordance with section 5.2. of the Policy, they were not required to reimburse the claimant.

Based on these findings, we concluded that the relevant entities were not in compliance with Section 5.2 of the Official Travel Policy.

Late submission of claims reduces the entities' ability to properly plan for and manage their expenditure and ultimately safeguard Government's funds.

Recommendation

Management should reinforce the terms and conditions under which an official travel advance is granted at the time the application is made. Expense claims submitted after 7 days should not be approved and processed unless the claimant provides validation that extraordinary or extenuating circumstances prevented them from submitting the claim.

Management's Response

Commissions Secretariat

The Manager will ensure the policy of processing travel related expense claims is adhered to in the future.

Implementation Date: *February 2015*

Portfolio of the Civil Service

Management accepts this recommendation and will pursue travel expense claims in a more timely manner.

Implementation Date: *February 2015*

Office of the Information Commissioner

We will in future have travel expense forms completed within 7 calendar days from actual return, for those expenses that were not prepaid.

Implementation Date: *December 2014*

Ministry of Planning, Lands, Agriculture, Housing & Infrastructure

Going forward the Ministry will send reminders on this matter to travel officers.

Implementation Date: *November 2014*



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

Portfolio of Legal Affairs

Management accepts the recommendation. Going forward all efforts will be made to ensure that employees submit claim forms in a timely manner.

Implementation Date: *December 2014*

6. Documents Not Available for Verification

Section 44 (1) of the Financial Regulations 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.”

During our review, relevant documentation was not provided to us for the verification of 45 of our selected audit samples:

- In 37 instances the unavailable documents were necessary to assess procedural compliance with the Official Travel Policy and included the official travel application forms, as well as travel itineraries or other such documentation to evidence class of air travel;
- In the other 8 instances documentation to support payments totaling CI\$7,306.56, including relevant receipts and invoices were unavailable.

Reasons provided by entity management for the lack of documentation includes:

- Official Travel Application Forms were completed but were not always attached to the relevant travel invoices; hence, the documents were not readily available for verification.
- Travel application forms were submitted and approved, however, the forms only included the per diem information, instead of all travel related costs, which were processed and filed separately.

As a result of these findings, we conclude that the relevant agencies did not operate in compliance with the Financial Regulations, as supporting documents were unavailable for audit review.

The lack of documentation for audit review reduces the audit trail, is not in accordance with good governance practices, and potentially exposes the Government to unsubstantiated/unjustified travel expenses.

Recommendation

Chief Officers should ensure that an effective record keeping system is established and maintained in order to achieve compliance with the Financial Regulations.



Management's Response

Cabinet

Management agrees with the recommendation.

Implementation Date: *January 2015*

Office of the Complaints Commissioner

Management agrees with this and all recommendations herein, and will ensure that going forward all relevant documentation is provided to support payments, in order for same to be verified.

Implementation Date: *January 2015*

Portfolio of Legal Affairs

In the future, efforts will be made to ensure that a copy of the approved travel form and supporting documents are attached to the invoice when processing payments, including the travel itinerary showing the class of ticket.

Implementation Date: *December 2014*

Ministry of Health, Sports, Youth & Culture

The Ministry currently has a policy in place that supporting documents must accompany payment requests prior to payments being processed. The Ministry will request additional documentation such as the actual hotel/other receipts to be provided upon completion of travel and to accompany the Travel Reporting form which is also required.

Implementation Date: *December 2014*

Ministry of Financial Services, Commerce & Environment

Moving forward, the Ministry will include all the costs relating to travel in the Travel Application Form.

Implementation Date: *December 2014*

7. Lack of Completed Application Forms for Sister Islands Travel

The scope of the Official Travel Policy states “this policy applies to travel where a Civil Servant has been authorised to conduct business on behalf of the Cayman Islands Government or to attend an event or conference as a representative of the Cayman Islands Government.”

During our audit, we found that the Economics and Statistics Office (ESO) was not completing travel application forms for job-related travels to the Sister Islands. In response to this finding, the ESO commented that they were unclear as to whether travel to the Sister Islands for the fulfilment of ordinary job duties was covered under the Policy scope. In addition, the ESO remarked that, given the frequency at which their staff travel to the Sister Islands, the requirement to complete travel application forms and business cases each time is onerous.



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

During discussions with the Portfolio of the Civil Service, we were advised that the Policy clearly states that it relates to the conduct of business on behalf of the Cayman Islands Government. The Chief Officer further stated that, under any interpretation, the clause must be synonymous with “travel necessary to fulfil one’s ordinary job duties.”

As such, the ESO did not operate in compliance with the Official Travel Policy’s requirement to complete Travel Application Forms for travels to the Sister Islands.

The lack of completed and approved Official Travel Application forms potentially exposes the ESO and the Government as a whole to unsubstantiated/unjustified travel expenses.

Recommendation

The Economics and Statistics Office should ensure that Travel Application forms are duly completed and approved as required by the Official Travel Policy, including where job-related travels to the Sister Islands are necessary.

Management’s Response

[The Economics and Statistics Office](#)

Recommendation accepted. We have started complying with the policy on local travels.

Implementation date: *January 2015.*

8. Policy Scope Requires Clarification

As written, the scope of the Travel Policy states “this policy applies to travel where a Civil Servant has been authorised to conduct business on behalf of the Cayman Islands Government or to attend an event or conference as a representative of the Cayman Islands Government.”

During the audit, we noted that the Judicial Administration did not apply the Policy to the official travels of Judges and Magistrates. They advised that the Policy refers to Civil Servants as employees, as seen in section 1.0 of the Policy and used interchangeably thereafter. They further stated that, in the case of Judges and Magistrates, who are employees but not Civil Servants, this creates some confusion as to whether the Policy should be applied to such persons.



Recommendation

The Portfolio of the Civil Service should clarify the scope of the Official Travel Policy to state how it should be applied to non-Civil Servants who undertake travel to conduct business on behalf of the Cayman Islands Government.

Management's Response:

Portfolio of the Civil Service

With regard to Employees but not Civil Servants (e.g. Judges and Magistrates), this finding is accepted. The Policy has been revised to clarify that it applies directly to civil servants and is provided for guidance on achieving value for money for other public servants whose expenditures in this area ought, in any event, to be governed by an identifiable expenditure framework.

Implementation Date: *The Revised Policy will be circulated for comments and implemented by 31st March 2015.*

9. Potential Conflict Between Policy and Law

Section 4 of the Official Travel Policy calls for travel applications to be “supported by the Appointing Officer (i.e. Head of Department where this is not the Chief Officer)”.

Part I (Introductory) section 2 (1) (c) of the Public Service Management Law (2013 Revision) defines an Appointing Officer as “in the case of staff of a civil service entity - the chief officer, or the head of department or other manager in the civil service entity with delegated authority from the chief officer to make personnel decisions”.

The definition of an Appointing Officer, as stated in the Law, indicates that not all Heads of Departments are necessarily Appointing Officers. To be both a Head of Department and an Appointing Officer, such authority must be explicitly delegated by the Chief Officer.

The absence of specific wording in this clause of the Official Travel Policy may lead to improperly supported Official Travel Applications by Heads of Departments who lack the proper delegated authority (i.e. they are not Appointing Officers). In addition, where Heads of Departments are not Appointing Officers, the possibility may exist for employees to be approved for official travel by their Chief Officers without the knowledge of their HODs, who have operational supervision for the employees.

Recommendation

The Portfolio of the Civil Service should ensure that the Policy is clarified to ensure that Heads of Departments who may not be Appointing Officers are able to endorse the official travels of staff who are under their supervision.

**Management's Response:**Portfolio of the Civil Service

This recommendation is agreed in principle although the actual term will likely be the Head of the Department/Section/Unit to cover the various business entities that exist within the Cayman Islands Government.

Implementation Date: *The Revised Policy will be circulated for comments and implemented by 31st March 2015.*

10. Deficiencies in the Official Travel Policy

Documented policies and procedures provide continuity, standards of acceptable performance, and the means of coordinating individual and interdepartmental tasks within an entity. They also serve to guide performance and support the maintenance of operational consistency.

The following deficiencies were noted when we reviewed the Official Travel Policy.

a. No Guidelines for Unlisted Travel Destinations

Appendix 1 of the Travel Policy – Official Travel Rate Sheet – lists various countries and regions to which Civil Servants may possibly undertake travel for official duties. We have noted that although this list is not exhaustive with regards to global travel destinations, there is no guidance provided in the Policy on rates to be applied when travelling to excluded countries.

During our audit, we determined that the different entities had established varying rates for per diem and lodging for the unlisted countries. As a result, there were inconsistencies across the Government as it relates to official travels to unlisted destinations.

Recommendation

The Portfolio of the Civil Service should provide guidelines to aid with determining per diem and accommodation rates for unlisted travel destinations.

Management's Response:Portfolio of the Civil Service

This finding is accepted although the PoCS has provided assistance on a case by case basis. The revised policy will contain a default rate which can be applied where the particular destination is not specified as is otherwise not feasible to develop an exhaustive list of destinations under this policy.



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

b. Unclear Provisions on Ground Transportation & Reasonable Taxi Rates

The “Allowable Expenses (Reimbursable If Not Prepaid)” section of Appendix 4 of the Official Travel Policy states that ground transportation of \$15.00 or more for each day is reimbursable. In the same appendix under “Other Allowable Expenses - Covered by the Per Diem Allowance” it includes:

- Ground transportation – including taxi and public transportation fare, parking fees, and tolls;
- Travel to and from an airport at reasonable taxi rates; and,
- Taxi, if less than \$15.00 per day

However, we have noted that the Policy has not stipulated whether, in circumstances where ground transportation costs exceed \$15.00, the amount to be reimbursed is the full amount or the amount in excess of the \$15.00. We are of the view that, without this clarification, the possibility exists for entities to be inconsistent in the application of this section.

We have also noted that there may be the need to specify a definition for the term “reasonable taxi rates” as different ministries/portfolios were applying this differently in the management of official travels.

Recommendation

The Portfolio of the Civil Service should clarify provisions for reimbursement of ground transportation (Appendix 4 of the Policy) to make clear the amount to be reimbursed (i.e. the full amount or the amount in excess of \$15). In addition, a consolidation of the ground transportation and taxi sections, under one heading, should be considered.

Management’s Response:

[Portfolio of the Civil Service](#)

Management agrees with this finding. The revised Policy clarifies that where taxi fares in any one given day exceed \$15 per day, the Accountable Officer has the discretion, if satisfied the travel is justified, to reimburse that portion of the taxi fares which exceed \$15 in any one given day, upon being furnished with the receipt(s) for such taxi fare(s).

c. No Rule on Regular Baggage Fees

The “Expenses Not Provided for in the Travel Policy” section of Appendix 4 states that “excess baggage charges” are disallowable unless the staff member has received approval in advance for such charges for legitimate business reasons. However, there is no statement in the Policy relating to regular checked-in baggage incidental to travel.



INTERNAL AUDIT REPORT
FY 2013/14 OFFICIAL TRAVEL EXPENDITURES AUDIT
CORE GOVERNMENT ENTITIES

During our audit, we noted 3 claims for baggage fee expenditures ranging from CI\$21.00 to CI\$259.26 that were paid/reimbursed by entities.

Without a statement on allowable baggage fees, ministries and portfolios will be left to establish their own thresholds, leading to disparities across government. Additionally, without clearly defined baggage allowances, it becomes difficult to hold employees accountable for amounts that are excessive (i.e. how does one determine what is considered excessive where no limits/allowances exist).

Using standard airline baggage fees of US\$25¹ for the first checked bag, and US\$40² for the second checked bag, baggage fees of CI\$259.26 are considered excessive. As per the Policy, excessive baggage fees must be incurred for legitimate business reasons and be approved in advance. In this case, no advance approval was received.

Recommendation

The Portfolio of the Civil Service should include guidelines on baggage allowance in the revised Policy.

Management's Response:

[Portfolio of the Civil Service](#)

This finding is accepted. Given the current trend in the airline industry to restrict even the first piece of luggage, the Travel Policy has been revised to clearly stipulate that, where an airline charges for the first piece of luggage, this cost will be reimbursed, excluding any additional charges (e.g. overweight fees, additional bags). Additional charges are subject to further justification and approval.

d. Inadequate Template to Record Appointing Officer Support

Section 4 of the Official Travel Policy calls for the travel application to be "supported" by the Appointing Officer but does not state how such support should be evidenced nor does the application form contain a section for the Appointing Officer to sign or initial.

During our audit, we noted the absence of the Appointing Officers' signatures on some application forms for some entities, while other entities addressed the deficit by amending the form to include an appropriate signature section.

Without a clearly identified section on the prescribed application form for Appointing Officers to sign, the Policy requirement may not be fulfilled.

¹ Baggage fee obtained from the American Airlines website: <https://www.aa.com/i18n/travelInformation/baggage/baggageAllowance.jsp#!charges>

² Baggage fee obtained from the American Airlines website: <https://www.aa.com/i18n/travelInformation/baggage/baggageAllowance.jsp#!charges>

**Recommendation**

In revising the Official Travel Policy a section should be added to the Official Travel Application Form where the relevant Officers can affix their signatures or initials as evidence of their support of the Official Travel Application.

Management's Response:*Portfolio of the Civil Service*

Agreed. The Revised Policy will contain a section for the relevant Officers to sign.

e. *Absence of Guidelines on Internet Access Charges*

Our audit revealed that 3 payments for Internet access charges with amounts ranging from \$56.62 to \$77.95 were paid and booked as part of official travel expenses. The corresponding hotel stays that resulted in these charges ranged from 4 to 6 days.

The Official Travel Policy provides no guidelines on Internet access charges incurred in the course of travel. As a result, there is no assurance on the reasonableness of charges and amounts that can be incurred, if any.

Without proper guidance, individual entities are left to apply their discretion, which will result in unequal treatment of the expense across ministries/portfolios.

Recommendation

The Portfolio of the Civil Service should include guidelines on Internet access in the revised Policy.

Management's Response:*Portfolio of the Civil Service*

Management agrees further guidance can be provided but disagrees that a uniform amount can be predetermined to be a "reasonable" charge as such fees are predetermined by the property, vary significantly and are typically not known prior to travel. It is almost always cheaper to pay the internet fee than to enable roaming on mobile device. Therefore, the Policy will be revised to clarify that, where the Accountable Officer deems it necessary for the civil servant travelling to maintain internet connectivity while on official business, the Accountable Officer may reimburse such expense upon being furnished a receipt for the internet.

Implementation Date: *The Revised Policy will be circulated for comments and implemented by 31st March 2015.*