

Internal Audit Report

DEPARTMENT OF ENVIRONMENTAL HEALTH

DEH OVERTIME REVIEW - *PHASE 2*

Audit Reference 2018-02

JULY 2018



**INTERNAL
AUDIT SERVICE**

CAYMAN ISLANDS GOVERNMENT

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SECTION I. EXECUTIVE SUMMARY

1. Introduction

- 1.1. In November 2017, the Chief Officer of the Ministry of Health, Environment, Culture and Housing (CO HECH) requested that the Internal Audit Service (IAS) review staff overtime (OT) expenditure at the Department of Environmental Health (DEH). It was agreed that this review would be undertaken in two phases.
- 1.2. By the end of the 18 month 2016/17 fiscal year, DEH expenditure on OT totaled \$2.24m, exceeding the \$0.25m budget by 796%.
- 1.3. In February 2018 IAS issued a report covering the first phase of its review which addressed the adequacy of budget monitoring, reporting and subsequent management actions.
- 1.4. This report covers the second phase of the review which began in March 2018 with two primary objectives:
 - To determine the main factors which contributed to the OT expenditure; and
 - To determine the extent to which DEH could have controlled those factors to reduce or eliminate the OT overspend.

2. Audit Scope / Limitations on Work Undertaken

- 2.1. In consideration of time and resource constraints, the audit scope was limited to a review of OT at Solid Waste Collections (SWC) during the 18 month 2016/17 fiscal year.
- 2.2. SWC was by far the single largest contributor to DEH's 2016/17 OT overspend. Its OT expenditure of \$1.22m exceeded the entire DEH OT budget by 388% and had risen by 89% when comparing comparable 2015/16 and 2016/17 12 month periods.
- 2.3. DEH Landfill was the second largest contributor with a considerably smaller OT spend of \$0.43m. This, and all other DEH operations were excluded from the scope of this review.

3. Audit Methodology

3.1. The IAS undertook the following steps during this review:

- Conducted interviews with key stakeholders including the Acting Director of Environmental Health, the Acting Solid Waste Assistant Director, the Residential and Commercial Collections Foremen, and a number of operational staff from within SWC;
- Reviewed DEH's policies and procedures, and relevant laws and regulations relating to OT;
- Analysed available documentation, financial records and data contained within management information systems.

4. Audit Conclusion

4.1. Based on the work undertaken and the evidence reviewed, the IAS concludes, as it relates to operations at SWC:

“Although able to corroborate management data identifying vehicle downtime and staff absenteeism as major factors contributing to overtime expenditure at Solid Waste Collections, we did not find sufficient evidence to substantiate the extent of the 2016/17 increases in these and other recorded factors including ‘special projects’ and ‘heavy workloads’.

With inadequate management information, malfunctioning internal controls and conflicting evidence, we believe there is a high probability that intentional abuse of the system was another significant factor behind the increased expenditure.

We believe a number of options were available to Department of Environmental Health management that could have been deployed to effectively contain the overtime overspend.”

4.2. In addition to our overall conclusion above which is intended to inform Management action, we have made a total of four recommendations to protect or enhance the internal control environment. All of these have been classified as high priority and have been accepted by Management at both DEH and the Ministry HECH.



Andy Bonner
Director, Internal Audit Service

SECTION II. AUDIT RECOMMENDATIONS & MANAGEMENT RESPONSES

Recommendation	Management Responses
HIGH PRIORITY RECOMMENDATIONS	
<p>Recommendation 1</p> <p>DEH Senior Management should consider the options presented to them during the course of the audit review and produce a formal strategy document supported with an operational 'action plan' to reduce the occurrence and improve the management of overtime.</p>	<p><i>Recommendation Accepted.</i></p> <p>Recommendation Owner: <i>Acting Director DEH</i></p> <p>Target implementation date: <i>By December 2018</i></p>
<p>Recommendation 2</p> <p>DEH Senior Management should act to ensure, through directive, remedial training and any other methods deemed necessary, that adequate managerial capacity and commitment exists to meet the expectations of managerial oversight.</p>	<p><i>Recommendation Accepted.</i></p> <p>Recommendation Owner: <i>Acting Director DEH</i></p> <p>Target implementation date: <i>By December 2018</i></p>
<p>Recommendation 3</p> <p>DEH Senior Management should introduce and enforce policy to restrict personnel from manually entering their own TFS time records and to ensure that all manually entered TFS time records are regularly and independently reviewed by an appropriate member of staff seeking to confirm appropriate justification exists for the number and nature of the entries.</p>	<p><i>Recommendation Accepted.</i></p> <p>Recommendation Owner: <i>Acting Director DEH</i></p> <p>Target implementation date: <i>By December 2018</i></p>
<p>Recommendation 4</p> <p>DEH Senior Management should request an updated job evaluation to be undertaken by the Portfolio of the Civil Service for all DEH positions currently graded on historic 'wage worker' scales.</p>	<p><i>Recommendation Accepted. This will be undertaken following a review and revision of job descriptions.</i></p> <p>Recommendation Owner: <i>Acting Director DEH</i></p> <p>Target implementation date: <i>By December 2018</i></p>



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