

# MANAGEMENT BRIEFING DOCUMENT

# AUDIT OF COVID-19 FINANCIAL ASSISTANCE PROGRAMS

CORE – CAYMAN ISLANDS GOVERNMENT

2020-Q4-19

MAY 2021

COVID-19  
gov.ky/coronavirus



## Government Financial Support

 CAYMAN ISLANDS  
GOVERNMENT

DATE: 30 JULY 2020  
REF: 2021-28-100000000



## INTERNAL AUDIT SERVICE

CAYMAN ISLANDS GOVERNMENT

## Management Briefing Document

This document provides Management with detailed findings from the audit fieldwork that support the conclusions and recommendations that have been made. It also serves to give an advance view of how the final report will look. The final report will be simplified to provide the reader with the introduction to the audit, its scope, limitations and general methodology (Sections 1-3), the overall audit conclusion (Section 4) and, in the event recommendations are made, the “Recommendation” and “Management Response” columns of the recommendations table.

### 1. Introduction & Objectives

- 1.1. COVID-19 reached the Cayman Islands in March 2020. For the protection and safety of the Cayman Islands, the government decided to fully close the Islands’ shortly thereafter. This immediately affected the financial well-being of individuals working and businesses operating in a variety of industries. To assist these individuals and businesses, the government, through multiple ministries and in a short time, developed and implemented several financial assistance programs. The nature and environment within which these programs were implemented, led to concerns related to eligibility of applicants.
- 1.2. The Internal Audit Service (IAS) conducted this audit to determine whether these COVID-19 Financial Assistance Programs performed effectively in providing the financial assistance needed by businesses and individuals that were negatively impacted by economic shutdowns.
- 1.3. The overall objectives for the audit were to provide assurance:
  - On the control framework related to eligibility of applicants;
  - That disbursements were timely and in accordance with program design; and
  - On the overall governance of program delivery across the relevant ministries.

### 2. Audit Scope / Limitations on Work Undertaken

- 2.1. The scope included reviewing processes and controls in place for the programs listed below from March 2020 to August 2020.

Program Name <sup>1</sup>	Responsible Ministry
Micro and Small Business Grants and Loans (MSBG & MSBL)	Ministry of Commerce Planning and Investment (MCPI), delivered by Cayman Islands Centre for Business Development (CICBD)
Poor Relief (PR)	Ministry of Community Affairs (MCA), delivered by Needs Assessment Unit (NAU)
Expatriate Stipend (ES)	Ministry of Community Affairs (MCA)
Musician Grant (MG)	Ministry of Health, Environment, Culture, and Housing (HECH)
Artists Relief and Artwork Acquisition Grants (AR & AAG)	Ministry of Health, Environment, Culture, and Housing (HECH), delivered by the National Gallery of the Cayman Islands (NGCI)
Tourism Stipend (TS)	Ministry of District Administration, Tourism, and Transport (DATT).

<sup>1</sup> Appendix A “Program Inclusion Details”, outlines the ways in which each program was assessed in the audit.

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- 2.2. There were no limitation encountered during the course of the audit that impacted our ability to meet the agreed objectives.

### 3. Audit Methodology

- 3.1. The following steps were taken in order achieve the stated objectives:

- Discussion with relevant personnel regarding processes, procedures and practices;
- Review of documents supporting applications;
- Performing 'walk-through' of physical locations;
- Identification and assessment of the eligibility of applicants;
- Accessing and reviewing information from 3rd party sources; and
- Sample-based testing of the key controls to ensure they are operating as expected.

### 4. Audit Conclusion

- 4.1. Based on the work undertaken and the evidence reviewed, the IAS concludes:

**"The control frameworks related to eligibility of applicants were inconsistently designed and implemented among the programs included in the audit."**

**"While the disbursements to support those in need were made in alignment with program designs, the payments themselves were not made in a timely manner."**

**"Overall governance of program delivery across relevant ministries (e.g. coordination) was limited to two programs."**

- 4.2. IAS has made one recommendation to the CIG, as a whole, for future financial assistance programs.
- 4.3. The financial assistance programs intended to support individuals and businesses during the COVID-19 pandemic, were established and modified in an expeditious fashion in order to deliver funding to individuals and businesses in need of assistance. In light of this reality, the ministries and their departments are commended for their efforts to start a program from the ground up, implementing a due diligence process and providing assistance to those in distress in a timely manner.

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### 5. Control Frameworks Related To Eligibility Of Applicants



















































- 5.1. When the programs were rolled-out, their frameworks for assessing eligibility were inconsistent. Some Ministries used existing program frameworks, while others were agile and developed their assessment application procedures from scratch.
- 5.2. The control frameworks related to eligibility were assessed in two ways:
  - To confirm that frameworks were developed to support assessing applicants' eligibility.
  - That the established frameworks were implemented as intended.

#### **The control frameworks established for assessing eligibility and supporting financial assistance administration.**

- 5.3. To successfully deliver a financial assistance program, a best practice would be to have criteria in place to ensure that the decision making is consistent, transparent, and fair. Without controls, this can lead to:
  - Delays in decision-making, negatively affecting the timeliness payments; and
  - Inconsistencies in applying eligibility criteria when approving recipients.
- 5.4. The governance frameworks for defining and assessing eligibility were assessed against key control elements. These key control elements are intended to help reduce the risks of:
  - Applications being inconsistently assessed between reviewers / officers.
  - Ineligible individuals receiving financial assistance which could have been used for other recipients.
  - Financial assistance are provided to those who demonstrate a true need for assistance.
  - Individuals not receiving financial support in a timely manner.
  - Collusion or other unethical activities occurring during the application review and approval processes.
- 5.5. The following table provides a snapshot of the individual program's adherence to key elements of a financial assistance program governance framework.

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Programs	Key Elements					
	Documented process to assess eligibility.	Eligibility criteria are specified and used when assessing applicants.	Applicants are to be assessed against stated program objectives.	Program states whether applicants may receive funding from other financial assistance programs.	Service delivery standard exist (e.g. timeline) for processing applications.	Assessment Officers declare potential conflicts of interest.
MSBG						
MSBL						
PR						
ES						
MG						
AR						
AAG						
TS						
Met 			Not Met 			

- 5.6. The results indicate that the risks identified were inconsistently managed with few requirements in place regarding the eligibility of applicants to receive funding from multiple programs. Little to no guidance existed relating to timely disbursements, and potential conflicts of interest.
- 5.7. The Transfer Payment Governance Framework of 2017 was not referenced by the entities developing the financial assistance programs.

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### The eligibility of sampled applicants per established criteria.

- 5.8. The assessment of eligible applicants focused on; confirming that recipients were eligible based on established criteria, where such criteria existed, as well as against the stated objectives of the program.
- 5.9. **Musicians Grant: Partially Met** - Overall, those who received funding were generally eligible based on the information on file and per the program's requirements. However, in some instances it was not possible to confirm whether specific bands actually existed, and whether they performed prior to or after the lockdown.
- 5.10. In administering the Stipend, HECH officials initially reviewed applicants prior to seeking Ministerial approval. As part of this review, HECH officials identified those applicants with whom they had concerns. Following their review, HECH officials provided the entire list of applicants, including those flagged with concerns, to the Minister for approval. The final list of approved applicants returned to HECH officials for payment, included 27 applicants with whom HECH officials had previously flagged. There was no information provided to support these approvals.
- 5.11. **Micro and Small Business Grants: Partially Met** - During implementation, the CICBD identified that the original approval and due diligence processes were too burdensome and time consuming to allow for meaningful and timely delivery of assistance to businesses. To manage this issue, the CICBD streamlined the assessment process and reduced the documents required to render an approval decision. This resulted in faster turn-around processes and improved timely distribution of funds, however it also reduced due diligence, resulting in the following:
- Entities may have received funding without demonstrating a working capital need.
  - Insufficient documentation to demonstrate that initial funds were used as originally indicated, or that the initial funds had been spent.
  - A lack of records on file or through 3rd party sources to demonstrate an entity had been in operation for at least a year.
- 5.12. **Expatriate Stipend: Met** - Overall, those who received funding were eligible based on the information on file and per the program's requirements. In certain instances, however, applicants were receiving part of their salary and / or some sort of assistance from their employers. Although outside the parameters of the program, it was immaterial in nature and provided meaningful support to recipients.
- 5.13. **Tourism Stipend: Partially Met** - During the implementation of the Tourism Stipend, DATT used different application assessment processes between the \$600 and \$3,000 Stipends. However, overall, those who received funding were generally eligible based on the information on file and per the program's requirements for both stipends. There were few instances in which no information available to demonstrate that an applicant worked in a tourism industry, and, in five

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cases Workplace Opportunities and Residency Cayman identified that some recipients were in fact not Caymanian.

### Common themes among the programs regarding eligibility frameworks and assessments.

5.14. Following review of the application eligibility assessments, best practices and opportunities for improvement were identified.

5.15. Best practices:

- All ministries leveraged staff and resources from other ministries, departments, and associations to help ensure due diligence. This limited the amount of documentation and information required from applicants, as well as verification by assessment officers.
- Some ministries used well established and defined control frameworks to assess eligibility and determine appropriateness of funding (NAU & NGCI).
- Instead of rejecting applicants outright, assessment officers worked with applicants to obtain the documentation needed to qualify for financial assistance.
- At their outset, for some programs, they did not have application forms that detailed the requirements for being approved. However, eventually all of the programs sampled had developed and implemented application forms that contained eligibility requirements.

5.16. Opportunities for improvement:

- There was limited formal documentation demonstrating an assessment officer's recommendation to approve or reject an applicant.
- Criteria regarding demonstrating need were broad and allowed for broad approval of applications.
- None of the programs had formal mechanisms with which to track progress against service standards.
- There was no standardized / common communication means to inform applicants that they had been approved for funding.

## 6. Timeliness and appropriateness of payments

6.1. The audit assessed whether the sampled recipients' payments were made in a timely manner and in accordance with program maximums. The following table provides a snapshot of the results of these assessments.

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Program	Criteria	
	Service delivery standard (e.g. timeline) for processing applications was met.	Payments were made in accordance with program maximums.
<b>MSBG</b>	Partially Met	Met
<b>ES – Food Card</b>	U/A	U/A
<b>ES – Rental Assistance</b>	Not Met	Met
<b>MG</b>	Not Met	Met
<b>TS - \$600</b>	Met	Met
<b>TS - \$3,000</b>	Partially Met	Met

## 7. Overall coordination between departments

- 7.1. Through the use of multiple financial assistance programs, a broader group of individuals and businesses can obtain assistance in a shorter time frame. However, in an environment where there are multiple programs providing funding, there is a risk of recipients receiving duplicate funding or double-dipping from various programs potentially impacting those in greatest need. To minimize this risk, information on applicants and approved recipients needs to be shared between the implementing organizations.
- 7.2. To that end, two programs practiced coordination/collaboration in sharing information and managing their programs together (Tourism and NAU). The Department of Tourism provided the NAU with listing of applicants who received the stipend. The NAU then reviewed that list when completing detailed assessments of applicants to their funding program to ensure that the stipends would be taken into the calculations done by the NAU. However, this communication did not flow in both directions as it was found that a tourism stipend was provided to individual whom the NAU had identified as being disabled.
- 7.3. An assessment was also conducted to determine whether there were recipients (i.e. Principals) of NAU assistance who also received assistance from any other COVID financial assistance program. It was found that more than 300 principals, as well as relations of principals, had received a benefit from a COVID-19 financial assistance program (i.e. Musician and Tourism Stipends). However, NAU's control framework limited the risk of recipients receiving assistance from multiple programs. In only two instances was the receipt of the \$3,000 Tourism Stipend not disclosed or identified by the NAU.

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- 7.4. The programs were not designed to be overlapping and nor was there any explicit limitation on receiving funding from the other programs. As a result, there was no assessment conducted to determine if recipients received funding from multiple sources.

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## 8. Recommendations & Management Responses / Action Plan

8.1. Recommendations are made with the intent to protect or enhance government operations. They are categorized as either high or standard priority. A recommendation is considered to be high priority if not implementing it is likely to result in any of the following:

- Substantial losses to the entity;
- Serious failure to comply with legal or regulatory requirements;
- Serious reputational damage to the entity;
- Inaccurate management information for important decision making purposes; or
- A material impact on financial reporting.

### STANDARD PRIORITY RECOMMENDATIONS

<b>1</b>	<p><i>The Transfer Payment Governance Framework (2017) should be reviewed in light of the findings from this report, along with any other relevant developments known to the Ministry since its initial drafting. Any revisions to the policy should ensure that the following key elements are explicitly addressed:</i></p> <ul style="list-style-type: none"><li>• <i>Eligibility and need-related criteria be defined and incorporated in the assessment process;</i></li><li>• <i>Service standards be defined, communicated, and monitored, and;</i></li><li>• <i>Coordination/collaboration between funding entities, as well as whether, and under what circumstances, financial assistance can be obtained simultaneously from multiple entities by a single recipient.</i></li></ul>	
	<p><i>The revised Framework should be promulgated throughout the Cayman Islands Government and made readily available to stakeholders.</i></p>	
	<p><i>This recommendation is based upon the following finding(s) in: 5.6, 5.16, 6.1, 7.2, 7.4</i></p>	
	<p><b>Management Response:</b></p> <p>Management agrees with this recommendation.</p>	
	<p><i>Recommendation Owner:</i> Financial Secretary</p>	<p><i>Target Implementation Date:</i> 31 January 2022</p>

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### Appendix A – Program Inclusion Details

As a result of the structure and implementation of the financial assistance programs included in the audit, the table below outlines the specific scope of how each program was assessed and why.

Program	Scope Details
Micro and Small Business Grants (MSBG)	<p>The audit assessed:</p> <ul style="list-style-type: none"> <li>• The governance framework for defining and assessing eligibility.</li> <li>• Actual application assessments and approval in accordance with defined requirements and expectations.</li> <li>• Disbursements made in a timely manner and in accordance with program design.</li> </ul>
Micro and Small Business Loans (MSBL)	<p>The audit assessed:</p> <ul style="list-style-type: none"> <li>• The governance framework for defining and assessing eligibility.</li> </ul> <p>The audit did not assess:</p> <ul style="list-style-type: none"> <li>• The eligibility assessments for the Business Interruption Loan Scheme due to limited internal audit resources and that the loan program was predominantly managed by the Cayman Islands Development Bank.</li> </ul>
Poor Relief (PR)	<p>The audit assessed:</p> <ul style="list-style-type: none"> <li>• The governance framework for defining and assessing eligibility.</li> <li>• Activities undertaken by the NAU to identify and flag recipients of other COVID-19 financial assistance programs.</li> </ul> <p>The audit did not assess:</p> <ul style="list-style-type: none"> <li>• Given that the NAU used the same process for COVID-related assistance as their day-to-day operations, the audit did not examine the entire application review and approval process. This will be done during the Audit of Application Assessment Processing; scheduled to begin in 2022.</li> </ul>
Expatriate Stipend (ES)	<p>The audit assessed:</p> <ul style="list-style-type: none"> <li>• The governance framework for defining and assessing eligibility.</li> <li>• Actual application assessments and approval in accordance with defined requirements and expectations.</li> <li>• Disbursements made in a timely manner and in accordance with program design.</li> </ul> <p>The audit did not assess:</p> <ul style="list-style-type: none"> <li>• The assistance provided to Nicaraguans through a Non-for-Profit partner was not included in the audit.</li> </ul>

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Program	Scope Details
<p>Musician Grant (MG)</p>	<p>The audit assessed:</p> <ul style="list-style-type: none"> <li>• The governance framework for defining and assessing eligibility.</li> <li>• Actual application assessments and approval in accordance with defined requirements and expectations.</li> <li>• Disbursements made in a timely manner and in accordance with program design.</li> </ul> <p>The audit did not assess:</p> <ul style="list-style-type: none"> <li>• The Ministerial approval process; this is ministerial discretion and is outside the scope of IAS’ remit.</li> </ul>
<p>Artists Relief (AR)</p>	<p>The audit assessed:</p> <ul style="list-style-type: none"> <li>• The governance framework for defining and assessing eligibility.</li> </ul> <p>The audit did not assess:</p> <ul style="list-style-type: none"> <li>• The actual review and approval of applicants based on defined eligibility criteria. The total amount spent through this grant was \$18,000, which is immaterial in the larger government budget. Additionally, all of the applicants were already known to the NGCI.</li> </ul>
<p>Artwork Acquisition Grants (AAG)</p>	<p>The audit assessed:</p> <ul style="list-style-type: none"> <li>• The governance framework for defining and assessing eligibility.</li> <li>• Whether the artwork acquired was received and in the possession of the NGCI.</li> </ul> <p>The audit did not assess:</p> <ul style="list-style-type: none"> <li>• The actual review and approval of applicants based on defined eligibility criteria (e.g. a sample). The NGCI has a collection and acquisition policy, and framework established for selecting pieces of artwork. The NGCI did not create a new selection process for COVID-19 related grants, and as such used this policy and framework to select the pieces of work. Given this, the audit did not review the selection process itself.</li> </ul>
<p>Tourism Stipend (TS)</p>	<p>The audit assessed:</p> <ul style="list-style-type: none"> <li>• The governance framework for defining and assessing eligibility.</li> <li>• Actual application assessments and approval in accordance with defined requirements and expectations.</li> <li>• Disbursements made in a timely manner and in accordance with program design.</li> </ul>



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**“Trusted advisors providing objective assurance, advice and insight  
to *enhance and protect* the Cayman Islands Government.”**