



## **CAYMAN ISLANDS HEALTH SERVICES AUTHORITY**

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**Report to those charged with governance on the 2021 audit**

**June 2022**

***To help the public service  
spend wisely***

# TABLE OF CONTENTS

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<b>INTRODUCTION .....</b>	<b>4</b>
<b>AUDITORS RESPONSIBILITIES IN RELATION TO THE AUDIT.....</b>	<b>4</b>
Auditor’s responsibility under International Standards on Auditing.....	4
Responsibilities of management and those charged with governance.....	5
Other information in documents containing audited financial statements.....	5
<b>CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT.....</b>	<b>5</b>
<b>AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS .....</b>	<b>5</b>
<b>SIGNIFICANT FINDINGS FROM THE AUDIT .....</b>	<b>6</b>
Significant accounting practices .....	6
Management’s judgments and accounting estimates.....	6
Going concern doubts.....	6
Deficiencies in internal control.....	6
Fraud or illegal acts.....	7
Significant difficulties encountered during the course of our audit.....	7
Disagreements with management.....	7
Any other significant matters .....	7
<b>ACKNOWLEDGEMENTS .....</b>	<b>8</b>
<b>Appendix 1 – Summary of Adjusted Differences .....</b>	<b>9</b>
<b>Appendix 2 – Summary of Uncorrected Misstatements.....</b>	<b>10</b>
<b>Appendix 3 - Internal Control Matters &amp; Significant Findings .....</b>	<b>12</b>

# REPORT TO THOSE CHARGED WITH GOVERNANCE

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## INTRODUCTION

1. We have completed our audit of the 31 December 2021 financial statements of the Cayman Islands Health Services Authority (the “Health Authority” or the “Authority”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance in sufficient time to enable appropriate action. The matters we are required to communicate under ISAs include:
  - auditors responsibilities in relation to the audit
  - the overall scope and approach to the audit, including any expected limitations, or additional requirements
  - relationships that may bear on our independence, and the integrity and objectivity of our staff
  - expected modifications to the audit report
  - significant findings from our audit
2. This report sets out for the consideration of those charged with governance those matters arising from the audit of the financial statements for 2021 that we consider are worthy of drawing to your attention, so that you can consider them when the financial statements are approved and signed.
3. This report has been prepared for the sole use of those charged with governance in the Health Authority and we accept no responsibility for its use by a third party. Under the *Freedom of Information Act (2021 Revision)* it is the policy of the Office of the Auditor General to publish all final reports proactively on our website: [www.auditorgeneral.gov.ky](http://www.auditorgeneral.gov.ky).

## AUDITORS RESPONSIBILITIES IN RELATION TO THE AUDIT

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### AUDITOR’S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING

4. ISAs require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters and this report includes only those matters of interest which came to our attention as a result of the performance of our audit.

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**RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE:**

5. Management's responsibilities are detailed in the engagement letter to which this engagement was subject. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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**OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS:**

6. While we have no responsibility to perform any audit work on other information, including forward looking statements, containing audited financial statements, we shall read the other information contained in the Health Authority's annual report to consider whether such information is materially consistent with information appearing in the financial statements or our knowledge of the operations of the Health Authority.

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**CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT**

7. Information on the integrity and objectivity of the Office of the Auditor General and audit staff, and the nature and scope of the audit, were outlined in the Engagement Letter sent to the Chief Executive Officer on 30 August 2021, and follows the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

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**AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS**

8. We have issued an unmodified auditor's report on the 2021 financial statements with emphasis of matters on the substantial doubt about the Health Authority's ability to continue as a going concern and non-compliance with The Public Authorities Act (2020 Revision), Section 47 - Terms and conditions and remuneration of staff.
9. A summary of uncorrected misstatements is attached in Appendix 1. Audit adjustments made to the financial statements is attached in Appendix 2.
10. As part of the completion of our audit we sought written representations from management on aspects of the accounts and judgements and estimates made.

## SIGNIFICANT FINDINGS FROM THE AUDIT

### SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Health Authority's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Health Authority to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are not aware of any areas where the significant accounting practices have changed from previous year or are not consistent with general industry practice. In addition we are not aware of any new or controversial accounting practices reflected in the Health Authority's financial statements.

### MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. Management have made significant judgments and estimates with regard to the following financial statements items:

- Depreciation of Fixed Assets
- Provisions for Doubtful Debts on Receivables
- Post-Employment Health and Pension Benefit Liability
- Revaluation of Property Plant and Equipment.

13. We were able to satisfy ourselves regarding the estimated amounts reported in the financial statements.

### GOING CONCERN DOUBTS

14. In the course of our audit, we became aware of material uncertainties related to events and conditions that may cast significant doubt on the Health Authority's ability to continue as a going concern. In the Auditor General's Report, was drawn to note 24 of the financial statements, which states that the recognition of post-retirement health liability resulted in a net deficit of \$8.13 million. This raised a substantial doubt about the Health Authority's ability to continue as a going concern. The note also describes the series of action plans taken by management to alleviate this concern.

### DEFICIENCIES IN INTERNAL CONTROL

15. We identified a number of significant matters relating to internal controls as part of our audit. See Appendix 3 for a listing of these matters along with management's responses.

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#### FRAUD OR ILLEGAL ACTS

16. Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable laws and regulations rests with both those charged with governance of the entity and with management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, and fraud deterrence. They are also responsible for establishing and maintaining controls pertaining to the Health Authority's objective of preparing financial statements that are presented fairly, in all material respects, in accordance with the applicable financial reporting framework and managing risks that may give rise to material misstatements in those financial statements. In exercising oversight responsibility, those charged with governance should consider the potential for management override of controls or other inappropriate influence over the financial reporting process.
17. In planning and performing the audit, we are required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud. However, we cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.
18. No fraud or illegal acts came to our attention as a result of our audit.

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#### SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

19. No serious difficulties were encountered in the performance of our audit.

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#### DISAGREEMENTS WITH MANAGEMENT

20. We have had no significant disagreements with management regarding the conduct of our audit and the amounts reported on the financial statements.

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#### ANY OTHER SIGNIFICANT MATTERS

21. There were no other significant matters noted during the audit other than those disclosed in Appendix 3.

## ACKNOWLEDGEMENTS

22. We would like to express our thanks to the staff of the Health Authority for their assistance during the audit of the 2021 financial statements.

Yours Sincerely,



Sue Winspear, CPFA  
Auditor General



## APPENDIX 1 – SUMMARY OF UNCORRECTED MISSTATEMENTS

### Unrecorded misstatements - factual

Date	Name	Account No	Debit	Credit
12/31/2021	Accruals	20150		(121,303.91)
12/31/2021	Overtime	50013	121,303.91	
To record an understatement in overtime accrued for December 2021.				
12/31/2021	Accruals	20150	43,990.00	
12/31/2021	Electricity	51405		(43,990.00)
To record an overstatement in CUC Electricity Accrual for December 31, 2021				
12/31/2021	Finished Goods	13200	213,391.33	
12/31/2021	Medical/Health Supplies	50851		(213,391.33)
To record an entry to correct (the understatement of) inventory because of 10% freight year end inventory valuation				
12/31/2021	Asset Revaluation Reserve - Pri	30010	97,300.00	
12/31/2021	Accumulated Surpluses - System	32001		(97,300.00)
To record impact of misstatement of PY depreciation on SRC on revaluation reser				
			<b>475,985.24</b>	<b>(475,985.24)</b>

### Unrecorded misstatements - projected

Date	Name	Account No	Debit	Credit
12/31/2021	General Advances	14202		(379,500.00)
12/31/2021	Drugs	50701	379,500.00	
To record long outstanding P.O's				
			<b>379,500.00</b>	<b>(379,500.00)</b>

## APPENDIX 2 – SUMMARY OF ADJUSTED DIFFERENCES

### Adjusting journal entries

Date	Name	Account No	Debit	Credit
12/31/2021	Accounts Receivable - Sale of G	12074	712,760.67	
12/31/2021	Inpatient Revenue	42511		(712,760.67)
	Reclassification of intensive care unit revenue			
12/31/2021	Basic Salary	50011	3,289,806.18	
12/31/2021	Leave	50014		(3,289,806.18)
	To correct the classification of salary expense			
12/31/2021	Rights-of-use Assets	16105		(623,150.61)
12/31/2021	Accumulated Depreciation Right-of-use	16112	458,454.93	
12/31/2021	Operating Lease Rental	20110		(25,483.14)
12/31/2021	Operating Lease Rental	20110	3,541.78	
12/31/2021	Other non current liabilities	29701	648,633.75	
12/31/2021	Bank Charges	54227		(3,541.78)
12/31/2021	Depreciation Rights-of-use Assets	60206		(458,454.93)
	To correct ROU depreciation for the year			
12/31/2021	Long service leave and other le	22100	21,095.79	
12/31/2021	Leave	50014		(21,095.79)
	To correct vacation accrual as at Dec 31, 2021			
12/31/2021	Land	17025	705,000.00	
12/31/2021	Asset Revaluation Reserve - Pri	30010		(510,875.47)
12/31/2021	Gains/Losses on Revaluation on Fixed A	59007		(194,124.53)
	To record revaluation of land at Jan 1, 2021 (client adjustment)			
12/31/2021	Accumulated Depreciation Buildi	17035		
12/31/2021	Revaluation Accumulated Depreciation-	17905		(13,702.86)
12/31/2021	Depreciation - Buildings	60001	13,702.86	
	To correct depreciation on revaluation of buildings (client adjustment)			
12/31/2021	Defined Benefit Liability (Unfunded Heal	25300	29,685,999.98	
12/31/2021	Contribution from General Reser	33003		(29,685,999.98)
	To adjust unfunded healthcare cost as at Dec 31, 2021			
12/31/2021	Contribution from General Reser	33003	2,387,000.00	
12/31/2021	Movement in Health Care Liability (SAG	50160		(2,387,000.00)
	To ajust OCI remeasurement at as Dec 31, 2021			

**APPENDIX 2 – SUMMARY OF ADJUSTED DIFFERENCES – CONT'D**

12/31/2021	Drugs	50701	337,561.28	
12/31/2021	Medical/Health Supplies	50851	381,133.63	
12/31/2021	Freight & Shipping	54300		(718,694.91)
Reclassification of freight expense				
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12/31/2021	Defined Benefit Liability	26100	5,137,000.02	
12/31/2021	Accumulated Surpluses Clearing	32002		(4,469,000.00)
12/31/2021	Past Service Pension	74100		(668,000.02)
To adjust defined benefit liability as at Dec 31 2021				
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12/31/2021	Accumulated Impairment	17165	70,500.00	
12/31/2021	Drugs	50701	13,859.59	
12/31/2021	Impairment of Inventor	78604		(70,500.00)
12/31/2021	Impairment of Inventor	78604		(13,859.59)
To adjust impairment of inventory				
<hr/>				
12/31/2021	Accruals	20150		(409,591.09)
12/31/2021	Employee health care costs	50060	129,963.68	
12/31/2021	Employee health care costs	50060	128,860.40	
12/31/2021	Overseas Lab Tests	54371	93,728.63	
12/31/2021	Application Services	55515	57,038.38	
To recognize unrecorded liabilities at year end.				
			<b>44,275,641.55</b>	<b>(44,275,641.55)</b>
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APPENDIX 3 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Current year audit Internal Control Matters

#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<b>1. SEGREGATION OF DUTIES – CHARGE MASTER</b>				
a.	<p><b>a. Lack of segregation of duty – Charge Master (H.S.A pricing database)</b></p> <p>We noted during our audit work and upon discussion with the internal audit team that a staff member who served as the IT business analyst responsible for the charge master for the Lab and Radiology later transition to work for the Lab, hence, his/her name was not on the Data Base Administrator (DBA) list. However, he/she continues to assist with IT and carried out price modification request in Charge Master especially during the period when there is shortage of staff or as a cover for another employee. We do appreciate the circumstances under which this situation occurred, however, for best practices in internal control (segregation of duties), the person who applies/drop the prices cannot be the same person making changes to the prices (or the pricing template).</p>	<p><b>Risks/Implications:</b></p> <p>Segregation of duties is an essential part of an internal control system. The lack of it could expose the Health Authority to fraudulent activities, non-compliance issues and potential material misstatements of the financial statements.</p> <p><b>Recommendation:</b></p> <p>Management should review the process and controls around the changes to Charge Master and implement the appropriate controls that enhance the integrity of the Charge Master.</p>	<p><i>Management notes the findings and recommendations. The role anomaly has been corrected and safeguards put in place to ensure individuals will not inadvertently develop conflicting IT roles and access as they move between positions within the organization.</i></p> <p><i>In addition, new protocols now in place to ensure that all changes to the Chargemaster are approved prior to implementing same.</i></p> <p><i>A system of alerts and exception reporting automatically generated and distributed to stakeholders of all changes.</i></p>	30-September 2022

#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
b.	<p><b>No evidence of authorization for modifications made in Charge Master.</b></p> <p>b. To ensure that all the modifications made to the Charge Master by the staff member referred to in "1a" above, we requested for evidence of authorization for all the modification made. Out of the 16 modifications made we received evidence of authorization for only 6 of them. We noted through further inquiries that 7 of the remaining modification were covid-19 related modification and the authorization for the modification were via a phone call by the CEO or the CFO or verbal request during the daily covid-19 meeting, hence no documented evidence of authorization were provided. The remaining 3 modification were carried out because those tests were no longer being performed by HSA. However, no evidence of authorization was provided.</p>	<p><b>Risks/Implications:</b></p> <p>The lack of controls for authorizing changes/modification made to any database at H.S.A could undermine the integrity of such system.</p> <p><b>Recommendation:</b></p> <p>Management should review the process and controls around the changes to the Charge Master and implement the appropriate controls that enhance the integrity of the Charge Master.</p>	<p>The changes took place during a period when there were frequent changes to COVID regulations, new services, and changes to the price of services (LFT, PCR, etc.) The period required some agility to maintain services to the public and meet stakeholder expectation. The internal control is strong for the Charge Master, admittedly there were the deviations identified by the audit team; however, the control has since been strengthened with an audit feature that is internally reviewed.</p>	30-September 2022
<b>2. PERPETUAL INVENTORY SYSTEM</b>				
a.	<p><b>Significant issues with installation and implementation of perpetual inventory system.</b></p> <p>During the 2020 financial year, HSA set out to install and implement a perpetual inventory system (Oracle Fusion) to replace the currently in place periodic inventory system which is tedious and inefficient. Upon inquiries as to the status of the project, we noted that the installation process has been</p>	<p><b>Risks/Implications:</b></p> <p>Potential waste of resources or the lack of value for money.</p> <p><b>Recommendation:</b></p> <p>Management (led by the IT department) should expedite the installation and</p>	<p>The FUSION system is being implemented with an expanded scope that will deliver greater benefits to the organization than was originally envisioned. This is expected to go live at the end of October 2022.</p>	1-Nov-2022

#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
	<p>completed, however, it cannot be put to use by the Materials Management department because the completed system cannot perform some of the key functions expected to be performed. Consequently, the Materials Management Department continue to use the existing inventory process. This situation raises the question of potential waste of resources or the lack of value for money.</p> <p>We noted from further inquiries that Oracle (the new system developers) will continue the installation which will be financed by existing "credit" CI G has Oracle. The cost to complete the installation is estimated to be \$136k. Even though, there will be no additional cost to HSA, the credit offered by CI G could have been used for new or other CI G IT system project has the original inventory installation and implementation been completed as expected.</p>	<p>implement of the perpetual inventory system to avoid any additional cost and enhance the operation of the Materials Management department.</p>		
b.	<p><b>Lack of thorough independent review of inventory valuation schedules</b></p> <p>We noted errors in the inventory schedules relating to excel formulas and calculation of the average freight rate to be applied to the year-end inventory balances. We also noted that the calculated average freight rate was not updated for certain inventory valuation schedules to reflect the current year rate calculated. These errors led to an understatement of the inventory balance by \$213k.</p>	<p><b>Risks/Implications:</b></p> <p>The absence of independent thorough review of the inventory valuation schedules could lead to material misstatements of the financial statements.</p> <p><b>Recommendation:</b></p> <p>The Finance Department should thoroughly review the year-end inventory valuation</p>	<p><i>Management notes the findings and recommendation. This year's audit was especially challenging as we had the departure of the Chief Financial Officer, the Accounting Manager, the Financial Controller was new in post and we encountered several Finance staff absences due to COVID. The normal levels of review and cross verification was not possible due to a</i></p>	1-Jan-2022

#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
	Consequently, there error was posted to the summary of uncorrected misstatements.	report for completeness, accuracy and reasonableness before reporting it in the FS.	<i>lack of available staff. We will ensure additional resources are deployed to review this area for 2022.</i>	
<b>3. PUBLIC AUTHORITY ACT (PAA), SECTION 48(4) IMPLICATION ON EX-GRATIA PAYMENTS TO H.S.A MANAGERS</b>				
a.	<p>During the 2021 financial year, the board granted approval for a one-time ex-gratia payment to all line managers at H.S.A upon the recommendation of the HR subcommittee. The approval of the one-time ex-gratia payment (based on overtime calculation) for each manager was in recognition of the hard work and dedication demonstrated through the excessive hours of overtime worked by the managers during the period. The approved payment based on the overtime calculation for each manager is as follows:</p> <p style="text-align: center;"><b>Up to \$4,000:    \$1,000 payment</b>  <b>\$4,001 to \$10,000:    \$2,000 payment</b>  <b>\$10,001 and over:    \$5,000 payment</b></p> <p>Section 48(4) of the PAA states that: "A public authority shall not introduce a bonus or performance payment scheme for staff of the public authority unless the public authority is permitted to do so by Cabinet."</p> <p>We have considered and do appreciate the basis for the payment of ex-gratia to the managers, however, we encourage the management and the board of H.S.A to be cognizant of the implication of</p>	<p><b>Risks/Implications:</b></p> <p>Non-compliance with section 48(4) of the public authority act.</p> <p><b>Recommendation:</b></p> <p>We encourage the management and the board of H.S.A to be cognizant of the implication of section 48(4) of the PAA and obtain cabinet approval for futures rewards to staff.</p>	<p>Management notes the Audit observation. The one-off ex-gratia payment was not a bonus or performance payment scheme. Staff worked without promise of compensation and made tremendous sacrifices to keep the population safe during a once in a lifetime pandemic. Whilst time in lieu would normally be considered for the additional hours worked by this group of staff, the reality of the situation is that we were not in a position to be sending our health care managers off on extended periods of leave during the height of the pandemic.</p> <p>The payment staff received was significantly below the value they contributed to the organization.</p>	April 2022

#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<b>4. NON-COMPLIANCE WITH PROCUREMENT LAW</b>				
a.	<p><b>Procurement Practices (1)</b> Section 5(4) of the Procurement Regulations 2018 requires public notification of direct award contracts or purchases greater than ten thousand dollars on the web site designated by the Central Procurement Office (CPO) within thirty days of the contract award or purchase date, as the case may be. We noted that H.S.A.'s direct award purchases were not posted to the CPO Website during the year.</p>	<p><b>Risks/Implications:</b> Non-compliance with the Procurement Act 2016 and Procurement Regulations 2018.</p> <p><b>Recommendation:</b> Management should ensure that all direct awards are published on the CPO website within 30 days of contract awards or purchase dates.</p>	<p>Management notes the recommendation and will ensure the notices are posted.</p>	30 September 2022
b.	<p><b>Procurement Practices (2)</b> We further noted that HSA continued the use of the emergency provision as outlined in Section 2(b) of the Procurement Act 2016 to purchase fixed assets and inventory during the year. At the date of approval of these purchases, the COVID-19 Pandemic was no longer considered to be at its peak. No such directive at the Board or Ministry level was noted.</p>	<p><b>Risks/Implications:</b> The procurement process may not achieve Value for Money.</p> <p><b>Recommendation:</b> Management should ensure that the required procurement process is adhered to where possible to ensure that the most advantageous combination of cost, quality and sustainability are achieved.</p>	<p>Management notes that the COVID 19 Pandemic continues up until the writing of this report in September 2022. We were faced with changing dynamics, new strains, changing regulations and material uncertainty regarding when and how conditions would change. Our ability to save lives hinges on our ability to respond to medical needs in a timely fashion. The vast majority of all HSA procurement fully comply with the provisions of the procurement act.</p>	



#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<b>5. PAYABLES AND ACCRUALS</b>				
a.	<p><b>Accruals Cut-off</b></p> <p>During the course of the audit \$410K in unrecorded payables were identified. The current process places reliance on various departments to report on or confirm the receipt of orders, which can be delayed.</p>	<p><b>Risks/Implications:</b></p> <p>Accounts payable and related accounts (expenses/inventory) could be misstated.</p> <p><b>Recommendation:</b></p> <p>Management should actively monitor and ensure that goods/orders received are reported and recorded in a timely manner.</p>	<p>Management notes the findings and recommendations. This led to the expansion of scope for the Oracle Fusion implementation, this new software will enable 3-way matching and provide greater visibility in the AP Process. The Finance Department is also now more fully staffed and increased focus has been placed on ensuring completeness in the accounting records.</p>	Nov 2022

#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<b>6. REVENUE AND RECEIVABLES CONTROL CONSIDERATION</b>				
a.	<p>Long outstanding Accounts Receivable (AR) credits (GL 12403 account) - Reiteration</p> <p>As at 31 December 2021, total outstanding AR credits amounted to \$9.6 million (2020: \$4.2 million). The total amount is presented as Other Liabilities in the financial statements.</p>	<p><b>Risks/Implications:</b></p> <p>There is a risk that other liabilities in the financial statements may not be accurate or reliable.</p> <p><b>Recommendation:</b></p>	<p>Management notes the findings and has continued to work to address this longstanding issue. It is significantly resource intensive, efforts continue.</p>	Q2 2023

#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
	<p>AR credits are due to the following:</p> <ul style="list-style-type: none"> <li>• Duplicate billing to a secondary insurer.</li> <li>• Patient paid larger co-pay than was necessary or no co-pay was necessary;</li> <li>• Duplicate or incorrect charges were reversed after the patient or insurance provider had already provided payment;</li> <li>• Patient paid deposit upfront and then left without being seen or cancelled appointment;</li> </ul>	<p>HSA should ensure timely reviews and application of payment to the related AR to address the significant AR credits at year end. Long outstanding AR credits amounting to \$8.8 million should be reviewed as a priority and actioned in a timely manner.</p>		
<b>7. INFORMATION AND TECHNOLOGY</b>				
a.	<p><b>No automated time and attendance system</b></p> <p>The Health Authority has no automated time sheet and attendance record. Time sheets are manually input to the IRIS Human Resource Management System by the Payroll Officer from the approved manual time sheets.</p>	<p><b>Risks/Implications:</b></p> <p>Lack of automated time sheet and attendance system increases the possibility of fraud and manipulation and is prone to human error.</p> <p><b>Recommendation:</b></p> <p>The Health Authority should prioritize the need for a combined time recording and attendance system that seamlessly integrates into the IRIS module.</p>	<p><i>The HSA is presently implementing a new HR system in line with what was recently implemented by the Central Government. This will assist the authority in addressing this audit point.</i></p> <p><i>Once the new HR system has gone live, a suitable time and attendance system will be acquired.</i></p>	Q2 2022
<b>8. OTHERS</b>				

#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
a.	<p><b>Inadequate monitoring of advance payments for supplies (GL 14202)</b></p> <p>As at 31 December 2021, the total of general advances to suppliers over 365 days amounted to \$380K. This account was created in 2019, in response to a prior year ISA 265 Point to monitor advances made on supplies/inventory not yet received, however the findings indicate that advances are still not being monitored effectively.</p>	<p><b>Risks/Implications:</b></p> <p>Other receivables and supplies and consumables in the financial statements may be misstated.</p> <p><b>Recommendation:</b></p> <p>Management should ensure that advances to suppliers are reviewed periodically to ensure that order received are adequately captured and reported in the financial statements.</p>	<p><i>This account has been thorough reviewed and reconciled. Being monitored and updated monthly.</i></p>	<p>June 2022</p>
b.	<p><b>Lease addendum not executed</b></p> <p>During the course of the audit we noted that a change in the terms of a lease agreement with TPC Ltd. for the Right of Use Asset 'Unit 308 TPC (Fit-Out)' was not formalized by way of execution of a lease addendum.</p>	<p><b>Risks/Implications:</b></p> <p>Potential legal risks should there be a dispute over the terms of the lease agreement.</p> <p><b>Recommendation:</b></p> <p>Management should ensure that a lease addendum is agreed and executed as soon as possible.</p>	<p><i>Management agrees and have taken steps to regularize the matter.</i></p>	<p>June 2022</p>
c.	<p><b>Inadequate cash reserves</b></p> <p>Per section 18 c) of the Health Services Authority Act 2018, cash reserves in the reserve fund shall be maintained at a level no less than the estimated expenses for ninety days. As at year end HSA cash on hand was sufficient to cover less than one month's expenses. We noted that subsequent to year end the reserve position improved somewhat to cover one month's expenses.</p>	<p><b>Risks/Implications:</b></p> <p>HSA may not be able to meet its short-term financial obligations / Non-compliance with the HSA Act 2018.</p> <p><b>Recommendation:</b></p> <p>Management should ensure that steps are taken to manage cash flows in a manner that ensures its principles of financial</p>	<p><i>Management rigorously pursued its receivables throughout the fiscal year. The vast majority of the receivables outstanding at the fiscal year end was owed by other Public Sector entities. Given the strength of the central Government's cash position, management remains confident of the Authority's ability to meet its financial obligations as they</i></p>	<p>October 2022</p>

#	Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
		management i.e. minimum cash reserves are maintained.	<i>fall due. The cash position continues to improve in 2022.</i>	



