



INTERNAL AUDIT
FINAL REPORT

Title: Insurance Inventories

Report Distribution

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Draft Issued: 17th January 2011

Final Issued: 4th March 2011

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EXECUTIVE SUMMARY

Introduction

The Authority's inventory records for general contents insurance are maintained by various sections within each department. They are normally updated once a year and assist some sections and departments to dispose and add items to the inventory records. The records are normally maintained on the "W" drive which allows the insurance officers to update their schedules to disclose the amount to be declared and covered under general contents and all risks insurance policy. The records are maintained on a spreadsheet for each room or location and the quantity and unit price stated to arrive at the general content value. Certain items are then included in the all risks categories by the departments or the insurance officer, depending on the nature of the item and the insurance cover required.

Scope and Limitations

There are over 330 rooms / areas in the authority (excluding pavilions and cemeteries), and over 1600 items of IT equipment that are recorded on the inventory. The audit was conducted to verify the items recorded and for departments to check the IT equipment as listed by the IT department.

The following summary table indicates verified inventories.

Department	Number of Room / Areas	Total value stated / adjusted	Verified value	Percentage
		£	£	
Chief Executives Offices	3	7060	5338	75.6%
Customer Services and Organisational Development	12	54093	40964	75.7%
Corporate services	42	147325	121999	82.8%
Democratic and Community services	23	160514	139685	87.0%
Direct Services	74	223830	170817	76.3%
Leisure Services	155	1768543	1430225	80.9%
Planning and Environment	21	324796	194696	59.9%
Strategy and Performance	7	36010	25980	72.1%

In total over 78% of inventory values were reviewed and reconciled to the inventory records held. The general contents value disclosed for insurance cover is in excess of £4 million. This value is more than adequate for the general contents.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	3

The detailed findings and associated recommendations are provided in the second part of the report. No medium or high risk recommendations were made.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

To confirm that departments maintain inventories and that they are kept up to date. Verify physically the items listed on the department's inventory. Are the inventories adequate to assess insurance cover?

The key risks associated with the system objectives are:

- Loss / theft of assets not recorded.
- Reconciliation of assets purchased and disposed.
- Inadequate asset valuation for insurance cover.
- Loss of asset due to fraud, theft and error

The control areas included within the scope of the review are:

- The scope of the review will focus predominantly on the existence of inventories and the arrangements to record the assets within their departments.
- Identification of current items on the inventory, to physical verification and accuracy of the description.
- Identify the procedures to determine the unit value of the asset and the total valuation of the assets on inventory.
- Note the frequency of updating the inventories in the department and the officer responsible.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities' objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 - Inventory Records (Procedures and Guidance) Level of Risk - Low</p>			
<p>The Financial Regulations require inventories to be reviewed and updated annually in preparation for the renewal of the Insurance policies.</p> <p>The written instructions in respect of inventory are distributed with a memorandum to request that the departments update their inventory records on the "W" drive.</p> <p>The instructions are not dated and they do not specify examples of items to include or omit.</p>	<p>Loss / theft of assets not recorded.</p> <p>Inadequate or excessive asset valuation for Insurance Cover.</p>	<p>Written procedures and guidelines for completing inventory records need to be reviewed and updated to clearly indicate the items to be included to ensure that they are properly and accurately recorded.</p> <p>The procedure and guidelines should ensure consistency in process and adequacy of item description / classification.</p> <p>Action: Vince Rimmington – Manager Audit & Risk Services</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Following centralisation of the insurance claims handling process, the Insurance procedure Notes and supporting guidance are currently being reviewed and updated.</p> <p>The review will encompass inventory procedures.</p> <p>Timescale: 30th June 2011</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Inventory Records (Procedures and Guidance) Level of Risk - Low</p>			
<p>The Inventory records for each department are recorded on a spreadsheet per room / area, giving the description of the item, the quantity, unit price and the value shown under general contents and all risks columns. The record is dated to show, the dates of checks and signed.</p> <p>A review of these inventory records revealed:</p> <ul style="list-style-type: none"> • The description of items is inconsistent and sometimes not descriptive enough. • The inventory records are not always dated or signed and not all departments retain a hard copy. • The spreadsheet record is not amended when inserting items and formulas not copied to represent the values. • The officers are not sure what constitutes fixtures and fittings e.g. alarm systems, PA systems, carpets, sinks, toilets and showers have been included as inventories. 	<p>Loss / theft of assets not recorded.</p> <p>Inadequate or excessive asset valuation for Insurance Cover.</p>	<p>Once complete, the revised procedure notes and supporting guidance should be cascaded to responsible officers. Awareness sessions should be held to ensure familiarity with procedural requirements.</p> <p>Action: Vince Rimmington – Manager Audit & Risk Services</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: Upon completion of the revised procedure notes and guidance, the Insurance & Risk Management Officer will provide support and awareness sessions to appropriate staff to ensure they are aware of responsibilities with respect to insurance procedures and specifically the maintenance of accurate inventory records.</p> <p>Timescale: 31st July 2011</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - Meeting / Breakout Rooms Level of Risk - Low</p>			
<p>With the recent office moves and restructuring certain new areas were created and new equipment acquired for these rooms. The inventory record for these areas has not been created and it is not clear which department is responsible for the following areas:</p> <ul style="list-style-type: none"> • The 2 Breakout Rooms • The Exchange meeting room. • The Bowers room. 	<p>Failure to ensure all inventory items are included in the inventory records.</p>	<p>Responsibility for these areas / rooms should be agreed to ensure completion of inventories.</p> <p>Action: Vince Rimmington – Manager Audit & Risk Services</p>	<p>Management Comment: Recommendation agreed.</p> <p>Planned Corrective Action: The Insurance & Risk Management Officer will discuss and agree responsibilities for the areas not currently included in the inventory schedule.</p> <p>Timescale: 31st July 2011</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Committee.

Any Questions?

If you have any questions about the audit report on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Manager Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk