

## **FIDELITY GUARANTEE INSURANCE**

### **PURPOSE OF REPORT**

**To advise the Board about fidelity guarantee or employee dishonesty insurance, and to seek a decision whether the Region should effect such cover.**

### **PROPOSED ACTION**

**The Board is requested to decide whether the Region should arrange fidelity guarantee insurance.**

### **SUPPORTING INFORMATION**

- 1 At its last meeting, the Board requested the Finance Sub-Group to report on fidelity guarantee insurance.
- 2 Members may recall that this subject originally arose when the Board was considering petty cash arrangements. During that discussion, it was recognised that a proportion of the Region's income came in the form of cash or cheques, in connection with competitions and courses. Enquiries were made as to whether the ASA effected fidelity guarantee cover. The answer was that it does not have such insurance. Ray Hedger kindly agreed to obtain some details of fidelity guarantee insurance.
- 3 Ray has obtained information from Sutton Winson Ltd, insurance and risk managers. The Board Member Responsible for Finance obtained some information from Allianz Cornhill Insurance plc, which company arranges insurance for parish and town councils: the local government legislation requires that such councils carry adequate fidelity guarantee insurance, usually to the sum of the year-end balances and half the estimated income.
- 4 Under a fidelity guarantee or employee dishonesty policy, the insurer will meet loss of money or goods belonging to the insured, or for which they are legally responsible, caused by any act of theft committed by an employee. It is reasonable to assume that such a policy could be written, for the Region, to cover authorised volunteers as well as paid employees.
- 5 In order to provide such cover, an insurer will require a number of controls to be in place, typically covering
  - Sound internal and external audit arrangements
  - Documented routines for the issue of cheques
  - Independent examination of the wage-roll

- Regular (at least twice weekly) banking of receipts
  - Regular reconciliation of the cash book entries against bank statements etc
  - Regulated petty cash accounts
  - Regulated arrangements for purchases
  - Documented routines on fund transfers.
- 6 Sutton Winson Ltd suggests that a premium for such insurance would be in the region of £400 per annum.
- 7 Members should be aware that the bulk of the Region's income, the affiliation fees, is collected by the ASA, and transferred to the Region by BACS. The same process is used for any other payments – eg grants – from the ASA. There is, nevertheless, a steady stream of income which is collected by volunteers, and banked by them, not by the Region's staff.
- 8 Except in connection with the agreed petty cash arrangements, all payments made by the Region are in cheque form, signed one of 3 nominated Board Members and by the Regional Director. The scope for fraud or theft is therefore limited, without a degree of collusion.
- 9 The Board is asked to consider the risk of loss by way of theft and fraud, and decide whether the risk warrants the expenditure of c£400 each year. Members may well take the view that the checks and processes already in place reduce the risk of loss – they would all have to be in place, anyway, to satisfy the requirements of a potential insurer. Of course, if the Region was insured, and a loss discovered, that loss should be restored. If there were no insurance, the loss, depending on its magnitude, would effectively fall on those involved in the sport at the time, either by way of increased affiliation fees or reduced services.
- 10 None of the foregoing is, of course, a reflection on the personal integrity of the Region's present employees or the volunteer cadre. Sadly, however, history is littered with organisations where hitherto trusted personnel have, for whatever reason, sought to bolster their income to the detriment of others.

*RFP*  
*03.05.07*

## **APPENDIX**

### **EXTRACT FROM REPORT OF FINANCE SUB-GROUP TO BOARD, 15 FEBRUARY 2007**

#### **Staff Costs**

- 21 Members will know that the salaries, employers' on-costs and expenses for Regional Directors, Regional Development Officers and regional administrative staff are paid directly by the ASA. The Board was advised, at its meeting in

November 2006, that it was anticipated that the ASA would continue to meet this expenditure for 2007/8, although the funding might be cash limited.

- 22 This will be discussed by the ASA Board at its meeting on 9 February 2007, with a recommendation that establishment costs for the above mentioned posts, and agreed administrative and office infrastructure, continue to be met by the ASA. It is also recommended that the support be set at the 2006/7 funding levels for 2007/8. No growth will be built into funding, so regions will be liable for any inflationary costs.
- 23 The cost of the Regional Education Officer is met by the Institute of Swimming.
- 24 The Sub-Group considered whether to include provision in the draft budget to meet any staff-funding shortfall. It decided against recommending a specific provision, although the Board needs to recognise that, if the cash limiting is enforced, the Region will have to pay for the implementation of any pay awards which occur in 2007/8, or, indeed, changes in employers' National Insurance contributions. Any such costs would, therefore, fall to be met from reserves.
- 25 The Sub-Group considers that it will be essential to include provision for such inflationary costs in the budget for 2008/9, because the proposal to the ASA Board is that the 2006/7 cash limited figure will continue into that year, and 2009/10.