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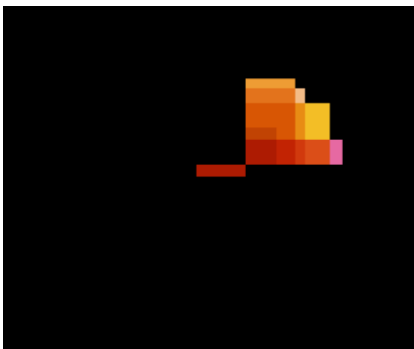The Hague, 20-28 November 2013

Report on the asset replacement policy[*]

Review of Asset Replacement Policy[*]
International Criminal Court

April 2013

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[*] Received by the Secretariat on 15 April 2013.

Executive Summary

The Assembly of State Parties[1] requested the International Criminal Court to review its policies with regard to the replacement and disposal of tangible assets with the objective of finding efficiencies and of increasing effectiveness. PwC has been appointed to assist the Court in that exercise, taking into account among others periods of obsolescence, the status of assets and the adequacy for the users.

PwC reviewed the periods of obsolescence of the Court's assets and carried out a risk assessment of the replacement and disposal process to identify opportunities for improvement and formulate recommendations. In addition, PwC also drafted a revised policy on the replacement and disposal of assets. PwC based its review on documentation of the present policy and procedures and on interviews held with the ICC's key stakeholders from procurement, receipt & inspection and accounts.

PwC assessed the useful lives of the main asset classes of the ICC and compared these to the useful lives of tangible assets in similar organisations, since the periodical assessment of the obsolescence of tangible assets may lead to efficiency gains and to a more optimal asset use.

The useful lives defined by the ICC do not depart significantly from the useful lives used by the entities selected for comparison in this review. However, the decisions for write-off and disposal of all assets should be based on a regular cost-benefit analysis, as already performed for certain types of ICT assets, which may indicate the need to adjust the estimated useful lives. Reviews should continue to be performed at least annually to ensure that assets that are in use beyond their determined useful life have not become obsolete and should be disposed of, such as, for example, computers that are still in use after five years. These reviews should be embedded in an asset management life cycle approach, addressing the following stages:
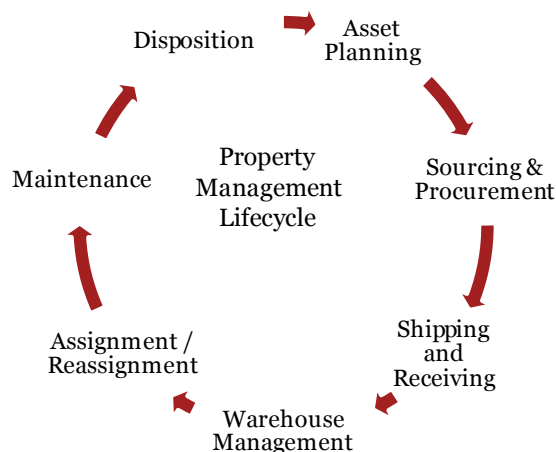

Figure 1: Asset Management Life Cycle

All personnel of the Court who are entrusted with the use of or have access to the Court's property and assets, should act as a "bonus pater familias" and aim for an economic use of its

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[1] Resolution ICC-ASP/11/Res.1, Adopted at the 8th plenary meeting on 21 November 2012

assets[2]. To find more efficiencies and effectiveness in each step of the asset management life cycle, the ICC staff must continue to formalise its policies and document its procedures to ensure their consistent application.

This increased formality and embedding of an asset management life cycle approach must go hand-in-hand with strengthening its internal controls. It is our understanding that the ICC started that exercise in the context of the implementation of the IPSAS accounting standards and the implementation of the asset accounting module in its management information system that runs on SAP software, both planned for January 2014.

IPSAS and SAP form the basis to increase the maturity of the ICC with respect to asset management as this will be a critical aspect when moving to the new permanent premises. Moving to the new permanent premises will increase pressure on the Court's organisation for an enhanced asset management process, which may require additional investments in resources.

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[2] The current ICC policy already confirms this required behaviour by stating that "all personnel of the Court, including elected officials, staff members, consultants, volunteers, interns and contractors who are entrusted with the use of, or have access to the Court's property and assets, have an obligation to exercise reasonable care when utilising them."

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1   Introduction

1.1   Context

The ICC has expressed its wish to review and improve its policies on asset replacement, write-off and disposal. This exercise is part of a general response to the request of the Assembly of State Parties to find further efficiencies and effectiveness in the ICC asset management operations.

The aim of this assessment is to identify improvements that can be made in the field of asset replacements and disposals and to draft a revised policy on asset write-offs and disposals.

In following the public sector trend for better transparency and accountability, the ICC has decided to implement the recommendation of the External Auditor to adopt IPSAS and to launch an IPSAS conversion. As a consequence, there is an increased importance of an accurate and timely tracking of changes to the asset inventories to allow for an accurate valuation.

Furthermore, as the ICC is executing its Permanent Premises Project, the overall review and improvement of the asset policies will contribute to a better follow-up of the fixed assets: PPP will require decisions on what to move when and where and what to replace and/or dispose of.

1.2   Scope of work

The scope of the assessment is the review of the organisational policy and procedures related to the replacement of the tangible assets.

The ICC has made significant investments in tangible assets since its foundation in 2002, 75% of which relates to ICT assets. As these have on average a shorter expected useful life, in comparison to certain other categories of Property Plant and Equipment assets, the timely and accurate tracking of the disposals is an important phase in an asset's life.

As the basis for our assessment we have collected the existing documentation on the current policies and procedures with respect to asset replacements and write-off. The following documents have been consulted:

- Administrative Instruction, Ref. ICC/AI/2013/001 dated 14 January 2013, with title "Property and Assets Management", pages 1/15 to 6/15;

- Annex 1 to Administrative Instruction ICC/AI/2012/003 on Property and Assets Management, with title "Thresholds for Tracking Special Items as Assets", pages 7/15 to 13/15;

- Financial Rules and Regulations, pages 273 to 307;

Our assessment was limited to the specific policy and procedures described in these documents. To complete our review of the policy and procedures on asset replacements and write-offs, we have conducted an interview with each of the key stakeholders:

- Ian Blacker – Chief ICT section;

- Seán Walsh – Chief GSS section;

- Marija Vucina - IPSAS, Project Coordinator;

- Henk Heemskerk - Logistic and Transport Officer.

Based on the documents listed above and the interviews with the ICC Officials, we have carried out our assessment of the current policies and procedures on asset replacements and write-offs. It is important to note that the scope of this assignment did not include any walkthrough or testing of the documentation received.

The assessment performed is based on and limited to the policies, procedures and systems in use as they currently stand at the time of our review. We understand from the various discussions that the ICC will implement the SAP asset accounting (FI-AA) module and adopt the IPSAS standards as of January 1st 2014. Some of the risks and recommendations in this report may therefore need to be fine-tuned in the light of these future implementations.

1.3 *Objectives*

The aim of the review is threefold:

- To formulate recommendations for improvement, based on a risk assessment performed on the current process and procedures and based on the interviews;

- To assess the useful lives of the main asset classes of the ICC;

- Draft revision of the current policy (Administrative Instruction, Ref. ICC/AI/2013/001 dated 14 January 2013) taking into account the risks and related recommendations.

The detailed results of our assessment, the risks that have been identified and the recommendations for improvement can be found in the next sections of this report. The draft revised policy will be included in a separate document.

2 Analysis & Findings

2.1 High Level Asset Management Process of the ICC

Before focusing on the replacement and write-off of assets, which is the main purpose of this review, and to enable the reader to better place and interpret the risks described in the remainder of this section, it is important to understand the general asset management process in place at the International Criminal Court.

Creation and Acquisition

- Each substantive section defines its individual asset needs in line with the section's budget (decentralised budget) proposal;

- Purchase of ICT assets requires the involvement of the ICT section in order to ensure that the purchased ICT assets are supported and maintained.

Receipt and Usage

- Upon delivery of an asset, the asset is registered in the asset management register by the GSS Logistics and Transport Unit (LTU). The basic information of the asset is recorded, together with an indication of the useful life for IPSAS purposes;

- The current asset management system is a Microsoft Access database. This database is maintained by the LTU. In addition the ICT section maintains its own register of all the ICT equipment, including non-expendable property, which is disbursed to the end users. The implementation of the SAP asset accounting module is planned for January 2014, with a single asset repository in SAP that will encompass the current duplicate ICT register;

- When an asset is received in the field, it is the responsibility of the Field Office to provide a copy of the receipt voucher to the LTU to enable recording the asset in the asset register;

- The asset is then assigned to an organizational unit (OU) and, when applicable, to an individual user. The user (or the OU) signs off for the receipt of the asset and the location of the asset is updated in the Microsoft Access database by the LTU.

- When the status or the responsibility of an asset changes, the OU or Field Office has the responsibility to provide a copy of the vouchers (issue, handover, etc.) to the LTU to ensure that the asset database is updated to reflect this change.

Write off and disposal

- When the asset reaches the end of its useful life, the Chief of Section initiates the procedure for write off and disposal;

- For ICT assets the ICT section will review the asset and certify that the end of life is reached;

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- The asset is handed over to the LTU and the LTU prepares the paperwork for the Property Survey Board (PSB);

- The LTU requests the PSB to recommend the write off and a proposed method for disposal;

- The PSB convenes to review write-off cases, approves and proposes methods for disposal and reviews the accountability of staff members with regards to lost, stolen and damaged property;

- Depending on the categorisation of the cases the PSB will convene to review a case or only issue a written recommendation. For every case the PSB will issue a written advice to the Registrar, giving its approval for and propose a method for disposal or repair of the asset;

- In case of lost or stolen property a report issued by Security is required and taken into account by the PSB. The PSB will issue an advice to the Registrar on the degree of responsibility of individual staff members;

- The list of cases approved by the PSB, including the assets to be disposed of and the proposed disposal method, is finally signed off by the Registrar;

- The assets are handed over to the LTU for physical disposal, in accordance with the disposal method proposed by the PSB;

- The recommended methods for disposal may be:

    o Sale as is, where is;

    o Trade (for vehicles only);

    o Sale at nominal price;

    o Cannibalization for re-use of parts and the remaining material as scrap;

    o Absolute destruction and scrap;

    o Sale as scrap;

    o Discard as scrap; and

    o Donation to a government or government agency or some other non-profit organization.

Accounting treatment

- The accounts of the ICC currently follow the United Nations Accounting Standards. The Court's accounts are maintained on a modified cash accounting basis and (with the exception of voluntary contributions) income, expenditure, assets and liabilities are recognised on an accrual basis[3];

- Currently the Net Expendable Property is not recognised as assets on the balance sheet. This means that no depreciation charges are recorded during the financial period.

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[3] As stated in the ICC Financial Statements as per 31 December 2011. Note that this will no longer be the case as the ICC is moving to IPSAS.

2.2 Useful life of assets

As mentioned in section 1.3 objectives, one of the objectives of the review is to highlight further efficiencies with regards to the replacement of the ICC assets. Periodically reviewing the periods of obsolescence and their validity may lead to efficiency gains and to the optimal use of assets. The table below summarises the asset classes and useful lives that have been defined by the ICC.

Asset Class	Useful Life (Years)
Vehicles	4 to 6
Furniture and Fittings	7
Communication & IT equipment	3,5 to 5
Other Assets	4 to 20
Headquarter building[4]	40

Table 1: Asset classes and useful lives

In order to focus on the material asset classes, we have reviewed the financial statements of the ICC. The table below summarises the asset classes (non-expendable property) and their closing balance as at 31 December 2011, as defined in the Court's 2011 financial statements.

Asset management category	Closing balance at 31 December 2011 (€)[5]
ICT equipment	8,286,086
Security and safety equipment	821,366
General services equipment	1,106,666
Vehicles and transportation equipment	979,859
Office of the Prosecutor equipment	1,401,930
Other equipment	1,596,282
Courtrooms and Pre-Trial Chamber	1,362,918
Total	15,555,107

Table 2: Asset category closing balance as of 31 December 2011

The closing balance indicates that the ICT equipment class represents 53.3% of all non-expendable property. In our review of the useful lives we focus on the ICT equipment asset class, the most material of all the asset classes. This is in line with the outcome of our stakeholder interviews, in which the priority of the ICT asset class was confirmed.

There is one golden rule, commonly accepted, promoting the fact that the useful life of assets of an organization will always depend on the way that specific organisation uses or operates the assets. In addition, IFRS and IPSAS experts often argue that there is no standard "best practice" for the useful life of assets that can be applied across all organisations, for instance that all computers should be depreciated over a period of five years in all organisations.

In order to review the useful lives defined by the ICC we have compared these useful lives with the average estimated useful lives used by a number of other organisations, at the level of the general asset classes. The organisations selected in this review exercise include two UN agencies,

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[4] Structure of the building only; the useful life of installations, facilities, finishes, etc. ranges from 5 to 40 years.
[5] ICC-ASP/11/12 Financial statements for the period 1 January to 31 December 2011.

one European public institution, one Belgian public limited company and 3 international private companies.

The table below summarises the useful lives applied by the ICC and by the organisations selected for the comparison, at the level of the asset classes[6].

Asset Class	Int'l Criminal Court	UN Agency #1	UN Agency #2	European public institution	Belgian public ltd. company	IFRS private company
ICT equipment [7]	$3_{1/2}$[8] to 5	4	4	4	4 to 5	3 to 5
Vehicles	4 to 6	5	5	n/a	4 to 15	5 to 15
Furniture and fixtures	7	5	12	4 to 10	5	5 to 15
Other equipment [9]	4 to 5	5	5	4 to 10	5	5 to 15
Buildings	20 to 40	15 to 50	15 to 100	25	20 to 50	20 to 40
Foundation and walls	40	50	n/a	n/a	50	n/a
Fittings	20	15	n/a	n/a	n/a	n/a

Table 3: Comparison of asset class useful lives

As illustrated in the table above, the useful lives estimated by the ICC are in general in line with the useful lives used by the selected organisations, for the main asset classes, i.e. the ICT equipment, vehicles, furniture and fixtures and other equipment. From a pure accounting perspective we can conclude that the useful lives defined by the ICC are defendable and in that in theory, these do not deviate significantly from the useful lives used by the mixed population of entities that we looked at. Although the defined useful lives are in line with the useful lives applied by the selected entities, the following attention points should be taken into account by the ICC:

- The useful life for laptop and desktop computers is set to 3.5 years. Based on our interviews with the stakeholders we understood that computers are generally used for four to five years, meaning that the intended useful life is longer than the estimated useful life. Even if the useful life is in line with the 'benchmark' entities, the useful life determination should be reviewed in detail to ensure it reflects the assets' expected utility to the ICC[10]. This exercise implies the involvement of the assets users to determine what is the actual useful of an asset and what are the main factors driving the estimation of the useful life. This is a continuous exercise that should be done on a regular basis (at least annually).

- We noted that certain assets in the asset management database have been in use for a period that exceeds the defined useful life of the asset's class and the generally accepted number of years that the asset should be in use. For example, there are computers that have been in use for eight years, with a defined useful life of 3.5 years and a generally accepted use of four to five years. For these assets a review should be performed to verify whether these are still in use or whether the assets have become obsolete and the write-off and disposal process has not been initiated on a timely basis. We understand that these cases may be detected during the yearly inventory exercise performed by the ICC.

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[6] These organisation have between 2400 and 32600 employees and PPE ranging from 47 to 5600 M€

[7] Communications and IT equipment – excluding the ICC server cabinets

[8] 3.5 is based on a draft IPSAS accounting policy which is being re-assessed

[9] Other Equipment – excluding the ICC security equipment

[10] http://www.ifac.org/sites/default/files/publications/files/ipsas-17-property-plant-3.pdf (page 525, paragraph 73)

- From a cost perspective, the general practice is that an asset should be in use until the maintenance cost of that asset exceeds its replacement cost and it becomes more expensive to maintain the asset (vs. purchasing a new asset). Based on our discussion with the Chief of the ICT Section, we understand that this principle is applied for ICT equipment through regular cost/benefit analyses. The cost of maintaining and upgrading ICT assets is compared with the cost of repurchasing these assets - taking into account future maintenance/upgrade requirements imposed by industry-wide software and hardware evolutions (e.g. new version of Microsoft Windows, changes in Virus Protection software that significantly impact system performance, etc.). In order to increase the optimal use of assets and maximise efficiency gains, the decisions for write-off and disposal should therefore also be based on these regular cost-benefit analyses that may indicate the need to adjust the estimated useful lives. To further increase potential efficiency gains, it may be wise to consider applying these analyses as well for all the material asset classes, if not already done so in practice.

2.3 High level risk assessment

In addition to the analysis of the asset useful lives and the recommendations we formulated in that respect, we identified a number of risks regarding the replacement and disposal of assets. This risk assessment is based on the documents we analysed, the interviews with the ICC officials and the common good practices we see at (similar) other organisations. The identified risks are classified according risk ratings as shown in the following table.

Risk Rating	
High	Immediate attention required (given priority in recommendations)
Medium	Attention needed (addressed in recommendations)
Low	No/minor attention needed (not addressed in recommendations)

Table 4: Risk ratings

Our risk assessment does not aim to indicate whether there is currently inefficiency or not or how big is the inefficiency, if any. The purpose of this assessment is rather to highlight the areas for improvement for both efficiency and effectiveness purposes. In order to materialise/quantify the impact of these improvements, additional testing and analysis would need to be carried out.

The table below provides a summary of the identified risks along with an individual rating.

Risk #	Risk type	Observed Risk	Risk Rating
1	Disconnected property management life cycle	Current policies do not fully address a life cycle view of property management in order to promote full utilization of assets. The current Administrative Instruction, which is the central policy for property management, does not provide a clearly defined entire life cycle view of the assets. We understand that Procurement and the Chiefs of the Sections meet on a quarterly basis to input the Sections' asset requirement in the procurement planning. In addition to that Procurement Review Committees render written advice to the Registrar on procurement actions. However, there is currently no	High

Risk #	Risk type	Observed Risk	Risk Rating
		direct link between Procurement and the asset inventory. It appears from the various interviews with the ICC management that the Chief of the ICT Section performs a manual review of each purchase of ICT assets. This manual control is currently not formalised nor documented. We understand that the SAP project will pave the way to automate this manual control and will have a positive impact on the optimal use of assets. It will also reduce risks and issues arising from the disconnection between both functions (issues like orders being placed for assets that are already in stock or available in other departments, leading to unnecessary asset purchases).	
2	Governance risk – policy, process and procedures	The ICC centralises all its policies/procedures on the intranet in a central property management repository, which is accessible to all the ICC staff. This repository is the starting point for all property management related questions, but should include **all** policies/procedures covering **all** categories of assets, such as: • Policy/procedures on expendable property; • Standard operating procedure on the valuation of assets; • Standard operating procedure on the maintenance and repair of assets; • Standard operating procedure on the receipt and inspection of property; • Standard operating procedure on the physical inventory count and reconciliation; • Standard operating procedure on the sale or trade of assets.	Medium
3	Governance risk – policy, process and procedures	A lack of clearly defined process owners and detailed instructions/guidance around property management may limit the consistent application of current policies and procedures throughout the organisation. • There should be more criteria given to the heads of the organisational units to determine the most effective/efficient timing for asset disposal. The definition of such criteria would also lead to a more consistent application of the asset replacement policy/process;	Medium
4	Completeness of asset write-offs and disposals	From the various interviews we held, it seems that internal controls on the completeness of asset write-offs and disposals are in place. However these controls are not sufficient and not always formalised or documented. The ICC could formalise/strengthen the control ensuring that when assets have reached the end of their useful life, they are indeed selected for write-off and disposal;	High

Risk #	Risk type	Observed Risk	Risk Rating
5	Validity of asset write-offs and disposals	A formal approval process for the write-off and disposal of assets requires the written recommendation of the PSB and the formal approval by the Registrar. There is no formalised ex-post control on this approval process and the validity of assets write-offs and disposals. There is a control in the annual inventory process, checking items that would have been approved without prior approval and these cases are investigated. This control should be documented in the SOP on the annual inventory.	Medium
6	Completeness of physical verification process documentation	There is a high level description of the inventory reporting and reconciliation included in the Administrative Instruction but there is currently no documented standard operating procedure describing among others: • How the yearly physical inventory review and reconciliation should be performed; • The related roles and responsibilities. The lack of a clearly documented reconciliation process for physical inventory may suggest the risk of data quality issues.	Medium
7	Systems Risk	Risks and issues may arise from the fact that duplicate databases are used to manage property. In addition to the access asset management database which is the central repository for all assets, ICT currently maintains its own database of all the ICT assets that have been issued to the end users. As there is no interface between these two databases, inconsistencies may arise (e.g. number of ICT assets, locations, etc.). Duplicate asset repositories may limit the visibility of procurement to asset inventories, useful lives and asset requirements. Management explained that this issue will be addressed with the implementation of SAP, expected by January 2014. The SAP asset management module will be used as the central asset repository, encompassing the ICT repository.	Medium
8	Completeness of asset record details	The asset management system, the central Microsoft Access Database managed by PCIU (LTU), does not contain information on the physical location of each asset. A location field is included in the database but this field is not maintained consistently for all the assets. This may lead to issues of items not found during physical verification or may render the physical verification process more complex and time consuming.	Low
9	Completeness of process documentation	There are currently no documented procedures regarding the determination of the sales price of assets and the trade of assets.	Low

Risk #	Risk type	Observed Risk	Risk Rating
		Although management confirmed that the volume of asset disposals by sale is limited and that every sale or trade is documented in procurement files, there is a risk that assets are not sold at the appropriate price. Vehicles are often traded when new vehicles are purchased. There are no clear guidelines documented regarding the trading of vehicles or other assets.	15

Table 5: Overview of risks identified

3 Conclusions & Recommendations

3.1 Conclusions

As a recall, the Assembly of State Parties requested the Court to review the policies of the ICC with regard to asset replacement and disposal from a perspective of finding further efficiencies and effectiveness, taking into account among others periods of obsolescence, status of assets and the adequacy for the users.

The useful lives defined by the ICC do not deviate significantly from the useful lives used by the entities selected for comparison. However, the decisions for write-off and disposal should also be based on regular cost-benefit analyses (as already performed for certain types of ICT assets) that may indicate the need to adjust the estimated useful lives. Reviews should continue to be performed at least annually to ensure that assets that are in use beyond their determined useful life have not become obsolete and should be disposed of, such as, for example, computers that are still in use after five years.

Following the high level risk assessment, PwC identified a number of opportunities regarding the replacement and disposal of assets and the main ones are the following:

- Policies do not cover the full life cycle of property management in order to promote the full utilization of assets. There is an opportunity to fill the gaps;

- More clearly defined roles and responsibilities of process owners for property management will promote the consistent application of current policies and procedures in the organisation;

- The opportunity for procurement and property management functions to cooperate more closely will impact the optimal use of current assets[11];

- Internal controls on the completeness and validity of asset write-offs and disposals are in place. However these controls can be reinforced if more formalised or documented.

The next section highlights in more detail the recommended actions to address the above mentioned opportunities.

3.2 Recommendations

All personnel of the Court who are entrusted with the use of or have access to the Court's property and assets, should act as a "bonus pater familias" and aim for an economic use of the ICC's assets. As already indicated in the previous section, in order to find further efficiencies and effectiveness, the ICC should look at each step of the asset management life cycle, formalise its policies and document its procedures to ensure consistent application and strengthen its internal controls. It is our understanding that the ICC started that exercise in the context of the implementation of the new IPSAS accounting standards and the transition to SAP (both planned for January 2014).

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[11] We understand that there are discussions on how to automate the link between procurement and property management functions within the SAP project that is currently on-going.

Based on the review of the current asset replacement and disposal policies, standard operating procedures and related risks (high and medium), detailed recommendations have been formulated for the ICC. Each recommendation listed below includes a description of an issue, an accompanying recommendation and the impact of implementing that recommendation.

The reviews of the periods of obsolescence should be embedded in an asset management life cycle as shown in the figure below. The asset management life cycle approach will, from an *efficiency perspective*, promote the full utilisation of assets.

To find more efficiencies and effectiveness in each of the steps of the life cycle view of asset management (illustrated below), the ICC could further formalise/document its policies and procedures to ensure consistent application and strengthen even further its internal controls to further improve overall asset utilisation. The ICC is currently preparing a transition to IPSAS planned for January 2014 and should take this opportunity to increase the effectiveness and efficiency of the asset replacement process.
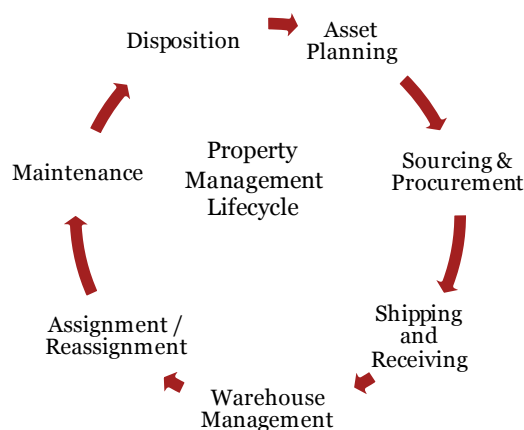

Figure 3: Industry standard asset life cycle

The challenge for the ICC will be to ensure an appropriate balance of robust controls without putting too many constraints on the process. When implementing the recommendations (detailed in the next section), the ICC should pay particular attention to how these can be implemented in the most efficient way taking into account the benefits and costs (human and material resources to put in place these recommendations and operational costs).

1) Develop an asset life cycle view of property management	
Issue	Current policies do not fully address a life cycle view of property management.
	The current Administrative Instruction, which is the central policy for property management, does not provide a clearly defined entire life cycle view of the assets.
	In order to promote the full utilization of assets, the policy needs to address a life cycle view of property management, as shown in the figure above.
	Risk(s): 1
Recommendation	The ICC should follow industry leading practices and take an adapted and further elaborated asset life cycle view of property management, by including

asset planning, sourcing and procurement into the property management process.

It is expected that SAP will lead to a further integration of the property management life cycle. While a modern ERP system is key, it should not be relied upon solely to bring about an integrated property management solution. In preparation for SAP, the ICC should focus on process and policy changes including the following:

- Review of the possibilities to better integrate procurement processes with property management;
- Collaboration with Procurement to improve asset planning and create a write-off forecast plan for regular write-off items;
- Communication with Procurement regarding roles and responsibilities within the full integrated property management life cycle;
- Clearly defined process and designation for the salvaging of assets (increased visibility on the availability of assets);
- All categories of assets described in the asset disposal policy should be addressed in the detailed operating procedures and guidance (i.e. there is currently no detailed guidance on how to manage expendable property and real property).

Impact	Expanding the property management life cycle to include asset planning, sourcing, and procurement, will enable greater planning, forecasting, budgeting, demand management, and utilization of assets.

2) Establish one central property management function	
Issue	The main property management responsibilities are with the head of the LTU, the senior logistics assistant and the PCIU clerk. These include the recording of received assets in the asset register, the maintenance of the asset register based on the vouchers sent by other organisation units and field offices, the proposition of changes to policies and procedures, etc. There is currently no central function dedicated to property management that is responsible for the complete end-to-end process of property management, for developing guidance and ensuring consistent application of policies and procedures across all of the Sections of the ICC. Central property management policies and processes would promote efficient use of resources across the organization and enhance behaviour of the asset users towards a more economic use of the ICC assets. Risk(s): 1, 2 and 3
Recommendation	A central function dedicated to property management for all ICC Sections should focus on the consistent application of property management policies, the IPSAS policies, the facilitation of the transition to SAP and the coordination between all the functions involved in the entire asset life cycle. This central property management function should be tasked with the following: • Creation of a central property management manual. This property management manual should be developed through the lens of life cycle costs and aligning property management processes with property management functions; • Guidance to field offices regarding consistent application of property management and IPSAS policies, and SAP transition; • A database of continually evolving SOPs which are adjusted, e.g. for SAP and for IPSAS compliance;

	• Version management of policies and procedures; • Consistent performance measurements with KPIs (tailored to the ICC environment); • Clearly defined property management functions, roles and responsibilities; • Policies, processes and enforcement measures to promote greater utilization of assets; • Promote the use of available excess personal property by screening all locations to determine if the item can be used elsewhere; • Training.
Impact	One property management function will promote better use of resources, consistent application of policies and sharing of best practices throughout the organisation.

3) Document the annual physical inventory procedure	
Issue	The current policy on asset replacement and disposals only includes a high level description of the inventory reporting and reconciliation. There is currently no documented standard operating procedure describing the annual physical inventory review, the reconciliation process and the related roles and responsibilities. The lack of a clearly documented reconciliation process for physical inventory may lead to data quality issues. Risk(s): 5 and 6
Recommendation	The ICC should issue detailed instructions related to the physical inventory and the related reconciliation in a standard operating procedure and refer to this procedure in the policy on asset replacement and disposal. The instruction topics should include the following: • Scope of the physical inventory; • Timing, schedule and cut-off dates; • Roles and responsibilities; • Method of inventory; • Determination and adjustment of discrepancies; • Documentation of results and certification; • Related write-off and disposal actions; • Review of the validity of disposals; • Guidelines on recording and maintaining the physical location of assets in the asset management database; • Guidance on the placement and consistent use of asset identifications (e.g. barcodes).
Impact	The impact of a well-defined annual physical inventory process will lead to fewer issues and better ability to perform property management functions.

4) Develop property management KPIs	
Issue	The GSS management noted that they carry out regular performance reviews of property management, including monitoring of the number of write-offs and disposals, the number of lost assets, the results of the physical inventory and resolution of identified discrepancies, etc. However, there is currently no formal documentation of such controls/reviews to periodically identify, measure, and assess the performance of the property

	management processes. Risk(s): 1
Recommendation	We recommend implementing a set of property management KPIs, tailored to the needs of the ICC, including specific KPIs for the disposal and write-off of assets. These KPIs should be tracked, documented and reported on a monthly basis, be compliant with IPSAS requirements and be applicable to the whole asset management life cycle. Examples of KPIs related to physical inventory and asset replacement and disposal are the following: • Days needed to perform physical inventory and reconciliation; • Physical inventory accuracy percentage; • Asset management cost as a percentage of total asset value; • Inactive inventory percentage; • % of lost assets; • % of damaged assets; • % of written-off assets that are actually disposed of.
Impact	Property management KPIs can shed light on performance and identify potential risks and areas for on-going improvement.

5) Develop operational guidance for the field office asset management	
Issue	There is no detailed operating procedure describing the roles and responsibilities for asset management in the field. The current policy only includes a high level summary of the role of the field office manager. Risk(s): 3
Recommendation	We recommend creating operational guidance/procedures for the management of assets in the field. These operating procedures should clearly define the roles and responsibilities related to asset management in the field by addressing the following topics: • Assignment of assets to end users in the field; • Transfer of assets between end users in the field; • Identification of and reporting on assets suited for write-off; • Required steps to be taken in case of lost/damaged/stolen assets; • Requirements for end-users to physically produce all assets before obtaining the approval to leave the field; • Process related to periodic (e.g. annual) self-reporting of the assigned assets by the end-users.
Impact	A standard operating procedure for the field office asset management will increase the consistent application of the replacement asset policy, facilitate the assignment of assets to individual end users, increase the mobility of assets in the field (leading to efficiency gains and potential cost savings) and reduce the number of errors in the physical inventory through increased visibility on roles and responsibilities.

6) Strengthen and formalise internal controls for completeness and validity of asset write-offs and disposals	
Issue	The lack of documented internal controls on the completeness and validity of asset write-offs and disposals may lead to delays in the write-off and physical disposal of assets and increases the risk of unauthorised disposals. Internal controls on the completeness of asset write-offs and disposals are in place. However these controls are not sufficient and not always formalised or documented In addition, there is no formalised ex-post control on this approval process and the validity of assets write-offs and disposals. There is a control in the annual inventory process, checking items that would have been approved without prior approval, but this control is not documented or formalised. Risk(s): 4 and 5
Recommendation	We recommend reviewing and further enhancing the internal controls that are currently in place to ensure completeness and validity of asset write-offs and disposals. The list below provides examples of effective internal controls on completeness/validity of asset write-offs and disposals: • Implement a periodic review of assets and their physical conditions to ensure that all assets that have reached the end of their useful lives are identified; • Implement a periodic control report to ensure that the write-off and disposal process is initiated for all assets identified in this way; • Define an appropriate duration of the holding period; • Etc.
Impact	Improved and documented internal control on the completeness and validity of assets write-offs and disposals will limit the deterioration and devaluation of assets, prevent unauthorised disposals of assets and improve overall asset utilisation.

7) Move to a single property management system	
Issue	Duplicate databases are used to manage property. In addition to the access asset management database which is the central repository for all assets, ICT currently maintains its own database of all the ICT assets that have been issued to the end users. As there is no interface between these two databases, inconsistencies may arise (e.g. number of ICT assets, locations, etc.). Duplicate asset repositories may limit the visibility of procurement to asset inventories, useful lives and asset requirements. Risk(s): 3 and 7
Recommendation	With the implementation of the SAP asset accounting module, we recommend using one central asset management repository that can be accessed by all parties involved in the asset management process. The central repository allows sharing asset inventories and improving visibility on excess property between the sections of the ICC.
Impact	A central asset management repository will improve and promote the full use of assets and limit excess property.

8) Define fixed asset accountant responsibilities	
Issue	The transition to IPSAS may require the definition of roles and responsibilities for an accountant that will take up the fixed asset accounting responsibilities. This accountant will need to act as the final control in verifying that asset information has been entered accurately for the purposes of financial reporting. Therefore, this person would need to have an intimate knowledge of the financial reporting standards and property management process of the Court. Risk(s): 2
Recommendation	Create a role for a fixed asset accountant and define its responsibilities in line with IPSAS and SAP requirements. The fixed asset accountant will be accountable for recording the cost of newly-acquired fixed assets, tracking existing fixed assets from an accounting perspective, recording depreciation, and accounting for the disposition of fixed assets. Specific responsibilities regarding the write-off and disposal of fixed assets will include: • Create and monitor a system of controls, procedures, and forms for the record of fixed assets and inventories; • Record fixed asset disposals in the accounting system; • Review depreciation calculations for fixed assets; • Review and update the detailed schedule of fixed assets and accumulated depreciation; • Review consistency of CAPEX/OPEX classification; • Investigate the potential obsolescence of fixed assets; • Oversee the periodic impairment reviews for tangible assets; • Oversee the periodic physical inventory counts of fixed assets; • Make recommendation on improvement of asset utilization and disposal; • Prepare audit schedules relating to fixed assets, and assist the auditors in their inquiries.
Impact	Increased reliability in the quality of asset data entered for financial reporting and increased control on asset utilization and disposals.

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