



## INTERNAL AUDIT REPORT – INSURANCE

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All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

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## Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2017/18. This report summarises the findings arising from a review of Insurance which was allocated 6 days.

Through the audit I found the following examples of good practice:

- The level of employer's liability, public liability and officials' indemnity insurance held by the Council is in line with the recommended levels for local authorities.
- The level of property insurance matches the total value of property set out on the property schedule prepared by the Council
- The motor insurance held provides cover for any motor vehicle in the Council's custody or control and does not therefore require to be updated each time a vehicle is purchased or hired.
- An appropriate procedure is in place to ensure the broker is informed of any changes to items insured which may affect the insurance cover
- Brokerage services have been tendered or quoted for within the life of the new Council.
- There is a procedure in place for managing insurance claims which clearly lays down the roles and responsibilities of relevant officials across Council in relation to managing insurance claims (being made by Council and against Council).
- A summary database of all insurance claims against Council and of claims being made by Council is maintained.

One area (Priority 2) where controls could be enhanced was noted during this review.

The following table summarises the total number of recommendations from our audit (all recommendations being accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
Insurance held is inadequate to enable the Council to meet its legal requirements (note the renewal process falls within this as does changes to items being insured).	-	1	-
<b>Total recommendations made</b>	<b>-</b>	<b>1</b>	<b>-</b>

Based on our audit testing we are able to provide the following overall level of assurance:

### Satisfactory

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

In recent months many good system changes have been put in place which is a testimony to a highly efficient and effective newly appointed Insurance officer: -

- A new form for hire/purchase of vehicles has been put in place to address previous inconsistencies resulting in all hire vehicles now being notified directly to the insurance officer and the Fleet Manager this includes both staff and hire company
- The fixed assets form for additions, deletions and transfers of vehicle has been reintroduced
- The insurance officer now has full access to AssessNet to print off the incident reports to send to insurers.
- Filing system now streamlined to ensure all Legacy and CCAG files are readily available
- Introduced new coding for Insurable vehicle hire and plant hire to make it easier to identify costs

## Objective

The overall objective of this audit is to consider the main risks in relation to insurance and to review the key systems and controls in place to address these.

## Background

The council's insurance service is managed by the Head of Corporate Performance & Compliance, Corporate Health & Safety and Insurance Services Manager and an Insurance Officer.

The Council must ensure that it has appropriate insurance in place to cover key risks associated with its activities and responsibilities. Insurance is one of the main methods of transferring risk and is therefore likely to play an important role in the Council's risk mitigation strategies. Local Councils, by their nature, are exposed to a variety of insurable risks. Councils decide on the need for insurance protection based on the legal requirements, the risk exposures and the level of insurance required to cover those risks that the Council cannot self-finance.

The Council uses an insurance broker to organise insurance cover and provide a link between the Council and insurers. A joint procurement exercise to tender for the provision of insurance brokerage services was carried out in December 2014 on a collaborative basis between Causeway Coast and Glens Borough Council, Derry City and Strabane District Council and Fermanagh and Omagh District Council for the period 1<sup>st</sup> April 2015 until 31<sup>st</sup> March 2017. This was extended in 2017 due to 80% of current policies having long term agreements until 2019.

The successful tenderer was Willis Towers Insurance Brokers for this service who specialise in provision of insurance to the public sector bodies.

## Risks

The risks identified relating to Insurance and agreed with management are as follows:

1. Insurance held is inadequate to enable the Council to meet its legal requirements (note the renewal process falls within this as does changes to items being insured).
2. Insurance claims are not dealt with promptly or appropriately leading to claims not being paid and financial loss to the Council.

## Audit Approach

The audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Head of Corporate Performance & Compliance
Corporate Health and Safety and Insurance Services Manager
Insurance Officer

## Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

### 6.1 Risk 1 – Insurance held is inadequate to enable the Council to meet its legal requirements

Insurance in Place
<p><b>a) Observation-</b></p> <p>It was noted during the audit that Council does not have an Insurance Strategy in Place.</p>

<b>b) Implication-</b> Potential exposure to catastrophic losses and to those risks that might affect the delivery of its corporate objectives or the reputation of Council.
<b>c) Priority Rating-</b> 2
<b>d) Recommendation-</b> The Council should develop an insurance strategy for Council which considers the insurance needs for Council, the structure of the overall level of risk and how Council will deal with insurance policy excesses etc.
<b>e) Management Response-</b>
<b>Responsible Officer &amp; Implementation Date-</b> Peter Kerr/Gina Leighton Before end May 2018

## 6.2 Risk 2 – Insurance Claims

Audit has no findings or recommendations to make in relation to this risk area.

## Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

### Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

### Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

### Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

## Hierarchy of Findings

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

**Priority 1:** Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

**Priority 2:** Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

**Priority 3:** Failure to implement the recommendation could lead to an increased risk exposure.

## Appendix II: Summary of Key Controls Reviewed

Risk	Control issues
<p>Insurance held is inadequate to enable the Council to meet its legal requirements</p>	<ul style="list-style-type: none"> <li>• As part of the creation of the new Council a review of the legacy Council insurance cover was carried out and discussed with SMT and other senior Council officials</li> <li>• An Insurance Strategy for Council is in place which considers the insurance needs for Council; the structure of the cover, the overall level of risk, how Council will deal with insurance policy excesses etc.</li> <li>• The level of employer's liability insurance held by the Council is in line with the recommended minimum level for local authorities (£10m)</li> <li>• The level of public liability insurance held by the Council is in line with the recommended minimum level for local authorities (£5m)</li> <li>• The level of officials' indemnity insurance held by the Council is in line with the recommended minimum level of similar cover for professional indemnity (£1m)</li> <li>• The level of property insurance matches the total value of property set out on the property schedule prepared by the Council</li> <li>• The motor insurance held provides cover for any motor vehicle in the Council's custody or control and does not therefore require to be updated each time a vehicle is purchased or hired.</li> <li>• An appropriate procedure is in place to ensure the broker is informed of any changes to items insured which may affect the insurance cover</li> <li>• Brokerage services have been tendered or quoted for within the life of the new Council.</li> <li>• Impending renewal date(s) are flagged in a timely manner to the insurance officer</li> <li>• All levels of insurance are reviewed by the relevant Council personnel in advance of the annual meeting with the insurance broker and the result reported to the insurance officer</li> <li>• An annual meeting is held with the broker in a timely manner, in advance of the renewal date</li> <li>• The broker provides a renewal report in time to facilitate appropriate review and approval</li> <li>• The renewal report is reviewed, agreed and approved at the appropriate levels of Council.</li> </ul>
<p>Insurance claims are not dealt with promptly or appropriately leading to</p>	<ul style="list-style-type: none"> <li>• There is a procedure in place for managing insurance claims which clearly lays down the roles and responsibilities of relevant</li> </ul>



Risk	Control issues
claims not being paid and financial loss to the Council.	<p>officials across Council in relation to managing insurance claims (being made by Council and against Council)</p> <ul style="list-style-type: none"><li>• All staff across Council are aware of this procedure</li><li>• A single officer is responsible for managing claims; and staff in Council are aware who this person is; and that they should be notified of all claims (in a timely manner)</li><li>• All details relating to claims are promptly forwarded to the relevant insurance company by the (insurance) officer</li><li>• A file (and/or softcopy folder) is created to collate correspondence, any investigation records and other documents relating to the claim.</li><li>• The (insurance) officer coordinates the collation of relevant information required by the insurers or solicitors, such as copies of accident logs or maintenance schedules</li><li>• A summary database of all insurance claims against Council and of claims being made by Council is maintained, which contain information such as:<ul style="list-style-type: none"><li>• Name of the claimant</li><li>• Claim reference number (if provided by the insurer)</li><li>• Date, location and description of the incident</li><li>• Monies paid to the insurer (for inspection costs etc, but not for settlements)</li><li>• Amount of funds that the insurer has highlighted that they are reserving as potential settlement of the claim (this is not always notified to the Council)</li><li>• Comments on claim progress.</li><li>• Status of claim e.g. rejected, investigation ongoing, resolved</li></ul></li><li>• The database is regularly updated to reflect progress of claims</li><li>• Claims progress and finalisation is periodically reported to SMT and Committee Remedial action is planned and implemented where appropriate following investigation into each claim</li></ul>