

**To:** Director of Resources

**For information:** Chief Executive  
Assistant Chief Executive  
Head of Finance

### **1. Introduction**

An audit of Insurance has been carried out as part of the 2006-07 audit plan. Detailed tests have been carried out on the systems of control and the management of risk within this area.

### **2. Findings and recommendations**

The detailed findings and recommendations are set out in the attached appendices and agreed Management Action Plan. A satisfaction survey form has been sent to the Head of Finance for completion.

### **3. Conclusions**

Subject to the matters raised below it was confirmed that in general the systems of control in place ensure that the Council is adequately insured remain effective. However imminent staffing issues which, if not addressed in the near future, give rise to concerns over the ability to maintain this level of service.

Recommendations have been made concerning contingency plans, annual reviews, procedures and monitoring arrangements.

Sheila Bronson  
Acting Audit Manager  
25 May 2007

## INSURANCE 2006-07

### 1.1 AREAS COVERED DURING THE AUDIT

The key areas of possible risk identified at the planning stage of the audit were as follows:

- a) The insurance policies in force are inappropriate to the needs of the Council, in terms of risks to people, business, property, continuity of trading, legal requirements and other potential liabilities;
- b) Council's insurance does not provide adequate cover for Employer's, Public, Directors' and Officers' liability and Professional Indemnity and cover does not cover the period of a claim;
- c) All new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances are not notified promptly;
- d) Provision of Insurance and Premiums charged are excessive and not market tested or Council's insurance cover is inappropriate and does not represent value for money;
- e) The insurance policies include excesses that are inappropriate to the needs of the Council or sums assured are too low and Council has to pay balance of claims;
- f) Premiums not paid on time, invalidating cover;
- g) Statutory requirements with respect to insurance are not complied with or procedures and policies in place do not provide for a consistent and complementary arrangement with the Health & Safety Executive and the Council's insurers;
- h) Any loss, liability or damage that may lead to a claim against the Council, is not notified to the Chief Financial Officer immediately; together with any information or explanation required by the Chief Financial Officer or the Council's insurers;
- i) The Chief Financial Officer and Head of Legal Services are not consulted on the terms of any indemnity that the Council is requested to give or Staff, or anyone covered by the Council's insurances, admit liability and may prejudice the assessment of liability in respect of any insurance claim;
- j) A new Insurer is not identified in time to arrange continuous cover when the present Long Term Arrangement ends;
- k) No policy or procedures in place for the timely processing of insurance claims, claims are not actioned promptly or submitted in good time or delays in settling claims;
- l) Lack of procedures to ensure that employee's are covered appropriately for use of their own vehicles;

The methodology stated in the terms of reference document was used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

## 1.2 OVERALL AUDIT OPINION

**Subject to the matters raised below it was confirmed that in general the systems of control are functioning well.**

**However imminent staffing issues which, if not addressed in the near future, may have a profound effect on the level of service currently being achieved.**

### 2004-05 AUDIT

## 1.3 PREVIOUS RECOMMENDATIONS

The previous audit made five recommendations of which three have been implemented.

Progress towards implementing the recommendations dealing with Asset registers and documented procedures was assessed as part of the fieldwork for this year's audit, and is discussed below.

### 2006-07 AUDIT

## 1.4 ALL RISK POLICY ASSET REGISTER

An up to date asset register or list of items to be cover by the All Risk policy would considerably reduce the time required for the annual review of insurance. Our previous audit included a re-iteration of a recommendation that such an asset register or list be prepared and kept up to date. Testing during this audit has identified that this recommendation has yet to be fully implemented and **we therefore reiterate the recommendation of previous audits that** action is taken to complete an up to date an asset register or list of items to be insured under the 'All Risks' policy. **We would further recommend that** procedures are introduced to ensure the regular maintenance and up dating of this register.

## 1.5 PROCEDURES and GUIDANCE

Our previous audit recommended that the processes for administrating insurance claims processing should be documented to the standard required by ISA315. Testing has shown that although there are hand written notes, these would not be comprehensive enough to allow another member of staff administer insurance in the absence of the Exchequer Assistant, Accountancy. **We therefore recommend that** action is taken to ensure that complete and up to date documentation is in place for the processing of insurance claims.

We have also identified that there is no overall guidance for staff on Council insurance procedures for example:

- cover provided for under Council insurance Policies;
- requirement to notify Finance of acquisitions or disposal of assets;
- non-admittance of liability to third parties;
- claims notification procedures

If staff are unaware of the limit of the insurance cover applicable to them or of their own responsibilities in respect of insurance matters, there are risks both to the wellbeing of staff and reputational and financial risks to the Council. **We therefore recommend that** detailed guidance is drawn up for all relevant insurance related matters and is distributed to all appropriate staff.

Further investigation during our audit has identified that there is no guidance on the insurance implications of use of own vehicles for Council business. All Members, staff and volunteers, whether essential or casual car users, must have business use cover on their motor insurance policy if they use their own vehicle on behalf of the Council. It has also been established that there is no system of management checks in place to ensure all relevant staff have the required motor insurance cover. **We therefore recommend that** action is taken to ensure that all Members, staff and volunteers are aware of the need to have business use cover if they use their own vehicle on Council business. **We also recommend that** a system of annual management checks is introduced to confirm that all essential and casual car users have acceptable business use insurance cover, a current UK driving licence and, if applicable, a current MOT certificate for the vehicle concern.

## 1.6 MONITORING

During our audit we were informed that there is no regular monitoring or review by management of demands on the Council's insurance portfolio undertaken or identification of trends in claims e.g. the increase in claims against the Council's motor insurance following the resumption of responsibility for refuse and recycling collection. Testing of claims during the audit proved time consuming due to current filing practices and the absence of a register of submitted claims from which the nature of claims and processing times could be analysed.

**We therefore recommend that** a system of regular monitoring and review of demands on the Council's insurance portfolio and trends in claims is established **and further recommend that** a register of submitted claims is maintained from which current claims status and trends can easily be identified and monitored.

Sheila Bronson  
April 2007

Management Action Plan For: - INSURANCE 2006-07

Appendix / Para	Recommendation	Significance * Low ** Med *** High	Agreed / Not agreed	Officer Responsible	Officer Comments	Implementation date
1.4	<b>Reiterate the recommendation of previous audits that</b> action is taken to complete an up to date an asset register or list of items to be insured under the 'All Risks' policy.	**	Agreed	Principal Accountant (Services)	This work cannot commence until after the review of the Finance Division structure and appointment to the vacant Principal Accountant (Services) post.	Start early 2008
1.4	<b>Recommend that</b> procedures are introduced to ensure the regular maintenance and up dating of this register.	**	Agreed	Principal Accountant (Services)	As above	Ongoing
1.5	<b>Recommend that</b> action is taken to ensure that complete and up to date documentation is in place for the processing of insurance claims.	**	Agreed	Principal Accountant (Services)	As above	Ongoing
1.5	<b>Recommend that</b> detailed guidance is drawn up for all relevant insurance related matters and is distributed to all appropriate staff.	*	Agreed	Principal Accountant (Services)	The Council's insurers will be approached for appropriate material.	December 2007
1.5	<b>Recommend that</b> action is taken to ensure that all Members, staff and volunteers are aware of the need to have business use cover if they use their own vehicle on Council business	*	Agreed	Principal Accountant (Services)	This task cannot commence until after the review of the Finance Division structure and appointment to the	November 2007

					vacant Principal Accountant (Services) post.	
1.5	<b>Recommend that</b> a system of annual management checks is introduced to confirm that all essential and casual car users have acceptable business use insurance cover, a current UK driving licence and, if applicable, a current MOT certificate for the vehicle concern.	**	Agreed	Principal Accountant (Services) –	As above	Ongoing
1.6	<b>Recommend that</b> a system of regular monitoring and review of demands on the Council's insurance portfolio and trends in claims is established	*	Agreed	Principal Accountant (Services)	This is already provided by the Council's insurers during its annual review, although will now be complemented by recently established spreadsheet recording of claims.	ongoing
1.6	<b>Recommend that</b> a register of submitted claims is maintained from which current claims status and trends can easily be identified and monitored.	**	Agreed	Principal Accountant (Services)	A spreadsheet record has now been established.	ongoing

Agreed: John Dyson (Head of Service)

Date: 21 May 2007