

Internal Audit Report Insurance 2023/24

Draft report 12th June 2024

Final report: 24th September 2024

Last audited: July 2019 (Substantial assurance opinion)

Audit Objective

To provide assurance over the effectiveness and compliance of insurance within the council, including the renewal process, claims management and monitoring, third party insurance, and recharges.

Assurance Opinion

Substantial

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Number of Actions

Priority	Joint	South	Vale	Reference
Priority 1	0	0	0	-
Priority 2	1	0	0	7
Priority 3	6	0	0	1 to 6
Total	7	0	0	Appendix 1

Key Risks in Scope

- Insurance policies are in place with sufficient cover.
- All insurable risks have been considered and there is cover where necessary.
- Procedures for reporting incidents and making claims are clear and available.
- Insurance information is monitored by management.
- Potential risks and mitigating actions are managed by effective liaison with service areas.
- Third party contracts provide adequate insurance cover.
- Property recharges are calculated accurately and are invoiced on a timely basis.

The audit scope included:

Objective	Audit Scope
1 Insurance policies and renewals	<ul style="list-style-type: none"> • Insurance policies are assessed, reviewed, negotiated, and renewed on a timely basis.
2 Adequacy of insurance cover	<ul style="list-style-type: none"> • All insurable risks have adequate insurance cover.
3 Incidents and claims management	<ul style="list-style-type: none"> • Procedures for reporting incidents and making claims are adequate and appropriate. • Claims are reviewed and supported by sufficient case documentation.
4 Monitoring	<ul style="list-style-type: none"> • Insurance information is regularly monitored by management.
5 Claim prevention	<ul style="list-style-type: none"> • Insurance liaises effectively with service areas to identify potential insurance risks and mitigating actions.
9 Third party contracts	<ul style="list-style-type: none"> • Insurance terms in third party contracts are adequate and subject to review by the insurance officer. • Insurance terms are clearly outlined as part of the procurement process.
Property recharges	<ul style="list-style-type: none"> • Property insurance recharges are calculated accurately.

3.5

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Key Findings		
Objective	Key Findings	
1	Insurance policies and renewals	<ul style="list-style-type: none"> The process for renewing insurance cover is undertaken yearly, beginning at least two months prior to the renewal date of 1 October. The renewals process remains unchanged; however, internal procedures have not been updated since 2016 and should be refreshed as it references outdated links. A review was started in 2021 but has not been finalised. Renewal premiums are challenged by the insurance team every year and are content with the 2023/24 premium calculations and rationale.
2	Adequacy of insurance cover	<ul style="list-style-type: none"> Asset schedules are sent annually to service areas requesting updates for both additions and disposal and replacement cost. Several properties were purchased during 2023/24 and more property purchases are expected in 2024/25 as part of the LAHF project. Zurich Municipal has been informed of the 26 property additions in South and Vale during 2023/24 and the 2023/24 premiums have not been affected but are expected to increase in 2024/25. Renewal premiums are in line with previous years after considering increase in cover and trend increases. The insurance team are in constant contact with the insurer advising of issues/changes as they arise throughout the year. Property purchase information is stored on the shared drive. It would be useful to develop a tracker to monitor the entire property portfolio, so that information can be used to cross reference to legal and property records as a completeness check.
3	Incidents and claims management	<ul style="list-style-type: none"> Incidents can be reported in several ways, from the service team or directly from members of the public or solicitors. Reporting incidents is outlined in the Insurance Claims Management Policy and Guidance which was last updated in 2019. Revision was started in 2021 but has not been completed. The next sequential number is assigned to a new claim, with individual folders for each claim. Claims are summarised in a claims summary sheet which is sorted by status and enables the Risk and Insurance officers to easily access claims information. One claim was not entered on to the claims spreadsheet; however emails were accurately filed.
4	Monitoring	<ul style="list-style-type: none"> Currently monitoring of claims is undertaken by the team but is not formally reported within the councils. Most claims relate to property damage (8 out of 22 claims for South and 12 out of 33 claims for Vale).
5	Claim prevention	<ul style="list-style-type: none"> Property working group meetings are held monthly with terms of reference including mitigation of foreseeable risks by sharing information, best practise and review of incidents and works arising. Minutes are comprehensive with potential risks outlined and followed up and updated regularly.
6	Third party contracts	<ul style="list-style-type: none"> Jarvis procurement pages state minimum insurance levels required for third parties, which should be incorporated into most contracts. These can be reduced if it is felt insistence on the prescribed limits would unduly prejudice suppliers, at the discretion of Heads of Service. We reviewed six new suppliers and found that two Vale suppliers did not have the minimum insurance prescribed; however, given the nature of the suppliers the insurance levels are reasonable. We identified three (two South and one Vale) suppliers where insurance cover has lapsed, which may be an issue if future claims are needed. It is best practice to ensure insurance details are kept up to date on Unit4, to maintain valid insurance cover. A joint review of contract management is scheduled to begin soon. This audit will include a review of any lapses in third-party insurance.
Page 38	Property recharges	<ul style="list-style-type: none"> The 2023/24 insurance recharge schedule is prepared by the Business Partner using the renewal terms for 30 September 2024. As the insurance year straddles two financial years, the recharges to third parties are calculated using premiums for both years. This then forms the basis of recharges which is undertaken by the Property team. In total, insurance is recharged to four (three South and one Vale) properties. In 2022/23 and 2023/24, 13 tenants (11 South and 2 Vale) of three South and one Vale properties were not invoiced. Furthermore, in 2021/22, two (both South) properties were not invoiced. Invoicing delays may have an impact on cash flows and may increase the risk of nonrecoverable debt.

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