

REPORT TO: Audit and Governance Committee

MEETING DATE: 19 November 2013

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Insurance and Claims

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Insurance and Claims.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Insurance and Claims.

3 BACKGROUND

- 3.1 A review of Insurance and Claims was undertaken as part of the audit plan for 2013/14.
- 3.2 The main objective of the audit was to ensure that the internal controls in place for Insurance and Claims were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	7 November 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT INSURANCE AND CLAIMS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2013/14, a review was undertaken of Insurance and Claims. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- An insurance manual is in place, which provides guidance on insurance arrangements and includes a summary of the main classes of insurance cover held by the Council.
- The Council uses the Figtree system for the administration of insurances and detailed procedures are available for the processing of claims.
- A clear audit trail exists of all claims received and processed by the Council.
- Adequate arrangements are in place to avoid conflicts of interest when processing claims.

1.3 Areas with Scope for Improvement

- The register of insurance policies requires review – the existing register does not contain all key information in respect of insurance policies held by the Council. *Risk – information may be incomplete and out of date.*
- There were delays in updating all key information relating to settled claims on the Figtree system. *Risk – information held may be incomplete.*
- There was a lack of segregation of duties in respect of checking settled claims. *Risk – errors and irregularities may occur and remain undetected.*
- There was a lack of evidence to confirm that reconciliations were being carried out between the fees charged by the external claims handler and the total number of claims handled. *Risk – errors and omissions may occur and remain undetected.*
- The arrangements in place for notifying the insurance section of key service and operational changes require review. *Risk – changes which may impact on the Council's insurance arrangements are not properly communicated.*
- There was a lack of detailed information to enable the insurance section to effectively monitor the client fund account held by the Council's external claims handler. *Risk – failure to reconcile all amounts paid.*

1.4 Summary

Our review of Insurance and Claims identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

November 2013

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
INSURANCE AND CLAIMS**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that an up to date version of the insurance manual is available on the Council's intranet.	Low	Corporate Finance Manager	Agreed		In Place
3.2.1	Management should review the existing register of insurance policies held on Figtree, with a view to ensuring that it is comprehensive and up to date.	Medium	Corporate Finance Manager	Agreed		March 2014
3.2.2	Management should review the current arrangements for holding original insurance policy documentation.	Medium	Corporate Finance Manager	Agreed		March 2014
3.3.2	Management should ensure that all key information relating to settled claims is recorded on the Figtree system and that the cases are closed timeously.	Medium	Corporate Finance Manager	Agreed – steps are being put in place to close cases and record information on Figtree by the end of 2013/14. In addition, we are exploring the possibility of using EDRMS to manage workflows.		March 2014

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3	<p>The 'quality review and checked by' section of the Quality Assurance Checklist should be completed by a person independent of processing the claim.</p> <p>Management should ensure that all relevant documentation is completed and held on file for claims settled by the Council's external claims handler.</p>	Medium	Corporate Finance Manager	Agreed – sample checks to be carried out by the Corporate Finance Manager.		November 2013
3.4.1	For all insurance claims settled in-house, a member of staff independent of the claims handler should check settlement details – evidence of this check should be retained.	Medium	Corporate Finance Manager	Agreed – sample checks to be carried out by the Corporate Finance Manager.		November 2013
3.4.2	<p>The Council should ensure that the external claims handler provides regular statements from the client fund account showing all entries made including the opening balance and the closing balance for each period.</p> <p>Insurance staff should check the accuracy and completeness of the client fund account details provided.</p>	Medium	Corporate Finance Manager	Agreed		In Place

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.3	Management should ensure that payments to the external claims handler for settled claims are only made using the client fund account currently in place.	Medium	Corporate Finance Manager	Agreed		November 2013
3.4.4	On an annual basis, a reconciliation should be carried out between the fees charged by the external claims handler and the total number of claims handled on behalf of the Council – evidence of the reconciliation should be retained.	Medium	Corporate Finance Manager	Agreed		November 2013
3.5.1	Regular reports highlighting insurance claim trends should be provided to Senior Management.	Medium	Corporate Finance Manager	Agreed		March 2014
3.6.1	All external risk management reviews should be provided to Senior Management to enable any improvement action points to be addressed.	Medium	Corporate Finance Manager	Agreed		November 2013

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.2	<p>Management should ensure that key service and operational changes that may impact on the Council's insurance arrangements are properly communicated to the insurance section.</p> <p>The Corporate Finance Manager should review the renewal questionnaire completed by the insurance and claims officer to ensure that it contains all relevant information – evidence of this review should be held on file.</p>	Medium	<p>Depute Chief Executive – Resources & People Services / CMT</p> <p>Corporate Finance Manager</p>	<p>Agreed</p> <p>Agreed</p>		<p>November 2013</p> <p>April 2014</p>

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.