

Final Internal Audit Report

Insurance October 2016

To: Director of Resources
Head of Finance
Head of Insurance

Copied to: Chief Operating Officer
Commissioning Director, Environment

From: Assurance Team

We would like to thank management and staff of the Insurance Team for their time and co-operation during the course of the internal audit.

Executive Summary

Assurance level	Number of recommendations by risk category				
	Critical	High	Medium	Low	Advisory
Limited	-	1	3	1	-

Scope

This report sets out the findings of our work undertaken during September 2016 to review the design and operating effectiveness of controls in place, to mitigate key risks for the Council insurance arrangements. We reviewed:

- for an up to date effective insurance strategy and arrangements for the ensuring suitable value for money insurance coverage for the Council.
- claims handling arrangements to ensure that liability for the claim, responsibility for the claim and value of the claim was correct
- arrangements to ensure the appropriate assessment of contractor liability for claims where applicable and
- arrangements to ensure the reduction of claims where appropriate.

Summary of findings

Overall the review identified that the service has a strong control environment to support the core claims handling process and no issues were identified in this area. The review did identify areas for improvement around how the Council interacts with contractors in ensuring that third parties have appropriate coverage in place and ensuring that contractors are accountable for claims relating to services provided on behalf of the Council. This is significant in light of the commissioning model adopted by the Council and the amount of services that are outsourced to third parties. We also identified improvements around the Council's approach to claim reduction work where a more systematic approach to intervention is required. It is not clear that all is being done to maximise opportunities to improve procedures to reduce claims and save money through reduced excess payments and reduced premiums.

This audit has identified one high, three medium and one low risk findings.

We identified the following issues as part of the audit:

- **Third party insurance arrangements- Contractor liability – (finding one, high) -** There are no parameters in place to define when the insurance team should be consulted regarding specific insurance requirements as part of the commissioning process and undertake verification procedures to ensure that contractors / third parties have coverage in line with requirements. Although evidence was provided to demonstrate proactive involvement for certain large outsourcing contracts, at present consultation is reactive and there are insufficient mechanisms in place to ensure that the Insurance team is consulted when required. The Insurance Claims Process Manual does not define clearly that claims handlers should proactively consider contractor liability when processing claims. We identified instances where the principles of contractor liability were not fully agreed and understood at the outset resulting in claims not being forward to the contractor for recovery. The claims raised in relation to services provided by Re have not been referred to the contractor since contract inception and an agreement has not been reached to date regarding liability and responsibility for paying and processing claims. Where claims in relation to outsourced services are referred to the relevant contractor the Council is unable to obtain assurance over the quality of the claims handling and level of customer service provided by contractors in processing claims which could result in reputational damage.

- **Claims reduction** - The information presented to management currently by the insurance team does not enable delivery units to understand claims data and take action to reduce claims. Officers are currently unclear around how the data should be used and what they should be doing with it. There is not a systematic approach to proactive claims reduction work undertaken by the Insurance team. For example a forward plan is not in place that sets out a programme of proactive work informed by data analysis, formal actions plans are not created and agreed with departments and the impact of intervention is not quantified. **(finding 2, medium)**
- **Insurance Strategy** The 2015 Insurance strategy had not been subject to formal Member/Member Committee approval and therefore key officer scrutiny / clearance under the Council's Governance arrangements. The Head of Insurance indicated that the last approval of the Insurance Strategy by Members had taken place in 2008 (Cabinet Resources Meeting 22 July 2008), a number of years prior to the adoption of the current commissioning model by the Council **(finding 3, medium)**.
- **Performance Management** - There is currently no formal performance management framework in place to assess the effectiveness of the Insurance function. We understand that this is in progress **(finding 4, medium)**
- **Claims handling procedures** - Documented procedures were provided for claims handling, Insurance Claims Process Manual dated 8 August 2015 and the Property Handling procedures. The Senior Claims Handler indicated that they did not fully represent current practice and required updating. **(finding 5, low)**

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action
1.	<p><u>Third party insurance arrangements- Contractor liability</u></p> <p><u>Contract inception</u></p> <p>We found:</p> <ul style="list-style-type: none"> - The involvement of the insurance team in developing provisions in relation to insurance for contracts occurs on an ad hoc basis; - Although evidence could be provided to demonstrate consultation and verification procedures being performed for the Re joint Venture arrangement and Cambridge Education partnership arrangement, there is not a systematic approach to ensure the involvement of the insurance team when required; - For example there are no parameters in place based on the nature or value of the contract to define when the insurance team should be consulted regarding insurance requirements and undertake verification procedures to ensure that third parties have coverage in line with requirements; and - Involvement therefore currently occurs reactively when queries or concerns arise and it is not clear whether there is appropriate input and oversight from the Insurance team. 	<p>If all contractors are not held liable for insurance claims relating to the services they have provided then there is a risk of ongoing substandard performance as well as financial loss to the Council through not recovering claim amounts or through increased insurance premiums.</p> <p>If contractor processing of claims transferred to them by the Council is substandard then there is a risk of resident dissatisfaction and damage to the Council's reputation.</p>	<p>High</p>	<p>Agreed Action:</p> <p>a) Parameters will be introduced and guidance included in procurement processes to ensure that contracts of a certain nature/value are reviewed by the insurance team to ensure that appropriate insurance provisions are included in the agreement and that third party insurance arrangements are verified. This is a corporate/Commercial risk and has been shared with the commercial team to ensure that commercial work with the insurance team to ensure that the appropriate contract processes, procedures and documentation fully reflect the practices needed.</p> <p>b) The assessment of liability, accepting liability or declining liability process in the Insurance Claims Process Manual will be updated to include details and prompts around the determination of contractor liability for insurance</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p><u>Contractor / Third party liability</u></p> <p>We found:</p> <ul style="list-style-type: none"> - Considerations around third party liability were not applied consistently where the Council has outsourced service provision to third parties; - Although evidence was provided for examples where claims were referred to third parties, the Insurance Claims Process Manual did not specify clearly the requirement for claims handlers to proactively consider contractor liability when processing claims; - Claims handlers' awareness of when Council contractors were liable for insurance claims was not consistently clear and instances were identified where the principles of contractor liability were not understood and agreed at the outset for: <p>Re Joint Venture- Since contract inception in 2013, claims paid by the Council due to defective / substandard highways processes have not been submitted to Re for recovery. This arose due to issues with the clauses set out in the contract and at the time of testing (September 2016) an agreement around agreeing liability and who pays for the claims had not been reached with the contractor.</p> <p><u>Claims processed by third parties:</u></p> <p>Claims that are made to the Council relating to services provided by third parties the claims should be referred to the respective entity for processing.</p>			<p>claims.</p> <ul style="list-style-type: none"> c) For outsourcing arrangements / contracts management will clarify with them when respective parties will be liable and this should be understood and applied by the claims handling team. We will develop a clear register of in/out sourced services linked to underwriting records and claims procedures. d) Contractors processing claims in relation to services provided on behalf of the Council will be made aware of the Council's expected standards for claims processing. e) An agreement regarding liability and payment for claims in relation to services provided by Re will be progressed and resolved. <p>Responsible officer:</p> <ul style="list-style-type: none"> a-d) Head of Insurance e) Commissioning Director, Environment

Ref	Finding	Risks	Risk category	Agreed action
	<p>We found:</p> <ul style="list-style-type: none"> - The Council currently has limited mechanisms in place to obtain assurance over the quality of the claims handling and level of customer service provided by contractors in processing claims relating to services provided on behalf of the Council. <p>The commissioning model adopted by the Council means that a large amount of services are outsourced to third parties. It is therefore important for the Council to ensure that there is input by individuals with specialist insurance knowledge to ensure that appropriate provisions and clauses are included in underlying agreements. In addition within the claims handling team there should be an awareness of where services are provided by a third party, an understanding of the contractual arrangements that could inform the basis of establishing liability and a culture of challenge should exist whereby claims are passed on to contractors where they may be liable.</p> <p>There is a £100k excess for each public liability claim and therefore the majority of claims made have a direct cost to the Council. The insurance premium paid by the Council may also be impacted by the amount of claims made under the Council policy rather than a third party's.</p>			<p>Target date: 31 December 2016</p>
2	<p><u>Claims reduction</u> (Control design and Operating Effectiveness)</p>	<p>If steps/actions are not taken to reduce weaknesses or inappropriate activity that</p>	<p>Medium</p>	<p>Agreed Action: a) Management information will be</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>The Insurance Strategy 2015 sets out the following responsibilities of the Insurance team:</p> <p>“ identifying, using claims experience, those services which may benefit from insurance led risk management projects, with the objective of improving the management of risks and a reduction in the cost of claims”</p> <p>Claims analysis and reduction</p> <p>We found:</p> <ul style="list-style-type: none"> - Management information regarding claims is produced on an ad hoc basis. At the time of audit the last information was presented to management in July 2015; - Management information consisted of a detailed list of claims received over the period. There was little processing or analysis of the data in order to identify trends or patterns and identify areas of concern. For example claims volumes were not benchmarked against prior periods and the detailed claim information was not presented based on the type of claim to facilitate analysis. There is no qualitative information provided as part of management information to assist management in interpreting and analysing data; - The information presented to management currently by the insurance team does not enable delivery units to understand claims data and take action to reduce claims. Officers are currently unclear around how the data should be used and 	<p>results in insurance claims then the Council may not be maximising opportunities to reduce the financial outlay arising through claims paid and the external insurance premium.</p>		<p>produced on a periodic basis that sets out claim information for specific departments. Information should be presented based on volume and value of claims and categorised based on the nature of the claim. This information should be compared to the previous period. Qualitative information commenting on trends and unusual patterns should be presented to management to assist analysis as well as advice on next steps. Processes are being developed to ensure that departments are aware of the purpose of the information provided to them and the expectation of the steps they can take to reduce or remove weaknesses or inappropriate activity.</p> <p>b) The insurance team will develop a forward plan of proactive claim reduction work that is informed by data analysis and risk registers. Intervention and assistance by the Insurance team should be supported by a documented</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>what they should be doing with it;</p> <ul style="list-style-type: none"> - It is not clear whether the insurance team have analysed claims data to inform their approach to claim reduction. Management highlighted certain instances where the Insurance Team have worked with departments to reduce claims. For example engagement with Transport did take place relating to claims arising from poor driving of Council vehicles. However there is not a systematic approach to proactive claims reduction work. For example there is not a forward plan informed by claims analysis in place setting out claims reduction projects. In addition the approach to intervention is informal and does not utilise project management methodology. For example action plans are not set out and agreed with departments to instigate change and the impact of intervention is not measured; and - The Council is entitled to 9 days advisory time from Zurich in line with the underlying insurance agreement that can be used to support claim reduction work. The Council have drawn down 0.5 days at the time of the audit and there is not a plan in place to utilise the remaining time available. <p>Financial management</p> <p>We found:</p> <ul style="list-style-type: none"> - The external insurance premium, the internal insurance premium (the estimate of self-funded claims) and actual self-funded claims paid by Insurance are re-charged to Delivery Unit (DU) 			<p>action plan and the impact of interventions should be quantified.</p> <ul style="list-style-type: none"> c) Insurance will utilise their allocation of days in the Insurance contract to seek advice and guidance about optimal arrangements for reducing insurance claims. d) Finance will re-evaluate the budget management policy relating to insurance re-charges to make Delivery Units more accountable for excessive insurance claims caused by defects in their process. A report will be prepared for Strategic Commissioning Board outlining the advantages and disadvantages of this approach. <p>Responsible officer:</p> <p>Head of Insurance a) to c) Head of Finance d)</p> <p>Target date:</p> <p>a-c) 31 March 2017 d) 31 December 2016</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>budgets “below the line”;</p> <ul style="list-style-type: none"> - The insurance charges therefore do not impact DUs operational budget. As a result there is no incentive for management to take action to reduce claims; and - There is limited accountability and recourse for management who do not take action to manage risk and resolve practices that are resulting in insurance claims. 			
3	<p><u>Insurance Strategy</u> (Operating effectiveness)</p> <p>Strategy approval</p> <p>An Insurance Strategy 2015 was provided which referred to the combination of external cover and self-funded internal provision and guiding principles to mitigating and reducing claims/premiums.</p> <p>The 2015 strategy had not been subject to formal Member/Member Committee approval and therefore key officer scrutiny / clearance under the Council’s Governance arrangements. The Head of Insurance indicated that the last approval of the Insurance Strategy by Members had taken place in 2008 (Cabinet Resources Meeting 22 July 2008), a number of years prior to the adoption of the current commissioning model by the Council.</p> <p>Periodic scrutiny and challenge is necessary to ensure the approach to insurance is fit for purpose, aligned to</p>	<p>If insurance decisions and overarching strategy is not subject to challenge or scrutiny then there is a risk that arrangements may not be in line with organisational requirements and do not represent best value for money.</p>	<p>Medium</p>	<p>Agreed Action:</p> <ul style="list-style-type: none"> a) The Insurance Strategy will be presented to the Policy and Resources Committee in December 2016. Periodic updates to the strategy will then be scheduled accordingly. b) A defined approach to risk assessment and the identification of emerging risks will be established. Insurance will meet with Delivery Unit Senior management to identify emerging patterns, issues and risks Records of discussions and risks/issue should be documented for referral. This will be embedded into claims reporting and proactive claims

Ref	Finding	Risks	Risk category	Agreed action
	<p>the Council's strategy and risk appetite.</p> <p>Risk assessment</p> <p>One guiding principle referred to "identifying and monitoring new and emerging risks locally, regionally and nationally". We reviewed for periodic pro-active interaction between Head of Insurance and Delivery units lead officers to identify emerging risks. The identification of patterns, emerging issues and risks was indicated as ad hoc and there was not a systematic approach or defined methodology with regards to risk assessment.</p>			<p>reduction work described in 2a above. The Insurance team will also obtain access to departmental risk registers and use these to inform the risk assessment process.</p> <p>Responsible officer: Head of Insurance</p> <p>Target date: 31 December 2016</p>
4.	<p><u>Insurance claims handling – Performance Management</u> (Control design)</p> <p>There is currently no formal performance management framework in place to assess the effectiveness of the Insurance function.</p> <p>We understand that these are in progress and the Head of Insurance has been tasked with developing such arrangements.</p>	<p>If delivery issues are not identified and addressed at the earliest stage then substandard performance may continue compromising strategy objectives and outcomes.</p>	Medium	<p>Agreed Action:</p> <p>Formal performance management arrangements – quantitative and qualitative - will be introduced in Insurance for reporting:</p> <ul style="list-style-type: none"> - the quality and timeliness of claims handling delivery (for example, liability assessed within timeframes, number of repudiations based on thorough investigation); - the achievement of insurance outcomes (reduction in claims through proactive claim reduction

Ref	Finding	Risks	Risk category	Agreed action
				<p>work, benefits from insurance decisions taken, so for example if a decision to reduce a premium was not outweighed by an increase in claims that would have been covered); and</p> <p>- the reporting of claims recovered from contractors.</p> <p>The above information will be drawn from the claims and underwriting system and will be used to inform team appraisal processes.</p> <p>Responsible officer: Head of Insurance</p> <p>Target date: 31 December 2016</p>
5.	<p><u>Insurance claims handling - Claims Handling procedures</u> (Operating effectiveness)</p> <p>Documented procedures were provided for claims handling, Insurance Claims Process Manual dated 8 August 2015 and the Property Handling procedures.</p> <p>The Senior Claims Handler indicated that they did not fully represent current practice and required updating.</p>	<p>If Insurance officers are not aware of all required insurance arrangements then there is a risk that key process may not be undertaken or undertaken correctly in line with</p>	Low	<p>Agreed Action:</p> <p>All insurance procedures will be reviewed and updated to include key processes.</p> <p>Responsible officer: Head of Insurance</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>We reviewed the Insurance Claims Process Manual and noted the following exceptions:</p> <ul style="list-style-type: none"> - The motor vehicle injury liability claims processing target of 15 business days were not specified (the 40 and 30 business day target for public liability and employee liability injury claims were mentioned); - There was no reference in procedures to registration on the Motor Insurance Anti-Fraud Theft Register (MIAFTR) where vehicles were known to have been written off as part of a claims settlement and other anti-fraud measures; - Authority levels for claims handling were referred but were not specified within the procedure document; - Determining the liability of contactors as part of the determination of liability of claims was not clear from the wording used in the manual (see finding 1); and - DU engagement processes for proactive claim reduction (see finding 2). 	expectations		<p>Target date: 31 December 2016</p>

Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Risk rating	
Critical 	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (eg mass strike actions); or Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or Minor impact on the reputation of the organisation; or Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or Handled within normal day to day routines; or Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.</p>
Reasonable 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p>
Limited 	<p>There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.</p>
No 	<p>There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.</p>

Appendix 2 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Insurance Strategy and cover	-	-	-	-	-	1	-	-	1
Insurance claims handling	-	-	-	-	1	-	-	1	2
Claims analysis and reduction	-	-	-	-	-	1	-	-	1
Third party insurance arrangements	-	-	1	-	-	-	-	-	1
Total	-	-	1	-	1	2	-	1	5

**Includes two findings relating to control design and operating effectiveness*

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed: 26 May 2016	Fieldwork commenced: 20 July 2016	Fieldwork completed: 14 September 2016	Draft report issued: 26 September 2016	Management comments received: 17 October 2016	Final report issued: 18 October 2016

Appendix 4 – Identified controls

Area	Objective	Risks	Identified Controls
Insurance Strategy and cover	<p>The Council's insurance arrangements provide adequate cover against loss/damage for the Council, balancing risk exposure and cost optimally.</p>	<p>If the risk environment is not understood by responsible officers, for example, new risks are not communicated, identified and assessed then:</p> <ul style="list-style-type: none"> - the insurance policy / coverage may be insufficient and the Council may have an inappropriate level of exposure; or - coverage may be excessive and policy premiums do not represent value for money. <p>If the Council does not identify relevant assets that require insurance coverage and register these in line with policies in place then they may be exposed to financial loss.</p>	<p>Insurance Strategy to define approach for Insurance to ensure appropriate cover in line with VfM.</p>
		<p>As above</p>	<p>Ongoing engagement between Insurance and insurance experts</p>

		As above	Training and Development: Interaction with professional network of insurance professionals
		As above	Constitution defines DU responsibility for communication of emerging risks
		As above	Claims analysis / knowledge informs insurance cover for example (IT theft self-insured by LBB as claims don't justify paying a premium for transferring this risk)
		If unexpected variations in the internal insurance fund are not identified and managed then there is a risk that the fund may become insufficient to meet all future claims against it.	Unusual trends in claims are noted by claim handlers as part of day to day operation and escalated in 1-1s to head of Service as necessary
		If the risk environment is not understood by responsible officers, for example, new risks are not communicated, identified and assessed then: <ul style="list-style-type: none"> - the insurance policy / coverage may be insufficient and the Council may have an inappropriate level of exposure; or - coverage may be excessive and policy premiums do not represent value for money. 	Insurance tendered and tender assisted by the appropriate expertise

		If the Council does not identify relevant assets that require insurance coverage and register these in line with policies in place then they may be exposed to financial loss.	
		If unexpected variations in the internal insurance fund are not identified and managed then there is a risk that the fund may become insufficient to meet all future claims against it.	Review of self-insurance fund provision
Insurance claims handling	Only genuine insurance claims that are supported by the appropriate supporting evidence and subject to required scrutiny are paid. Insurance claim decisions around liability are made timely.	<p>If claims are not subject to appropriate assessment, for example:</p> <ul style="list-style-type: none"> - insufficient evidence is obtained to determine liability; - fraud indicators are not identified and investigated; <p>or</p> <ul style="list-style-type: none"> - assessments are made by individuals without the prerequisite knowledge, skill or delegated authority then the Council may make payments for claims where there is no liability resulting in financial loss. <p>If sufficient documentation and evidence of dialogue</p>	Claim handling authority levels apply to within the team to claims

		and correspondence is not retained and appropriately indexed and stored with the claims, for settled, repudiated and on-going claims then there is a risk that related council decisions may be overturned if subject to challenge and inspection leading to claims having to be paid unnecessarily.	
		As above	Insurance related training and development for claims handlers
		As above	Accessible Audit trails supporting claims investigation is retained
		As above	Claims assessment outcome Authorised by Pedro / Paul Lawrence serves as a quality check of work
		As above	External 2nd line defence independent claims handling audit by Zurich – positive findings about fraud awareness and claims handling
		If insurance claim payments are delayed unnecessarily then there is a risk of resident dissatisfaction reflecting in the overall perception of the Council	Portal review by PL allows claims liability decision timeframe check for Public Liability and Employer liability claims

		<p>and poor resident satisfaction survey scores.</p> <p>If decisions on the liability are not made within the timescales prescribed by the Ministry of Justice then there is a risk that there could be cost penalties.</p>	
		All above	Documented and communicated procedures for claims handling.
Claims analysis and reduction	Opportunities/actions are taken to minimise incidents leading to insurance claims to reduce risk exposure and reduce insurance premiums in the long term.	If Delivery Unit activities contributing to excessive incidents and claims are not identified and addressed then there is a risk of avoidable payment of claims by the Council/Insurer resulting in the Council failing to maximise value for money through the insurance service.	Unusual trends in claims are noted by claim handlers as part of day to operation and escalated in 1-1s as necessary.
		If Delivery Unit activities contributing to excessive incidents and claims are not identified and addressed then there is a risk of avoidable payment of claims by the Council/Insurer resulting in	Reporting of claims per DU to enhance dialogue and risk management and reduction of claims where necessary (How often and is their more detailed analysis. Query JB,CS)

		the Council failing to maximise value for money through the insurance service.	
Third party insurance arrangements	<p>Insurance cover for contractors providing services to the Council are adequate to ensure that:</p> <ul style="list-style-type: none"> - the Council is not exposed to losses caused by contractor activity; or - contractors are able to continue operating and delivering service to the Council in the event of significant incidents. <p>Claims relating to third party activity are identified and the responsible party is held accountable for losses.</p>	<p>If supplier insurance requirements are not clearly defined by the Council or prerequisite insurance requirements are not in place then the Council may be exposed to financial loss by contractor activity or the contractor may be exposed to financial loss which could undermine their ability to provide services to the Council.</p>	<p>Insurance review pro-actively in the diary for Capita and Cambridge insurance.</p> <p>Insurance review re-actively on request for all other contractor insurance arrangements for example Trees contract</p>
		<p>If third parties are not held accountable for claims relating to services delivered on behalf of the Council then the Council may inappropriately pay for claims and incur financial loss.</p>	<p>Assessing contractor liability for claims</p>

Appendix 5 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of *Insurance*, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Specifically we will not:

- Provide assurance over the accuracy, validity or completeness of Purchase Card expenditure within the General Ledger, “Integra” system; and
- Investigate the results from the data analytics exercises. Results of this exercise will be presented to management to investigate and take further action as necessary.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.