

TAYSIDE FIRE AND RESCUE BOARD**Performance Monitoring Sub-Committee – 29 June 2009****INTERNAL AUDIT REPORT - INSURANCE****Report by the Chief Internal Auditor****ABSTRACT**

This report draws attention to the attached internal audit report, containing the action plan, which has been issued to management.

1. RECOMMENDATIONS

The Performance Monitoring Sub-Committee is asked to:

- (i) note the contents of this report; and
- (ii) consider the contents of the attached papers.

2. BACKGROUND

Perth & Kinross Council's Internal Audit undertakes planned audits for Tayside Fire & Rescue Board in line with the approved Service Level Agreement covering 2007/08 to 2009/10. The Internal Audit Reports contain action plans which were agreed with management at the conclusion of the audit and include timescales for the completion of the actions.

As part of the audit plan for 2008/09, the Performance Monitoring Sub Committee is asked to consider the internal audit report 08/051 Insurance.

3. PROPOSALS

It is recommended that the Performance Monitoring Sub-Committee notes the findings, agreed actions and timescales within the attached reports.

4. CONSULTATION

The Treasurer of Tayside Fire & Rescue Board has been consulted in the preparation of this report.

5. RESOURCE IMPLICATIONS

There are no resource implications arising from this report.

6. CONCLUSION

This report draws attention to the attached internal audit report.

K WOOLARD
Chief Internal Auditor

Note: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

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Date: June 2009

If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting Kevin Woolard



Council Text Phone Number 01738 442573

Internal Audit Report



Internal Audit Report
Tayside Fire and Rescue Board
08/051: Insurance
March 2009

Final Report

Corporate Services
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Background and Introduction

This audit was carried out as part of the approved audit plan for 2008/09.

The purpose of the audit was to ensure that Tayside Fire and Rescue Board (TFRB) maintain adequate and appropriate systems and controls in respect of insurance arrangements.

The provision of an Insurance and Risk Management service, which includes arranging suitable insurance cover from insurance companies, is carried out by Dundee City Council (DCC) on behalf of TFRB under a Service Level Agreement (SLA).

In order to arrive at an opinion of the control objectives, the audit included visits to TFR Headquarters, Blackness Road, Dundee. Interviews were held with relevant staff and relevant procedures were tested as appropriate.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of the TFRB Finance Coordinator during this audit.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective 1: To ensure that a risk assessment has been carried out in respect of the Board's insurance requirement.	
Auditor's Comments: TFRB review their insurance requirements and valuations in conjunction with DCC on an annual basis, but there is no formal Insurance Strategy to guide staff in the process. Changes in respect of the disposal or acquisition of fleet vehicles are notified to DCC as they occur.	
Strength of Internal Controls:	Moderate

Internal Audit Report

Control Objective 2: To ensure that appropriate and adequate insurance cover is provided on the basis of 'best value' and in accordance with an established TFRB policy.	
Auditor's Comments: The SLA with DCC has expired and does not detail the requirement to provide a value for money, cost-effective insurance service in accordance with 'best value' principles. TFRB do not have an Insurance Strategy or a policy statement to provide guidance to management and staff on TFRB insurance requirements.	
Strength of Internal Controls:	Weak

Control Objective 3: To ensure that efficient and effective processes are in place for processing insurance claims.	
Auditor's Comments: The SLA states that routine insurance claims should be closed within three months of the date of the claim. Audit testing revealed that 27 claims are outstanding for the period 2003 to 2008. Insurance claim procedures have not been reviewed since 2002.	
Strength of Internal Controls:	Weak

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

S Hunter, Chief Fire Officer;

J Symon, Treasurer to the Board;

J Iannetta, Head of Corporate Services;

B Hammond, Finance Manager;

L Brown, Committee Officer;

External Audit

Copy to M Stewart, Head of Finance, Dundee City Council (For Information)

Authorisation

The auditor for this assignment was D McCreadie.

The supervising auditor was D Farquhar.

This report is authorised for issue:

K Woolard
Chief Internal Auditor
Date: 24 March 2009

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Service Level Agreement	Medium
2	Insurance Strategy	High
3	Claims Procedures	Low
4	Outstanding Insurance Claims	High
5	Insurance Claims	Medium
6	Checking of Insurance Claims	Medium

Appendix 2: Action Plan

Action Point 1 - Service Level Agreement

The SLA between DCC and TFRB for the provision of Insurance Services, which includes arranging cover with insurance companies, expired on 31 March 2008. There is no current SLA in place.

Management Action Plan

An updated SLA with DCC and TFRB for the provision of Insurance Services will be prepared to replace the version that expired on 31 March 2008.

Importance:	Medium
Responsible Officer(s):	J Iannetta, Head of Corporate Services
Lead Service:	TFRB Corporate Services
Date for Completion (Month / Year):	March 2009
Required Evidence of Completion:	Updated SLA

Auditor's Comments

Satisfactory

Action Point 2 - Insurance Strategy

There is no TFRB Insurance Strategy. An Insurance Strategy gives guidance to management and staff in respect of insurance arrangements. The guidance should include the reasons for outsourcing insurance arrangements, the roles and responsibilities in relation to notifying new risks, changes to assets, risk and insurance management responsibilities, including who and what should be covered, taking into account any appetite for risk, such as self-insurance arrangements.

Without such guidance there is a risk that insurance arrangements are not aligned to the requirements of TFRB.

Management Action Plan

TFRB will develop an Insurance Policy/Strategy which includes roles and responsibilities and details the rationale regarding the outsourcing of insurance arrangements.

Importance:	High
Responsible Officer(s):	J Iannetta, Head of Corporate Services
Lead Service:	TFRB Corporate Services
Date for Completion (Month / Year):	June 2009
Required Evidence of Completion:	Copy of Policy/Strategy

Auditor's Comments

Satisfactory

Action Point 3 - Claims Procedures

TFRB's Insurance Claims Processing procedures were written in 2002 with no subsequent review. While the procedures detail the actions to process motor vehicle claims, they do not describe the processes for property-related claims.

The procedures do not detail TFRB Finance Section's responsibilities for monitoring insurance claims or the process involved when insurance cover is renewed or insured items are purchased or disposed of. Without clear procedures, misinterpretations and inconsistencies may occur.

Management Action Plan

The claims processing procedures will be updated to reflect current working practice. This will include documenting procedures for dealing with property-related insurance claims, the monitoring of insurance claims, the process when insurance cover is renewed and when insured items are purchased or disposed of.

Importance:	Low
Responsible Officer(s):	A Milne, Finance Section Coordinator
Lead Service:	TFRB Corporate Services
Date for Completion (Month / Year):	September 2009
Required Evidence of Completion:	Extract from updated procedures

Auditor's Comments

Satisfactory

Action Point 4 - Outstanding Insurance Claims

Finance Section procedures require that a monthly report is produced detailing unsettled insurance claims; however, the reports are produced only quarterly.

Four of 8 randomly-selected insurance claim forms had not been reported to TFRB's Finance Section within 3 weeks from the date of the incident.

Outstanding claims are not being settled in a timely manner. Twenty-seven of 209 claims are outstanding for the financial years 2003–2008. The SLA states that routine claims will be settled within 3 months from occurrence date. Most of the outstanding claims appeared to be of a routine nature. The Finance Co-ordinator has commenced a programme of action to clear the outstanding claims.

Management Action Plan

1 - The claims summary procedure will be reviewed in order to streamline the process.

2 - A reminder will be issued to relevant TFRB personnel stressing the need to submit claim forms promptly. The situation regarding late completion of claim forms will be monitored by the Finance Section and further reminders will be issued if appropriate.

3 - TFRB will continue to work with DCC to ensure that all outstanding claims are cleared as soon as possible.

Importance:	High
Responsible Officer(s):	A Milne, Finance Section Co-ordinator
Lead Service:	TFRB Corporate Services
Date for Completion (Month / Year):	1 - June 2009 2,3 - March 2009
Required Evidence of Completion:	1 - Documented outcome of review into streamlining the claims summary procedure. 2 - Copy of reminder to TFRB personnel. 3 - Extract from spreadsheet showing no outstanding items from 2003–2008.

Auditor's Comments

Satisfactory

Action Point 5 - Insurance Claims

The insurance control file lists the cost of repair work to a vehicle as £3,024; however, the relevant invoice showed the cost as £3,891. No explanation of the difference was noted. Further testing revealed a claim where a member of staff was (in accordance with the terms of their fleet car agreement) liable to pay a £50 excess; this amount had not been recovered from the employee. TFRB's Finance Co-ordinator stated the first discrepancy was most likely due to late notification of additional costs and the second item was an oversight which would be corrected.

The Auditor also noted that consolidated insurance claim statistics are not received from DCC, although this is a requirement of the SLA. The comparison of TFRB records to DCC insurance statistics is a useful control in ensuring that TFRB and DCC insurance records agree.

Management Action Plan

The Finance Section will investigate the reason for the difference between repair work quoted as £3,024 and later processed as £3,891 and will ensure the £50 insurance excess not charged to an employee is rectified.

A reminder will be sent to the DCC Insurance Section to reinstate the production of consolidated claim statistics. These statistics will be compared by the Finance Section to help ensure that DCC and TFRB records agree.

Importance:	Low
Responsible Officer(s):	A Milne, Finance Section Co-ordinator
Lead Service:	TFRB Corporate Services
Date for Completion (Month / Year):	May 2009 (all points)
Required Evidence of Completion:	Reconciliation of invoice to records; Confirm excess charged to staff; Copy of statistics from DCC.

Auditor's Comments

Satisfactory

Action Point 6 - Checking of Insurance Claims

The Finance Section Co-ordinator checks the insurance claims in TFRB's Insurance Control File to ensure that they have been submitted in a timely manner to insurance companies. There is no documented evidence to show that this process is reviewed by another member of staff.

This is a repeat finding, having been previously raised as part of Internal Audit Review 03/025.

Management Action Plan

The person completing the check of insurance claims will sign the paperwork to evidence that this check has been done.

Importance:	Medium
Responsible Officer(s):	A Milne, Finance Section Co-ordinator
Lead Service:	TFRB Corporate Services
Date for Completion (Month / Year):	April 2009
Required Evidence of Completion:	Copy of selected signed sheet evidencing recent check of insurance claim

Auditor's Comments

Satisfactory

