



Internal Audit

DRAFT

PFCC Cumbria & Cumbria Constabulary

Assurance Review of Risk - Insurance

2023/24

March 2024

Executive Summary

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

F&R/12 - Revenue expenditure deviates

KEY STRATEGIC FINDINGS

- Testing confirmed that there are robust processes in operation for managing insurance activities and that controls are operating effectively.
- Policies were recently re-tendered and are under a long-term agreement with an option to extend up to two years. A new broker was also recently appointed.
- In accordance with the Financial Regulations, an annual Insurance Renewal Report is presented to the Chief Officer Group and to the PFCC Executive Team.

GOOD PRACTICE IDENTIFIED

- Both the Financial Regulations and the Financial Rues provide for robust arrangements for insurance, including appropriate Officer responsibilities.
- The Constabulary CFO is a member of the NPCC Strategic Insurance Group looking at insurance nationally within the police sector.

SCOPE

The review considered the insurance arrangements including the identification of need; sourcing; payment of premiums; procedures to ensure the organisation operates within the requirements of the policies; and the claims procedures. The scope of the review did not include consideration of the appropriateness of the levels of cover obtained or the levels of premiums payable.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No Recommendations were deemed necessary.							

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Assignment Engagement Details

TIAA Auditors	Title	Contact Email	Telephone
Ian Goodwin	Principal Auditor	lan.Goodwin@tiaa.co.uk	07867526292
Andrew McCulloch	Director of Audit	Andrew.McCulloch@tiaa.co.uk	07980787926

Constabulary Staff	Title
Sarah Walker	Financial Services Manager (Financial Accounting)

Exit Meeting Date	28 th February 2024
Attendees	Sarah Walker
Director/Commander Comment	<p><u>I welcome this report and its findings as part of the overall assurance placed on financial matters within the OPFCC and Constabulary.</u></p> <p><u>It is reassuring to note that the audit of the Insurance arrangements provides substantial assurance and contains no recommendations for improvement.</u></p> <p><u>Lorraine Holme, Group Accountant</u></p>
Deputy Chief Constable's Comment	<p><u>I have read this report and the comments from Lorraine, as outlined above.</u></p> <p><u>I am satisfied that the audit has provided the highest level of assurance "substantial" with no recommendations.</u></p> <p><u>The grading provides chief officers with confidence in the way that the Insurance arrangements are controlled and operated.</u></p> <p><u>DCC Darren Martland</u></p>
Considered for Risk Escalation	No recommendations to be escalated.

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

Other Findings



The Financial Regulations state that, in relation to the Cumbria Office of the Police and Crime Commissioner (OPCC), the Joint Chief Finance Officer (Joint CFO) is responsible for advising, in consultation with the Chief Executive, on the safeguarding of assets, including insurance. The Joint CFO is also responsible for advising on the safeguarding of the Constabulary's assets, including insurance. Responsibilities of the Police and Crime Commissioner include receiving an annual report on the overall arrangements for insurance. Responsibilities of the Chief Executive and the Chief Constable include ensuring that inventories are maintained for insurance purposes. It is noted that the CFO roles have changed since the Regulations were last revised and that this will be amended in the next revision of the document. The current version does not distract from the defined roles.



The Financial Rules state that responsibilities of the Deputy CFO include the co-ordination of information for the annual insurance renewal and to support the Joint CFO in making appropriate arrangements for insurance including identification of new risks and determining the level of self-insurance. One of the key controls of Risk Management and Business Continuity is listed to be that, where cost effective, insurance arrangements are put in place to offset losses that might result from risks which cannot be eliminated. Responsibilities of the Director of Legal Services include to administer all self-insured insurance claims and to maintain a central register of all insurance claims.

Other Findings



A review of the Governance Arrangements for Cumbria Constabulary highlighted that there is a detailed section headed Claims against the Chief Constable. This specifies the financial limits within which the listed responsible body or Officer is responsible for each of five stated activities, such as: approving settlement figures for third party insurance claims in respect of motor vehicle accidents; and, approving settlement of all uninsured claims against the Chief Constable and/or individual police officers and police staff for which the Chief Constable is vicariously liable.



The Finance Risk Register dated 30th October 2023 comprises five risks; one of which is F&R/12 - Revenue expenditure deviates. This is the risk that the Constabulary's revenue expenditure deviates significantly from budget both under and over. The latest score for the risk is 12 (amber). The mitigation strategy is to reduce this level of risk. The risk owner is the Joint CFO. Having robust processes in operation for managing insurance activities helps mitigate the risk of unbudgeted expenditure arising from claims against which insufficient insurance is in place.



The Director of Legal Services provided a spreadsheet showing claims by insurance year, ended 31st October. The Fleet Management Information Officer provided several spreadsheets summarising accidents and incidents as relating to fleet. From a review of these details and from discussions with the relevant Officers, it is evident that sufficient detailed records are being maintained and updated on a regular basis to help ensure that the relevant controls and procedures detailed in the Financial Regulations and the Financial Rules are operating effectively.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

- In accordance with requirements of the Financial Regulations, the annual Insurance Renewal Report was presented to the Chief Officer Group on 10th November 2023 and to the PFCC Executive Team on 14th November 2023. The Executive Summary section notes that: policies were re-tendered in 2022 and are under a long-term agreement until 31st October 2025, with an option to extend to 31st October 2027; a new broker was appointed from 31st May 2023; the tender of the combined liability bundle of policies provided annual savings of 4% per annum; and, the total of externally placed premium for the year ending 31st October 2024 is an increase of 10% over the previous year, which is broadly in line with inflation. The Report then summarises 10 policies, noting the excess and providing a brief narrative summary of the cover on each policy.
- Notes from two recent quarterly meetings held at Police Headquarters of the Ethics and Integrity Panel were provided. At each meeting it was noted that the Head of Legal Services presented a report outlining active and closed Public Liability Claims, Employer Liability Claims and Employment Tribunal applications or proceedings. The Head of Legal Services advised at each meeting that no trends had been identified but that any learning or changes to work practices where identified had been implemented across the force.
- The most recent annual Insurance Renewal Report notes that the Constabulary CFO is a member of the National Police Coordination Centre (NPCC) Strategic Insurance Group which is working with BlueLight Commercial to look at insurance nationally within the police sector.
- A review of the chart of accounts showed there to be an extensive number of codes relating to insurance, thereby allowing for a comprehensive analysis of transactions within the scope of this review. Insurance premiums were seen to have been posted to the correct codes.

Scope and Limitations of the Review

- The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

- The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

- The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

- The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

- We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

- The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	29 th January 2024	29 th January 2024
Draft Report:	11 th March 2024	
Final Report:		

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	PCC Cumbria & Cumbria Constabulary		
Review:	Risk - Insurance		
Type of Review:	Assurance	Audit Lead:	Ian Goodwin

Outline scope (per Annual Plan):	The review will also consider the insurance arrangements including the identification of need; sourcing; payment of premiums; procedures to ensure the organisation operates within the requirements of the policies; and the claims procedures. The scope of the review does not include consideration of the appropriateness of the levels of cover obtained or the levels of premiums payable.		
Detailed scope will consider:	<p>The review will set out to provide assurance to the Joint Audit Committee that the organisation has robust processes in operation for managing insurance activities:</p> <ul style="list-style-type: none"> Robust policies and procedures are in place for the areas reviewed. 	<ul style="list-style-type: none"> Appropriate controls are in place for the accuracy and completeness of insurance claims. All potential insurance claims are identified and processed in accordance with the requirements of the insurer. Appropriate reporting is in place to senior management and Board. 	
Requested additions to scope:	None		
Exclusions from scope:	None		

Planned Start Date:	05/02/2024	Exit Meeting Date:	28/02/2024	Exit Meeting to be held with:	Sarah Walker
----------------------------	------------	---------------------------	------------	--------------------------------------	--------------

SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N