

**To: All Members of the County Council
All Chief Officers****From COUNTY SECRETARY'S
DEPARTMENT****Ask for** Ron Coxall
Ext 25540
My Ref RNC/ahp
Your Ref

**AUDIT COMMITTEE
13 DECEMBER 2001****MINUTES****ATTENDANCE****MEMBERS OF THE COMMITTEE**

N K Brook, R S Clements, A D Dodd, F J Escott, B N W Hammond (for D Clayton), R J Smith (for V Muspratt), G F Wenham (for R Sanderson), C J White (Chairman).

Upon consideration of the agenda for the Audit Committee meeting on 13 December 2001 as circulated, copy annexed, action was taken or decisions were reached on individual items as recorded below:-

1. MINUTES

The minutes of the meeting held on 12 October 2001 were confirmed.

The Committee had asked for a briefing note on insurance claims paid, compared to premiums, and this was circulated (attached). It was agreed that this be forwarded to the Best Value Review Group looking at Financial Services.

2. ANNUAL AUDIT LETTER 2000/2001

The District Auditor, Karen McConnell presented her annual Audit Letter which summarised the more important matters which had arisen during the audit of the Council's accounts, and answered questions from members.

The Committee also received and noted the Officers' Action Plan to implement the recommendations on school budgets. The Committee were concerned that the overall level of reserves in schools was comparatively high but noted that advisers were working with schools to address this. They agreed to look at the situation in a year's time to see if the situation had improved.

The Committee endorsed the responses to the recommendations as set out in the Finance Director's report and thanked the officers for their hard work in securing such a favourable report.

3. INTERNAL AUDIT UPDATE REPORT

The Chief Internal Auditor updated the Committee on Management action taken to address issues raised in his 2000/2001 Annual Report.

4. FUTURE WORK PROGRAMME

The Committee agreed that, at their next meeting they would fix a 3-year schedule for the review of high value contracts, in the generic areas identified at their last meeting, beginning in June with Financial Services. (They also asked for a report to that meeting on the role of the District Auditor).

The following work programme was agreed for the next 2 meetings:-

| <u>Committee Date</u> | <u>Items</u> |
|-----------------------|--|
| 7 March 2002 | <ul style="list-style-type: none"> ◆ District Audit Plan 2001/02 ◆ Internal Audit Plan 2002/03 ◆ Contract monitoring - Facilities Management Services ◆ Contract for care services - Leonard Cheshire Foundation (progress report) ◆ Report to fix 3-year schedule for high value contract monitoring |
| 13 June 2002 | <ul style="list-style-type: none"> ◆ Internal Audit Annual Report 2001/02 ◆ Contract monitoring item (Financial Services) ◆ Scrutiny of role of District Auditor |

PART TWO (CLOSED) AGENDA**EXCLUSION OF PRESS AND PUBLIC**

Resolved:

“That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting for the following items of business on the grounds that they would involve the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the said Act.”

1. CONTRACT MONITORING - FACILITIES MANAGEMENT

The Committee received the report of the County Property Officer, Tony Comer, and questioned him on its content.

The Committee also viewed the outcomes of the December 2000 and May 2001 customer satisfaction surveys relating to services provided by Amey Property Services. Tony Comer indicated that a new methodology for seeking customer views would be introduced in 2003, and the Committee agreed that once it was up and running they would look at whether that resulted in any improvements.

Andrew Laycock
County Secretary

Briefing note on insurance claims paid compared to premiums.

Prepared by: Jill Digby, Group Manager Corporate Accountancy

1. Purpose of the report

To provide the Audit Committee with a comparison of the cost of insurance premiums against the value of claims paid by the insurers for the four years from 1997/98 to 2000/01, as requested at the previous meeting.

2. Premiums and Insurer-Paid Claims

2.1 The comparative figures are attached at Appendix A. The claims figures are for payments made by the relevant insurance company, and do not include amounts paid by the County Council from the Insurance Fund.

2.2 When considering these figures the following points should be borne in mind:

a) Fire premiums

Following a tender exercise, the fire policy was renewed with Zurich in April 1999 at a significantly reduced premium.

Due to increases in claim levels, Zurich is now reviewing its fire insurance agreements with Local Authorities, particularly those covering school buildings.

It is anticipated that in January 2002 we will be notified of a significant increase in the level of premium from 1st April 2002. At that point other options will be evaluated, including increasing the level of the excess and hence the level of self-funding.

b) Liability claims

Claim payments are related to the year in which the claim arises (“claim year”), not the year when the actual payment is made.

The nature of liability claims is such that they can be made several years after the date of the incident which gave rise to the claim, and can then take several more years to come to final settlement. For this reason it is more difficult to make clear comparisons between premiums and claims paid for recent years.

It is generally accepted within the insurance industry that liability claims are accounted for over a nine year period, using a system called “triangulation”, an example of which is shown at appendix B.

To assist with the comparison, the insurers' projections of payments outstanding from claims already notified are shown in addition to the claims actually paid. This does not, however, include any estimate for claims not yet submitted.

3. Best value review

The insurance section will be part of the best value review of finance taking place in 2002/3.

This will include a review of the current insurance arrangements and whether the balance between external and internal (self) insurance is appropriate.

Comparison of premiums paid to and claims settled by insurers.

| | 1997/98 | 1998/99 | 1999/00 | 2000/01 | Total |
|--------------------|----------------|----------------|----------------|----------------|--------------|
| | £000s | £000s | £000s | £000s | £000s |
| Fire | | | | | |
| Premium | 1,162 | 1,154 | 220 | 260 | 2,796 |
| Claims Paid | 288 | 477 | 425 | 553 | 1,743 |
| Liability | | | | | |
| Premium | 216 | 216 | 216 | 198 | 846 |
| Claims Paid | 359 | 157 | 16 | 31 | 564 |
| Claims Outstanding | 1,365 | 1,451 | 489 | 837 | 4,142 |
| Motor | | | | | |
| Premium | 481 | 509 | 529 | 452 | 1,971 |
| Claims Paid | 268 | 296 | 260 | 198 | 1,022 |

Public Liability Incurred Claims Triangulation

(shown in £k- figures provided by Aon Risk Services)

| <u>Policy Year</u> | <u>Development Year</u> | | | | | | | | | <u>Ultimate Forecast</u> |
|-------------------------------|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|-------------------------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| 1992/93 | N/K | 193 | 191 | 211 | 212 | 276 | 287 | 394 | 394 | 394 |
| 1993/94 | 459 | 673 | 735 | 718 | 704 | 711 | 617 | 617 | | 630 |
| 1994/95 | 206 | 430 | 742 | 775 | 763 | 536 | 536 | | | 538 |
| 1995/96 | 260 | 531 | 727 | 892 | 973 | 973 | | | | 1,000 |
| 1996/97 | 343 | 474 | 497 | 646 | 661 | | | | | 694 |
| 1997/98 | 477 | 850 | 831 | 795 | | | | | | 927 |
| 1998/99 | 539 | 903 | 944 | | | | | | | 1,300 |
| 1999/00 | 509 | 781 | | | | | | | | 1,749 |