

STATES OF JERSEY



INSURANCE (R.44/2020): EXECUTIVE RESPONSE (R.44/2020 RES.) – COMMENTS

Presented to the States on 24th August 2020
by the Public Accounts Committee

STATES GREFFE

COMMENTS

Foreword

In accordance with paragraphs 64-66 of the [Code of Practice](#) for engagement between ‘Scrutiny Panels and the Public Accounts Committee’ and ‘the Executive’, the Public Accounts Committee (PAC) presents comments on the [Executive Response](#) to the Comptroller and Auditor General’s (C&AG) [Report on Insurance](#).

Background

The Comptroller and Auditor General’s (C&AG) [Report on Insurance](#) was published in April 2020, and evaluated the use of enforcement powers across a number of functions within the Government of Jersey, including planning and building control. The review did not account for the impact of the COVID-19 pandemic because it had commenced prior to it. The [Executive Response](#) to the C&AG’s Report, was issued jointly by the Chief Executive and Director General for Treasury and Exchequer and was received by the Public Accounts Committee (PAC) on 30th June 2020 and presented to the States and published shortly thereafter. The PAC acknowledges that COVID-19 will impact the insurance market, and thereby impact the analysis undertaken in these reviews.

The PAC supports improving the Government of Jersey’s governance and oversight of the States’ insurance arrangements and the development of a robust or systematic approach for identifying existing and emerging insurable risks and is in agreement with the C&AG’s recommendations. Although all of the recommendations contained in the C&AG’s report were accepted, and the PAC is broadly supportive of the action plan contained in the [Executive Response](#), the PAC seeks assurance from the Executive that the recommendations will be implemented in a timely and robust manner. It sets out its comments below:

C&AG Findings and Recommendations

The C&AG found that there had been little governance oversight of the States’ insurance arrangements. The Risk and Audit Committee does not consider insurance issues and there has been no separate insurance board, committee or equivalent to consider strategic and key operational issues. The States does not have a robust or systematic approach for identifying existing and emerging insurable risks even though officers are aware of some important areas where insurance cover is not fully in place. The C&AG noted that the States’ arrangements for procuring insurance had fallen short of best practice, and, in contrast to the good practice information available for claims made against the Minister for Health and Social Services, the States has poor management information on past and current insurance claims. The C&AG also found that the mechanism for recharging contributions to departments does not provide any financial incentive for departments to improve their risk management arrangements or seek to reduce the number or financial impact of their claims.

To address these issues, the C&AG recommended that the States should consider the role of the Risk and Audit Committee in respect of oversight of insurance. This might include, for example, a review of the Insurance Strategy and Improvement Plan, receiving an annual insurance report and gaining assurance that appropriate insurance arrangements are in place for key risks. She also recommended that dates should be agreed for addressing the actions set out in the Insurance Strategy and Improvement Plan and that there are sufficient resources in place to deliver and implement it.

The C&AG further recommended that the Insurance Strategy and Improvement Plan should be reviewed and updated and that a policy should be implemented to determine at what level the funding of the Insurance Fund should be maintained. For example, this might set out whether the funding level should be at ‘best estimate’ or whether allowance should be made for a ‘buffer’,

and if a buffer were required, at what level of confidence. She also advised that responsibilities, service levels and monitoring arrangements for insurance with Specified Organisations should be agreed.

Executive Response

In their summary response, the Chief Executive and the Treasurer noted that many of the C&AG's recommendations and improvements had previously been highlighted as part of an internal review that reported to the Executive Leadership Team in February 2020, with those not identified having been included in an updated Insurance Improvement Strategy and Plan. The Executive Response further confirmed that a review of the resources required to undertake the work required to deliver the insurance service, will be undertaken as part of a response to the C&AG's report.

The PAC notes that the revised Insurance Strategy and Improvement Plan will be approved by the Executive Leadership Team and Council of Ministers, and requests copies of both. The PAC would request that both the Committee and the C&AG are notified when the Strategy and Improvement Plan are reviewed and updated so as to interpedently track the changes made.

The Executive agreed that the use of the Risk and Audit Committee to review the Annual Insurance strategy and provide a border monitoring role for insurance management, "makes sense in the light of its wider remit". Although it advised that there have been a number of officer forums established to consider insurance matters during 2019-20, it accepted that the terms of reference of these groups and their scope could be better defined. It confirmed that a February 2020 presentation on insurance matters for Treasury's internal training programme had been developed, having built upon People Services collaboration, with a broader insurance communications strategy to be developed.

The Executive Response confirmed that a review of departmental risk registers had already begun, with the aim to better identify potentially insurable risks. An amendment to the Public Finances Manual for Major Projects would be proposed, to ensure that insurance matters are identified and dealt with early on in any major project. A review of the lessons to be learned from the re-tender of the general insurance policies during summer 2019 and the medical malpractice re-tender had also started, with a report available in the near future. The Executive also advised that regular reports were being produced for senior management on medical malpractice claims but acknowledged that reports for general insurance claims could be analysed more effectively.

The PAC is pleased to note that the Government has committed to a systematic approach to identifying and documenting existing and insurable risks. It is also pleased to note the commitment to amending procedures for major projects in the Public Finances Manual to ensure that insurance matters are considered at an early point in all major projects. The Committee noted that one of the recommendations in the C&AG's Report was to ensure exemptions from the procurement requirements set out in the Public Finances Manual are obtained in a timely manner. Where an exemption is not obtained before the start of a contract or date of renewal or extension, this should be declared as a breach.

The PAC is pleased to note that the Government will move to ensure compliance with the Public Finances Manual will be factored into the project plans for renewal and retendering of all insurance contracts. However, the PAC must express surprise that this policy was not already in place. The PAC would like to note that it expects that these amendments will be tracked to identify areas of future improvement.

The PAC welcomes the decision to release a policy statement on the level of funding required within the Insurance Fund. However, the Committee is hopeful that this will form part of a larger policy strategy towards the Government's use of insurance, and that this statement will be

updated when appropriate to identify both new areas of improvement and to react appropriately towards changing approaches to Insurance.

The PAC welcomes the move towards new policy documents for changing the approach to insurance and note the decision to undertake a review and options analysis on Insurance. However, the PAC wish to seek clarification on whether these policy documents, although expected for December 2020, will form part of the Policy Statement highlighted in Recommendation 6 that is scheduled for September 2020.

Conclusion

Overall, the PAC welcomes the positive response made by the Executive to the recommendations of the C&AG. However, it is clear that considerable work must be undertaken by the Government in order to correct the shortfalls identified by the C&AG. The PAC will continue to monitor progress closely.