



CORPORATE GOVERNANCE COMMITTEE – 20 MAY 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RISK MANAGEMENT UPDATE

Purpose of the Report

1. One of the roles of the Corporate Governance Committee is to ensure that the Council has effective risk management arrangements in place. This report assists the Committee in fulfilling that role by providing a regular overview of key risk areas and the measures being taken to address them. This is to enable the Committee to review or challenge progress, as necessary, as well as highlight risks that may need to be given further consideration. This report covers:
 - The Corporate Risk Register (CRR) – summary of risks
 - Counter Fraud Updates

Corporate Risk Register (CRR)

2. Within the County Council's Constitution, Article 9.03 'Role and Function of the Corporate Governance Committee' states that the Committee shall have responsibility for the promotion and maintenance within the Authority of high standards in relation to the operation of the Council's Code of Corporate Governance with an emphasis on ensuring that an adequate risk management framework and associated control environment is in place.
3. The Council maintains Departmental Risk Registers and a Corporate Risk Register (CRR). These registers contain the most significant risks which the Council is managing, and which are 'owned' by Directors and Assistant Directors.
4. The CRR is designed to capture strategic risk that applies either corporately or to specific departments, which by its nature usually has a longer time span. The CRR is a working document and therefore assurance can be provided that, through timetabled review, high/red risks will be added to the CRR as necessary. Equally, as further mitigation actions come to fruition and current controls are embedded, the risk scores will be reassessed, and this will result in some risks being removed from the CRR and managed within the relevant departmental risk register.

5. Updates to the current risks on the CRR (last presented to the Committee on 26 January 2024), are shown in the Appendix. Following a recommendation by the Council's external auditor (Grant Thornton) in its Auditor's Annual Report 2022-23, column 2 shows that corporate risks are now aligned to the Council's Strategic Plan outcomes, i.e.: -
 - a. Great Communities (GC)
 - b. Clean and Green (C&G)
 - c. Improved Opportunities (IO)
 - d. Safe and Well (S&W)
 - e. Strong Economy, Transport & Infrastructure (SE, T&I)
 - f. All (A)

Risks which have been removed in the last two years, and a brief reminder of the risk scoring process are at the end of the appendix.

A more detailed update of the CRR scheduled for this Committee (providing additional information on current and further controls/actions on how the risks are being mitigated), will be presented to a future meeting.

6. Movements since the CRR was last presented are detailed below: -

Risks added

1.13 – C&FS

7. If suitable placements are unavailable for UASC (unaccompanied asylum-seeking children) who arrive in the County, either planned or unplanned, then there will be significant pressures meeting the department's statutory duties with regards to UASC as well as financial pressures in meeting their complex needs.

Rationale – decoupled UASC risk from risk 1.9 the wider refugees and asylum seekers risk since that risk's score has been reduced but the UASC risk score has been retained.

Risks removed.

4.2 - E&T

8. If Arriva is successful in its concessionary travel appeal or the City in its challenge on the methodology of reimbursing operators, then reimbursement costs for the scheme could increase.

Rationale - Settlement agreed and no longer a risk. The settlement received was acceptable and within the region of what was anticipated and allowed for.

7.4 - A&C

9. If LCC's Charging Policy is challenged on the principles of the Norfolk Ruling, then there could be judicial review leading to significant financial impact and reputational damage.

Following consultation, a report was produced for, and approved by, Cabinet 9 Feb 2024. Updated policy to go live 8 April 2024. Likelihood score reduced from 3 to 2.

Rationale - No longer represents a high-ranking risk and will be managed within the department.

Risks amended.

C - ALL

10. If the current cost of living crisis continues and even intensifies, or if UK Government interventions cease, then the people and businesses of Leicestershire as a whole will be significantly impacted, and the County Council will have to take some difficult decisions.

Amendment to score – Current likelihood score reduced from 5 to 4, total 20.

1.9 – ALL

11. If the immigration status of refugees and asylum seekers (including unaccompanied asylum-seeking children (UASC) and Homes for Ukraine Scheme (H4US)) who arrive in the County is not resolved, then the Council will have to meet additional long-term funding in relation to its housing and care duties, with the biggest cost and staffing impacts on C&FS.

Amendments to risk description and scores

Change description to, 'If the immigration status of refugees and asylum seekers who arrive in the County is not resolved, then the Council will have to meet additional long-term funding in relation to its housing and care duties'.

Rationale – UASC risk has been decoupled. H4US will be managed at department level.

Both impact and likelihood current risk scores reduced from 5 to 4, total 16, and target risk impact score reduced from 4 to 3, total 9.

3.7 – CR

12. If the council does not manage its exposure to cyber risk, THEN decisions and controls cannot be taken to mitigate the threat of a successful cyber-attack.

Amendment – to risk description. Rationale – reflects the impacts of incidents.

If the council does not effectively manage its exposure to cyber risk, THEN there's a substantial risk of a successful cyber-attack which could severely damage the Council's reputation and affect service delivery which might result in incurring significant costs, both in order to successfully recover systems (downtime, incident response and possible ransom payment) and potential personal liability claims and regulator fines.

Amendments to scores - The likelihood scores for both the current and target risks increased from 4 to 5.

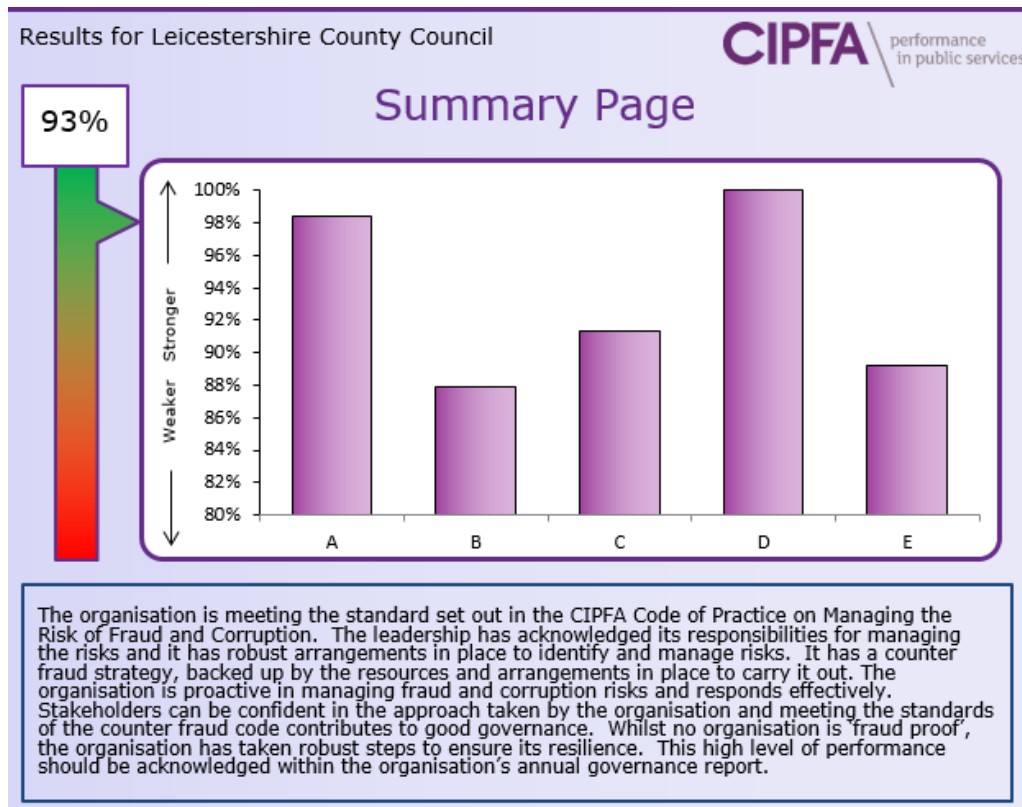
Presentation

13. In accordance with the Committee's request at its meeting on 16 January 2024 a presentation will be provided as part of this item on risk 7.7 (If current demand for Education Health Care (EHC) Needs Assessment and updating of EHC Plans after annual review exceeds available capacity of staff within SEND Services (particularly educational psychology and SEN Officer) then this leaves the Council vulnerable to complaints of mal-administration with regards to statutory timescales. The situation is worsened by a lack of specialist placements which means that children with complex needs may not be placed in a timely way and hence may not receive the support to which they are entitled through their EHC Plan).

Counter Fraud Updates

Self-Assessment Against the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption

14. The Council seeks to regularly self-assess its counter fraud approach, policies, and procedures against the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption. Assessment is not mandatory but is recommended as good practice by CIPFA.
15. Leaders of public sector organisations have a responsibility to embed effective standards for countering fraud and corruption. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The five key principles of the Code are to:
- A - Acknowledge the responsibility of the governing body for countering fraud and corruption
 - B - Identify the fraud and corruption risks
 - C - Develop an appropriate counter fraud and corruption strategy
 - D - Provide resources to implement the strategy
 - E - Take action in response to fraud and corruption.
16. The outcome of the self-assessment was positive and where recommendations for improvement were noted these will be progressed accordingly. These include:
- Consideration of an annual Counter Fraud report to the Corporate Governance Committee.
 - Consideration of an annual report to Committee on whistleblowing.
 - A comms strategy to raise staff awareness of Council policies in relation to (i) the declaration of personal interests (including close family relationships), (ii) business interests, including secondary employment and (iii) gifts & hospitality.



17. Although the process was one of self-assessment, carried out by the Internal Audit & Assurance Service, this time around the Council entered a reciprocal arrangement with neighbouring Leicester City Council to undertake a peer review of each other's self-assessments, in essence to independently stress-test the outcomes and conclusions reached for reasonableness. The results of this peer review received in January 2024 were positive with ratification of the recommendations declared through the self-assessment process.

Fraud Risk Assessment

18. The Council undertakes a formal fraud risk assessment (FRA) every two years. We are currently at mid-point between FRAs but nevertheless have taken the opportunity at this interim point to review on a *soft* basis the main fraud risk to the Council. These are largely commensurate with those reported by other councils:
- Procurement Fraud (both at pre-contract and post-contract award stage)
 - Cyber-crime / fraud
 - Insider fraud
 - Social care fraud

We continue to manage these risks through proactive fraud awareness raising with key staff / sections, e-learning, and targeted internal audit assurance work across these areas.

19. In terms of *emerging* fraud risks, cyber-crime becomes ever more sophisticated, whilst the risks associated with insider fraud are acknowledged as being greater during economic downturn, e.g. with cost-of-living pressures. The need for all sectors of the council to operate a robust internal control environment remains.
20. In terms of *decreasing* fraud risks, cash frauds and thefts are less prominent as we move more and more to becoming a cashless society, with electronic transactions becoming more and more the norm. But electronic payments bring specific risk too, e.g. cyber-enabled fraud, and this simply demonstrates that to a professional fraudster, as one door closes, another door opens.
21. The 'Fraud Triangle' [Cressey] illustrates the three fundamental factors that contribute to the risk/likelihood of fraud – (i) opportunity, (ii) rationalisation and (iii) pressure (motivation). Through effective internal controls, organisations such as the County Council can significantly reduce the *opportunity* for somebody to commit fraud, whilst continued fraud awareness raising can manage the *rationalisation* factor somewhat by imparting a strong message that fraud committed against a large organisation such as the County Council is not a victimless crime and that every pound lost to fraud is a pound that could have otherwise been spent on essential public services.



National Fraud Initiative (NFI) 2024-26

22. The Cabinet Office's NFI exercise is run on a biennial basis. NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council is a mandatory participant. The anticipated timeframes for NFI 2024-26 are as follows:

End-September 2024	Data extraction date from local systems.
October 2024	Data submitted to Cabinet Office after local data quality checks complete.
October 2024 – January 2025	Cabinet Office undertakes data matching on a national scale.
February 2025	Release of output (matches for investigation) back to participants.

September 2025	Analysis and investigation work concluded on NFI 2024-26 output.
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23. A welcome addition to the scope of NFI this time around is the expected inclusion of social care data, e.g. direct payments, residents in care homes, which will be matched against other data sets such as the DWP's deceased persons database (risk of continuing payments past a date of death), other authorities' records (risk of duplicate claimants across two or more authorities), and occupational pensions (risk of underassessment of personal contributions to costs of care).
24. An information note has been published on the staff intranet raising staff awareness of NFI, its legal basis and its coverage / objectives.

Reporting Fraud Under the Local Government Transparency Code 2015

25. Under the Local Government Transparency Code 2015, the County Council is required to publish to its website, annually, summary details of fraud investigations including the total number of frauds investigated and the total amount spent by the authority on the investigation of fraud. Details for 2023/24 have been published and can be viewed via the link below: -

<https://www.leicestershire.gov.uk/about-the-council/council-spending/payments-and-accounts/cost-of-fraud-investigations>

Recommendations

26. It is recommended that the Committee:
- a. Approves the current status of the strategic risks facing the County Council.
 - b. Makes recommendations on any areas which might benefit from further examination.
 - c. Notes the updates regarding counter fraud.

Resources Implications

None.

Equality and Human Rights Implications

None.

Circulation under the Local Issues Alert Procedure

None.

Background Papers

Report of the Director of Corporate Resources – ‘Risk Management Update’ – Corporate Governance Committee, 30 September 2022, 21 November 2022, 26 January 2023, 16 March 2023, 26 May 2023, 22 September 2023, 17 November 2023 and 26 January 2024.

<http://politics.leics.gov.uk/ieListMeetings.aspx?CommitteeId=434>

Officers to Contact

Declan Keegan, Director of Corporate Resources

Tel : 0116 305 6199

E-mail : declan.keegan@leics.gov.uk

Neil Jones, Head of Internal Audit and Assurance Service

Tel: 0116 305 7629

Email: neil.jones@leics.gov.uk

Appendices

Appendix – Corporate Risk Register Update (April 2024)