



## **CORPORATE GOVERNANCE COMMITTEE – 31 JANUARY 2020**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **RISK MANAGEMENT UPDATE**

##### **Purpose of the Report**

1. One of the key 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. An update on each risk is provided in the Appendix attached to this report.
  - Review and revision of the Risk Management Policy & Strategy
  - Emerging risk – HS2 Phase 2B
  - Counter fraud initiatives - update

##### **Corporate Risk Register (CRR)**

2. 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.
3. The CRR is designed to capture strategic risk that applies either corporately or to specific departments, which by its nature has a long 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 reflected within the relevant departmental risk register.
4. Movements since the CRR was last presented to the Committee on 1 November 2019 are detailed below:

### Risk Added

The following risk has been re-instated on the Corporate Risk Register.

- Risk 7.3 (Adults & Communities) - If the Department does not have a sustainable external workforce to work with it may be unable to meet its statutory responsibilities.

### Risks Removed

The Appendix attached provides a summary of the risks removed together with commentary. The following risks have been removed and are being managed at departmental level.

- Risk 3.2 – General Data Protection Regulations (GDPR) (Corporate Resources)
- Risk 4.2 – Arriva (Environment & Transport)

### Risks Reworded

The following risks that already appear on the Corporate Risk Register have been reworded slightly.

- 3.7 Cyber Risk – 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.
- 1.6 High Needs - If demand for Education Health and Care Plans continues to rise, and corrective action is not taken, there is a risk that the high needs deficit will continue to increase.

5. The table below is a summary of the all the risks on the CRR. The risks are numbered within each category and the most up to date position of each risk is shown in Appendix A attached to this report. It should be noted that there are no changes to the risk scores this time round as there was a shorter reporting period between the CRR reported on 1 November 2019 and the current update undertaken in December 2019.

Ref	Dept.	Risk Description	Current risk Score Dec. 2019	Change in Current Risk Score	Target risk over next 12 months
<b>1. Medium Term Financial Strategy</b>					
1.1	All	MTFS Delivery	20		15
1.3	CE	Failure to maximise developer contributions and impact on corporate infrastructure projects	16		10
1.5	C&FS	Child placements demand creates budget pressures	20		20
1.6	C&FS	Increasing demand (high needs pupils)	20		16
1.7	CR	Failure to comply with IR35 regulations (self-employment)	20		12
1.9	C&FS	Failure to resolve immigration status of UAS children increases costs	16		12

Ref	Dept.	Risk Description	Current risk Score Dec. 2019	Change in Current Risk Score	Target risk over next 12 months
1.10	CE	Unable to deliver the infrastructure	25		15
<b>2. Health and Social Care Integration</b>					
2.2	A&C	Inability to deliver improved outcomes and financial stability	16		16
2.3	All	Failure to meet demand from Welfare Reform Act	16		16
<b>3. ICT, Information Security</b>					
3.6	CR	ERP system -delays to implementation	20		10
3.7	CR	Cyber security	16		12
<b>4. Commissioning</b>					
		No risks under this heading			
<b>5. Safeguarding</b>					
5.1	C&FS	IICSA – seriously unknown historic issues identified	25		20
<b>6. Brexit</b>					
6.1	All	Impact of Brexit on public services	16		16
<b>7. People</b>					
7.1	CR	Sickness absence is not effectively managed	16		12
7.2	All	Failure to recruit & retain staff (C&FS)	15		15
7.3	A&C	Lack of sustainable external social care workforce	15		12
<b>8. Business Continuity</b>					
8.1	CR	Critical suppliers fail on business continuity planning	15		15
<b>9. Environment</b>					
9.1	E&T	Impact of Ash Dieback disease	15		10
9.2	E&T	Failure to hold/dispose of waste due to major incident	15		8
9.3	E&T	Climate Emergency Declaration	15		10
9.4	E&T	Impact on services from extreme weather events	20		15
<b>10. Partnerships</b>					
10.1	C&FS	Failure to secure confidence in mainstream SEND provision	16		16

6. In accordance with the Committee's request at its meeting on 1 November 2019, a presentation will be provided as part of this item on risk Corporate Risk 7.1 - If sickness absence is not effectively managed then staff costs, service delivery and staff wellbeing will be impacted.

## **Emerging Risk**

### **High Speed Two (HS2 Phase 2B)**

7. This risk still exists though there is no new evidence to suggest that the Leicestershire section is more likely to be delayed than previous assessments. Although the Chancellor of the Exchequer has recently made positive statements about future infrastructure spending (alongside higher investment in the Midlands and the North), there remains no news on the HS2 review outcome. This review outcome is expected sometime before, or as part of the planned 11 March 2020 budget.

## **Risk Management Policy and Strategy**

8. The Council's Risk Management Policy and Strategy has been reviewed and revised and will be submitted as an appendix to the report on the Medium Term Financial Strategy presented to the Cabinet on 7 February and full Council on 19 February.
9. Within its Terms of Reference, this Committee has a responsibility to monitor the arrangements for the identification monitoring and management of strategic and operational risk within the Council. Therefore, the recommendation to Cabinet is to approve the Risk Management Policy and Strategy subject to consideration by the Corporate Governance Committee with delegation to the Director of Corporate Resources to amend it if necessary. A copy of the revised Policy and Strategy is included in Appendix B.

## **Counter Fraud Initiatives**

10. The Council undertakes a biennial fraud risk assessment. As the current year is a 'gap' year, work has instead focussed on fraud risks highlighted by national counter fraud networking groups and in CIPFA's Annual Fraud and Corruption Tracker. The results of this work have seen some priority areas highlighted, e.g. procurement fraud risk, into which internal audit counter fraud resource will be directed in the 2020/21 Internal Audit Plan.
11. During International Fraud Awareness Week (IFAW) in November 2019, the Internal Audit Service directed a poster campaign both on County Hall noticeboards and at outlying offices raising awareness in several key areas of fraud risk. This piece of fraud awareness raising was supplemented during the week with targeted information to those staff involved in the procurement cycle on managing procurement fraud risk at all stages of the cycle. Further information was published during the week surrounding the importance of undertaking fraud awareness e-learning – staff participation rate is 57%, this rate should increase with managers and staff now having better information from the improved tableau reporting suite. These messages complement information published concurrently by the Director of Law and Governance on registering personal and business interests and the topical Christmas message to staff surrounding the receiving of offers of gifts and hospitality.
12. Whilst our prime focus is to protect the assets of the Council against fraud, corruption and other financial irregularity, IFAW was also used to convey safe-

buying advice to employees in their personal lives to coincide with Black Friday with a particular focus on shopping on-line safely.

### **Recommendations**

13. 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 and identify a risk area for presentation at its next meeting;
  - c) Notes the updates regarding:
    - (i) The emerging risk – HS2 Phase 2B
    - (ii) The revised Risk Management Policy Statement and Strategy
    - (iii) Counter fraud initiatives.

### **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, 19 February, 13 May, 23 September and 25 November 2016; 17 February, 26 May, 22 September and 17 November 2017; 29 January, 23 April and 25 July 2018, 24 October 2018, 18 January 2019, 10 May 2019 and 1 November 2019.

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

### **Officers to Contact**

Chris Tambini, Director of Corporate Resources

Tel : 0116 305 6199

E-mail : [chris.tambini@leics.gov.uk](mailto:chris.tambini@leics.gov.uk)

Neil Jones, Head of Internal Audit and Assurance Service

Tel: 0116 305 7629

Email: [neil.jones@leics.gov.uk](mailto:neil.jones@leics.gov.uk)

### **Appendices**

Appendix A - Corporate Risk Register Update

Appendix B – Risk Management Policy & Strategy 2020-21

This page is intentionally left blank