Agenda Item 6

Leicestershire
County Council

CORPORATE GOVERNANCE COMMITTEE – 25 NOVEMBER 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;
    *   Recovery planning (Covid-19) – update;
    *   Counter fraud initiatives – update.

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 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.

5. The existing risks on the CRR last presented to the Committee on 24 July 2020 are shown in Appendix 1 attached to this report. The impact and likelihood are

shown below each current risk score. Movements since the CRR was last presented are detailed below:

Risk Added

Environment and Transport (E&T) - Risk 4.2 - *If Arriva is successful in its concessionary travel appeals and the method of apportioning between the City and County Councils is changed then reimbursement costs for the total scheme could increase.*
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Risk Description Amended

All – Risk 6.1 – *Brexit - uncertainty and significant knock on consequences on public services (including potential legal, regulatory, economic and social implications), and the local economy as a result of the United Kingdom leaving the European Union.*

Amended to Risk 6.1 – *EU Transition – If a formal trade agreement between the UK and EU is not in place at the end of the transition period, the UK will be treated by the EU as a third country. Trade arrangements will differ, and goods will be subject to full third country controls and a variety of border checks.*

6.   In accordance with the Committee's request at its meeting on 24 July 2020, a presentation will be provided as part of this item on Corporate Risk 6.1 EU Transition – If a formal trade agreement between the UK and EU is not in place at the end of the transition period, the UK will be treated by the EU as a third country. Trade arrangements will differ, and goods will be subject to full third country controls and a variety of border checks.

Recovery Planning - COVID-19

7.   The interim service planning and risk identification exercise completed in June was crucial to ensure the majority of the Council's services got to interim positions. On 28 July, the Member Working Group (Covid-19 Recovery) received and discussed an update on the interim service planning process alongside summary Departmental Position Statements.

8.   In early September, Chief Officers agreed that an organisation-wide review of the interim service plans should be undertaken by Heads of Service, managed through Department Management Teams, and supported through corporate support services. Updated guidance to support interim service delivery planning was produced. This is based on a revised understanding of the impact of the pandemic on the Council's strategic priorities and implications for future service delivery. The updated interim plans are required to enable service delivery through to April 2021, although planning has been recognised as an iterative and flexible process which is dependent upon various factors, such as the potential recurrence of localised 'lockdown' arrangements.

9.   The revised guidance focuses on the key considerations to be covered within interim plans, such as the need to minimise additional expenditure, and to ensure a continuing focus on the wellbeing of staff. The guidance also provides

for support, advice and challenge - where necessary, made available through corporate business partners and subject matter leads.

10. Heads of Service across Departments have applied these considerations in the revision of their interim service delivery plans with Departmental Management Teams (DMTs) receiving and agreeing those plans. Departmental Risk Registers have also been updated, based on key strategic risks identified through this process which may affect delivery of Departmental objectives.

11. An updated version of the Departmental Position Statements will be reported to a future meeting of the Member Working Group (Covid-19 Recovery).

12. The outcomes of these recent exercises were invaluable once the Government announced there would be a second lockdown in England, from 5 November to 2 December. Scenario planning following the introduction in mid-October of the three tier lockdown system has been utilised and is being aligned with emerging government guidance. Work continues on identifying and managing key service changes and responses required and potential financial and service delivery risks.

Counter Fraud Work During COVID-19

13. A number of internal audit assignments have taken place during the last quarter with a COVID-19 and/or counter fraud focus. These include: -

    - A significant piece of work in Adult Social Care (ASC) looking at additional support provided by the Council to social care providers to ensure their financial viability, e.g. amended processes such as temporary forward payments to aid provider cash-flow, top-up payments to maintain minimum funding levels in the home care sector and support grant payments, e.g. the national ASC Infection Control Fund grant.
    - Increased p-Card usage during COVID-19.
    - Supplementary assurance regarding the County Council's Communities Fund, following additional funding being allocated by the Council.
    - Reviewing that new starters to the Council are adequately undertaking mandatory fraud awareness e-learning (or the manual workbook equivalent). This review coincided with a revision to the training module. It highlighted some procedural weaknesses, in particular regarding difficulties delivering mandatory training to 'hard to reach' staffing groups, often 'low risk', e.g. staff without IT access, e.g. school catering staff, highways operatives.

COVID-19 Targeted Fraud Comms

14. COVID-19 continues to see fraudsters exploring many, and sometimes innovative, ways to perpetrate fraud. The Internal Audit Service (IAS) continues to promote fraud awareness advice to staff and key sections, including advice to individuals on fraud risks in their personal lives.

15. The UK Government response to COVID-19 is particularly vulnerable to fraud, owing to the novelty and speed with which new measures have been

introduced and the size of economic relief schemes, many of which are passed down to local government to distribute further. Whilst a number of these schemes are relevant only to district and unitary councils, e.g. the Small Business Grant and the Self-Isolation Financial Support Scheme, there can be no complacency that fraud cannot affect the Council, especially at times like these where temporary process changes brought about by COVID-19 may be in place.

16. Raising fraud awareness continues to be a major defence against fraud. The fraud pages on the Council's intranet have been updated with COVID-19 specific information, and targeted communications to staff and managers continue to be issued through a variety of means, for example a Manager's Digest was released on 28 October.

National Fraud Initiative 2020/21

17. The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud in a number of areas, including pensions, payroll, creditors, bribery/conflict of interest, adult social care, etc. Since it was set up in 1996, the NFI has identified thousands of attempts to defraud taxpayers, with attempts to steal money from pension frauds, council tax claims and even the abuse of disabled parking badges. Latest figures from the Cabinet Office show that between April 2018 and April 2020, a total of £245 million of fraud and overpayments was detected across the UK, taking the total figure identified since 1996 up to £1.9 billion.

18. The Council has submitted all relevant data sets to the Cabinet Office in respect of the biennial National Fraud Initiative (NFI) data matching exercise. The expectation is that 'matches' will be returned to councils for investigation from February 2021 onwards.

Revised Counter Fraud Policies

19. The Internal Audit Service has responsibility for the upkeep of four of the Council's counter fraud documents, namely the (overarching) Anti-Fraud and Corruption Strategy, the Anti-Bribery Policy, the Anti-Money Laundering Policy and the Policy for the Prevention of Facilitation of Tax Evasion. These documents are revised on a biennial basis and have been revised during this last quarter.

20. With specific regard to the Anti-Fraud and Corruption Strategy the biennial revision coincides with the formulation of a new two-year action plan that sits within the Strategy that sets out a range of proposed actions moving forward, designed to strengthen the Council's resilience to fraud yet further. At its meeting in February 2015 the Corporate Governance Committee delegated authority to the Director of Corporate Resources that they might make minor changes. Changes this time are mostly cosmetic but should members wish to read the four documents they can be found on the Council's website at: - https://www.leicestershire.gov.uk/about-the-council/council-spending/fraud

Fraud Risk Assessment 2020/21

21. The CIPFA Code of Practice – Managing the Risk of Fraud Corruption recommends that local authorities identify and assess the major risks of fraud and corruption to the organisation. The Internal Audit Service performs a biennial fraud risk assessment and uses the results to direct counter fraud resources accordingly. The County Council does not provide many of the services that have historically been considered to be at high risk of fraud, such as revenue and benefits, and, more recently, many of the COVID-19 economic relief schemes. However, the change of emphasis from local government being a provider to a commissioner of services changes the risk profile of fraud, as well as the control environment in which risk is managed. More 'at arm's length' delivery of services by third parties, for example, contractors and external providers; and personal control of social care budgets, means that more public money is entrusted externally, which may impact on the wider control environment.

22. National fraud intelligence received through publications such as CIPFA's annual Fraud and Corruption Tracker (2019) and Fighting Fraud and Corruption Locally – the local government counter fraud and corruption strategy (Cifas, 2020) helps to inform local authorities of key fraud risks for councils and also of emerging frauds relevant to the sector. Such intelligence is used proactively to influence the fraud risk assessment. The Internal Audit Service also networks closely with other local authorities to share both fraud intelligence and strategies to manage fraud risks. As an example, the Internal Audit Service is an active participant in the Midland Counties' Fraud Group. A recent meeting (5 November) discussed approaches to the following and advice will be disseminated to relevant Council officers and headteachers: -
     a. General Warnings re. Heightened Risk of Fraud during crisis situations
     b. Mandate Fraud, including emerging e-mail hacking threat
     c. Chief Executive Officer (false identity) Fraud
     d. C-19 Business Support Grants
     e. Temporary Morgues
     f. Asset Misappropriation by Staff, e.g. leavers, compounded by home working
     g. Taxi Providers' Relief Scheme
     h. Temporary Process Changes Brought About By COVID-19
     i. Staff Working Elsewhere Whilst off on Sick/Self-Isolation

23. Appendix 2 attached to this report, contains a summary of the fraud risk assessment, with a corresponding risk score for each area, based on the Council's overall potential exposure (impact on service delivery, finance and reputation and perceived likelihood). Scoring has been derived through discussions with individual service leads to give them the opportunity to consider whether scores remain reasonable or whether there have been any changes during the previous year that may lead to a necessity to amend scores, e.g. increased or decreased metrics/values etc. Recognising fraud in this manner ensures there is a comprehensive understanding and knowledge about those areas where potential fraud risk is the highest and the scale of potential losses.

24. The highest scoring areas include COVID-19 related fraud risk, cyber-crime, adult social care fraud, maintained schools with delegated financial management and procurement fraud. It is expected that the score for COVID-19 related fraud risk will decrease over time as staff and sections become more understanding of the fraud risks associated with COVID-19, thus decreasing the 'likelihood' score. These high-scoring areas are typically the ones reported nationally by other councils, in addition to benefit fraud in those authorities where this is a consideration.

25. The fraud risk assessment directs the Council's overall Anti-Fraud and Corruption Strategy and further allows the Council to direct counter-fraud resources accordingly. Consequently, this influences the internal audit annual planning process.

Local Government Transparency Code

26. 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 2019/20 have been published can be viewed via the link below: -

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

International Fraud Awareness Week (15-21 November 2020)

27. To coincide with International Fraud Awareness Week (IFAW), the Internal Audit Service issued targeted comms to staff during the week via the Corporate Intranet covering topics such as the National Fraud Initiative - its aims and objectives; Bribery Risk, The Impact of Fraud, etc. IFAW also gives the opportunity to give a timely reminder to staff on the Council's whistleblowing process and its policies on both gifts & hospitality and the registration of personal interests.

Recommendations

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)   Recovery planning (Covid-19)
      (ii)   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, 31 January 2020, 12 June 2020 and 24 July 2020.

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

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Appendices

Appendix 1 - Corporate Risk Register Update
Appendix 2 - Fraud Risk Assessment 2021

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