



## **CORPORATE GOVERNANCE COMMITTEE – 4 JUNE 2021**

### **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.
  - Recovery planning (Covid-19) – update.
  - Counter fraud Initiatives

##### **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 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 managed within the relevant departmental risk register.

5. The current risks on the CRR (last presented to the Committee on 29 January 2021) are shown in Appendix A 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**

Corporate Resources– Risk 4.4:

- Risk of challenge and/or financial penalty due to either an actual or perceived breach of procurement guidelines.

### **Risk removed**

Risk 2.2 – Impact on County Council services and MTFS of the Better Care Together (medium term) transformation plan in Leicester, Leicestershire, and Rutland (LLR), could lead to inability to deliver improved outcomes and financial sustainability.

This risk featured in the Adults and Communities Departmental Risk Register. However, it is now obsolete as a result of changes nationally from the NHS Long Term Plan, its application locally and the systems working during Covid-19, which has changed and improved the Council's relationships and overall Health and Social Care system working within the County (and wider Leicester, Leicestershire and Rutland). As a result, there is a new risk that reflects the current situation:

- Risk: Sustainable health and social care system
- Rating: (Amber with a current risk score of 12)

The Health and Care Bill lays the foundations for establishing Integrated Care Systems (ICS) to increase integration between health and care. The Public Health (PH) Departmental Risk Register also includes an ICS risk:

- Risk: PH Capacity to deliver ICS system prevention work.
- Rating: (Amber with a current risk score of 9)

In recognition that both risks are rated amber, risk 2.2 will be removed from the CRR and these new risks will continue to be monitored via the Adults & Communities and Public Health departmental risk registers.

### **Risk Description Amended**

Medium Term Financial Strategy (All) - Risk 1.1 - Risk around the MTFS including the ability to deliver savings through service redesign and Transformation as required in the MTFS, impact of the living wage and other demand/cost pressures including legal challenges.

Amended to – Risk around the MTFS including the ability to deliver savings through service redesign and Transformation as required in the MTFS, impact of the living wage, legal challenges and importantly demand/cost pressures especially those arising in Adults and Children's Social Care.

## **Presentation**

6. In accordance with the Committee's request at its meeting on 29 January 2021 a presentation will be provided as part of this item on the Corporate Risk 4.3 - If as a result of the impacts of the coronavirus pandemic bus operators significantly change their services, then there could be substantial impacts on communities accessing essential services and lead to required intervention under our Passenger Transport Policy and Strategy.

## **Council's Strategic Plan, Departmental Business Plans and Recovery Planning (Covid-19)**

7. There is work ongoing to review and refresh the Council's Strategic Plan and it is envisaged that this will continue throughout 2021/22, with the revised Plan in place by April 2022. This review aims to reflect the impact of coronavirus (both direct impact and the issues which it has emphasised, such as climate change) and other key policy developments such as EU-Exit on the Council's priority outcomes. In addition to refreshing priority outcomes, new delivery and governance arrangements will be introduced, to ensure effective implementation of the Plan.
8. Departmental Business Plans for 2021 have been produced by all Departments and presented to Chief Officers in April 2021. Departmental Risk Registers have also been updated by some Departments, based on key strategic risks identified through this process which may affect delivery of departmental objectives and priorities.
9. Appendix A provides further details of Recovery Planning (Covid-19) and easing of restrictions.

## **Counter Fraud Initiatives**

### **Counter Fraud Work During COVID-19**

10. A number of audit assignments have taken place during the last quarter with a COVID-19 and/or counter fraud focus. These include: -
  - COVID-19 Winter Support Grant - distribution of emergency support funding to disadvantaged individuals and families.
  - The County Council's Home Working Equipment Allowance – a follow-up review of the process for disbursement of funding to employees to facilitate home working.

### COVID-19 Targeted Fraud Comms

11. COVID-19 continues to see fraudsters exploring many, and sometimes innovative, ways to perpetrate fraud. The Internal Audit Service (IAS) continues to target both staff and key sections (e.g. fraud training for procurement) with fraud awareness advice, including advice to individuals on fraud risks in their personal lives too.
12. 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 the IAS continues to issue targeted comms to staff and managers through a variety of means. Specific information has been added to the fraud pages during the quarter advising staff how specific concerns can be raised within the Council.

### National Fraud Initiative 2020/21

13. 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 UK Government's 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.
14. The Council has received back from the Cabinet Office details of NFI matches for the 2020/21 exercise. Looking at the key categories, the figures are broadly the same with a slight decrease this time around. These are currently being investigated at departmental level. Matches do not necessarily suggest fraud or error but are simply risk-based potential anomalies worthy of further investigation. Matches can generally be summarised into four categories: -
  - Deceased Persons Matches, e.g. pensioners, concessionary travel passes;
  - Payroll Matches, e.g. people with two employments;
  - Creditor Matches, e.g. potential duplicate payments;
  - Employee Corruption Matches, e.g. connections between employees and businesses which the Council trades with.

A full report on the NFI exercise will be provided to a future meeting of the Committee.

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

15. The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption contains an assessment tool to enable organisations to assess their level resilience to fraud risk. An assessment against the Code was undertaken independent of the counter fraud arm of Internal Audit and the results were overall positive. A number of non-priority recommendations were made where it was felt by the assessor that systems and processes could be improved yet further. These will be considered in due course. The assessment score was commensurate with the previous assessment in 2015/16. The overall opinion was as follows: -

“The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The leadership has acknowledged its responsibilities for managing the risks and it has robust arrangements in place to identify and manage risks. It has a counter fraud strategy, backed up by the resources and arrangements in place to carry it out. The organisation is proactive in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the organisation and meeting the standards of the counter fraud code contributes to good governance. Whilst no organisation is ‘fraud proof’, the organisation has taken robust steps to ensure its resilience. This high level of performance should be acknowledged within the organisation’s annual governance report.”

### Procurement Fraud Training

16. Procurement fraud risk is highlighted nationally as one of the main fraud risks within the public sector, and can take many forms, including bribery, bid rigging, cartels, overcharging, falsification of data (e.g. payment by results contracts), nepotism, conflicts of interest, etc. Procurement fraud risk is possible at all stages of the procurement process, from initial tendering stage through to contract award stage through to invoicing and contract monitoring stages.
17. The County Council has commissioned a specific procurement risk training video from a nationally recognised procurement fraud investigator. This training will be rolled out to all staff within the Council who have procurement within their job descriptions in one form or another. The training will raise awareness of the risks, highlight common fraud red flags, and provide advice on how concerns can be raised.

### Cyber Risk in Schools

18. Cyber risk is highlighted nationally as an emerging fraud risk. Of particular concern is the growing number of ransomware attacks within the education sector. A ransomware attack against a school can have catastrophic consequences, e.g. unavailability of systems, loss of students’ work, financial

consequences associated with recovery. It is the opinion of the Police's Cyber Crime Unit expert that, nationally, the education sector is somewhat 'behind the curve' with regard to the management of cyber risk and therefore vulnerable to attack by cyber criminals.

19. The IAS is working closely with officers from within the Council's Children and Family Services Department and Leicestershire Police's Cyber Crime Unit to provide further advice to schools on how cyber risk can be mitigated through common-sense controls. Of particular importance are preventative controls such as fraud awareness raising, virus protection, security patching, two-factor authentication, appropriate access rights, good housekeeping (e.g. removal of leavers from systems), and also robust backing-up processes to enable swift restoration of services in the event of an incident occurring.

#### Local Government Transparency Code

20. 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 2020/21 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>

#### **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) Strategic Plan, Departmental Business Plans and 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, 18 January 2019, 10 May 2019 and 1 November 2019, 31 January 2020, 12 June 2020, 24 July 2020, 25 November 2020, and 29 January 2021.

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

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**Appendices**

Appendix A - Corporate Risk Register Update

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