



CORPORATE GOVERNANCE COMMITTEE – 21 NOVEMBER 2022

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;
 - Mitigating the risk of fraud.

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. The current risks on the CRR (last presented to the Committee on 30 September 2022), risks which have been removed in the last two years, and a brief reminder of risk scoring 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

7.6 Adults & Communities

6. If A&C fail to provide robust evidence of good practice for the CQC inspectors, then this will result in a poor inspection outcome and incur reputational risk alongside extra resources and possible external governance to undertake any actions required to make the improvements necessary to fulfil statutory requirements.

Risk description amendments

1.9 Children and Family Services

7. From - If the immigration status of unaccompanied asylum-seeking children (UASC) 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.

To – All - If the immigration status of **refugees and asylum seekers (including unaccompanied asylum-seeking children (UASC))** 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.

2.4 Children and Family Services, Adults & Communities, Public Health

8. From - If the Council and its partners do not deliver a sustainable health and social care system (adults, children and public health) which results in vulnerable people not having their health and social care needs met, then there is a potential that increased demand on social care services will lead to the escalation of vulnerable people's needs.

To - If health and care partners fail to work together to address the impact of system pressures effectively, there is a risk of an unsustainable demand for care services and a risk to the quality of those services to meet need.

Presentation

9. In accordance with the Committee's request at its meeting on 30 September 2022 a presentation will be provided as part of this item on Corporate Risk 7.4 (Social Care Reform implementation of charging reform and assurance process).

Mitigating the risk of fraud

National Fraud Initiative (NFI) 2022-24 Update

10. The biennial National Fraud Initiative (NFI) data matching exercise is under way and the Council has submitted all of its mandatory data sets to the Cabinet Office within the prescribed timescales. The NFI timescales expect to see 'matches' being returned to councils and other participating bodies for investigation from February 2023 onwards.
11. The NFI is a mandatory data-matching exercise coordinated by the Cabinet Office which seeks to identify potential anomalies and fraud through matching the Council's data sets, e.g. payroll, pensions, creditors, employee data (potential conflicts of interest), blue badges, concessionary travel, etc., with those of other mandatory participants, including the Department for Work and Pensions deceased persons data and director data held at Companies House.
12. A full update on NFI output and outcomes of investigations will be provided to this Committee during 2023.

Revised Counter Fraud Policies and Procedures

13. The Internal Audit Service (IAS) 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. This revision process aligns with the recent revision by the Director of Law & Governance of the Council's Whistleblowing Policy. 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.
14. 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>

International Fraud Awareness Week (13-19 November 2022)

15. 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 including:
 - National Fraud Initiative (NFI) - its aims and objectives
 - Current and emerging fraud risks
 - The importance of undertaking Fraud awareness e-learning
 - Revised counter fraud policies and procedures

A virtual “Lunch and Learn” session was planned during IFAW hosted by the Internal Audit Service to enable staff to join an informal session to have a discussion regarding the major fraud risks and scams affecting organisations and individuals and how these can be guarded against. Also, this session raised awareness of fraud risk in their personal lives with staff as part of the Council’s wider ‘good employer’ role.

Fraud Risk Assessment 2022/23

16. 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 but that is no reason for the Council to become complacent regarding the risk of fraud and its effect on the public purse.
17. National fraud intelligence received through networks such as the CIPFA Counter Fraud Centre and the National Anti-Fraud Network (NAFN), along with key publications such ‘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.
18. Appendix B attached to this report, contains a summary of the 2022/23 Fraud Risk Assessment, with a corresponding risk grading for each area, based on the Council’s overall potential exposure and on national fraud intelligence received. Recognising fraud in this manner ensures there is a comprehensive understanding and knowledge about those areas where potential fraud risk is the highest.
19. The highest scoring areas includes areas such as procurement, social care fraud, cybercrime, insider fraud and financial support grant schemes. These high-scoring areas are typically those reported nationally by other councils too, supplementary to benefit fraud in those authorities where this is applicable. The fraud risk assessment directs the Council’s overall Anti-Fraud and Corruption Strategy and enables the Council to direct counter-fraud resources accordingly. Consequently, this influences the internal audit annual planning process.

Current Fraud Risks

20. Raising fraud awareness remains a key defence against fraud, especially regarding common frauds or emerging frauds. We do this through several channels including mandatory e-learning, the Fraud pages on the corporate intranet and through targeted messages. Fraud intelligence tells us that the common fraud risks at present include:

- Mandate fraud
 - Senior officer impersonation fraud
 - QR-code fraud
 - Frauds associated with the current cost of living crisis, e.g. energy refunds
 - Cyber-crime, e.g. malware, e-mail hacking, ransomware
 - Financial grant support schemes
 - Procurement fraud
 - Adult Social Care, e.g. concealment of assets
21. The IAS continues to work with key partners to ensure that the Council's systems are fraud-proofed in these areas and that operational staff continue to be well guarded against these fraud risks.
22. The Council must not become complacent regarding the risks of insider fraud and where the risk is typically greater in times of economic downturn and rising costs of living. Examples might include collusion in the procurement process (conflicts of interest, abuse of position), theft or misuse of assets, inflated or false expense claims, etc.

Recommendations

23. 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 update regarding mitigating the risk of 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, 29 January 2021, 3 June 2021, 23 July 2021, 5 November 2021, 28 January 2022, 13 May 2022 and 30 September 2022.
<http://politics.leics.gov.uk/ieListMeetings.aspx?CommitteeId=434>

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Appendices

Appendix A – Corporate Risk Register Update (October 2022)

Appendix B – Leicestershire County Council – Fraud Risk Assessment 2022/23