

**CORPORATE GOVERNANCE COMMITTEE – 2 SEPTEMBER 2013****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****RISK MANAGEMENT UPDATE****Purpose of Report**

1. One of the key roles of the 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 considered necessary, as well as highlight risks that may need to be given further consideration. It covers:
  - The Corporate Risk Register;
  - An update on Departmental Risk Registers;
  - Details of further risk management work.
2. The report also provides an update on Anti-Fraud initiatives being undertaken.

**Presentation – Risks associated with the Welfare Reform Act**

3. At its meeting on 3 February 2010, the Committee agreed that at each meeting it would take an in-depth look at specific areas of the Corporate Risk Register to consider how each risk was identified, the key controls put in place, further action to be taken and scoring mechanisms in terms of impact/likelihood and residual risk. At its meeting on 14 June 2013, the Committee requested that a presentation be provided on the risks associated with the Welfare Reform Act and this will be undertaken as part of this agenda item.

**Corporate Risk Register (CRR)**

4. The Council maintains a CRR and departmental risk registers. These registers contain the most significant unmitigated risks which the Council is managing and are owned by Director's and Assistant Directors.
5. The CRR reflects those key risks that require strong management at corporate level and which, if not managed appropriately, could result in the Authority failing to achieve one or more of its key objectives and/or suffer a financial loss or reputational damage. The full, updated CRR is attached as Appendix.

6. The Council undertakes regular reviews of risks. Directors/Assistant Director's who have ownership of the individual strategic risks assigned to them are given responsibility to regularly consider risk descriptions, current and residual risk scores, current controls and appropriate mitigating actions to reduce risk scores where necessary.
7. The latest assessment of the highest ranking risks contained in the CRR are shown in the table below:

<b>Dept/ Function</b>	<b>Risk No</b>	<b>Risk Description</b>	<b>Risk Score</b>	<b>Actions taken/Progress during Qtr 1</b>
(A&C) Adult Social Care	1	Resource Allocation System (RAS) does not ensure most effective care package for service users.	16	Budget monitoring and manual analysis of RAS budgets and packages is ongoing. A review of the RAS process and calculations is planned for Quarter 3.
(A&C) Adult Social Care	2	Uncertainty surrounding the changes to how Social Care will be funded.	25	Significant risks around the implementation of the Dilnot reforms remain high. A draft corporate response to the national consultation will be submitted for Cabinet approval in October 2013.
(CE) Strategy, Partner- ships & Community	3	Partnerships failing to agree a 'whole place' approach to service delivery and funding will lead to 'best services at lowest cost' not being achieved.	20	The overall risk remains high as complex issues need to be worked through and political agreement to change obtained. Progress is being made towards: <ul style="list-style-type: none"> <li>• Agreeing a place based approach to the collection and disposal of waste through the Leicestershire Together Environment Board;</li> <li>• Agreeing a place based approach to health and local government integration;</li> <li>• Redesigning services for Children and Families within the County Council through a new Integration Board.</li> </ul>
(CE) Strategy, Partner- ships & Community	4	Outcomes relating to Supporting Leicestershire Families (SLF) not being achieved.	20	The SLF service has now been established reducing some of the former uncertainties around the programme. Early indications show good outcomes and this will continue to be monitored.
(CR) Strategic Finance	5	EMSS – implementation of shared	15	The implementation of shared systems has resulted in some issues, primarily around the Accounts Payable process. Dedicated

		systems could result in disruption to services.		senior staff are overseeing and monitoring progress of an action plan that has been put into place to resolve these issues, which is currently on track. To minimise further disruption, a review of processes within both EMSS and the County Council will continue.
(CR) Customer Service & Operations	6	Maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage.	20	This risk primarily relates to the performance issues experienced with the Council's Storage Area Network (SAN) in February. The current Disaster Recovery (DR) arrangements are not optimum, however, the old SAN will be replaced. The programme is progressing according to plan and the new SAN and a new infrastructure with a more modern DR facility will be in place by the end of September.
(CR) Strategic Information & Technology	7	Continuing risk of failure of information security.	16	Comprehensive internal and external health check undertaken by consultants as part of preparations for submission of new and more rigorous PSN Code of Connection standards. The resulting action plan will be addressed over the coming weeks.
(E&T) Transportation	8	Impact of academy and secondary age conversion on home to school transport policy.	16	The Department for Education (DfE) is to commence a national consultation in September 2013. Implications for the County Council will be considered.
(CR) Strategic Finance	10	Combined effect of multiple service areas failing to meet required funding reductions set out within current MTFS.	20	Although an overall underspend is forecast for 2013/14, there is likely to be underachievement of 'Effective Support' Adult Social Care saving. The financial position will continue to be monitored.
(CR) Strategic Finance	11	Risk around our ability to deliver savings required to produce a 'balanced budget', in addition to those already	25	<ul style="list-style-type: none"> <li>The 2015/16 Spending Round was announced in Qtr 1 and was followed up with the publication of a government funding consultation at the end of July. This lacked detail but reinforced the requirement for significant savings and the likelihood that these will be front loaded. It also highlighted a potential</li> </ul>

		allocated to departments.		<p>significant transfer of health funding and integration of services.</p> <ul style="list-style-type: none"> <li>• Work has started on the Transformation Programme (including partners). This will be developed over the autumn and will include major service redesign. A programme of this scale will bring associated risks, which will be recorded separately within the CRR as appropriate.</li> <li>• Public consultation also started in July.</li> </ul>
(A&C) Adult Social Care	12	Challenges caused by the Welfare Reform Act.	25	As per the presentation to the Committee.
All	13	Failure to ascertain and manage increased demand for services.	20	Action to improve business information on customers and costs of services is on track. Work is underway to assess demand for health/social care, children's and families and waste. A forensic review of budgets is also underway.
(CR) Procurement	14	Ability to effectively contract manage devolved services through new service delivery models.	15	<ul style="list-style-type: none"> <li>• To ensure that proactive contract management arrangements are in place, the corporate Commissioning Contracts Board began monitoring the performance of some of the Council's key contracts. This new regime is expected to show some differences in the way contracts are currently managed, which will be addressed.</li> <li>• A review of business critical services will also help confirm key supplier dependencies for inclusion in monitoring.</li> </ul>
(CR) Strategic Information & Technology	15	Insufficient Information & Technology solutions.	16	Work is continuing to identify future business requirements and prioritise and manage demand. The Corporate Information and Technology Work Programme enables good visibility and this will be linked to a wider 'stock-take' of project/change activities.

8. Since the CRR was last presented to the Committee in June, the key changes are:
  - *Risk 9 (Public Health) – ‘Failure to sustain and manage provision of the Schools Nursing Service’.* Issues surrounding this were escalated nationally and a favourable response from Clinical Commissioning Groups revealed that previous budget detail was erroneous. A revised submission of the baseline budget includes the full cost of school nursing. In light of this, the risk has now been removed from the Corporate Risk Register.
  - Risk 11 and Risk 13 – the current risk score has been increased from Qtr 1 to reflect the latest position.
9. For other risks detailed in the CRR generally little has changed in the risk scores since June, but this is to be expected as this register is designed to capture strategic risk, which by its nature has a long time span. However, risk owners are engaged and have demonstrated a good level of awareness regarding their risks.
10. The improvements introduced to the risk management framework acknowledge that the CRR is a working document and therefore assurance can be provided that through timetabled review, high/red risks will be introduced to the CRR on an on-going basis, as necessary. Equally, as further mitigation actions come to fruition and current controls are enhanced, the risk scores will be reassessed and this will result in some risks being removed from the CRR and being reflected within the relevant departmental risk register.

### **Departmental Risk Registers**

11. Departmental Risk Registers are up to date in accordance with the Council's risk management procedures and discussions have taken place at Departmental Management Team's as part of the update process.
12. A review of all departmental risk registers' illustrates that risks are being managed within the Council's risk appetite, as defined in the Risk Management Strategy (a maximum risk score of 12). Whilst there are other risks at varying business/service levels, in the view of Directors, these are sufficiently mitigated for them not to appear in these registers. Where relevant, some high/red departmental risks are included in the CRR.
13. The Head of Internal Audit Service evaluates the adequacy and effectiveness of the County Council's risk management framework (both at corporate and department level) in order to determine the level of risk maturity upon which to base the annual internal audit plan. The Internal Audit Service then undertakes risk based audits i.e. the auditor will form an opinion on what assurance can be given that the entity risks are being mitigated within the approved appetite. The combined results of the framework and risk based audits assist the Head of Internal Audit Service to form an annual opinion on the overall adequacy and effectiveness of the

County Council's internal control environment, including its risk management framework.

### **Further work**

14. Risk management policies and procedures remain a key part of the Council's delivery of service and it is important that management of risk continues to be a high priority. The County Council's risk management priorities for the remainder of the financial year are as follows:
  - Assess against the achievement of the revised Risk Management Strategy;
  - Continue to track and monitor progress of how the Council's strategic risks are being managed;
  - Embed risk management training;
  - Expand reporting to the Corporate Management Team and Members, for example by introducing key points from Insurance and Business Continuity, as well as including a section on 'emerging risks/issues' that may impact upon the Council.

### **Anti Fraud Initiatives**

15. At its meeting in February 2013, the Committee was presented with the completed 'Protecting the Public Purse' (PPP) 2012 Anti Fraud Checklist. As in previous years, the checklist was distributed to relevant officers asking them to detail our progress in each area. To provide robustness and independent assurance to the process, the Internal Audit Service was requested to sample test some of the areas on the checklist to confirm accuracy and demonstrate compliance.
16. Using Information from Internal Audit's findings, the Committee was also provided with an initial response of potential action to aid improvement. Whilst a full progress update will be provided to the Committee in November, some developments since February are detailed in paragraphs 17 to 21 below.
17. In accordance with Internal Audit recommendations, officers who completed the checklist have been contacted to initiate further discussion around improvements. Discussions will also take place with the County Solicitor with regards to the recommendations made around the County Council's Whistleblowing Policy.
18. The existing Fraud Awareness E-learning module (on Leicestershire Learning Pool) is now mandatory and available to all staff. Completion rates will be shared with the People Strategy Board.
19. The National Fraud Authority (NFA), Fighting Fraud Locally (FFL) – The Local Government Fraud Strategy, has been reviewed by officers. The FFL Strategy is organised around three themes of Acknowledge, Prevent and Pursue; the County Council will revise its current Anti Fraud & Corruption Policy, Strategy and Procedures to align with best practise outlined in this strategy.

20. As part of this strategy, the NFA has developed a new fraud e-learning package. This module has been sent to all authorities' and can be hosted on the existing e-learning platform. It has been designed to improve local authority staff awareness of the risk of fraud and help embed a zero tolerance towards fraud, bribery and corruption. Given that the Authority will be aligning its Anti Fraud & Corruption Policy, Strategy and Procedures to the NFA FFL, adoption and use of this module will be duly considered.
21. As well as the above, the NFA as developed a set of free tools to support Councils' to implement the FFL. These primarily consist of an easy to use 'fraud awareness campaign' that could be rolled out throughout the Authority.
22. Whilst it is important to illustrate zero tolerance towards fraud, it is important to balance the cost of prevention against the likely impact of fraud. Over the next few weeks an action plan detailing potential improvements to the County Council's Anti Fraud & Corruption framework will be devised and discussed with the Director of Corporate Resources. As part of this, due consideration will be given to the cost/benefit of implementing and/or enhancing the Council's current fraud prevention procedures, as well as the tools made available by the NFA and the relevance of using and applying them at the County Council.

### **Recommendation**

23. That the Committee:
  - (a) Approve the updated Corporate Risk Register;
  - (b) Note the current status of the strategic risks facing the Council and make recommendations on any areas which might benefit from further examination;
  - (c) Identify a risk area for presentation at its next meeting;
  - (d) Support initiatives to improve the Councils acknowledgement, prevention and pursual of fraud.

### **Resources Implications**

None.

### **Equal Opportunities 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, 3 February 2010

Report of the Director of Corporate Resources – ‘Risk Management Update’ –  
Corporate Governance Committee, 13 February 2013

Report of the Director of Corporate Resources – ‘Risk Management Update’ –  
Corporate Governance Committee, 14 June 2013

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### **Appendices**

Appendix – Corporate Risk Register

Department

A&C =Adults & Communities

CE = Chief Executives

CR = Corporate Resources

CYPS = Children and Young People's Service

E&T = Environment and Transport

PH = Public Health

All = Consolidated risk