

## **CORPORATE GOVERNANCE COMMITTEE**

**10 FEBRAURY 2014**

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

#### **RISK MANAGEMENT UPDATE**

##### **Purpose of the 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 (CRR);
  - Emerging Risks;
  - Internal Audit Review;
  - Key information on anti-fraud initiatives.





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





2. 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.
3. The key changes since the CRR was last presented to the Committee in November, are:
4. *Risk 6 (Corporate Resources) – Maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage* [Previous rating: 20 / Revised rating: 15]. Progress to date has impacted the likelihood of this risk occurring positively and this has been reflected in the current risk score.
5. Addition of Risk 17 which details risks to the Council associated with the Better Care Fund (previously known as Integration Transformation Fund). At its meeting on 25<sup>th</sup> November 2013, the Committee requested that a presentation be provided on the risks associated with the Better Care Fund and this will be undertaken as part of this agenda item.



6. As requested by the Committee at its last meeting and for monitoring purposes only, the addition of Risk 18, which details risks to the Council associated with the transfer of nine Elderly Persons Homes.

7. The latest assessment of the highest ranking risks is shown in the table below.

Dept/ Function	CRR Risk No	Risk Description	Current Risk Score	Progress on mitigating actions	Update	Direction of Travel
(A&C) Adult Social Care	2	Proposals in the Government's Care Bill (Dilnot Reform) which provide for very significant changes and implications for Adult Social Care and the whole Council	25	There is minimal further action that can be taken to mitigate until more information is released	<p>The key risks and implications to LCC were identified and included for feedback to Department of Health through a consultation. The Government is due to publish results of this consultation in January 2014 - this will be reviewed and scoped into the MTFS as appropriate.</p> <p>The Care Bill will be approved by Parliament in April 2014, with consultation commencing in May 2014. Official regulations will remain unknown until October 2014.</p>	 Over the next 12 months the residual risk is expected to remain 'high/red'
(CE) Strategy, Partner- ships & Community	3	Partnerships failing to agree an integrated approach to service delivery and funding will lead to 'best services at lowest cost' not being achieved.	20	Actions to further mitigate risk are on track	There is a need to further develop partnership working in relation to health and social care integration and other transformation. Leicestershire Together partnership arrangements to be reviewed.	 Over the next 12 months the residual risk is expected to remain 'high/red'
(C&F) Children & Families	4	Outcomes relating to Supporting Leicestershire Families (SLF) not being achieved.	20	Actions to further mitigate risk are on track	LCC has achieved 48% of the Payment by Results target within 18months of the programme. The allocations process is being developed in order to link direct work more robustly to identified families. Data processes for PBR have been further developed to include a wider range of data sources which is being utilised to identify families.	 Over the next 12 months the residual risk is expected to remain 'high/red'

Dept/ Function	CRR Risk No	Risk Description	Current Risk Score	Progress on mitigating actions	Update	Direction of Travel
(CR) Customer Service & Operations	6	Maintaining ICT systems and having the ability to restore services quickly and effectively in the event of an outage.	15	Actions to further mitigate risk are on track	The replacement SAN associated infrastructure gives both a more resilient infrastructure and a vastly improved position with regards to data recovery in the event of an outage. Resilient servers have also been split over two sites, so that a failure in any one location will not result in a total outage. Alongside this, a large number of servers have been virtualised so that they can be quickly brought back into service if there is an issue with the underlying hardware.	 <p>Over the next 12 months the residual risk score is expected to move to 'medium/amber'</p>
(CR) Strategic Infor- mation & Technology	7	Continuing risk of failure of information security.	16	Actions to further mitigate risk are on track	The Council's application for compliance with the PSN Code of Connection was rejected to allow the Cabinet Office to seek additional clarification on how a small number of short-term risks will be managed, as well as assurance that the Council will implement a corporate Mobile Device Management solution to ensure its mobile devices will be centrally managed and patched.	 <p>Over the next 12 months the residual risk score is expected to move to 'medium/amber'</p>
(E&T) Transport- ation	8	Impact of academy and secondary age conversion on home to school transport policy.	16	There is minimal further action that can be taken to mitigate until more information is known	Consultation with parents/guardians is running through January to March 2014 with careful consideration to the implications of the public sector equality duty. Equality Impact Assessments will be referred to in reports to the Scrutiny Commission and Cabinet. An 'all member' briefing is scheduled for 12th February.	 <p>Over the next 12 months the residual risk is expected to remain 'high/red'</p>
All	12	Challenges caused by the Welfare Reform Act.	25	Actions to further mitigate risk are on track	<p>Work continues with service users, providing assistance to maximise income throughout the benefit changes.</p> <p>Economic growth remains a</p>	 <p>Over the next 12 months the residual risk is</p>

					key priority and an Economic Growth Board has been established to oversee delivery of City Deal as well initiatives to address worklessness. This Board consists of the seven Leaders from the District Council's, Leader of the County Council and the City Mayor.	expected to remain 'high/red'
Dept/ Function	CRR Risk No	Risk Description	Current Risk Score	Progress on mitigating actions	Update	Direction of Travel
All	13	Failure to ascertain and manage increased demand for services.	20	Actions to further mitigate risk are on track	Action to improve business information on customers and costs of services is on track with the establishment and scoping of cross-organisation virtual team to focus on Business Intelligence (BI). A cross department review of BI and Data Management is also underway.	 Over the next 12 months the residual risk is expected to remain 'high/red'
(CR) Procurement	14	Ability to effectively contract manage devolved services through new service delivery models.	15	Actions to further mitigate risk are on track	To ensure that proactive contract management arrangements are in place, the Corporate Commissioning Contracts Board has been monitoring the performance of 23 of the Council's key contracts. Further works being initiated include identification of all key suppliers for business critical services (based on business continuity plans); and the roll-out of e-tendering (contract management module) to allow greater visibility of contract data.	 Over the next 12 months the residual risk score is expected to move to 'medium/amber'
(CR) Strategic Information & Technology	15	Insufficient capacity to provide Information & Technology solutions.	16	Actions to further mitigate risk are on track	There is regular review of capacity versus demand, with further work to assess the impact on strategy of transformation activities.	 Over the next 12 months the residual risk score is expected to move to 'medium/amber'
All	16	Risk around our ability to deliver	25	Actions to further	The provisional MTFS (2014/15-2017/18) was	

		savings and efficiencies through service redesign and transformation as required in the MTFS		mitigate risk are on track	presented to Cabinet in January 2014 for consultation and referral to the Overview & Scrutiny Commission with final approval in February 2014. Service reductions contained in the draft MTFS draw heavily on the budget consultation results. Work has begun on the transformation of services, which has included the development of a new vision, strategic imperatives and a Target Operating Model. Further work is underway, developing a transformation programme including governance and resourcing.	Over the next 12 months the residual risk is expected to remain 'high/red'
Dept/ Function	CRR Risk No	Risk Description	Current Risk Score	Progress on mitigating actions	Update	Direction of Travel
CE	17	Risk around achievement of funding for the Better Care Fund (previously referred to as the Integration Transformation Fund)	15	Actions to further mitigate risk are on track	Update provided through presentation to Committee	 <p>Over the next 12 months the residual risk is expected to remain 'high/red'</p>
A&C	18	Risk to the County Council surrounding transfer of nine Elderly Persons Homes	12	Actions to further mitigate risk are on track	In respect of the outstanding capital sum of £2.42m as a result of the transfer of nine Elderly Persons Homes to Leicestershire County Care Ltd, officers have continued to work with the provider to secure repayment of the deferred amount. All available options to secure payment have been explored, with a report being considered by the Council's Cabinet in February 2014 on the current and contingency options available to ensure repayment of the capital sum in full. Further details will follow once the Cabinet has considered this report.	 <p>Over the next 12 months the residual risk score is expected to move to 'medium/amber'</p>

8. 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. The full Corporate Risk Register is attached as Appendix 1 (shaded areas represent updates).
9. 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 ongoing 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.

### **Emerging Risks**

#### **Integrated Adult System (IAS)**

10. IAS is the Adult Social Care client database and case management system that will be used by departmental staff. IAS will replace the current bespoke Social Services Information System (SSIS), which is inflexible, unsupportable and no longer fit for purpose. IAS will be implemented in March 2014 and offers an improved system that is flexible and easier to use.
11. The project team have focused their activity on 'business continuity' during this period and whilst extensive measures have been put in place to minimise disruption, a project of such scale could potentially cause some issues, affecting various service areas.
12. Services affected by the system changeover have been working to establish manual workaround plans. This could lead to weaker case management within the Community Care Finance, Localities and the Customer Service Centre. However, risks have been mitigated as much as possible as a result of the following:
  - Disruption limited to 5 working days;
  - Availability of 'read only' SSIS thereby retaining access to existing cases, records and shared folders;
  - Training completed for all staff allowing them to build the skills to use the system confidently, with refresher training 'post live';
  - IAS Project Team 'floor walking' to provide extra knowledge and support;
  - Introductory message on phone system for service users explaining system change;
  - Post live support via a triage service between the Project, ICT and the system suppliers.
13. A pre-implementation meeting will be held with stakeholders prior to changeover cover: step by step, day by day planned activity; actions to take in the event of error/failures; communications during the period; and overall responsibilities.

14. The Project Board has received regular reports, including risk logs and detailed analysis depicting current risk versus forecast risk. Review of the IAS Risk Register shows that all identified risks are being managed within the scope of the project, with no further escalation required to the CRR at this stage.

### **Staff Resources**

15. Quarterly reviews have highlighted an increasing trend in service specific resource concerns being captured in departmental risk registers. Most departments are in the process of compiling their 2014/15 service plans and this process should take into account workforce planning. Once this has been completed, a further review will take place.
16. However, in considering the MTFS, there is confidence that plans are in place to achieve 2014/15 savings, with staffing changes and reductions taken into account, although there is awareness that 2015/16 reductions will have a significant impact on services.

### **Internal Audit Review**

17. The County Council's revised Risk Management Policy Statement and supporting documentation form an integrated framework that supports the Council in the effective management of risk. The Internal Audit Service has completed work on a consolidated risk management audit which focuses on framework design and associated governance.
18. Key points from the audit are as follows:
  - A comprehensive framework for managing risks has been developed;
  - The framework design and development involved consultations with a number of key stakeholders and also encompassed the use of recognised best practice from Association of Local Authority Risk Managers (ALARM);
  - The framework clearly explains the approach to risk management and includes standard documentation with examples;
  - The CRR has been refreshed with Member's involvement and now includes fewer consolidated risks;
  - There is coordination between the departmental and corporate risk management activities and this ensures that the CRR is produced in a structured manner.
19. Based on the answers provided during the audit and testing undertaken, substantial assurance was given that the internal controls in place to reduce exposure to those agreed risks currently material to the system's objectives are adequate and being managed effectively. A number of recommendations to bring about improvements have been made, but none of these have a 'high importance' rating.
20. For those areas audited where recommendations are being suggested to help improve controls, a management action plan has been agreed. Officers will consult with departmental risk representatives that make up the Corporate Risk

Management Group, on how best to implement the improvements suggested, alongside the annual review. Any actions agreed will compliment achievement of objectives within the revised Risk Management Strategy.

### **Anti Fraud Initiatives**

#### **Protecting the Public Purse 2013 (PPP 2013) – Fighting Fraud against Local Government**

21. In November 2013, the Audit Commission released PPP 2013, which focuses on the continuing progress by local government to protect taxpayers' money by fighting fraud through information gathered in their Annual Fraud Survey. Results published in PPP 2013 can be used to benchmark performance in detecting fraud and to identify strengths, trends and areas for improvement.
22. PPP reports are produced for those responsible for governance in local government, particularly councillors. It is intended to help them protect valuable and increasingly scarce public resources. PPP 2013 covers these important themes:
- the scale and value of fraud detected by local government bodies in 2012/13;
  - whether fraud is in decline;
  - trends in housing tenancy (district level) and council tax discount fraud;
  - trends and threats in other significant fraud types;
  - national developments impacting on local government counter fraud.

The full report is available from the Audit Commission via the following link:  
[PPP 2013 Report](#)

23. Some key facts and figures from PPP 2013 are:
- Fraud costs the UK public sector more than £20billion a year and local government more than £2billion;
  - Council Tax Discount and 'Other' fraud increased by 6% and 41% respectively;
  - The percentage of detected fraud in each region, broadly reflects the region's spend;
  - Of all detected fraud in local government (excluding housing tenancy fraud) in 2012/13 the total number of cases detected fell, whilst the average value per case rose to approximately £6,400 compared with £4,500 in 2011/12, highlighting an overall fluctuation between the last three financial years.
24. The table below shows the largest frauds categories that are most relevant to the County Council:



<b>Fraud Type</b>	<b>Cases 2012/13</b>	<b>Value 2012/13 (£million)</b>	<b>Value 2011/12 (£million)</b>	<b>Value 2010/11 (£million)</b>
Council Tax Discount	54,000	19.6	21.0	22.0
Business Rates	149	7.2	2.6	N/A
Abuse of Position	283	4.5	5.6	4.3
Social Care	200	4.0	2.2	2.2
Payroll, Pensions, Expenses	493	3.0	3.5	5.6
False Insurance Claims	74	3.0	2.1	3.7
Blue Badge	2901	1.5	2.4	1.5
Procurement	203	1.9	8.1	14.6

25. It is not possible to say whether the decline in some detected fraud represents lower levels of fraud committed, or less detection by councils. In some councils', it may signal the effect of reduced investigatory resources.
26. At its meeting on 25<sup>th</sup> November 2013, the Committee was presented with a fraud risk assessment. Whilst the PPP outlines the main areas of fraud risk across local government, each authority's risk profile will be different. Therefore, this assessment took into account areas identified in The National Fraud Authority, Fighting Fraud Locally (FFL), PPP reports, information from the bi-annual National Fraud Initiative (NFI) exercise, Ministry of Justice Bribery guidance and historical local information on reported fraud cases.
27. The results of PPP 2013 mirror the fraud risk assessment in that an analysis of the number and value of reported fraud cases at LCC over the last three years reveals relatively low numbers and values of fraud against the Council. PPP 2013 has been disseminated to relevant areas/officers that provided information for the risk assessment, for them to take on board recent developments and recommendations.
28. All PPP publications to date have included a checklist for the benefit of those 'responsible for governance' and within PPP 2013 this checklist has been revised and reproduced. The completed checklist detailing our progress in each area is attached as Appendix 2.
29. To provide robustness and independent assurance to the process, as part of its responsibility to evaluate the effectiveness of risk management processes, the Internal Audit Service will sample test some of the areas from the fraud risk assessment to confirm its accuracy and demonstrate compliance. This sense-check is designed to verify that the Council's self-assessment is both accurate and up to date.

### Looking ahead

30. The Committee has been informed that the County Council will revise its existing anti-fraud framework to align with best practice outlined in the National Fraud Authority (NFA), Fighting Fraud Locally (FFL) – The Local Government Fraud Strategy. Officers will continue to follow recommendations contained

within PPP 2013 and each of FFL themes, and a further update will be provided to the Committee in May 2014.

### **Recommendation**

31. That the Committee:

- (a) Notes the current status of the strategic risks facing the Council and make recommendations on any areas which might benefit from further examination;
- (b) Identify a risk area for presentation at its next meeting;
- (c) Approve the updated Corporate Risk Register;
- (d) Support the initiatives adopted to improve the Councils acknowledgement, prevention and pursuit 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, 25 November 2013

### **Officers to Contact**

Chris Tambini, Head of Strategic Finance

Tel: 0116 305 6199

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

Declan Keegan, Finance Manager

Tel : 0116 305 7668

Email : [declan.keegan@leics.gov.uk](mailto:declan.keegan@leics.gov.uk)

## **Appendices**

Appendix 1 – Corporate Risk Register

Appendix 2 – PPP 2013 updated checklist