



## **CORPORATE GOVERNANCE COMMITTEE – 30 SEPTEMBER 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 13 May 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: -

### **Risks added**

C – All

If the current cost of living crisis continues and even intensifies without any UK Government interventions, then the people and businesses of Leicestershire as a whole will be significantly impacted, and the County Council will have to take some difficult decisions.

3.6 – Corporate Resources

If the planned improvements and developments to the ORACLE Fusion payroll and HR system and working processes fail to be implemented on time and in full, then the Council (and its partner Nottingham City Council) could face claims, reputational damage, potential loss of income if traded contracts are withdrawn and a negative opinion from auditors.

7.5 Adults & Communities

If there is continuing increase in demand for assessments (care needs and financial) then it may not be met by existing capacity.

### **Risk descriptions amended**

B – All

From - If the implications of the Russian invasion of Ukraine are sustained, then the County Council and Leicestershire as a whole will be significantly impacted.

To – If because of the ongoing war in Ukraine, the Homes for Ukraine Scheme continues beyond its original planned duration, increasing numbers of hosts are likely to end their sponsorships and refugees (or guests) are expected to encounter challenges in securing new sponsors or privately-rented accommodation, then the cost and service pressures on the Council and partners are likely to increase, safeguarding issues might increase and there will be a reputation risk if the scheme fails to provide the support guests require. Cost of living pressures are exacerbating this issue through both in relation to hosts and guests.

4.4 – Chief Executives and Corporate Resources

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

To - If there was either a perceived or actual or breach of procurement guidelines, then there could be a challenge and/or financial penalty.

Additionally, the directions of travel for five risks have been changed, four upwards and one downwards.

### **Presentation**

In accordance with the Committee's request at its meeting on 13 May 2022 a presentation will be provided as part of this item on Corporate Risk B (All) regarding Ukrainian guests as detailed above.

### **Mitigating the risk of fraud**

#### **Prevention of Facilitation of Tax Evasion**

6. The Criminal Finances Act 2017 created a new corporate criminal offence where an organisation such as the Council fails to prevent the facilitation of tax evasion by its staff, agents, and contractual associates. The Council has a zero tolerance approach to all forms of tax evasion. Employees of the Council, its agents and contractual associates must not undertake any transactions which:
  - (a) Cause the Council to commit a tax evasion offence; or
  - (b) Facilitate a tax evasion offence by a third party.
7. The general defence to the corporate criminal offence is for organisations to show that they have reasonable procedures in place to prevent the facilitation of tax evasion. These 'reasonable procedures' include raising awareness of the risk with staff, the Employee Code of Conduct, counter fraud policies and procedures (including a specific policy on the Prevention of the Facilitation of Tax Evasion) and mandatory counter fraud e-learning.
8. During the quarter, the Internal Audit Service (IAS) has undertaken further work to strengthen the Council's 'reasonable procedures' defence, including:
  - Compilation of a risk assessment associated with tax evasion.
  - A review of the ongoing external work being undertaken into the Council's application of the rules in relation to off-payroll working (IR35).
  - Strengthening of standard grant conditions to remind grant recipients of their obligations to account for PAYE and NI where elements of Council grant are being expended on staffing costs.
  - Targeted assurance work surrounding VAT compliance, e.g. a review of VAT-only invoices and checks on the validity of supplier VAT numbers.

#### **Mandatory Fraud Awareness E-Learning**

9. Raising fraud awareness continues to be a major defence against fraud. The Council has a fraud awareness e-learning module that is 'owned' by the IAS.

Completion rates are reasonably good but could always be better. During the quarter IAS has undertaken some targeted challenge to individuals working in 'higher risk' service areas who have yet to complete the e-learning. Additionally, work is underway to improve completion rates through the targeting of, typically lower risk service areas, e.g. manual staff without access to ICT, e.g. through a manual workbook equivalent or via abridged training that focuses on the key points.

### **Recommendations**

10. 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, 25 November 2020, 29 January 2021, 3 June 2021, 23 July 2021, 5 November 2021, 28 January 2022 and 13 May 2022.  
<http://politics.leics.gov.uk/ieListMeetings.aspx?Committeeld=434>

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### **Appendix**

Appendix - Corporate Risk Register Update (August 2022)