



CORPORATE GOVERNANCE COMMITTEE – 22 SEPTEMBER 2023

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)
 - Emerging risk - Reinforced Autoclaved Aerated Concrete (RAAC)
 - HM Government National Risk Register 2023 edition
 - Counter fraud update

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. Updates to the current risks on the CRR (last presented to the Committee on 26 May 2023), are shown in Appendix A. Risks which have been removed in the last two years, and a brief reminder of the risk scoring process are at the end of the appendix.
6. Movements since the CRR was last presented are detailed below: -

Risk(s) added

3.8 Chief Executives

If there is a failure to provide appropriate strategic and operational business intelligence then the council's policy and strategy will not be evidence-led and day-to-day service delivery, costs and reputation may be negatively impacted, including meeting statutory requirements.

Impact 4 Likelihood 4 Risk 16

7.8 All

If we fail to develop, implement and maintain robust health & safety systems then there is a risk of breach and potentially dangerous occurrences.

Impact 5 Likelihood 3 Risk 15

9.5 Environment and Transport

If there are significant changes / clarifications to legislation, policy or guidance then performance could be impacted and cost increases within waste disposal.

Impact 4 Likelihood 4 Risk 16

Risk(s) Removed

B – All

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.

The impact and likelihood score have been reduced due to established processes and a more stabilised scheme. The risk will be managed within the project team in CFS.

Risk(s) Amended

3.6 Corporate Resources

Change from: 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.

Change to: If the updates to the system do not meet the County Council's requirements, then there is a risk of work arounds continuing and efficiencies not being delivered

Emerging risk - Reinforced Autoclaved Aerated Concrete (RAAC)Timeline

7. In December 2018, the Department for Education (DfE) made building owners aware of a recent building component failure in a property constructed using Reinforced Autoclaved Aerated Concrete (RAAC). Then in May 2019, the Standing Committee on Structural Safety (SCOSS) raised an alert to emphasise the potential risks from such construction, highlighting the failure of a RAAC panel roof construction within an operational school. This collapse was sudden with no apparent warning.
8. In February 2019, three months before the SCOSS alert, the Council's Property & Occupants Risk Management Group (P&ORMG) had pro-actively discussed RAAC risks and officers had begun to identify and survey relevant LCC buildings and ultimately there were no schools identified with RAAC. By May a decision had been taken by P&ORMG to also write to academies to alert them to the issues with RAAC..
9. The DfE issued another alert to academies and local authorities in December 2022 with an extended date range to review. Over the last few months, after visits by surveyors and structural engineering inspections, there remained no evidence of RAAC in LCC maintained schools.
10. Once again, P&ORMG had taken a decision to write to academies before they broke up in the summer of 2023 including links to the latest DfE guidance and the extended date range of buildings potentially in scope. LCC had requested academies provide evidence of actions taken to assess the risk and identify any RAAC in their buildings by no later than 30th September 2023.

Recent action and next steps

11. An all member briefing (containing most of the above and some further detail) was issued with further weekly briefings planned.
12. Since the Council became aware of RAAC vulnerabilities, surveyors have been actively looking for the presence of RAAC in the corporate estate during the 5

yearly cyclical condition surveys of all buildings. The corporate estate is now undergoing a targeted review. Any buildings that have not been surveyed in the last three years and fall within the new date range of buildings that may contain RAAC and have concrete plank construction will be subject to a further inspections.

13. Adults and children's third party providers have been written to providing guidance on requirements and where to seek advice should providers have concerns.
14. Further guidance is awaited from the Government and will be addressed as a priority when issued.

HM Government National Risk Register 2023 edition

15. The 2023 National Risk Register (NRR) is the external version of the National Security Risk Assessment, which is the government's assessment of the most serious risks facing the UK. It provides the government's updated assessment of the likelihood and potential impact of a broad range of risks that may directly affect the UK and its interests. This version of the NRR is more transparent than ever before. It reflects the principles of the UK Government Resilience Framework to communicate risk information in a more open and accessible way, to ensure shared understanding of and greater preparedness for risks.
16. Risks are assessed in importance according to factors such as fatalities and cost, and probability determined using data modelling and analysis.
17. The risks that meet the threshold for inclusion in the NRR would have a substantial impact on the UK's safety, security and/or critical systems at a national level. The NRR includes information about 89 risks, within 9 risk themes – although several risks could be categorised under more than one theme. These are: -
 - Terrorism
 - Cyber
 - State threats
 - Geographic and diplomatic
 - Accidents and systems failures
 - Natural and environmental hazards
 - Human, animal and plant health
 - Societal
 - Conflict and instability
18. To ensure the UK is prepared for a broad range of scenarios, the NRR sets out a 'reasonable worst-case scenario' for each risk. These scenarios are not a prediction of what is most likely to happen, instead they represent the worst plausible manifestation of that particular risk (once highly unlikely variations have been discounted). This enables relevant bodies to undertake proportionate planning. The NRR includes information on the capabilities required to respond to and recover from the emergency, should the risk materialise.

19. The new Register, the first since 2020, also places a chance of another pandemic at between 5 per cent and 25 per cent. At its meeting on 12 June 2020, Members of the Corporate Governance Committee had noted that information documents received in recent times regarding global risks did not identify the risk of a global pandemic - focus having been on cyber security and environmental risks.
20. The NRR has been distributed to Chief Officers and Resilience Officers for management teams to undertake a scan of the risks and question: -
 - a) Which are relevant to our organisation – what could happen?
 - b) How might these affect the achievement of our strategic objectives?
 - c) Do we have any contingency plans in place to mitigate the impact should these occur?
 - d) What work can we instigate now to ensure that we are better prepared?
 - e) What resources can we put to these mitigations that will strengthen resilience?
 - f) How can we strengthen resilience coordination across the organisation?
 - g) When should we review these plans to ensure they remain relevant?
21. The Resilience and Business Continuity Team will support Departments to assess the impact on their services against the NRR. The outcomes of this exercise will be reported to a future Corporate Governance Committee.
22. The contents of the NRR are attached as appendix B, for a full version, please see <https://www.gov.uk/government/publications/national-risk-register-2023>

Counter fraud update

National Fraud Initiative 2022/23

23. The National Fraud Initiative (NFI) is a mandatory data-matching exercise co-ordinated by the Cabinet Office, which seeks to identify potential anomalies and fraud through matching the Council's data sets with those of other mandatory participants, including the Department for Work and Pensions deceased persons data. Output from NFI 2022/23 was released back to local authorities in February 2023. Audit work co-ordinating NFI 2022/23 is now complete.
24. Matches returned to participants do not necessarily indicate fraud or error but are simply risk-based anomalies considered worthy of further investigation. A summary of the output in relation to Leicestershire County Council is contained in Appendix C.
25. NFI work identified four cases where pension payments were continuing to deceased persons. These four pensions were immediately suspended. All four cases have been passed over to the Pensions Section for recovery, where possible. The recoverable overpayments total £5,970. Moving forward, the Pensions Section has taken the decision to buy into an optional NFI service to match pensions' data against deceased persons' data on a six-monthly basis, to complement the standard two-yearly NFI cycle, in order that any deaths not

identified through normal business processes might be identified earlier in the process, thus mitigating the financial risk of write-off of any overpayments that end up being uncollectable.

26. NFI work identified a likely instance of blue badge fraud where an application for a blue badge (disabled person's parking permit) was made after what has now been established to be date of death of the individual concerned. The application was at the time duly processed in good faith and a blue badge issued. This case has been reported to Action Fraud under the Council's zero-tolerance approach to fraud.
27. NFI work identified a low-valued duplicate payment of £900 which has since been recovered. Ordinarily, the Council's payment systems are sufficiently sophisticated to identify possible duplicate payments through data matching of supplier names, dates, amounts, invoice numbers etc. This particular case was not identified as the two payments were made to different vendors, in this instance both to a barrister in a personal capacity and to that individual's overarching chambers.
28. NFI work identified a low-level indiscretion where an individual became involved in the processing of a one-off, low-valued, financial transaction to a company in which they had an interest. The transaction was confirmed through management to be valid and without specific cause for concern, but the individual in question should have removed themselves from the transaction as it gave rise to a clear conflict of interests. The individual concerned has been reminded of their responsibilities regarding the formal declaration of any potential conflict of interests, the signing-off (approval) of such conflicts by management, and the modification of processes, e.g. commissioning and authorisation, to ensure there is sufficient independence.
29. Further work arising from the NFI surrounding potential conflicts of interest concluded that there is a lack of awareness amongst some staff regarding the Council's policy for the registration of interests, and specifically when potential conflicts of interest should be declared. This includes secondary employments. The Council's policy on registering potential conflicts of interest requires that employees must identify and disclose any actual or potential personal, financial, business, or other interest or close personal relationship which might reasonably be perceived as a conflict of interest. This concern has been brought to the attention of the Director of Law and Governance with a request that further comms should be issued to all staff clarifying the process of declaring secondary employments, business interests and other potential conflicts. The importance both of employees understanding when and how to make declarations and the role of line managers understanding how declarations made should be considered and in effect approved (or otherwise), cannot be overemphasised.
30. NFI work identified a large number of concessionary travel permits in circulation but where the permit holder is now deceased. Unlike with blue badges, where there is a reapplication process every three years, it is Council policy for concessionary travel permits to be *automatically* renewed upon expiry. Therefore, if the Council does not become routinely aware of a death, e.g. from notification by family members, there is a likelihood that the individual's permit

will be automatically renewed, at a third-party processing cost to the Council. Suggestions have been made to move away from auto renewals to something more intelligence-led, e.g. auto-renewal only where there is evidence that the permit has been used recently.

31. Work is ongoing to strengthen the Council's procedures for identification of service user deaths. Families are not mandated to notify the Council of a death, although some do. We are in dialogue with a third-party provider to develop a mortality screening solution where the Council's data (blue badges, concessionary travel, residents' parking permits, adult social care services, pensions, etc.) can be matched in (almost) real-time to the General Register Office's (GRO) deceased persons data to identify deaths very early on in the process to enable Council services to be promptly cancelled and therefore to reduce the risk of a build-up of aged debt.
32. NFI work highlighted a VAT error (underpayment of VAT to HMRC of £4.3k). This has been duly corrected.
33. The NFI extends to both ESPO and the Leicestershire Pension Fund. Separate reports have been issued to respective governance streams summarising the work undertaken and outcomes.

Economic Crime and Corporate Transparency Bill 2022 – Failure to Prevent Fraud Offence

34. The Economic Crime and Corporate Transparency Bill 2022 has now passed through both the House of Commons and the House of Lords and is in its final stages before receiving Royal Assent and becoming an Act of Parliament.
35. The government is creating a new failure to prevent fraud corporate offence to hold organisations to account if they profit from fraud committed by their employees. Under the new offence, an organisation will be liable where a specified fraud offence is committed by an employee or agent, for the organisation's benefit, and the organisation did not have reasonable fraud prevention procedures in place. It does not need to be demonstrated that the organisation's management ordered or knew about the fraud.
36. The Council is within the scope of the new legislation. Subsequently, we have undertaken an internal risk assessment and consider that there is low risk due to the nature of its operations. The offence is created only where employee fraud directly benefits the organisation itself so is more geared to commercial sectors such as sales, e.g. corrupt sales practices leading to increased profits for the organisation concerned.
37. Additionally, organisations are likely to be able to avoid prosecution if they have "*reasonable procedures*" in place to prevent fraud. We have taken early steps to catalogue the wide range of counter fraud controls and processes in place within the Council to mitigate the risk of employee (insider) fraud. These include mandatory fraud awareness e-learning, a defined declaration process for conflicts of interests, a formal whistleblowing channel and the operation across the Council of a robust internal control environment.

38. If convicted, an organisation can receive an unlimited fine. Courts will take account of all the circumstances in deciding the appropriate level for a particular case. The fine is corporate, however, individual officers cannot be held personally liable under the new legislation. Individuals within organisations can already be prosecuted for committing, encouraging or assisting fraud but the new legislation will not be introducing individual liability for failure to prevent.
39. Further information can be found in the HM Government factsheet - [Factsheet: failure to prevent fraud offence - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/factsheets/failure-to-prevent-fraud-offence)

Recommendations

40. 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 updates regarding: -
 - i. Emerging risk - Reinforced Autoclaved Aerated Concrete (RAAC)
 - ii. HM Government National Risk Register 2023 edition
 - iii. Counter Fraud

Resources Implications

None.

Equality Implications

None.

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, 28 January 2022, 13 May 2022, 30 September 2022, 21 November 2022, 26 January 2023, 16 March 2023 and 26 May 2023.
<http://politics.leics.gov.uk/ieListMeetings.aspx?CommitteeId=434>

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Appendices

Appendix A – Corporate Risk Register Update (September 2023)

Appendix B – Extract from HM Government National Risk Register 2023 edition

Appendix C – National Fraud Initiative (NFI) outputs 2022/23

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