

Report of the Head of Internal Audit, Anti-Fraud and Assurance

Audit and Governance Committee – 15th March 2023

STRATEGIC CONCERNS / RISK REGISTER

1. Purpose of the report

- 1.1 To introduce the next scheduled strategic risks for the Audit and Governance Committee meeting to consider as presented by the appropriate Executive Director / Service Director.
- 1.2 Two strategic risks will be considered at this meeting:
 - Financial Sustainability – Director of Finance (this risk will be considered as part of the MTFs Report to the Committee)
 - Threat of Fraud – Director of Finance

2. Recommendation

2.1 The Committee is asked to note the update.

3. Current Position

- 3.1 The Strategic Risk Register was reviewed by the Senior Management Team (SMT) on 21st February and now contains 14 risks. SMT determined that 4 risks be classified as **high** (red response rating*) and 10 risks be classified as **medium** (amber rating). No risks are classified as **low** (green rating) in relation to the level of response and intervention required.

* NOTE - The response rating reflects the degree of urgency and importance of the interventions and management oversight rather than the inherent risk.

- 3.2 The Glassworks Risk was removed from the Strategic Risk Register on the basis that the development was now “business as usual” and no longer a strategic risk. The risk will be managed at a DMT/BU level and is now included on the BU4 Risk Register.
- 3.3 The actions associated with the 2 risks to be considered in the meeting are included in the attached summary in Appendix 1.

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Strategic Risks to be reviewed in the meeting – March 2023

Risk Title	Risk Description	Impact	Status	Response Rating	SMT Owner
Financial Sustainability	<p>Risk Description: There are several significant emerging risks facing the Council, some of which are fluid and yet to be quantified but, if unchecked could potentially pose a major threat to the Council's ongoing financial sustainability.</p> <p>Risk Assessment: Firstly, The Council is starting to face significant cost pressures stemming from the current socio-economic factors affecting the nation, namely rising inflation, significantly increasing energy costs, rising interest rates, increased demand for services and the cost-of-living crisis</p> <p>Secondly, sustainable funding for the Local Government Sector especially with the lack of longer-term funding certainty and the heightened risk of public spending cuts</p> <p>Thirdly there are several national and local policy issues including.</p> <ul style="list-style-type: none"> - the impact of the Health and Social Care reforms, - The bus services improvement plan / franchising - Environment act and wider climate control agenda <p>Finally the combined impact of the above (and others not listed) need to be fully understood, quantified and mitigated via the production of a robust MTFS/Transformation plan</p> <p>Action 1 Impact of the current Socio-economic factors impacting the nation:</p> <ul style="list-style-type: none"> • Inflation. Full review of service delivery to do more for less • Energy costs - Report currently being progressed to look at options to reduce usage which leads to reduced costs and helps meet the council's carbon reduction objectives • Rising interest rates - Treasury management strategy regularly reviewed with aim to fix out borrowing for cost certainty • Increased demand for services - Transformation review of all services linked to MTFs update (action 4) • Cost of living crisis - continuing to provide additional support to the most vulnerable in society <p>RAG rating – Amber</p>	Actual	Actual	High	Director of Finance

Risk Title	Risk Description	Impact	Status	Response Rating	SMT Owner
	<p>Action 2 Sustainable funding for the Local Government Sector: We await the impact of the local government settlement at the end of December. We continue to lobby government via various bodies (SIGOMA, LGA etc) for longer term certainty together with a sustainable and adequate funding package for LG. We also await to see the impact of the Business Rates revaluation to be implemented 1st April 23. We also continue to monitor and model other local (CTAX) income streams and will considering this within the updated MTFS RAG rating – Amber</p> <p>Action 3 National and local policy issues including.</p> <ul style="list-style-type: none"> • Working group set up to assess the impact of the Health and Social Care reforms, • Work ongoing with SYMCA around the bus services improvement plan / franchising options • We await further details of the impact of the environment act but also continue to progress options to meet the Councils' Zero 40 pledge <p>RAG rating – Amber</p> <p>Action 4 Develop a robust MTFS/Transformation Plan to help address the known pressures being experienced. RAG rating – Red</p>				
Threat of Fraud	<p>Risk Description: There is a need to recognise the increasing threat of fraud against the Council. This threat also includes the possibility of a cyber attack being perpetrated against the Council. It is essential therefore that all services are aware of and constantly assess their fraud vulnerabilities and that employee understanding and awareness of potential fraud and cyber attacks is good and constantly reviewed.</p> <p>Risk Assessment: Local authorities and the public sector generally are under a constant and increasing threat from fraud attempts externally by individuals and organised crime groups, whether that is via a cyber-attack or impersonation in some way. We also need to be aware of potential internal fraud (corruption/theft) where the risk of this is perhaps changing as individuals come under personal financial pressure and/or an opportunity is seen because of changes in the control/supervision/management arrangements.</p>	Potential	Potential	High	Director of Finance

Risk Title	Risk Description	Impact	Status	Response Rating	SMT Owner
	<p>It is managements responsibility to ensure they and their staff are aware of fraud risks, to spot a cyber based attack and highlight where any concerns exist either in relation to vulnerabilities or indeed if a fraud is suspected. IT Services will need to provide timely and relevant training and awareness in relation to cyber threats as well as maintaining the necessary technical security measures.</p> <p>Action 1 Undertake specific annual fraud risk vulnerability questionnaires in each BU. RAG rating – Green</p> <p>Action 2 POD training is reviewed to ensure practical guidance and training is available for all employees RAG rating – Green</p> <p>Action 3 POD training developed for specific roles where the risk of fraud is greatest. RAG rating – Green</p> <p>Action 4 Develop a communication plan/strategy to ensure important messages are publicised across the Council and in the press as appropriate. RAG rating – Green</p> <p>Action 5 Plan Fraud Awareness Week/Activities for 2023 including specific themed “event’s” during the year. RAG rating – Green</p> <p>Action 6 Provide SMT and the Information Governance Board with updates regarding the latest cyber threats and assurances regarding the technical measures in place and their effectiveness. RAG rating – Green</p> <p>Action 7 How will the organisation respond after a cyber crime RAG rating – Red</p>				