

Review of corporate risk management arrangements in Carmarthenshire County Council

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Summary report

Audit snapshot

What we looked at

Risk management for local government is the process of identifying, assessing and mitigating risks that could impact on the achievement of councils' strategic objectives.¹ In this review, we looked at whether Carmarthenshire County Council's corporate risk management arrangements support the delivery of its strategic objectives. This includes risk identification, management, monitoring and reporting. We did not look at risk management at a departmental or project level. We also reviewed the Council's progress in addressing the six recommendations made in our 2019 report.²

Why is this important

Effective risk management in local government is important as it can help enhance strategic planning and prioritisation, ensure that services can continue to be delivered, and that councils can meet their strategic objectives. Without effective risk management arrangements, a council might miss opportunities to improve outcomes for its residents. Effective risk management should help councils respond in an agile way to the challenges they face. Risk management is, 'an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels'.³

What we have found

It is clear that senior leaders in Carmarthenshire emphasise the importance of managing corporate risks. Positively, the Council has reviewed and evaluated its arrangements in recent years. However, it has yet to fully embed previous recommendations. This means that our audit has found similar areas for improvement to those highlighted in previous reviews. For example, there remains scope to strengthen how the Council identifies the most significant risks to achieving its strategic objectives.

¹ Under the Well-Being of Future Generations (Wales) Act 2015, councils in Wales must set and publish well-being objectives. For most councils these are now adopted as the strategic objectives of the organisation.

² Audit Wales (2019) Carmarthenshire County Council – Review of Risk Management Arrangements

³ UK Government (2023) The Orange Book – Management of Risk – Principles and Concepts

What we recommend

The Council has made some progress in addressing our previous recommendations around risk management, but there remain areas to improve. Our previous recommendations are now replaced by the four recommendations in this report. These cover how the Council identifies risks, manages risks, monitors and reports about risks, and how it evaluates its arrangements.

Detailed report

Our findings

There remain areas for improvement in the Council's risk management arrangements which limit its ability to show how its approach supports the delivery of its strategic objectives

Identifying risks

Risk identification is the process of recognising and documenting potential risks that could impact the achievement of the Council's objectives.

- 1 **The Council's risk management strategy and toolkit are comprehensive.** The Council's Risk Management and Contingency Planning Strategy covers the period 2018-2022. The Council also has a risk management toolkit. Those documents set out clear roles and responsibilities and emphasise the important role of risk management in helping the Council to achieve its strategic objectives. At the time of our review the Council was developing a revised strategy for adoption later in 2025.
- 2 **The Council is taking action to show how risks align to its strategic objectives.** Part of the Council's definition of risk⁴ emphasises the importance of identifying risks from the perspective of their potential impact on the delivery of its strategic objectives. The Council has recently strengthened its arrangements for doing this, for example, by requiring officers to identify the relevant well-being objective. However, at the time of our review, the Council had not set this out for existing corporate risks. This is important to help the Council clearly identify its most strategic risks.
- 3 **The wording of many corporate risks is inconsistent with its risk management toolkit requirements.** The Council's risk descriptions do not consistently identify the cause and the consequence. This is important to create a shared understanding of the root cause of risks. It also helps support the identification of relevant control or mitigating actions aligned to the Council's risk appetite approach.
- 4 **The Council's risk identification approach leads to a high number of strategic risks.** The Council's corporate risk register presented to Governance and Audit Committee in March 2025 contained 45 risks. Whilst it may reflect a drive to be transparent and comprehensive, this high number of corporate risks might impact on the resources required to prioritise, assess and review those risks. Critically, it

⁴ The Council's Risk Management Toolkit defines risk as either 'the threat that an event or action will adversely affect an organisation's ability to achieve its objectives'.

may also impact on the Council's capacity to assess the effectiveness of how it manages those risks.

- 5 **The Council's arrangements do not include the identification of opportunities or current issues.** Risks and issues⁵ require different responses. Greater clarity on the difference would help the Council to ensure effective response, implementing controls to prevent or reduce the probability of a risk occurring, or establishing mitigations to minimise the impact of an issue after it has already happened. Establishing a corporate approach to identify opportunities can also help the Council to seek proactive and preventative approaches to risk and budget savings.
- 6 **The Council's approach to horizon scanning is not fully embedded.**⁶ We found that, whilst individual directors undertake horizon scanning, the Council does not have a structured system for capturing and analysing that information. Ensuring that the Council has a consistent approach to identifying risks and opportunities across a longer-term horizon is important to help ensure decisions are made with short and long-term impacts in mind.
- 7 **Positively, the Council's senior leaders emphasise the importance of managing risks.** The Corporate Management Team (CMT) regularly discusses the corporate risk register and Members receive briefings about significant risks facing the Council. The Council has also provided training to staff and Members to support their understanding of their roles. Governance and Audit Committee Members have also received training relating to their assurance role within the process. This is important because an effective culture around risk management helps to promote proactive risk and issues identification, encourages responsible decision-making, and fosters a proactive approach to risk mitigation.

Managing risks

Managing risks involves assessing and addressing potential risks and issues that could impact on the Council's objectives. It involves evaluating the likelihood and potential impact of the risks and issues and developing and implementing effective controls and mitigating actions.

- 8 **There are opportunities for the Council to strengthen its assessment of risks.** Officers assess risks using an assessment framework and applying their professional knowledge, available service data and wider knowledge. CMT also reviews and challenges risks quarterly. There is scope for the Council to further develop its systematic use of data to strengthen its assessment of risks. This would support the Council to better prioritise actions and allocate resources.

⁵ A risk is a potential future event. It is something that could happen, but it has not yet occurred. An issue is a problem that has already happened or is currently happening.

⁶ Continuous and dynamic horizon scanning helps the organisation to consider scenarios which could present emerging risks and opportunities.

- 9 **The Council's risk appetite and tolerance levels⁷ are not fully embedded.** The Council defined its risk appetite and tolerance levels in 2022, but the corporate risk register report does not currently include either the risk appetite category nor a target score. This reduces visibility of how individual risks align with the Council's stated appetite. Expressions of risk appetite and tolerance that are understood across the Council will set parameters for individuals to operate. It can also support the risk management actions to align to the achievement of strategic objectives and provide greater assurance.
- 10 **The Council's arrangements for risk escalation and de-escalation are not fully embedded.** The Council's toolkit and risk assessment form prompt officers to consider a range of factors when escalating a risk to the corporate risk register. Despite this, however, the rationale is not always clearly set out. Coupled with the fact that the Council does not rely on a threshold score to determine if a risk should be escalated, it is often unclear why some risks are included. This is particularly the case for risks with seemingly low risk scores – for example, 13 of the 45 risks on the Quarter 3 (2024-25) corporate risk register had risk scores of nine or below.⁸ Embedding clearer criteria and rationale for risk escalation and de-escalation can help to support more efficient and effective arrangements.
- 11 **The Council does not demonstrate how it takes account of risk information from partner organisations.** The risk management toolkit highlights that service areas should identify and manage risks when delivering in partnerships or with third parties. This is important because risks often have cross-cutting impacts which extend across organisational boundaries. The Council can build on this by undertaking a more holistic review of partner organisations' risks to understand how they may impact on its own objectives. Although individual directors may be aware of the impact of the actions of partner organisations on the Council, this information is not shared systematically to inform risk management activities.
- 12 **The Council's approach does not show how different areas contribute to managing cross-cutting risks.** There are specific risk owners for each risk in the corporate risk register. This provides clear ownership and responsibility for effectively managing the risk across the Council. However, some risks are cross-cutting such as the net zero target, cyber security and the impact of the cost of living. The Council does not fully show how different areas of the Council contribute to managing these cross-cutting risks. An integrated approach to risk management can help the Council identify interconnected risks, potential vulnerabilities, and opportunities for better decision-making and risk mitigation.

⁷ Risk appetite is defined as the amount and type of risk that the Council is prepared to pursue, retain or take. Tolerance levels are the levels of risk that the Council aims to operate within.

⁸ The Council uses a 5 x 5 matrix of likelihood and impact. Therefore, the highest score is 25.

Monitoring and reporting of risks

Risk monitoring helps to assess the effectiveness of the Council's risk treatment. Monitoring should support the understanding of whether and how the risk profile is changing and the extent to which internal controls are operating as intended to provide assurance over the management of risks to an acceptable level in the achievement of organisational objectives.⁹

Reporting of timely, accurate and relevant risk information is important to enhance the quality of effective risk-based decision making and to support the management and oversight of the Council's risk arrangements.

- 13 **The Council regularly monitors and reports on risk management, but risk actions are not always SMART¹⁰.** There is regular monitoring and reporting about risks to both CMT and Governance and Audit Committee. However, control actions are not always specific and there are no time frames for their completion. Narrative updates in the register focus mainly on describing actions and activity, rather than evaluating the effectiveness of control actions. Recognising the need to strengthen this aspect of its arrangements, the Council is trialling a new approach to evaluating the effectiveness of control actions in one directorate.
- 14 **The Council reports in an integrated way on risk management, performance assessment and budget.** The Council's CMT and Cabinet receive an integrated performance observations report which presents performance data alongside finances and relevant risk management information. However, that report is not available publicly. Integrated public reporting on risk, performance and budget can help all Elected Members and the public to gain a composite and strategic view across these elements.

⁹ UK Government (2023) The Orange Book – Management of Risk – Principles and Concepts

¹⁰ SMART – specific, measurable, achievable, realistic and timebound.

Reviewing its arrangements

Reviewing arrangements involves systematically evaluating the Council's risk management arrangements to ensure they meet their objectives, provide value for money and identify areas for improvement.

Lessons learnt refers to the insights and knowledge gained from the application of the Council's risk management arrangements and ensuring that these are documented and reviewed to drive improvement.

15 The Council has made mixed progress in addressing recommendations from previous reviews of its risk management arrangements. There have been a number of reviews and evaluations of risk management arrangements in Carmarthenshire Council in recent years:

- We published our initial review of its arrangements in 2019¹¹. Our assessment of the Council's progress in addressing the recommendations made in 2019 is set out in **Appendix 3**.
- The Council undertook an internal review of progress in 2021.
- It also commissioned an external review in autumn 2023.
- In addition, the Council's internal audit service has reviewed risk management in 2021, and again in 2023.

Each of these reviews has made recommendations to the Council to strengthen its risk management arrangements. The Council has started to address many of these areas but has yet to fully address and embed all recommendations. For example, the identification and wording of risks remain inconsistent, and control measures are not SMART. The Council has also identified a need to strengthen the evaluation of the impact of the risk management budget¹² using more detailed pre and post intervention data. At the time of our audit, this had not taken place.

16 The Council does not routinely share learning to improve its risk management arrangements. Despite having a risk management steering group in place, this group does not have a role in sharing learning across the Council. Without learning lessons and fully addressing recommendations from reviews of its arrangements, the Council might miss the opportunity to learn, to support more informed decision-making and improve risk management for the future.

¹¹ Audit Wales (2019) Carmarthenshire County Council – Review of Risk Management Arrangements

¹² The RSMG oversees a dedicated risk management budget which is intended to invest in areas to 'reduce the risk of claims or expensive litigation'.

Our recommendations for the Council

Exhibit 1: our recommendations for the Council

Our previous recommendations on risk management are now replaced by the four recommendations in this report.

Recommendations

R1 This report highlights areas for improvement in the Council's **arrangements for the identification of corporate risks and opportunities**. To address this the Council should:

- 1.1 clearly define risks, so it is clear what the risks are that the Council is seeking to address and why (paragraph 3); and
- 1.2 strengthen its arrangements to capture and share horizon scanning information to ensure it is taking a sufficiently long-term and preventative approach to risk management (paragraph 6).

R2 This report highlights areas for improvement in the Council's **arrangements for the management of corporate risks**. To address this the Council should:

- 2.1 strengthen its use of data to assess the significance of all identified risks (paragraph 8);
- 2.2 set out the risk appetite category and target score for each corporate risk so that the application and value of risk appetite and tolerance is understood by officers and Members (paragraph 9);
- 2.3 clearly set out the rationale for the escalation and de-escalation of risks to and from the corporate risk register (paragraph 10); and
- 2.4 demonstrate its understanding of how partners' risks impact on the Council (Paragraph 11).

R3 This report highlights areas for improvement in the Council's **arrangements to monitor and report risks**. To address this the Council should:

- 3.1 review risk controls to ensure those are proportionately SMART, to support effective oversight of their impact on reducing risks (paragraph 13);
- 3.2 develop an approach to reporting publicly on risk management, performance and budget monitoring so that Elected Members and the public gain a composite and strategic view (paragraph 14).

Recommendations

- R4** This report highlights areas for improvement in the Council's approach to **reviewing its arrangements** and embedding improvements in its risk management approach. To address this, the Council should provide a comprehensive update to the Governance and Audit Committee on the progress made to date in embedding improvements in its risk management approach (see paragraph 15). This should identify and explain outstanding actions, and set out the timescales for achieving those.

Appendix 1

Scope and methods

Our objectives for this audit

Our objectives for this audit were to:

- help discharge the Auditor General's duty to satisfy himself that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- help discharge the Auditor General's duties under the Well-being of Future Generations Act.

Legal basis

We conducted this audit under the duties contained within Section 17 2(d) of the Public Audit (Wales) Act 2004 and the powers contained within Section 15 of the Well-being of Future Generations (Wales) Act 2015.

Our audit methods and when we undertook the audit

We undertook this audit between February and May 2025, by:

- reviewing relevant documents, for example, risk management strategy papers, guidance for Members, and training materials;
- observing a sample of governance and audit committee meetings; and
- holding interviews with key officers and the Cabinet Member who hold responsibility for risk management.

Our findings are limited to our analysis of the above information.

Appendix 2

Audit questions and criteria

Overall question: Does the Council have proper risk management arrangements that support the delivery of its strategic objectives?

Level 2 questions	Level 3 questions	Criteria
1. Does the Council have a clear risk management framework supported by an effective risk management culture?	1.1 Does the Council have a comprehensive risk management framework aligned to its strategic objectives?	• The Council's risk management framework sets out: – Roles and responsibilities – Reporting and monitoring requirements – Governance arrangements – Timeframe for risk register updates – Risk escalation and de-escalation process; and – Is up-to-date (ie not beyond its specified review date)
	1.2 Does the Council have an effective risk management culture?	• Senior leaders drive a focus on the importance of risk management in the Council. • The Council views risk management as an integral part of how the Council operates. • Senior leaders promote a culture which encourages open dialogue around risk. • The Council's governance and oversight arrangements include risk management. • Members and officers have received training in risk management relevant to their role. • Officers and members have a clear understanding of their role within the risk management framework. • The Council's culture supports the effective identification and management of risks.

Level 2 questions	Level 3 questions	Criteria
2. Does the Council effectively identify, manage, monitor and challenge its risks?	1.3 Has the Council clearly defined its risk appetite and tolerance levels?	• The Council clearly articulates its levels of risk appetite and tolerance. • The Council's risk appetite aligns with its strategic ambitions. • The Council bases its risk appetite and tolerance levels on relevant and accurate information. • The Council reviews its risk appetite to reflect relevant and significant changes to the internal and external environment.
	1.4 Does the Council take a long-term approach to risk management?	• The Council undertakes horizon scanning to identify emerging risks and future threats as well as opportunities. • The Council can demonstrate how its horizon scanning influences its management of risk. • The Council takes a preventative future focused approach to risk.
	2.1 Does the Council thoroughly identify and assess the impacts of risk?	• The Council uses a range of tools to assess and evaluate risk (risk analytics, artificial intelligence, risk modelling, scenario and sensitivity analysis, and stress-testing). • The Council uses reliable information/data to assess the scale, likelihood and potential impact of risks. • Risks reflect significant risks to the delivery of the well-being objectives and strategic goals
	2.2 Does the Council have an integrated approach to risk management?	• The Council maps interdependencies and connections for cross-cutting risks. • The Council identifies and assesses the aggregate impact of risk across the organisation. • The Council identifies risk information from key delivery partners and other public-sector organisations and considers how these risks might impact the delivery of its strategic objectives and those of its partners. • The Council assesses a range of impacts and consequences for risks both within and outside of the Council's control.

Level 2 questions	Level 3 questions	Criteria
	2.3 Do the Council's arrangements provide assurance that adequate action is taken to address risks?	• There is clear ownership and accountability of risks. • Risk responses and actions are clear and aligned to the Council's risk appetite and tolerance and costed. • Risk actions are regularly updated. • Mitigating actions are assessed for their effectiveness in changing risk ratings. • There are clear criteria for escalating/de-escalating risks and a clear audit trail.
	2.4 Does the Council regularly monitor and report on risk management?	• The Council uses meaningful scoring/assessments to support monitoring and reporting of risks. • Risk registers are comprehensive and up to date. • The Council can clearly articulate why risks are on the register or where they are not: this is clearly explained and documented. • Senior leaders review risks on a regular and timely basis • Elected members receive risk reports in a timely, transparent and accurate way. • The Governance and Audit Committee (GAC) provides effective oversight and challenge to the risk information.
3. Does the Council have arrangements in place to evaluate the effectiveness of its risk management arrangements?	3.1 Does the Council routinely evaluate the effectiveness of its risk management arrangements?	• The Council evaluates its risk management arrangements and identifies gaps and areas for development, including benchmarking against the practice of other organisations. • The Council actively considers the value for money of its risk management arrangements.
	3.2 Does the Council routinely share any lessons learned to improve its risk management arrangements?	• The Council identifies and shares lessons learnt and good practice around risk management across the Council.

Appendix 3

Audit Wales assessment of the Council's progress against the 2019 recommendations

2019 recommendations	Audit Wales judgement based on evidence
1. The Council should develop suitable procedures and guidance to underpin its risk management strategy to ensure that risk management is consistently embedded across the organisation.	The Council now has a clear framework including a strategy and toolkit. However, at the time of our review the strategy was out of date and a revised strategy was being developed for adoption later in 2025 (see paragraph 1). The Council has also introduced a single risk management software system and provided supporting guidance to staff using the system. The Council applies these arrangements across service and corporate risk management activities.
2. The Council should define its corporate risk appetite to ensure that it manages risks and opportunities effectively.	The Council has defined its corporate risk appetite, however, this is having limited impact on its management of risks and opportunities to date (see paragraph 9).
3. The Council should further align its risk management arrangements with its performance management arrangements.	The Council's performance management arrangements take account of risk management. This is demonstrated through the observations report that CMT receives quarterly and includes risk management information.

2019 recommendations	Audit Wales judgement based on evidence
4. The Council should review and clarify the roles and responsibilities of: • Managers • Staff • Risk Champions • The Risk Management Steering Group in its risk management arrangements	The Council has reviewed the roles and responsibilities of each of these groups and roles are now clear (see paragraph 1).
5. The Council should: • clarify the system it is using to identify and capture risks to ensure a consistency of approach across the organisation; and • review the information recorded on risk registers throughout the organisation to ensure information is up to date, complete and has enough details to ensure risks can be appropriately managed.	The Council has implemented a single software system to capture risks. Information is up to date, however, the wording of risks is often inconsistent with the Council's policy (see paragraph 3) and control and mitigating actions are not SMART (see paragraph 13). This may limit the Council's ability to effectively manage risks.

2019 recommendations	Audit Wales judgement based on evidence
6. The Council should improve the effectiveness of its risk management arrangements by: • training staff; • regularly seeking assurance on the effectiveness of all aspects of its arrangements and acting on the findings; and • embedding a process for identifying lessons learned and sharing good practice across the organisation.	The Council has provided training to relevant staff and has risk champions across directorates (see paragraph 7). It also commissioned an external review in late 2023 of its arrangements, however, progress in responding to the recommendations in that report has been mixed (see paragraph 15). The Council has yet to develop an arrangement for identifying lessons learnt (see paragraph 16).



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