

Review of corporate risk management arrangements in Swansea Council

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This document has been prepared as part of work performed in accordance with statutory functions.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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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 objectives¹. In this review we looked at whether Swansea 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.

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.'²

What we have found

The Council has strengthened its approach to risk management over recent years. It evaluated its risk management policy and framework in early 2024. In doing so, the Council identified a need to ensure that the management of risks is an embedded behaviour, and it is in the process of implementing improvements. The Council demonstrates alignment between its risk management activities and strategic objectives. However, we found some minor inconsistencies in the early application of the revised arrangements. Given its current phase of implementing its revised policy and framework the Council has yet to assess the effectiveness of its approach.

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

² UK Government (2023) [The Orange Book – Management of Risk – Principles and Concepts](#)

What we recommend

We made four recommendations aimed at improving the Council's risk management arrangements. These cover risk identification, management, monitoring and reporting, as well as the Council's evaluation of its arrangements.

Detailed report

Our findings

The Council has strengthened its approach to risk management but there are some areas for improvement to ensure it can demonstrate how its arrangements fully support 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 has a comprehensive risk management framework which aligns to its strategic objectives.** The Council's risk management policy and framework clearly set out the governance arrangements for risk management including roles and responsibilities. It also emphasises the important role of risk management in helping the Council to achieve its strategic objectives. Demonstrating how risk management aligns with strategic objectives is important as it helps to ensure that resources are used effectively and efficiently to achieve strategic goals while mitigating potential threats and maximising opportunities.
- 2 **The Council undertakes horizon scanning³ but this could be developed further.** Directors undertake horizon scanning as part of the Council's business planning cycle. However, this Council does not have an arrangement to use that information to inform the identification of longer-term risks. 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.
- 3 **Most of the Council's risks are clearly defined.** The Council's guidance requiring risk owners to describe the cause and the consequence of risks is generally followed. However, a small number of more recently identified risks are not worded in line with this guidance. Clearly defining risks from the perspective of their potential impact on strategic objectives is important to create a shared understanding of the root cause and to support the identification of appropriate control or mitigating actions.
- 4 **The Council differentiates between risks and issues⁴ in its corporate risk register.** The new risk management strategy requires risk owners to identify and

³ Continuous and dynamic horizon scanning helps the organisation to consider scenarios which could present emerging risks and opportunities.

⁴ Risks and issues require different responses. Risks require pro-active controls and issues require active resolutions. A risk is a potential future event. It is something that

assess both risks and issues. This helps to ensure the identification of relevant responses, implementing controls to prevent or reduce the probability of a risk occurring or mitigations to minimise the impact of an issue after it has already happened.

- 5 **Senior leaders promote a positive culture around risk management.** The Council's risk management strategy emphasises the importance of fully integrating risk management into the culture and working practices of the Council. Its approach embeds risk management into service planning and senior leaders communicate the importance of effective risk management. Senior leaders have driven a change in the Council's approach so that risks and issues are more proactively managed. To support this the Council provides training to officers and Members understand their roles and responsibilities in relation to risk management. A positive approach to risk management is important to risk identification which can support decision-making and better outcomes.

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.

- 6 **The Council does not systematically assess the impacts of its risks.** Officers assess risks using their professional knowledge and any available service data. The corporate management team also reviews the corporate risks on a quarterly basis. However, we found limited evidence of the Council systematically using data to assist with the assessment of risks. A more thorough assessment of the potential impacts of risks would enable the Council to better understand the potential severity and likelihood of risks, enabling it to better prioritise actions and allocate resources.
- 7 **The Council has recently defined its appetite and tolerance levels⁵ however this is not yet fully embedded.** The new corporate risk register report template includes the risk appetite and tolerance categories. However, it is unclear how the Council applies its risk appetite and tolerance to inform risk management. Expressions of risk appetite and risk tolerance that are understood can support risk management actions aligned to the achievement of strategic objectives.
- 8 **The Council does not always set out why it escalates risks to its strategic risk register.** The Corporate Management Team (CMT) is responsible for agreeing

could happen, but it has not yet occurred. An issue is a problem that has already happened or is currently happening.

⁵ 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.

to proposals from directorates to escalate or de-escalate risks using clear criteria. However, the Council does not always document why certain risks are identified as strategic risks. Enhancing the consistency and transparency of this rationale could further strengthen the Council's risk governance.

- 9 **The Council's approach does not promote shared ownership of control measures for cross-cutting risks.** Risks and issues within the Council's risk register have a single risk owner which provides clear ownership of the risks and issues. This means that the Council does not demonstrate how all services might contribute to addressing cross-cutting risks, for example the impact of poverty. This might limit the contribution of all relevant directorates across the Council in controlling risks or mitigating issues.
- 10 **The Council's arrangements do not require risk information from partner organisations to be systematically reviewed.** Senior leaders consider the impact of partner organisations' risks. However, the Council's arrangements do not require officers to systematically assess this to inform its own risk management. Risks often have cross-cutting impacts which extend across organisational boundaries. Understanding how decisions of key partners might impact on the Council can enable it to better manage the impact of those risks.

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.⁶

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.

- 11 **The Council regularly reports on risk management, but this does not focus on the effectiveness of risk controls.** Senior leaders review risks and issues relating to their service areas monthly. The Governance and Audit Committee also receives the corporate risk and issues register quarterly. However, the Council's control measures are not consistently medium to long term or framed using SMART⁷ principles. Also cost implications are not routinely captured. This means that the Council is not able to fully assess the effectiveness of the actions it is taking or determine how best to allocate resources.

⁶ UK Government (2023) [The Orange Book – Management of Risk – Principles and Concepts](#)

⁷ SMART – specific, measurable, achievable, realistic and timebound.

- 12 **The Council integrates risk information with its performance reporting.** Cabinet receives performance monitoring report quarterly. This report highlights those strategic risks which might impact on the achievement of the strategic objectives. However, whilst some specific financial risks are captured in the corporate risk register (e.g. MTFP), the Council's budget monitoring reports are presented separately to risk information. This means that the linkages between risk, performance and budget may not always be clear in all instances.

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.

- 13 **The Council evaluates its risk management arrangements but has yet to fully assess the effectiveness of the changes made.** In early 2024, the Council concluded its evaluation of its risk management framework, policy and practice, taking account of other organisations' approaches to inform its review. The Council has yet to evaluate if the changes made in 2024 are achieving the intended benefits outlined in the objectives of the evaluation. Delays in the development of the associated software have meant that some changes are still to be implemented. Putting in place a system post implementation to evaluate its risk management approach is important to understand how those arrangements help provide value for money.
- 14 **Despite strengthening its approach in recent years, the Council has not consistently implemented recommended changes to improve its risk management approach.** The Council's Internal Audit team undertakes a cycle of reviews of directorates' application of the Council's risk management approach. In recent years, those reviews have consistently highlighted that some risk controls are not SMART. However, the Council has yet to systematically address this area and so is not maximising the opportunity to strengthen its arrangements.

Our recommendations for the Council

Exhibit 1: our recommendations for the Council

Recommendations

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

- 1.1 Demonstrate how horizon scanning informs the identification of longer-term risks (**paragraph 2**).

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 ensure that the application and value of its risk appetite and tolerance levels are understood by officers and Members (**paragraph 7**);
- 2.2 communicate the escalation of risks from operational to strategic so that officers and Members understand the reasons for those decisions (**paragraph 8**);
- 2.3 demonstrate its understanding of the interrelationship between its own risks and those of its partners to ensure that the control actions it is taking are appropriate (**paragraph 10**).

R3 This report highlights areas for improvement in the Council's **arrangements to monitor and report risks**. To address this the Council should review its corporate risk register to ensure that senior leaders and Governance and Audit Committee receive accurate information relating to control measures, including by:

- 3.1 developing proportionately SMART control measures;
- 3.2 assessing the effectiveness of those measures (**paragraph 12**);

R4 This report highlights areas for improvement in the Council's approach to **reviewing its arrangements** for risk management. To address this the Council should:

- 4.1 evaluate and report if the changes made in 2024 are achieving the intended benefits (**paragraph 13**).

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; and
- 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 & responsibilities – Reporting & monitoring requirements – Governance arrangements – Timeframe for risk register updates – Risk escalation and de-escalation process; and – Is up-to-date (i.e. 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.

Level 2 questions	Level 3 questions	Criteria
		- 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.
	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. Does the Council effectively identify, manage, monitor and challenge its risks?	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

Level 2 questions**Level 3 questions****Criteria**

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.

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.

Level 2 questions	Level 3 questions	Criteria
3. Does the Council have arrangements in place to evaluate the effectiveness of its risk management arrangements?		The Governance and Audit Committee (GAC) provides effective oversight and challenge to the risk information
	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.



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