Review of corporate risk management arrangements in Neath Port Talbot Council

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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 Neath Port Talbot 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 is taking steps to strengthen its culture around risk management and is reviewing its arrangements. However, we found a number of areas where the Council could further strengthen its arrangements. These include ensuring alignment between the corporate risk register and its strategic objectives, clearly articulating risks, and the comprehensiveness of reporting.

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.

[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

Detailed report

Our findings

The Council recognises weaknesses in its risk management arrangements which are undermining its role in supporting the delivery of the Council's 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 approach for managing risks is not comprehensive and there is a lack of alignment between the corporate risk register and its strategic objectives**. The Council does not have a digital risk management system in place and 'live' information is not readily available to Members and officers on the current risk assessment on its risk registers. Whilst the Council's risk management policy states the important role that risk management plays in the achievement of the Corporate Plan, there is no clear alignment between the Council's corporate risk register and 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 does not have an opportunities register**. One of the stated objectives of the Council's risk management policy is to, 'enhance realisation of opportunities and resulting benefits.' However, the Council's risk register does not distinctly set out identified opportunities. Using a corporate opportunities register can help the Council to seek proactive and preventative approaches to risk and budget savings.

3 **The Council lacks a clear, systematic approach to horizon scanning[3]**. The Council informally undertakes horizon scanning through the professional knowledge of its directors to identify longer term risks, but it does not have an agreed corporate approach. 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.

4 **The Council does not fully articulate the root cause of corporate risks**. The Council follows the 'if' (cause) and 'then' (consequence) format consistently across

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

all risks within the corporate register. However, risk descriptions are high level and provide no detail on why they have been identified in the first place. Clearly defining risks is important to create a shared understanding of the root cause and to support the identification of appropriate control or mitigating actions.

5 **The Council does not differentiate between risks and issues in its risk register**[4]. 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.

6 **The Council provides limited training to officers and Members on risk management**. It was clear from our work that key areas of the risk management framework are not consistently understood and implemented across the organisation. The Strategic Leadership Team has identified the need for training to be provided and is currently looking at options for how best to deliver this. Effective training is important to ensure Members and officers understand their roles and responsibilities in relation to risk management and to ensure risk management is used effectively to support the Council to achieve its strategic objectives.

7 **The Council is strengthening its culture around risk management**. For example, the Council has held workshops with its Strategic Leadership Team to promote a shared understanding and ownership of risk management and to make risk management a more integral part of its governance arrangements. A positive culture around risk is important in promoting a proactive approach to risk identification and management 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.

8 **The Council does not systematically assess the impacts of its risks.** The assessment of risk is undertaken by officers using their professional knowledge and any available service data. The Council could consider the further use of analytics tools to assess and evaluate its 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.

[4] 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.

9 **The Council's risk appetite is not well understood or being used effectively by officers and Members.** The Council has a risk appetite statement, which sets out the risk appetite levels by risk category. However, we found a lack of understanding and consistency in the application of risk appetite across the Council. Furthermore, the Council's risk tolerance[5] is not defined in this statement. Expressions of risk appetite and tolerance that are understood across the Council will set parameters for individuals to operate and enable risk-taking that supports the achievement of strategic objectives. Without this, the Council could potentially be exposing itself to greater risk than it intended.

10 **The Council lacks clear arrangements for determining risk escalation and de-escalation.** The Council's risk management policy states that 'significant risks' will be escalated from directorate risk registers to the corporate risk register. In terms of de-escalation of risks it states that, 'if a risk is no longer considered strategic, it can be de-escalated to the relevant Directorate Risk Register'. However, there is no further clarification or quantification to support officers in making those decisions. Clear criteria and rationale for risk escalation and de-escalation is important to support more efficient and effective arrangements.

11 **The Council's approach to risk management is not sufficiently integrated**. The Council does not currently map interdependencies for the cross-cutting risks it holds. It also does not identify or assess the aggregate impact of risks to the delivery of its well-being objectives. Taking an integrated approach to risk management helps identify interconnected risks, potential vulnerabilities and opportunities for better decision-making and risk mitigation.

12 **The Council does not systematically review the risk information of key delivery partners.** Directors may identify delivery partner risks and bring information to Strategic Leadership Team as it arises. However, the Council does not undertake a holistic look across partner organisations' risks. Risks often have cross-cutting impacts which extend across organisational boundaries. Collaborative identification of risks from key delivery partners is important to provide strategic visibility of potential risks and opportunities and help to avoid unintended consequences.

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

[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.

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.

13 **The Council regularly reports on risk management, but risk actions are not always up to date, SMART[7] or costed.** Corporate risks are discussed quarterly by Strategic Leadership Team and reported six-monthly to Cabinet. Risk is also reported on an ad-hoc basis to Governance and Audit Committee. The Council's risk report identifies the risk owners and the actions being taken to address the risks. However, the risk actions are not always up to date, SMART or costed. This means that the Council is not able to assess the effectiveness of the actions it is taking, properly monitor progress, or determine how best to allocate resources.

14 **The Council's reporting on risk management, performance assessment and budget monitoring is not integrated.** Officers we interviewed recognise the need for the Council to take a more holistic look at the information it holds on risks, performance data, budget monitoring, complaints information and has set a date in July 2025 for its Strategic Leadership Team to begin this process. Currently this analysis is not done, and Members do not receive a report which pulls together this information highlighting key issues. This means that Members may not have a full understanding of the composite picture.

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 does not routinely evaluate its risk management arrangements.** The Council has informally reviewed its arrangements when updating its risk management policy and is looking at what other councils are doing on risk management. Putting in place a system to evaluate its risk management approach is important to understand how those arrangements help provide value for money.

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

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

16 **The Council does not routinely share lessons learnt from its risk management arrangements.** This means that the Council may miss opportunities to learn from both successes and failures, to support more informed decision-making and potentially improve risk mitigation efforts in future activities.

Our recommendations for the Council

Exhibit 1: our recommendations for the Council

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 establish arrangements to demonstrate a clear consideration of risks to the delivery of its strategic/well-being objectives (paragraph 1); 1.2 establish arrangements to identify opportunities as well as risks (paragraph 2); 1.3 strengthen its horizon scanning arrangements to ensure it is taking a sufficiently long-term and preventative approach to risk management (paragraph 3); 1.4 clearly define risks, so it is clear what the risks are that the Council is seeking to address and why (paragraph 4); 1.5 differentiate between issues (things happening now) and risks (things that might happen in the future) to ensure that the actions it intends on taking reflect the difference (paragraph 5); 1.6 provide sufficient training on risk management to relevant officers and Members to ensure a clear understanding of roles and responsibilities in relation 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 further develop arrangements to systematically assess the impacts of risks, using up to date and reliable information (paragraph 8); 2.2 clearly define tolerance levels and ensure that the application and value of both the risk appetite statement and tolerance levels to its risk management arrangements are understood by officers and Members (paragraph 9); 2.3 establish clear criteria to inform decisions on risk escalation and de-escalation, and ensure that these are understood by relevant officers and Members (paragraph 10); and

Recommendations

2.4 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 11 and 12).

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 articulate the actions it is taking to control risks ensuring they are proportionately SMART and costed so that it is able to assess the impact and outcomes of the mitigations (paragraph 13); and

3.2 report in a way to provide Members with an overall picture of risk management, performance and budget monitoring (paragraph 14).

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

4.1 regularly evaluate and report on the economy, efficiency and effectiveness of its risk management arrangements (paragraph 15); and

4.2 routinely share lessons learnt to improve its risk management arrangements (paragraph 16).

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 & 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
		• 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.

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.