

Review of corporate risk management arrangements in Ceredigion County Council

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

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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 Ceredigion 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.

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 taken steps to strengthen its risk management arrangements. It has an up-to-date risk management framework that highlights the importance of fully integrating business risk management into the culture and working practices of the Council. We found some areas for improvement that would help to further strengthen the Council's ability to use risk management in the delivery of its strategic objectives. These include, more clearly setting out risk descriptions, defining its risk appetite and tolerance levels and improving the comprehensiveness of reporting.

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 risk management arrangements, but some areas could be improved to 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 has an up-to-date framework for risk management.** Both the framework and the strategy make clear the importance of fully integrating business risk management into the culture and working practices of the Council. Whilst it is positive that the Council has clearly set out the importance of linking risk management to the achievement of objectives, it is less clear how this is done in practice. We did not see evidence of the Council going through a process to strategically identify the risks to the delivery of its well-being 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.** The Council's Risk Management Policy states that, 'Ultimately, effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces...' The Council provided examples of invest to save initiatives through its 'doing things differently' programme. However, the Council's risk register does not include 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 undertakes horizon scanning³.** This forms part of its business planning cycle and is informed by regular discussions at Leadership Group. Periodic horizon scanning sessions are also run by its insurance provider. The Council's horizon scanning statement signposts to global and national risk reports which it considers as part of its horizon scanning. 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 Continuous and dynamic horizon scanning helps the organisation to consider scenarios which could present emerging risks and opportunities.

- 4 **Risk descriptions and their potential impact on the Council's strategic objectives are not clearly set out.** The Council defines its risks by providing a risk description, giving evidence of the risk and then listing the potential consequences. However, greater clarity on risk descriptions would help to ensure that officers and Members are clear about the specific risk the Council is seeking to address. 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.
- 5 **The Council does not differentiate between risks and issues in its risk register⁴.** The Council's Risk Management Framework defines the difference between risks and issues. However, its risk register does not clearly differentiate between them. Differentiating between risks and issues 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 has a culture which is helping to support its risk management.** The Leadership Group meets weekly, and the corporate risk register is a standing item. The Cabinet and Leadership Group also review the risk register on a monthly basis. Officers and Members that we spoke with reported an open culture around risk management discussions. This is important in promoting a proactive approach to risk identification and management.

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.

- 7 **The Council does not systematically assess the impacts of its risks.** Risks are assessed by officers using their professional knowledge and any available service data. The Council could consider the further use of risk 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.
- 8 **The Council has not clearly defined its risk appetite or tolerance levels⁵.** Its risk management framework states that, 'each Corporate Risk Register identifies a

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.

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.

risk appetite score that the authority is willing to tolerate'. However, this information is not included in the risk register. A 'target for risk score' is included but it is not clear how this links to risk appetite and tolerance. Officers and Members that we spoke to were not able to clearly articulate the Council's approach in this area. 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.

- 9 **The Council's arrangements for determining risk escalation and de-escalation are clear.** It has a numerical trigger for the consideration of escalation/de-escalation of risks by the Leadership Group. It can flex the numerical criteria if a risk presents other issues such as being beyond the scope of service management or increased occurrence. Clear criteria and rationale for risk escalation and de-escalation help to support more efficient and effective arrangements.
- 10 **The Council is not taking a fully integrated approach to risk management.** Cross cutting risks are discussed at Leadership Group, but the Council does not demonstrate consideration of the aggregate impact of its corporate 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.
- 11 **The Council reviewed the risk information of its key delivery partners in February 2025.** Understanding the impact of partner risks is important as risks often have cross-cutting impacts which extend across organisational boundaries. Collaborative identification of risks from key delivery partners helps 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 operating as intended to provide assurance over the management of risks to an acceptable level in the achievement of organisational objectives⁶.

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.

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

- 12 **The Council regularly reports on risk management, but risk actions are not always SMART⁷ or costed.** There is regular reporting to Leadership Group and Governance and Audit Committee on risk. Risks are also sometimes reviewed by overview and scrutiny committees. However, in the risk reports, actions are not always 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.
- 13 **The Council does not report publicly on risk, performance and budget in an integrated way.** Information on risk and performance is shared with Cabinet Members, scrutiny committee chairs and vice chairs and leaders of the opposition through the Leadership Group Performance Board. However, these discussions are not in the public domain. Risk and budget are reported publicly on a quarterly basis. Corporate performance is reported, in the public domain, annually in the self-assessment report. The lack of integrated public reporting on risk, performance and budget means that it is difficult for all Elected Members and the public to gain an 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.

- 14 **The Council undertakes an enhanced review of its framework when it updates its policy documentation, but it does not fully evaluate the value its risk management arrangements provide.** Putting in place a system to evaluate its risk management approach is important to understand how those arrangements help provide value for money.
- 15 **The Council shares lessons learnt on risk management through discussion at its Leadership Group and its corporate manager workshops.** This is important so it does not miss opportunities to learn from both successes and failures, to support more informed decision-making and potentially improve risk mitigation efforts in future activities.

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

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 clearly define risks, so it is clear what the risks are that the Council is seeking to address and why (paragraph 4); and
- 1.4 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).

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 7);
- 2.2 clearly define its risk appetite and tolerance levels and ensure that the application and value of these to its risk management arrangements is understood by officers and Members (paragraph 8); and
- 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 (paragraphs 10 and 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 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 12); and
- 3.2 report in the public domain in a way to provide Members with an overall picture on risk management, performance and budget monitoring (paragraph 13).

Recommendations

- 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 regularly evaluate and report on the economy, efficiency and effectiveness of its risk management arrangements (paragraph 14).

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?	<ul style="list-style-type: none">• The Council's risk management framework sets out:<ul style="list-style-type: none">– 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?	<ul style="list-style-type: none">• 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
		<ul style="list-style-type: none"> 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?	<ul style="list-style-type: none"> 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?	<ul style="list-style-type: none"> 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?	<ul style="list-style-type: none"> 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).

Level 2 questions	Level 3 questions	Criteria
		<ul style="list-style-type: none"> • 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?	<ul style="list-style-type: none"> • 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?	<ul style="list-style-type: none"> • 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.

Level 2 questions	Level 3 questions	Criteria
	2.4 Does the Council regularly monitor and report on risk management?	<ul style="list-style-type: none"> • 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?	<ul style="list-style-type: none"> • 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?	<ul style="list-style-type: none"> • The Council identifies and shares lessons learnt and good practice around risk management across the Council.



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