

# **Review of Risk management**

Bridgend County Borough Council

November 2025

# About us

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# Audit snapshot

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## What we looked at

- 1 We looked at whether the Council's risk management arrangements support it to effectively manage the risks which could prevent it from achieving its strategic objectives.
- 2 This report did not look to understand if the Council's risk register is accurate or robust. It did not conduct an analysis of the risks the Council may have, and therefore, does not reflect on whether the Council has a comprehensive understanding of its risks. It also did not look at risk management at a departmental or project level. It looked solely to understand if the Council's arrangements support the delivery of its strategic objectives.

## Why this is important

- 3 Risk management for local government is the process of identifying, assessing, and mitigating risks that could impact on the achievement of councils' strategic objectives.<sup>1</sup>
- 4 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.
- 5 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'.<sup>2</sup>

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<sup>1</sup> 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.

<sup>2</sup> UK Government, The Orange Book – Management of Risk – Principles and Concepts, 2023

## What we have found

- 6 The Council has a risk management policy which is underpinned by its Code of Corporate Governance, but its overall risk management culture and systems are underdeveloped. This limits its ability to effectively identify, assess, and respond to risks, which may impact on the achievement of its well-being and strategic goals. Risks also tend to reflect a combination of issues and risks.
- 7 The Council has made progress in improving risk management with the ownership of risks assigned to the Corporate Management Board (CMB), reflecting a commitment to collective oversight. However, there is a lack of capacity to coordinate and drive its risk management arrangements and to support and challenge directorate-level activity.
- 8 The Council's arrangements to scan the horizon for emerging threats and opportunities could also be enhanced. While risks are aligned to well-being objectives, this connection could be made more proactive and strategic, helping to drive risk identification rather than being applied retrospectively. The Council reviewed its Risk Management Policy (the policy) in 2023 and maintains regular reporting to the Governance and Audit Committee (GAC) twice a year, which provides a foundation for further development. Clarifying individual accountability within the current collective ownership model would also help reinforce responsibility and transparency.

## What we recommend

9 We have made three recommendations aimed at improving the Council's risk management arrangements. These cover:

- strengthening the risk management culture;
- improving processes; and
- effective evaluation.

# Our findings

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**The Council's risk management arrangements are not working effectively to fully support the delivery of its strategic objectives**

- 10 The Council has a Risk Management Policy and Framework which is underpinned by its Code of Corporate Governance, but it is not supported by a mature and effective risk management culture. The policy sets out the roles, responsibilities and reporting lines for all officers and members. However, there are some aspects of this policy that are not in place. For example, the policy sets out that the Council should have a dedicated officer who 'will co-ordinate work on the annual risk assessment and subsequent reviews and function as a point of reference and support'. The Council does not have this, and we found that there is a lack of strategic and operational capacity to effectively focus on risk management. Consequently, there is a risk that the Council will not be able to identify and manage its risks, which could impact on the delivery of services and keeping the Council safe.
- 11 The Council is not fully applying its Code of Corporate Governance which states it will, 'implement robust and integrated risk management arrangements and ensure that they are working effectively'. This Code states that risk management guidance notes will be published on the intranet and taken to Departmental Management Teams. It also states that e-learning modules will be available. However, there is no evidence these arrangements are in place. This undermines the Council's ability to have effective and integrated risk management arrangements.

- 12 The Council's approach to identifying and defining risks suggests a lack of alignment between risk management and its strategic objectives. The Council has aligned each well-being objective to a risk. However, there is no evidence that it has looked at each well-being objective to consider what risks could prevent them from being achieved. Without this approach of using well-being objectives as a starting point, the Council may miss opportunities to establish preventative controls and reduce the likelihood that well-being objectives will be progressed.
- 13 The Council ensures risk is routinely discussed at Corporate Management Board (CMB), and Cabinet and Corporate Management Board (CCMB) with a standing agenda item. However, the Council does not always clearly document the outcome from these discussions, including the level and quality of challenge. Enhancing the consistency and transparency of these discussions could further strengthen the Council's risk governance.
- 14 Whilst the Council's tolerance levels are outlined in the Risk Management Policy its risk appetite is not. The policy states that CMB and Cabinet will set the Council's risk appetite. The Risk Management Policy suggests that its appetite is any risk it identifies above a certain score. However, there is no information to support how it has decided if, for example, it has a cautious approach to financial risks or an open approach to innovative risks. Understanding its risk appetite would help the Council make more informed decisions.
- 15 The Risk Management Policy notes that CMB and Cabinet should scan the horizon for medium and longer-term risks. The Council relies on the professional knowledge of its directors to identify these longer-term risks. However, it is difficult to understand the results of these discussions because they are not recorded. Without a coordinated approach to horizon scanning the Council may miss opportunities to identify longer-term risks.
- 16 The Council's approach to assessing risks could be strengthened by using risk analytics, artificial intelligence, or risk modelling.<sup>3</sup> It does not use all available and reliable information to assess the scale, likelihood, and potential impact of risk. Without this wider information, there is a risk that the Council will not have a full and accurate picture to base its decisions on.

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<sup>3</sup> For example, scenario planning, SWOT analysis, PESTLE analysis, predictive modelling.

- 17 The Council provides mitigating actions against each risk, but they are not always clear. Some are a combination of past and future actions. It is not always easy to understand how these actions reduce the likelihood or impact. This can result in increased exposure to risk, ineffective use of resources and inability to effectively monitor progress. In addition, the Council does not differentiate between risks and issues in its Corporate Risk Assessment. Risks and issues require different responses.<sup>4</sup> Greater clarity on the difference could improve prioritisation.
- 18 The Council's Code of Corporate Guidance notes that consideration and monitoring of the risks facing each partner (including shared risks) should be captured in the Corporate Risk Assessment. However, these shared risks are not included. It is, therefore, difficult to understand how the combined impact of risks is recognised across the Council. Without this integrated approach to risk management, the Council may not be sighted on potential vulnerabilities and opportunities for better decision-making and risk mitigation.
- 19 There is limited evidence of combined reporting across performance, finance, and risk. GAC reviews the Corporate Risk Assessment twice a year. This is then reported to Council once a year for consideration as part of the Medium Term Financial Strategy. However, it is not presented as part of the Council's quarterly Corporate Performance Assessment and budget monitoring reports. Without this wider awareness, it may be difficult for members to fully understand the reasons behind resource allocation and spending. Consequently, weakening the decision-making process.
- 20 The Council's risk management policy was last updated in January 2023. At that time, the Council noted in the policy that CMB and Governance and Audit Committee (GAC) would review the policy in January 2024. However, this review did not take place. The 2023 update was light touch and there is no evidence that the Council evaluated the overall effectiveness of its risk management arrangements, including learning from other organisations. The Council missed an opportunity to potentially improve value for money in its risk management arrangements.

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<sup>4</sup> 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.

- 21 The Council does not have a centrally coordinated, formal process for sharing lessons learned. This may mean that the Council misses the opportunity to learn from both successes and failures. This could support more informed decision-making and strengthen risk mitigation and therefore reduce either the likelihood or impact of risks.



# Recommendations

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**R1 To strengthen its risk management culture** the Council should:

- 1.1** agree its risk appetite and ensure that this and its tolerance levels are applied and understood by officers and Members (para 14)
- 1.2** report in an integrated way on risk management, performance, and budget monitoring (para 19)
- 1.3** ensure appropriate and timely training is available (para 11)

**R2 To improve processes that enable it to identify, manage, monitor, and challenge** its risks the Council should:

- 2.1** strengthen its horizon scanning arrangements to ensure it is taking a long-term and preventative approach to risk management (para 15);
- 2.2** establish arrangements to demonstrate a clear consideration of risks to the delivery of its strategic/well-being objectives (para 13);
- 2.3** clearly define risks, so it is clear what the risks are that the Council is seeking to address and why (para 12);
- 2.4** differentiate between issues and risks to ensure that the actions it intends on taking reflect the difference (para 17); and
- 2.5** 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 (para 18).

**R3 To evaluate the effectiveness of its arrangements** the Council should:

- 3.1** regularly evaluate and report on the economy, efficiency, and effectiveness of its risk management arrangements including wider learning from other councils (para 20); and
- 3.2** routinely share lessons learnt to improve its risk management arrangements (para 21).

# Appendices

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# 1 About our work

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## Scope of the audit

This audit looked at the Council's Corporate Risk Management arrangements. The audit did not examine risk management arrangements related to specific programmes or projects.

## Audit questions and criteria

### Questions

This audit sought to answer the following questions:

- Does the Council have a clear risk management framework supported by an effective risk management culture?
- Does the Council effectively identify, manage, monitor, and challenge its risks?
- Does the Council have arrangements in place to evaluate the effectiveness of its risk management arrangements?

### Criteria

We developed the audit criteria using a range of risk management guides and the National Audit Office's 2024 publication 'Overcoming challenges to managing risks in government'.<sup>5</sup>

## Methods

We used the following methods:

- reviewed key documents relating to risk management;
- interviewed key officers and elected members responsible for identifying, mitigating, and overseeing risk management;

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<sup>5</sup> National Audit Office, Overcoming challenges to managing risks in government, 2023

- observed a sample of Governance and Audit Committee meetings in the Council where risk management reports have been considered.

## About us

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