

Review of corporate risk management arrangements in Powys County Council

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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 Powys 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

In 2023, the Council made improvements to its risk management framework. Senior leaders promote a positive culture around risk management. This is reflected in regular discussions around risks at Senior Leadership Team (SLT) and service performance meetings. The Governance and Audit Committee (GAC) has increased its focus on the effectiveness of risk management in the Council and undertakes a rolling programme of 'deep dive' reviews. We have identified some areas for improvement to support the Council to further demonstrate the alignment between risk management and the delivery of its strategic objectives. These include, demonstrating consistent alignment of risks to the three strategic objectives – Stronger, Fairer, Greener – included in its Corporate and Strategic Equality Plan 2023-2027. Positively, the Council has defined its risk appetite and tolerance levels, and it can build on this by clearly communicating where and why

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](#)

certain risks sit outside of its target scores. This will also help the Council to set out the impact of control actions on its identified risks.

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 approach but it does not consistently demonstrate how its approach helps it to manage its strategic risks

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 risk management framework.** Its risk management policy and guidance clearly set out the relevant governance arrangements, including reporting requirements, roles and responsibilities. However, despite highlighting the importance of aligning risk management to the achievement of its strategic objectives, the Council does not clearly demonstrate this. Demonstrating how risk management aligns with strategic objectives is important to ensure that resources are used effectively and efficiently while mitigating potential threats and maximising opportunities.
- 2 **The Council's approach to horizon scanning is not fully developed³.** As part of business planning the Council requires services to assess new and emerging risks and opportunities. The Corporate Leadership Team (CLT) also considers horizon scanning as a standing agenda item. However, it is unclear how these activities help the Council to consider scenarios which present emerging risks and opportunities. This is important to help ensure the Council makes strategic decisions with short and long-term impacts in mind.
- 3 **Risk descriptions do not consistently set out the potential impact on the Council's strategic objectives.** Risk owners describe the risk and potential consequences if the risk were to occur. However, those consequences are mostly service based impacts and do not always relate to the impact on the Council's strategic objectives. 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 has a clear approach to differentiate between risks and issues⁴.** Despite not including both risks and issues in its strategic risk register, the

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

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.

Council's SLT holds a separate issues log which it regularly reviews. In line with its policy, Members do not receive this log. However, Members receive specific reports on the management of significant issues, for example, those that might require additional funding. This is important to ensure oversight of the 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 **The number of officers who have received training on risk management is low.** Governance and Audit Committee (GAC) members have received training relating to their assurance role within the risk management framework. However, since relaunching its risk management training in mid-2024, very few officers have attended. The Council recognises that it has more to do to identify key roles and to upskill officers through targeted training. Effective training is important to ensure Members and officers understand their risk management roles and responsibilities.
- 6 **Senior leaders promote a positive culture around risk management.** Senior officers and Cabinet members reinforce the importance of risk management as part of the Council's governance framework. SLT regularly discuss the strategic risk register and Cabinet members also attend quarterly service performance meetings during which service level risks are discussed. This culture 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 has a consistent approach to assessing the impacts of its strategic risks.** Risk owners assess risks using a matrix of likelihood and impact, professional knowledge and any available service data. 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.
- 8 **The Council has clear criteria for risk escalation and de-escalation.** The SLT uses three criteria to escalate risks to the strategic risk register: severity (score above 15⁵), impact and significance. SLT can de-escalate risks where it deems that controls are effective, the severity of a risk is reduced, or a risk is resolved. Clear criteria and rationale for risk escalation and de-escalation help support more efficient and effective arrangements.

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

- 9 **The Council has developed its risk appetite⁶ but does not make full use of this approach.** Although the Council has published a risk appetite statement, its strategic risk register report does not include the relevant appetite category, tolerance levels, or target risks scores. 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. Equally, certain risks cannot be fully controlled due to their nature and will need to be tolerated. In late 2024, most of the fifteen strategic risks on its register exceeded the Council's agreed risk appetite. However, because the Council had not clearly communicated its risk appetite and tolerance levels, the rationale for carrying these risks was unclear. Clearly communicating its risk appetite and tolerance is important to support a mature risk management approach.
- 10 **The Council does not clearly demonstrate its consideration of risk information from partner organisations.** Risks often have cross-cutting impacts which extend across organisational boundaries. The Council's arrangements require service areas to record risks from partnerships that relate to the Council. Senior leaders also consider the impact of partner organisations' risks. However, the Council's strategic risks do not always show the impact of partners on the Council's risks. Understanding how decisions of key partners might impact on the Council can enable better management of the impact of those risks.
- 11 **The Council does not clearly demonstrate its approach to cross cutting risks.** Each risk in the strategic risk register has a single risk owner which provides clear ownership of the risks. SLT discuss the contribution of all relevant services areas to cross-cutting risks, however the Council does not demonstrate those contributions clearly, for example, the nature and climate emergencies. Taking an integrated approach to risk management helps identify interconnected risks, potential vulnerabilities and opportunities for better decision-making and risk mitigation.

⁶ 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.

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.⁷

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.

- 12 **The Council regularly reports on risk management, but risk actions are not always SMART⁸.** The CLT and GAC receive regular reports on risk management. The Council sets out controls or actions in its risk register, however those are not always SMART nor 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 consistently demonstrate the impact of risk controls.** The Council's strategy recognises that few risks and control actions remain static. CLT regularly receive the strategic risk register and review the risk scores, progress statements and the controls and actions. The progress statements are intended to provide assurance that mitigating actions are being actioned and monitored. However, those statements do not consistently align to the controls and actions. Many controls or actions are marked as complete, and it is unclear why the those remain on the register. The register therefore summarises activity rather than providing evidence of the impact of risk controls. Regular reporting and monitoring of the effectiveness of controls helps contribute to risk mitigation and identify where additional controls might be needed.
- 14 **The Governance and Audit Committee is increasing its focus on the effectiveness of risk management.** The Council's GAC undertakes a rolling programme of deep dive reviews of all strategic risks. Its terms of reference for those reviews however have not been updated to take account of several changes including risk appetite and tolerance levels. Without clear terms of reference, the GAC's impact when undertaking deep dives might be constrained.
- 15 **The Council currently reports on performance and risk separately.** The Cabinet receive separate performance, budget monitoring and risk reports every quarter. The performance report does not refer to relevant strategic risks. This

⁷ UK Government (2023) [The Orange Book – Management of Risk – Principles and Concepts](#)

⁸ Specific, measurable, achievable, realistic and timebound.

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.

- 16 **The Council has reviewed its risk management policies.** In early 2023, the Council reviewed its risk management policy and guidance. However, as it is still implementing the changes it introduced in 2023 the Council has yet to evaluate if its revised arrangements are achieving the intended benefits. Putting in place a system to evaluate its risk management approach is important to understand how those arrangements help provide value for money.
- 17 **The Council has addressed previous areas for improvement in its risk management arrangements.** The Council has addressed all areas for improvement highlighted in the 2023 internal audit on risk management. This is important to support the Council to continually improve its risk management framework.

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 set out clearly how risks align with its strategic objectives (**paragraph 1**);
- 1.2 demonstrate how horizon scanning informs the identification of longer-term risks (**paragraph 2**);
- 1.3 review the take up of training for officers and Members regularly engaged with managing and reviewing risks (**paragraph 5**).

Recommendations

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 set out the application of its risk appetite and tolerance in its strategic risk register (**paragraph 9**);
 - 2.2 set out how all relevant services contribute to control actions for cross cutting risks (**paragraph 11**).
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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 develop proportionate SMART control measures for all risks in the strategic risk register (**paragraph 12**); and
 - 3.2 assess and report on the effectiveness of its control actions (**paragraph 13**).
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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 evaluate and report if the changes made in 2023 are achieving the intended benefits (**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
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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