



WALES AUDIT OFFICE
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Review of Risk Management Arrangements – **Carmarthenshire County Council**

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This document is also available in Welsh.

The team who delivered the work comprised Nathan Couch, Alison Lewis and Jeremy Evans under the direction of Huw Rees.

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Summary report

Summary

What we reviewed and why

- 1 We reviewed Carmarthenshire County Council's (the Council's) arrangements to identify, manage and monitor risks. Good risk management is important as it allows an organisation to have increased confidence in maintaining its operation and achieving its objectives. To have effective risk management arrangements, the Council needs to:
 - identify factors that could negatively affect its operation;
 - assess their potential impact (by reviewing the likelihood of a risk happening and the impact if it does);
 - implement the most effective way of controlling them; and
 - monitor the risks and how it manages them.
- 2 We undertook this review in March and April 2019.

What we found

- 3 Our review sought to answer the question: Are the Council's risk management arrangements effective?
- 4 Overall, we found that: **The Council has a risk strategy, but a lack of guidance, tools and training is leading to inconsistent implementation and assurance and monitoring arrangements need strengthening.** We reached this conclusion because:
 - the Council has a risk strategy which would benefit from more detail to improve its effectiveness;
 - a lack of guidance, tools and training leads to inconsistent operational risk management; and
 - the Audit Committee's oversight of corporate risks is improving although the Council's other assurance mechanisms are not sufficiently effective.

Proposals for improvement

Exhibit 1: proposals for improvement

The table below sets out the proposals for improvement that we have identified following this review.

Proposals for improvement	
Procedures and Guidance	
P1	The Council should develop suitable procedures and guidance to underpin its risk management strategy to ensure that risk management is consistently embedded across the organisation.
Risk Appetite	
P2	The Council should define its corporate risk appetite to ensure that it manages risks and opportunities effectively.
Performance Management	
P3	The Council should further align its risk management arrangements with its performance management arrangements.
Roles and Responsibilities	
P4	The Council should review and clarify the roles and responsibilities of: <ul style="list-style-type: none">• Managers• Staff• Risk champions• The Risk Management Steering Group in its risk management arrangements.
Risk Management System	
P5	The Council should: <ul style="list-style-type: none">• clarify the system it is using to identify and capture risks to ensure a consistency in approach across the organisation; and• review the information recorded on risk registers throughout the organisation to ensure information is up to date, complete, and has enough detail to ensure risks can be appropriately managed.
Effectiveness of Risk Management Arrangements	
P6	The Council should improve the effectiveness of its risk management arrangements by: <ul style="list-style-type: none">• training staff;• regularly seeking assurance on the effectiveness of all aspects of its arrangements and acting on the findings; and• embedding a process for identifying lessons learned and sharing good practice across the organisation.

Detailed report

The Council has a risk strategy, but a lack of guidance, tools and training is leading to inconsistent implementation, and assurance and monitoring arrangements need strengthening

The Council has a risk strategy which would benefit from more detail to improve its effectiveness

5 In reaching this conclusion we found that:

- the Council has a Risk Management and Contingency Planning Strategy, covering the period 2018-2022.
- senior management understand their roles and responsibilities for risk management, but operational staff are less clear. The Council has not defined the roles, responsibilities and expectations of management and staff in relation to risk management in the strategy.
- the Council also needs to define the role and responsibilities of the Council's departmental risk champions. Our work found limited capacity among some officers to dedicate time to their risk champion duties.
- the Council has not developed procedures or guidelines setting out how risks should be defined, categorised, scored, recorded or mitigated.
- the Council has identified that it needs to understand and articulate its risk appetite¹ but has not yet defined or set any acceptable tolerance levels for its risks.
- whilst risks are identified in service business plans, links between the Council's risk management arrangements and its arrangements for performance management could be clearer.
- however, the Corporate Management Team has ownership of the corporate risk register, reviewing it at six monthly intervals. Directors display leadership and involvement in risk management within their individual areas of responsibility. Risk is discussed at corporate, departmental and service management team meetings but arrangements in some service areas need further improvement.

¹ Risk appetite is the amount and type of risk that an organisation is willing to take to meet their strategic objectives.

A lack of guidance, tools and training leads to inconsistent operational risk management

6 In reaching this conclusion we found that:

- the Council has an inconsistent approach to collating and monitoring risk information resulting in potential duplication or gaps in information held. The different systems being used mean that there is a lack of clear corporate oversight of all organisational risks. Some service areas are collating and recording risks on the Council's corporate risk management system and other service areas are recording risks in spreadsheets, business plans or in the Council's project management and performance management software.
- some officers with risk management responsibilities cannot access the risk management module on the corporate risk management system and are unable to view risk information, this encourages the use of separate systems to record and monitor risk. The quality and completeness of information recorded on risk registers are variable. Some risks are not clearly articulated or classified and there is limited information to show how risks impact the Council's operation.
- it is unclear how the Council is monitoring risk mitigating actions detailed on the corporate risk management system service risk registers. Service risk registers show many risk control measures as ongoing, in progress or continuous and there are limited target implementation dates. We found that many risk control measures show zero per cent completion.
- our work highlighted negative views among some staff on the functionality of the corporate risk management system and the level of training available to ensure they can use the system effectively. The Council has identified the importance of training and has included in its Risk Management Strategy a key action to, 'Ensure adequate Risk Management and Contingency Planning training and guidance is provided to both Officers and Members'. The Council has further training planned, following the upgrade to the risk system, which is due over the coming months.
- a lack of capacity in the Council's Risk Management Unit is impacting its ability to provide training and technical support to encourage staff to use the corporate risk management system.

The Audit Committee's oversight of corporate risks is improving, although the Council's other assurance mechanisms are not sufficiently effective

7 In reaching this conclusion we found that:

- the Council's Audit Committee's oversight of risks has improved. The committee now sees the Corporate Risk Register twice a year and it has started to invite risk owners to meetings to provide updates on the risks. There is still scope for the Audit Committee to review risk management and the risk register more often and more rigorously.
- the Risk Management Steering Group's terms of reference are unclear. The risk strategy states it will have a strategic focus but, minutes of the meetings suggest an operational rather than strategic focus. The group primarily looks at risk from an insurance perspective, spending most of its time reviewing risk management fund bids². Consequently, the group has a limited focus on reviewing/overseeing corporate or service risk registers or the robustness of the organisation's risk management arrangements. Therefore, it provides little if any assurance that risk management arrangements are effective.
- there is evidence that the Risk Management Steering Group, its four sub-groups and some service areas learn lessons from mistakes and near misses and share good practice on risk management. There is also some review of the success of the initiatives supported by the risk management fund. However, we found the process for this is not systematic or embedded across the organisation.
- the Council has made some progress to address opportunities identified by its insurance supplier when it undertook a health check of the Council's risk management arrangements in 2017. For example, refreshing the corporate risk register and updating the Risk Management and Contingency Planning Strategy but recognises that there is further work needed to address the range of opportunities identified.
- Internal Audit last reviewed risk management in March 2017 when they looked at insurance arrangements. The Council needs to undertake further assurance work or self-assessments against recognised risk management standards to understand the effectiveness of its own risk management arrangements.

² The risk management fund consists of £250,000 per annum which can be used to pump prime risk reduction initiatives within the Council.

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