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Wales Programme for Improvement: Year 6 Implementation Guidance Chapter 1 – The Risk Assessment Process

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Appointed auditors should contact their in-house audit technical support team in the first instance, who, if necessary, will then contact Bernadette in accordance with the technical support protocol.

Part 1: Co-ordinating Regulation

Principles of Regulation and Inspection

1. The Care and Social Services Inspectorate for Wales (CSSIW) and Estyn are required (by the Local Government Act 1999) to work together to co-ordinate inspection activity in support of continuous improvement. This requirement is reinforced by Chapter 8 of the Welsh Assembly Government (Assembly Government) circular 28/2005 which sets out the principles underpinning regulation, inspection and intervention.
2. Under the Wales Programme for Improvement (WPI) the Wales Audit Office appoints a Relationship Manager (RM) for each local authority to co-ordinate, as far as is practicable, all regulation and inspection activity at their sites. The RM is supported by the local regulatory team and there are a number of mechanisms available to underpin co-ordination activities at key times during the year. Effective co-ordination requires the co-operation of all the regulators involved in the WPI process.

The Joint Risk Assessment

3. The Joint Risk Assessment (JRA) process is the first point in the improvement cycle at which regulators should co-ordinate their response to authorities' Annual Assessments of their services and functions. The RMs will liaise with CSSIW's link inspectors and Estyn's Regional Team inspectors to ensure that they are given the opportunity to contribute to the JRA and to attend key meetings in the process. The RMs will seek to agree timetables with authorities for this process to ensure that meetings can be planned as far ahead as possible.
4. Detailed guidance on the involvement of Estyn and CSSIW is in paragraphs 13 and 66 to 75.
5. Outside the JRA, regulators will agree locally the arrangements for other meetings with authorities during the year.

Regulatory Plans

6. Regulatory plans set out, on an annual basis, all elements of regulation and inspection that an authority is likely to face in the year ahead.
7. The RM is responsible for co-ordinating the Plan and needs to ensure that other regulators are consulted about the likely content of their forward work programmes insofar as these have been established when the Plan is produced.

8. Regulatory Plans for each authority will list:
 - The Financial Audit work to be undertaken by the Appointed Auditor.
 - The Performance work to be carried out by the Auditor General.
 - The Wales Audit Office's planned work programme under its inspection powers, which could include work with authorities on the scoping and planning of reviews as well as scheduled inspections.
 - In the case of county and county borough councils, planned work by Estyn and CSSIW, whether under the Local Government Act 1999 powers or under their other statutory powers. When a Regulatory Plan is drawn up, not all the activity of these inspectorates will be known because some notice periods are short. In these cases, the information will be added to the Regulatory Calendar when the Wales Audit Office is notified.
 - Other work to be carried out by the Wales Audit Office.
9. In agreeing Performance Audit and Inspection work to be undertaken by the Wales Audit Office, an Issues Analysis may be held to consider the agreed JRA and the work to be undertaken in the coming year.

Regulatory Calendars

10. The activities in the Regulatory Plan will be reflected in the Regulatory Calendar which sets out the delivery timetable for the work of the regulators. It is not intended to be used as a vehicle for the more detailed monitoring of the regulatory programme which will be subject to locally agreed arrangements.
11. Regulatory Calendars enable authorities and their regulators to track the timing and progress of all regulation and inspection activity identified in the Regulatory Plan. They will be updated at least on a quarterly basis, including with any work which was not known when the Regulatory Plan was produced.
12. Regulatory Calendars are produced by the Wales Audit Office's Performance Project Managers (PPMs) for each local authority. They liaise with other regulators and are responsible for verifying the information and for issuing the calendars to local authorities, CSSIW link inspectors and Estyn's Regional Team Inspectors.

Delivering Audit and Inspection Work

13. To support more effective co-ordination, the Wales Audit Office, CSSIW and Estyn will:
 - share service-wide programmes of work for education and social services;
 - use these service-wide programmes and regulatory plans to develop more shared and cross-cutting work, or to avoid clashes and to record this in the regulatory calendars;
 - update the Regulatory Calendars every quarter to inform RMs of the nature and timing of work under national or local programmes;

- share information on project scope and timing and, unless it is inappropriate, draft and final reports between the auditor and RM and the relevant Link and Regional Team inspectors in line with local protocols; and
- ensure that other relevant information (such as council documents held by the local regulatory team) is shared to avoid duplication.

Support and Intervention

14. The Wales Improvement Board is currently considering a new approach to Improvement and Intervention. A Task and Finish Group has developed a new Protocol that provides an opportunity to clarify the point at which authorities are identified as needing support (and the factors considered) and the arrangements to ensure the process is robust and transparent.
15. The draft Protocol is concerned specifically with those powers of intervention derived from:
 - section 15 of the Local Government Act 1999; and
 - the Wales Audit Office's statutory duties as set out in the Public Audit (Wales) Act 2004.
16. One of the key principles underlying the draft Protocol is that 'areas of actual or potential weakness should be known in advance of any moves towards support or intervention'. The JRA is central to identifying such areas of weakness. The draft Protocol emphasises that, in order to avoid the risk of 'wait and see' escalating into the breakdown of a service and as an aid to clearer direction, where JRAs and similar mechanisms highlight areas for concern, they should also note any material possibility of a need for support or intervention where shortcomings are not rectified. Local authorities are expected to take remedial action well in advance of a situation becoming critical.
17. The Protocol is underpinned by proactive information and process sharing between partners including:
 - honesty in reporting;
 - sharing information, processes and best practice with peers and national partners; and
 - maximising the sharing of robust, real-time performance management data with peers, regulatory bodies and others.

Information sharing is expected to occur through Quarterly Regional Forums for regulators and inspectors that will report to the Wales Improvement Board.
18. The draft protocol has been issued for consultation (closes in June 2008) and further guidance will be available following its adoption.

The Review of WPI

19. *Delivering a Shared Responsibility: Performance Improvement and Community Planning* signals the Assembly Government's intention to legislate to reform WPI and strengthen community planning by:
 - creating a statutory regime that better integrates long-term strategic planning and shorter-term service improvement;

- amending legislation to reflect the distinctive nature and role of local government in Wales; and
 - building on the experience of local authorities and others in operating within the current regimes.
20. The consultation period closes at the end of April and the Auditor General will be submitting a response that builds upon previous correspondence and ongoing discussions with Ministers about the future of WPI, including joint risk assessments.

Improvement Agreements and National Minimum Standards

21. Two ongoing developments are likely to impact on the JRA but work is not sufficiently advanced for the detail to be included in this revised implementation guidance.

Improvement Agreements

22. Policy agreements between the Assembly Government and individual local authorities ended in March 2007. A new set of Improvement Agreements (IAs) is to be implemented focusing on local priorities for improvement as a way of addressing variations in performance across Wales. The agreements will underpin an Improvement Agreement Grant over an initial period of two years starting in 2008/2009. The current proposal includes provision for RMs to sign off improvement agreements and our current thinking is that this will be incorporated into the JRA process.

National Minimum Standards

23. Ministers have agreed that a small set of national minimum standards will be developed, also to address the variability in service performance across Wales. They will aim to identify standard levels of provision for key services that all providers should aim to meet. Outline proposals were presented to the Wales Improvement Board in January 2008 and local authorities should be aware of the ongoing work via their WLGA and SOLACE representatives on that Group.

Next steps

24. These developments will proceed in parallel since both are expected to address underperformance. A Task and Finish Group has been established to discuss the outline proposals and agree the detailed arrangements. Consultation on the detailed proposals will follow, including face-to-face discussions with each local authority about the possible content of their improvement agreements during the early summer. Agreements are expected to be in place by the end of 2008: minimum service standards are expected to take effect from 2009/2010.
25. Further information and guidance to regulatory teams will follow over the next few months.

Part 2: The WPI Risk Assessment Process

26. This section summarises the key inputs to the JRA process, including the contributions of Estyn and CSSIW. More detailed guidance is in Appendix 1.

The Improvement Cycle

27. The Assembly Government's WPI Guidance (Circular 28/2005) establishes an annual Improvement Cycle linked to service and financial planning, removing the requirement to prepare a Whole Authority Analysis. The guidance also establishes the broad principles of Annual Assessments and making information available at the most appropriate time, as set out in [Appendix 2](#).
28. In line with the Assembly Government's guidance, the JRA is expected to take place between July and September each year, once the business planning process is complete and initial performance and financial data is available. However, authorities have developed their own timetables for implementing WPI and in practice a number of authorities conduct the JRA earlier in the year. The JRA should, in any case, be reviewed throughout the year in line with monitoring service plans and Annual Assessments. If the JRA is completed earlier in the year – for example to inform business and financial planning – it is important that it is updated for inclusion in the Improvement Plan.

Authorities' Annual Assessments

29. The WPI has, at its core, the requirement for local authorities to undertake annual assessments of:
- the authority and the services it provides; and
 - the capacity for improvement in the short to medium term.
- The Improvement Cycle suggests that these assessments should be completed between January and March of the financial year just ending, and should be part of the existing service and business planning arrangements.
30. Authorities may structure their annual assessments as they see fit. No single model is prescribed, maintaining the flexibility for authorities to develop and use a methodology which best suits their individual circumstances. This flexibility has been beneficial in securing local government's commitment to the process but has increasingly led to variation in the risk assessment methodologies applied within and between authorities.
31. Annual assessments should:
- address all services and functions, focusing on those which appear to be amongst the sources or causes of risk; and
 - be capable of prioritising risks and identifying deliverable actions for managing, mitigating and/or eliminating them.

32. As in previous years, authorities and regulators may conduct a risk assessment using any reasonable methodology. We encourage authorities to use existing self-assessment methodologies to minimise any potential burden of duplication. Such methodologies include the Estyn/Wales Audit Office/ADEW self-evaluation criteria, CSSIW's performance evaluation criteria, the DWP's self-assessment criteria for housing and council tax benefits and the WLGA's Equality Improvement and Sustainability Frameworks.
33. The risk assessment is revisited at least annually to establish whether any important factors have changed. This exercise informs the annual updating of the forward-looking element of the authorities' Improvement Plan as well as the next Regulatory Plan.
34. As in previous years, the focus of an authority's approach must be on implementing action that results in **evidenced** service improvement in priority areas. If the annual assessments are completed effectively, any subsequent analysis and risk assessment should not take a significant amount of time. However, it remains important for authorities to establish the causes of any identified risks.
35. The annual assessment is a key stage in the WPI process and should lead to a range and mix of improvement actions rather than a simple series of reviews. At the end of the process authorities should have:
 - identified priority areas where they need to focus attention;
 - identified any information gaps that need to be addressed;
 - identified areas that are already functioning well and improving under existing performance management systems;
 - provided for dealing effectively with the priority areas and filling the information gaps in their improvement plans;
 - identified prioritised actions/action plans; and
 - considered the capacity to deliver improvement.
36. The outputs of the annual assessment process will generate an updated risk assessment by the authority and this will underpin the JRA.

Defining and Categorising Risk

Defining Risk

37. Circular 28/2005 defines risk as 'a threat to improvement', specifically any potential development or occurrence which, if it came to fruition, would jeopardise an authority's ability to:
 - achieve its strategic aims; and/or
 - provide services as planned; and/or
 - fulfil its statutory duties, including the duty to make arrangements to secure continuous improvement.

The range of risks to improvement is classified into three categories:

- **Capacity risks:**
 - the absence of a required political, managerial or operational mechanism; or
 - the potential for such a mechanism to deliver outputs or outcomes which are materially less than, or in conflict with, those planned or required.
- **Resource risks** such as a potential lack of financial, human or other resources to meet established needs or demands.
- **Contextual risks** such as a potential failure to identify and/or respond to external pressure on the authority and the services it provides.

Categorising Risk

38. In considering risks, the following aspects should be taken into account:
- **Probability** – the chance that a risk will materialise based on an objective assessment of:
 - the causes of a materialised risk;
 - the likelihood of its occurrence; and
 - the strength of measures to prevent, forestall or anticipate such an occurrence.
 - **Impact** – the consequences for the authority, service users and others of such an occurrence. It includes the potential impact of leaving things as they are (the ‘opportunity cost’ of no change). Impact is proportional to:
 - the priority which the authority has accorded to the objectives which the service or function at risk supports; and/or
 - the existence of a statutory duty; and
 - the extent to which delivery of that priority or duty is dependent on them.
39. For service areas, the assessment needs to include an analysis of the risk related to the authority’s priorities. In practice, risks to services reflecting major priorities will be higher than risks to services which do not make such a major contribution to the delivery of high priority objectives.
40. It is also important to consider the service’s capacity for improvement as part of the risk assessment, helping to focus on assessing ‘improvement’ as well as ‘risk’.
41. If a function has risks associated with it but the potential impact and public benefit of making any changes are low, it will not be such a high priority for the improvement plan. Areas which are of higher risk, and where action to improve them would have a high impact in terms of improvement, will be natural priorities for the improvement plan.
42. In order to achieve a consistent approach to considering and categorising risks, the Wales Audit Office uses a risk matrix as the basis of assessing the impact of the risks and the probability of their occurrence.

43. The risk matrix, set out in Exhibit 1, does not provide a definition for each ‘score’ but, in applying the guidance, regulators should ensure that:
- the ‘impact’ axis takes account of local priorities; and
 - the ‘probability’ axis takes account of authorities’ plans to address the risk and the previous success rate of implementing plans.

Exhibit 1: Risk Matrix

Probability	Impact		
	3	2	1
3	High	High	Medium/Low
2	High	Medium	Low
1	Medium	Medium/Low	Low

Periodic Reviews

44. Annual assessments, the JRA and the action plans that flow from them are expected to provide assurance that authorities are delivering their strategic objectives or to identify and implement corrective action. However, a more fundamental review may be required in circumstances where, for example, there are ongoing problems or sustained high levels of risk.
45. Periodic reviews are expected to be used positively as a means of medium-term improvement planning when there are, for example:
- planned or actual changes in the strategic direction or organisation of the service(s) or the priorities that they support, including identified opportunities for major innovation in their delivery;
 - major changes in the legislative framework relating to the service(s);
 - anticipated or actual major changes in usage of or demand for services.
46. The Assembly Government does not intend to exercise its powers in section 5 of the Local Government Act 1999 to impose a requirement to conduct specific reviews, or to conduct them within a specified timeframe. It expects local authorities, in discussion with their regulators, to decide whether and when to conduct a periodic review.
47. Reviews should:
- start from first principles and take nothing for granted other than an authority’s statutory duties and powers;
 - not be seen as purely internal affairs but should be based on a wide range of views and evidence and be subject to validation and challenge, including by service users, partners and scrutiny committees;
 - generate action plans and feed into the risk assessment to ensure that progress is monitored on an ongoing basis.

48. Authorities may also consider:
- conducting reviews jointly with other authorities or other relevant public or voluntary bodies, particularly where there is, or appears to be scope for, collaboration between them to deliver services;
 - engaging consultants to carry out a review, particularly where specialist expertise would provide a valuable degree of challenge;
 - inviting a scrutiny or area committee to carry out a review as part of its work programme;
 - inviting an inspection, or taking advantage of one already planned, to gain an assessment from regulators and inspectors on which the authority can then build.
49. Periodic reviews provide a further opportunity to identify any additional support an authority might need from its regulators, the Assembly Government, the WLGA or others that would reduce the prospect of more formal intervention at a later date.

The Improvement Plan

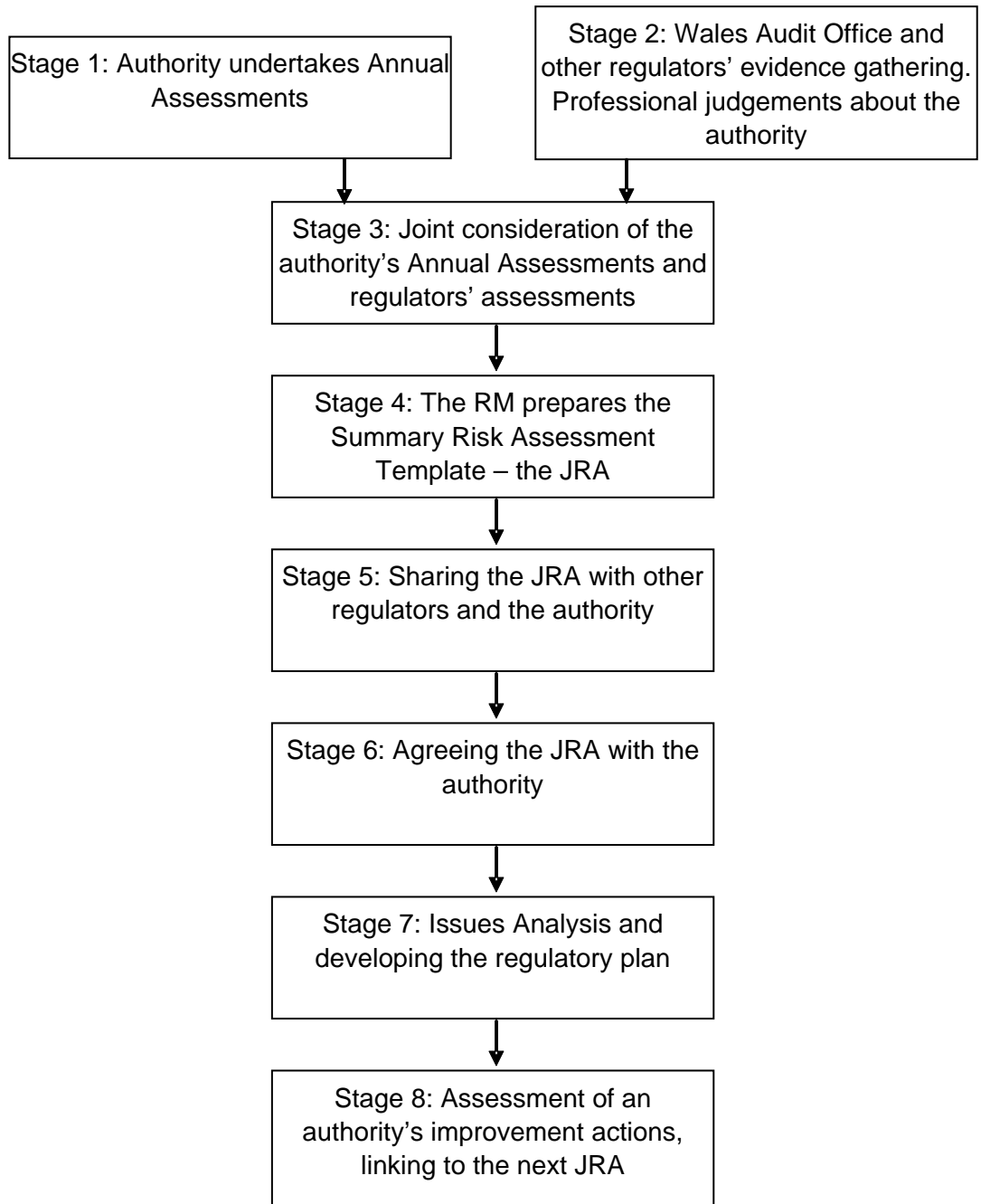
50. The Improvement Cycle incorporates a two-stage approach to communicating information, each relating to key planning and reporting dates. The detailed requirements are set out in Chapter 7 of Circular 28/2005 but, in summary:
- **Stage 1** occurs when the business planning and annual assessment process is complete. Outcomes would normally comprise:
 - a summary of the JRA conducted in the previous reporting year which has informed the business planning process;
 - a summary of action and/or business plans agreed for delivery in the current reporting year;
 - agreed performance targets for the current reporting year; and
 - details of where and how to obtain further and more detailed information.
 - **Stage 2** arises when final (post-audit) performance data becomes available and the output constitutes the formal Improvement Plan required under Section 6 of the 1999 Act. Authorities must publish these plans by 31 October and they should contain:
 - a summary of the authority's long-term strategic objectives;
 - a commentary on performance in the previous reporting year, highlighting progress towards key objectives and the extent to which key risks have been addressed;
 - audited data for all national strategic indicators together with current and future targets;
 - other data which illustrate progress towards the authority's key objectives and/or alleviation of key risks;
 - a summary of the key issues for improvement to be delivered in future years, drawing on the current or most recent JRA (whether or not the JRA is formally complete at the time the plan is prepared); and
 - full details of where to obtain further information.

51. A summary plan should be published at the same time as, or within one month of the main plan. The detailed content of the summary is for each authority to decide but it should be fair and balanced and provide a general readership with:
 - an overview of the authority's priorities and objectives;
 - a summary of how far they have been met in the past year;
 - a summary of improvement action planned or undertaken in the current year; and
 - details of how to obtain further information.
52. In practice, authorities' responses to the two-stage process for improvement planning have varied. Stage 1 is not a requirement, either under the legislation or the Assembly's guidance; the key issue is whether the information available during the course of the year is sufficient to give a rounded and balanced picture of planned and actual performance against strategic objectives in a way that engages citizens and other stakeholders. Further guidance on this aspect is available in Chapter 2 of the implementation guidance: *The Audit of the Improvement Plan*.
53. In many respects the action plans underpinning the improvement actions are the critical stage of the process. Linked to the authority's business plans, these should be concise and consistent with the authority's capacity to deal with them.
54. It is vital that the action plans are implemented. In order to support this, the action plans should:
 - address the causes of the risks;
 - allocate resources and responsibility;
 - include a timetable for implementation;
 - set out the targeted improvement to corporate arrangements and/or service performance as a result of taking the action; and
 - consider capacity and leadership issues.

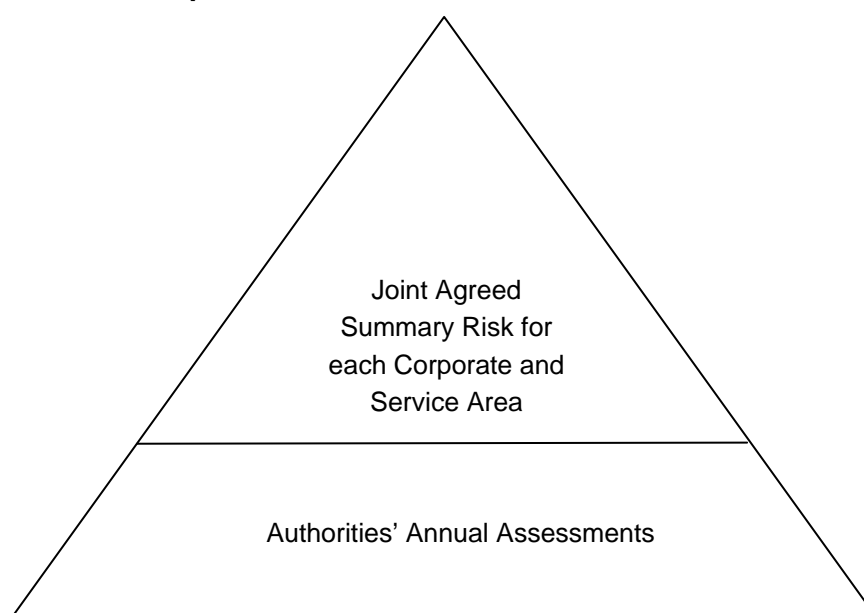
The Joint Risk Assessment Process

55. Regulatory teams must bear in mind that the agreed JRA is a key source of evidence in any recommendation of intervention under the new Protocol described in paragraphs 14 to 18. It will capture the risks that could trigger any such intervention and must, therefore, be based on a robust assessment of the evidence.
56. This overview of the JRA, illustrated in Exhibit 2, shows how the Wales Audit Office will lead the process with the authorities and other regulators. The approach is designed to retain the flexibility inherent in the WPI guidance whilst also introducing greater consistency in the reporting of risks. The approach has nine stages all of which will be managed locally by the regulatory teams, which include the Estyn Regional Team Inspectors and CSSIW's Link Inspectors.
57. A detailed description of each stage is set out in [Appendix 1](#).
58. The arrangements for linking the detailed Estyn and CSSIW evaluation and risk assessment processes to the JRA are described in paragraphs 69 to 78.

Exhibit 2: Joint Risk Assessment process



- 59. In 2004/2005, the Wales Audit Office introduced a revised model to address growing concerns about the divergence in approach between authorities and to ensure that agreed judgements on categorising risks were consistent. That model will continue to operate in 2008/2009 pending the outcome of discussions with the Assembly Government about the future direction of the WPI.
- 60. The model will remain as a two-stage process, as set out in Exhibit 3.

Exhibit 3: The JRA process

61. The model works on the basis of:
- authorities capturing the outcomes of their annual assessments; and
 - the Wales Audit Office and other regulators mapping the authority's Risk Assessment Template (RAT) against a 'Summary RAT' of corporate and service risks – [Appendix 3](#).
62. The Summary RAT is the minimum to be applied at each authority although additional critical risks can be added to reflect local needs. Local teams need to be sensitive to the balance between representing accurately key local risks and the need to identify actual or emerging national risks to inform all-Wales work, as well as to meet our obligations to report nationally on WPI to the Assembly Government and the public.
63. In order to achieve synergy across the whole of the audit and inspection planning processes, the Summary RAT will also include the outputs from the financial accounts risk assessment and planning.
64. This 'joined-up' approach to risk assessment is set out in the JRA model in [Appendix 4](#) and indicates the need for regulators to consider the risks arising from the National Risk Assessment Tool (NRAT) as part of this process. To support this, the NRAT risk has been added to the Summary RAT in the relevant service or corporate aspect.
65. The risks in the Summary RAT will be agreed with all the regulators and the authority as the JRA, and will be signed off formally by the authority's political and managerial leadership and the RM.
66. The Summary RAT remains unchanged for 2008 with the exception of the education aspects which have been revised slightly to reflect more closely Estyn's major areas of responsibility as described in Exhibit 4. An additional category, post-16 education and training has been included to cover any risks identified around further education, youth support services or adult and community-based

learning. This additional category also reflects ongoing discussions between the Wales Audit Office and Estyn about including post-16 outcomes in the risk assessment process, reflecting a more learner-centred approach.

67. In addition, the ICT aspects of the summary RAT have been reviewed and revised to reflect more effectively the risks faced by local authorities in developing and managing ICT infrastructure and in using these technologies to support service improvement. The revised categories are described at [Appendix 3a](#) with examples of the risk descriptions and potential impact that might apply. We appreciate that, for the current year, some JRAs are already underway or approaching completion and it will be difficult to take into account the recategorisation of ICT aspects at this late stage. Consequently, these categories will be incorporated formally into the summary RAT from next year subject to the outcome of the current review of WPI which is likely to lead to a more fundamental review of the summary RAT template. Those local teams that have yet to start the JRA process will want to consider whether the revised categories are more appropriate in capturing the ICT risks at their authorities and use them accordingly.
68. Once the updated NRAT is produced regulatory teams will be asked to reflect this in our summary RATs.

The Joint Risk Assessment Process and Other Regulators

Estyn

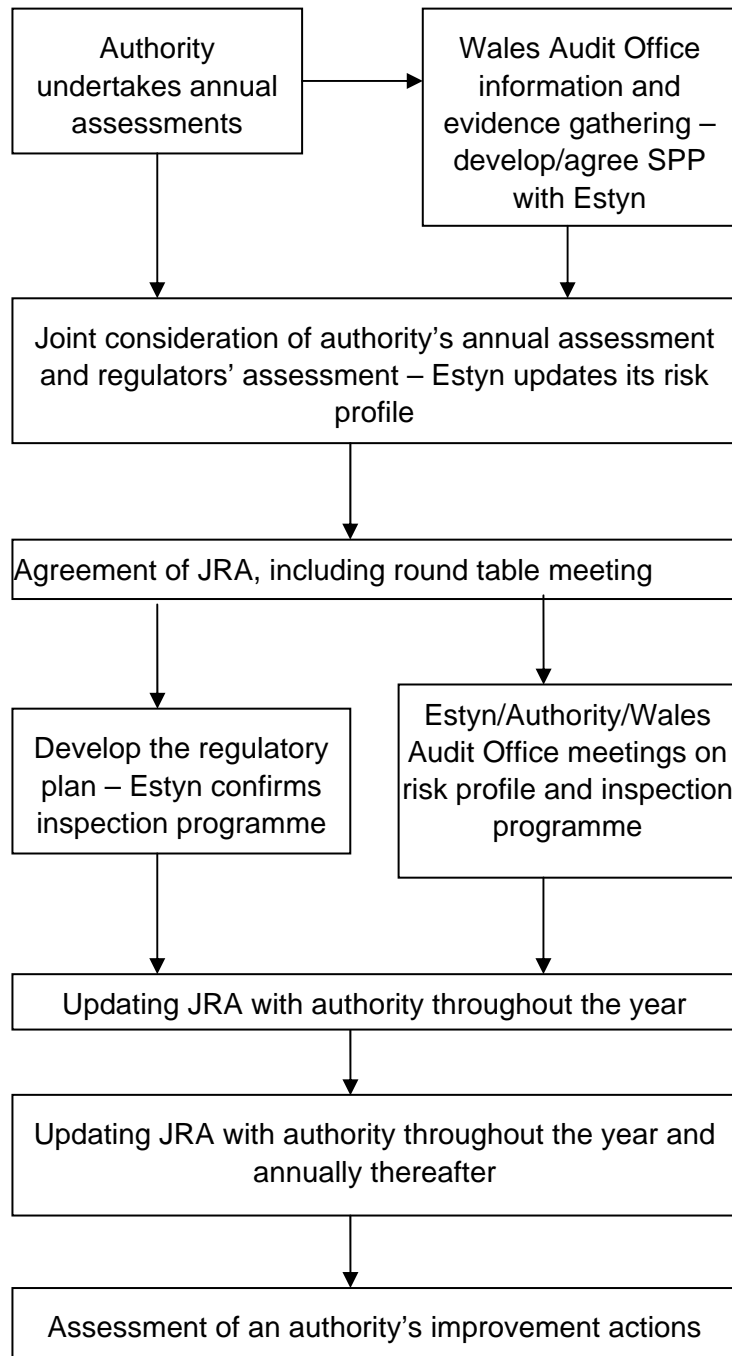
69. In 2005, Estyn agreed a programme with each authority for the inspection of all of the authority's main education functions under section 38 of the 1997 Education Act and section 51 of the Children Act 2004. The priorities for, and the scale of, inspections were based on a risk assessment which was part of the JRA process.
70. The risk assessment in 2006 was used to confirm the focus, scope and timing of any section 38 inspections agreed for 2006/2007. It also informed the inspection arrangements for subsequent years. Originally, the programme was expected to be completed over a period of six years from April 2006 but has been condensed and will now finish in 2010.
71. Exhibit 4 maps the components of the Summary RAT onto Estyn's major areas of responsibility. Many of the Corporate Health aspects of the Summary RAT will also be useful to inform the Strategic Management part of the Estyn risk profile.

Exhibit 4: Summary RAT and Estyn Risk Profile

Summary RAT	Estyn's major areas of responsibility
Support for School Improvement	Support for School Improvement
Additional Learning Needs (ALNs)	Additional Learning Needs (ALNs)
Promoting Social Inclusion (attendance, behaviour, exclusions)	Promoting Social Inclusion and the welfare of learners
Promoting Access (school places, buildings and transport)	Access and school organisation
Support Services	Support Services for schools (including financial services, human resources and property services)
Post-16 education and training	Further education, work-based training, youth support services, adult and community-based education
Corporate Health Aspects	Strategic management

- 72.** In order to fully integrate the Estyn inspection planning approach into WPI, we have agreed that the aspects of the Summary RAT set out in Exhibit 4, which RMs will agree with the authority and Estyn Regional Team Inspector, will be used to confirm the Risk Profile on which the Estyn inspection programme will be based. This integrated approach and the timings are set out in Exhibit 5.

Exhibit 5: JRA and Estyn’s Inspection Risk Profile



- 73. In completing the Summary RAT, the Education Service Performance Profile (SPP) will be useful. The PPMs have already been asked for their preferred timings so that the SPP can be developed in time to inform the JRA.

Care and Social Services Inspectorate for Wales

74. The CSSIW carries out an annual performance evaluation of social services in all local authorities, except those currently or recently subject to a Joint Review. The performance evaluation draws together information from an authority's self-assessment of its service, performance indicators, CSSIW's work and that of other auditors and inspectors, and policy divisions of the Assembly Government. The evaluation analyses performance using a standard framework, together with a summary of strengths and achievements, priorities for improvement and for further examination.
75. The RMs are invited to CSSIW's performance evaluation planning meetings for their local government sites and receive a copy of the evaluation report. It is the basis of CSSIW's input to the JRA pending the development of a revised inspection programme to replace the Joint Reviews. The RM will consult CSSIW's link inspector at the JRA drafting stage. The RM and CSSIW link inspector will meet together with the authority (if possible) to discuss and agree the risk assessment for social services.
76. The Summary RAT has been designed to reflect the performance evaluation framework, as set out in Exhibit 6 which also maps the performance evaluation domains and the Summary RAT categories against the Joint Review Groups. The Summary RAT should identify – where practicable – individual risks for each aspect against adult, children's and other services. As with Estyn's risk profile, many of the Corporate Health aspects of the Summary RAT will be useful in informing the judgements on social services.

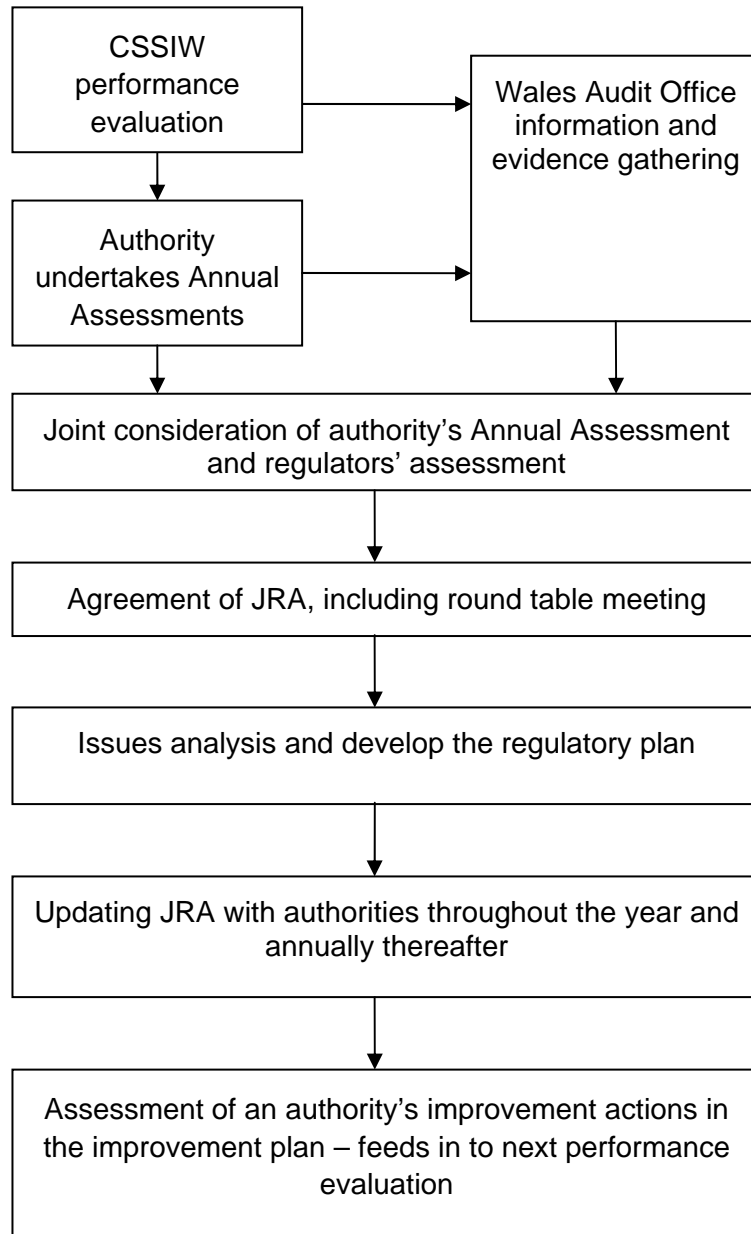
Exhibit 6: Summary RAT and CSSIW Risk Profile

CSSIW performance evaluation domains	Joint Review Groups	Wales Audit Office RAT
Access to services	Getting help	Access to services
Assessment		
Care management and review		
Range of services provided	The services provided	Range and quality of services
Quality of services provided		
Arrangements to protect vulnerable people	The effect on people's lives	Arrangements for protection of vulnerable people/promoting independence and social inclusion
Success in promoting independence and social inclusion		
Planning and partnerships	Shaping services	Planning and commissioning (including partnerships)
Commissioning and contracting		

CSSIW performance evaluation domains	Joint Review Groups	Wales Audit Office RAT
Resources		Leadership and Scrutiny (including performance management)
Workforce	Delivering Services	Resources (financial and workforce)
Performance management		Leadership and Scrutiny (including performance management)
Leadership and culture	Providing direction	
Corporate and political support and scrutiny		

77. This more co-ordinated approach and the timings are set out in Exhibit 7.

Exhibit 7: CSSIW’s involvement in the JRA



Joint Reviews

- 78. The CSSIW and the Wales Audit Office are working to develop new inspection arrangements for local authority social services. Those arrangements will replace the Joint Review programme which started in 2005. Reports have been published for eight authorities; reviews of two authorities have yet to be published and a further two authorities are scheduled to have a more focused review during 2008, following which the programme will be terminated.

Housing and Council Tax Benefits Risk Assessment

79. From 1 April 2008, the Wales Audit Office will assume responsibility for inspections of Housing and Council Tax Benefits (H&CTB) services. A risk assessment methodology has been developed and piloted that takes into account:
- The DWP Performance Standards which are founded on what needs to be done to deliver an effective H&CTB system and are designed to provide:
 - a benchmark for performance assessment;
 - a means of assessing performance over time; and
 - a common basis of understanding between the Wales Audit Office, the DWP and authorities.
 - The DWP Performance Indicators (unaudited) that are submitted on a quarterly basis.
 - The national strategic and core set indicators from the Performance Measurement Framework.
 - Recent inspection reports.
 - Local knowledge, for example, from the audit of grant claims.
80. The first round of risk assessments is expected to be completed by the Project team during April 2008 and will inform the national and local inspection activity for the coming year. The programme may comprise thematic inspections across several authorities as well as local risk-based work. Local regulatory teams will be represented at the round table discussions and are expected to amalgamate the benefits' assessments into the JRA. The Summary RAT includes revenues and benefits designed to reflect the themes and components of the DWP Performance Standards as shown in Exhibit 8.
81. Further advice on the full integration of the process in future years will follow in due course.

Exhibit 8: Summary RAT and DWP Performance Standards

DWP Performance Standards themed component	Wales Audit Office template
Claims processing	Claims Administration
Quality and reducing error	
Overpayments	
Security of administration	Security
Counter-fraud activities	
Sanctions	
Take-up	User focus
Customer service	
Appeals and complaints	

DWP Performance Standards themed component	Wales Audit Office template
Strategic Management	Resource Management
Value for Money	
Assurance	

Appendix 1

Detailed guidance on undertaking the Joint Risk Assessment

Stage 1: Authorities' Annual Assessments

82. The outcome of an authority's annual assessment 'should be a reliable statement of the current position of each service or function, its relative capacity to improve and the areas where action may be necessary to achieve this. The programme of assessments taken together should provide a comprehensive picture for the authority as a whole, and provide a sound basis for risk assessment and corporate and service planning'¹.
83. Annual assessments should be capable of identifying the main opportunities, threats and constraints that any authority faces in meeting its aims. These form the raw material of the formal JRA which leads to detailed and deliverable plans for managing, mitigating or avoiding identified risks.
84. In the WPI context equalities and sustainability are seen as 'key ingredients in effective and efficient performance.....on all levels.....from service delivery to strategic planning and community leadership'. Authorities must ensure that all their assessments clearly show how they are performing in these areas and this will need to be reflected in the JRA. To help them, the Welsh Local Government Association (WLGA):
- Has developed an Equality Improvement Framework that replaces the Equality Standard. Using a self-assessment approach, authorities can measure their position against three levels of attainment – 'improving', 'achieving' and 'leading'.
 - Is developing a Sustainable Development Framework to help authorities integrate sustainability considerations into their corporate functions and services. An advisory paper – 'Sustainable Development in the Wales Programme for Improvement' is already available and is supported by a range of other guidance and information including specific modules covering engagement and communication, procurement and facilities and property management. Ongoing development of the Framework is covering specific services – waste management, housing, education, transport, construction and regeneration.
85. For both equalities and sustainability, local regulatory teams will need to explore whether/how authorities are intending to use the new Frameworks to inform their annual assessments and agree on how the assessment outcomes are to be reflected in the JRA.

¹ Welsh Assembly Government Circular 28/2005: Wales Programme for Improvement

86. This does not necessarily mean conducting separate sustainability and equality assessments – they may be integrated with other assessments of individual services, processes or business units. They should:
- confirm the authority's aims in relation to equalities/diversity and sustainability and assess the extent to which they contribute to and conform with the long-term strategic vision and objectives;
 - consider how far those aims reflect the whole area the authority serves and the diversity of communities within it, and the levels of need and demand within both;
 - review performance in delivering the relevant aims and consider means of addressing any shortfall; and
 - address the current capacity of the authority to achieve the relevant aims and identify any need for capacity building work.
87. Authorities are free to structure their equality and sustainability assessments as they see fit; they may, for example, organise them around themes or user groups rather than services. The JRA will need to refer to performance in these areas depending on how individual authorities have structured their approach. We have included Equalities and Sustainability in the Summary RAT in each service area as well as overall corporate risks.

Stage 2: The Wales Audit Office's information and evidence gathering

88. Regulatory teams will have access to a variety of information and data to inform their preliminary view of risk:
- the previous year's summary RAT;
 - performance audit and inspection reports completed during the year by the regulators;
 - performance information including the 2006/2007 National Strategic Indicators data – audited data for 2007/2008 will not be available until August 2008;
 - any in-year monitoring information provided by local authorities; and
 - service performance profiles for Education.
89. The evidence gathering process should be ongoing during the year and, depending on local arrangements for reviewing and updating the risk assessment, should not be onerous to complete.

Stage 3: Joint consideration of the authority's annual assessments and the regulators' assessments

90. Stages 1 and 2 will be undertaken concurrently and, taken together, will lead to a preliminary view of:
- the quality of the authority's assessment process, including the robustness of the evidence it has gathered to support that assessment;
 - the progress made in the last year;

- the authority's ability to improve;
- the authority's capacity and ability to complete the process;
 - effectively;
 - in time to meet the requirements of the JRA; and
 - in time for the production of the 2008 Improvement Plan.

This preliminary assessment should result in a view of the honesty and quality of the authority's approach and, therefore, on the level of assurance we can place on that approach.

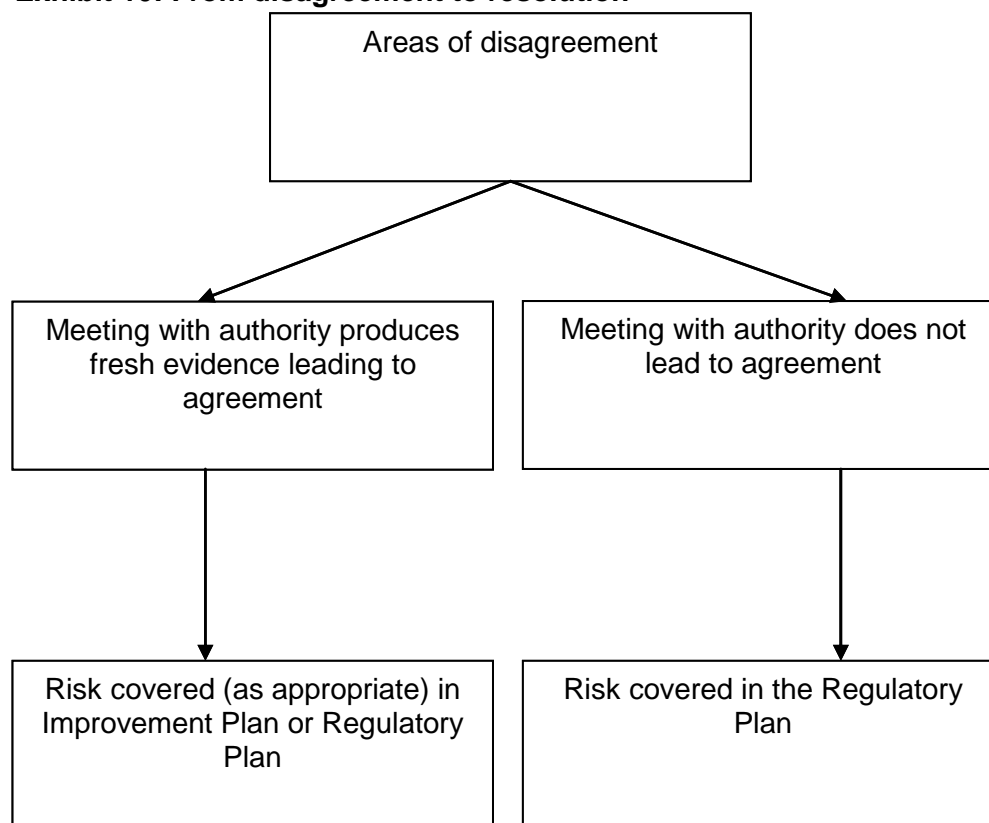
91. We will need to account for the following:
- risks identified by the authority that have not already been recorded;
 - the authority's opinion of the significance of risks;
 - the authority's proposed response to the risk;
 - proposals for longer-term work where we consider the authority's identification of and/or response to risk is inadequate (inclusion in Improvement Plan or Regulatory Plan);
 - revised overall significance of risk (ie, high, medium or low); and
 - degree of agreement with the authority's assessment (ie, agree, uncertain, disagree).
92. On the basis of the level of agreement with the authority's assessment the RM will need to consider the extent of further analysis required. This may involve additional focused work by individual performance specialists and will need to be identified early in the process to ensure their availability.

Stage 4: Preparation of the Summary Risk Assessment Template – the JRA

93. Drawing on the information in the authority's annual assessment, regulatory teams will prepare a summary RAT covering the minimum requirements described in [Appendix 3](#). This will inform subsequent discussions with the other regulators and will be the basis of the JRA, agreed with, and signed off by, each local authority.
94. As noted earlier, the relevant parts of the JRA will also be the basis of the Estyn Inspection Risk Profile which will be used to agree the next Estyn inspection programme for each authority.
95. As in previous years, regulatory teams should record any problems or issues that arise in constructing the summary RAT to feed back to the WPI Project Manager on completion of the JRA process. This will ensure that we build on the experience in subsequent years.

Stages 5 and 6: Sharing and agreeing the summary Risk Assessment Template

96. In the first instance, the RM will share the summary RAT with the other regulators to ensure that there is broad agreement on risks. We recommend an initial meeting involving the Wales Audit Office, the firms where appropriate, Estyn and CSSIW to share information on risks, form initial impressions and agree areas for discussion with the authority. The meeting will not determine the regulators' views on risks in a way that prejudices the JRA that follows.
97. Following the regulators' meeting, the summary risk assessment should be shared with the authority, to ensure the openness and transparency of our approach, alert authorities to the regulators' interim assessments and provide early resolution of significant areas of disagreement.
98. The RM in consultation with the other regulators will decide, on the basis of the risks identified in the summary RAT, the composition of the regulatory team that will attend a round table meeting with the authority; the Appointed Auditor would always be involved. The RM will need to assess any requirement for seconding people with relevant skills onto the team.
99. Although it is for an authority to decide who should represent it at the JRA round table meeting, in our view the Leader and Chief Executive should both be present.
100. The round table discussion should focus on areas of disagreement between the regulators and the authority. Where agreement is reached the risk will be covered in the improvement or regulatory plan. Where there is disagreement and further discussion is needed, the JRA will provide important evidence to support and inform these discussions.
101. The meeting may also consider the authority's proposed work programme for continuous improvement in the light of its risk assessment (although a further round table meeting may be necessary for this purpose). The objective will be to reach:
 - An agreed position on risks based on a joint assessment.
 - Agreement on the actions needed by the authority and by the regulators in response to these risks. These will be included in the improvement and regulatory plans.
102. Where there is significant disagreement over risk areas, a further meeting may be required with the authority to resolve the differences and to ensure that agreed risks are adequately covered in the improvement plan and/or regulatory plan (as per Exhibit 10).

Exhibit 10: From disagreement to resolution

-
- 103.** If agreement is not reached, Circular 28/2005 provides for regulators to take a different view and to reflect this in their annual letter.

Stage 7: Issues Analysis and development of the Regulatory Plan

- 104.** Once agreed, the JRA may be subject to an Issues Analysis meeting to identify and agree the key risks that should be the subject of regulatory activity in the forthcoming year.
- 105.** The Issues Analysis will be facilitated by a Wales Audit Office representative who is not a member of the regulatory team. The RMs will ensure that there is appropriate representation from the regulators and the authority.
- 106.** The outcome of the issues analysis will be a draft regulatory plan agreed with attendees of the issues analysis before being submitted for quality assurance and sign-off by the Engagement Partner Performance.

Stage 8: Assessment of the authority's improvement actions

- 107.** The statutory requirement is for the Improvement Plan to be published by 31 October each year but authorities may publish earlier than this if they choose to do so.
- 108.** The Improvement Plan must include audited outturn data for the previous financial year and the outcome of the JRA. The Annual Letter will report on the risk assessment process and on the outcome of the Improvement Plan audit which will, in particular:
- comment on the overall level of improvement attained;
 - audit the national strategic performance data for inclusion in the Improvement Plan;
 - comment on the robustness of the JRA;
 - review the authority's wider arrangements for data collection and use, and the overall adequacy of performance information; and
 - assess the authority's success in engaging with partners and citizens in setting priorities and accounting for performance.
- 109.** More detailed guidance on auditing the Improvement Plan is in Chapter 2 of this guidance – *The Audit of the Improvement Plan* (including the Performance Indicator and Performance Measurement audits).

Appendix 2

The Improvement Cycle

Y0 Q4	Y1 Quarter 1 (Apr-Jun)	Y1 Quarter 2 (Jul-Sep)	Y1 Quarter 3 (Oct-Dec)	Y1 Quarter 4 (Jan-Mar)	Y2 Q1	
	Initial PI and financial data for Y0		Audited PI data & final accounts for Y0		Initial PI and financial data for Y1	Performance / financial data
	In-year management data gathering					
<i>Final budget for Y1 Final service plans for Y1</i>			Initial budget for Y2 Initial service plans for Y2	Final budget for Y2 Final service plans for Y2		Budgeting and planning
	First-stage reporting: Y1 service plans & targets		Second-stage reporting: Y1 improvement plan and summary		First-stage reporting: Y2 service plans & targets	Reporting & engagement
	other forms of engagement / reporting					
		Audit of Y0 performance data and accounts	Regulatory plan RMAL			R&I
	R&I as per plan					
<i>Annual assessments for Y0</i>		Joint Risk Assessment for Y1		Annual assessments for Y1		Assessment
	Continuous risk monitoring and assessment					

Appendix 3

The Summary Risk Assessment Template

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	Education	Support for school improvement.							
		Additional Learning Needs.	SEN; more able and talented children; English as an Additional Language.						
		Promoting Social Inclusion (attendance, behaviour, exclusions etc).							
	NRAT Issue	Promoting Access (school places, buildings and transport).	Schools fit for purpose informs NRAT risk on financial standing.						
		School support services.	Includes financial services, human resources and property services.						

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	Education (continued)	Post-16 education and training.	Further education, work-based training, youth support services, adult and community-based education.						
		Corporate Health Aspects.	Strategic Management.						
		Sustainability.							
		Equalities.							
	Culture	Libraries.							
		Sport and Recreation.							
		Tourism.							
		Art and culture.							
		Sustainability.							
		Equalities.							
	Environment	Environmental Health.							
		Food Safety.							
		Consumer Protection.							

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	Environment (continued)	Cemetery, Cremation and Mortuary Services.							
		Flood Defence and Land Drainage.							
	NRAT Issue	Waste Recycling	Waste management penalties inform NRAT risk on financial standing.						
		Licensing.							
		Community Safety.							
		Sustainability.							
		Equalities.							
	Regeneration	Regeneration.							
		Sustainability.							
		Equalities.							
	Planning Services	Planning Policy.							
		Development Control.							
		Planning Enforcement.							
		Building Control.							

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	Planning Services (continued)	Sustainability.							
		Equalities.							
	Highways, Roads and Transport Services	Street Lighting.							
		NRAT Issue	Highways, Road Construction and Maintenance.	Backlog maintenance informs NRAT risk on financial standing.					
			Traffic Management and Road Safety.						
			Public Transport.						
			Parking.						
			Sustainability.						
			Equalities.						
		Housing	Strategic Role (including private sector).						
			Rent.						

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	NRAT Issue	Welsh Housing Quality Standard (including repairs and maintenance).	The WHQS informs NRAT risk on financial standing.						
		Estates Management.							
		Homelessness.							
		Sustainability.							
		Equalities.							
	Social Services (comment on adult, children's and other services)	Access to services (including assessment, care management and review).							
		Range and quality of services.							
		Arrangements for protection of vulnerable people (promoting independence and social inclusion).							

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	Social Services (comment on adult, children's and other services) (continued)	Resources (financial and workforce).							
		Planning and commissioning (including partnerships).							
		Leadership & Scrutiny (including performance management).							
		Sustainability.							
		Equalities.							
	NRAT Issue	Children's Act and NSF.							
	ICT	Sharing Services between councils.							
		Sharing information with partners.							
	NRAT Issue	E-Government.							
		Information Governance.							

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	ICT	IT security.							
		Sustainability.							
		Equalities							
	Central Services	Legal Services.							
	NRAT Issue	Property and Asset Management.	Asset management informs NRAT risk on financial standing						
		Finance.							
		Electoral Services.							
		Human Resources (including equal opportunities).							
		Revenues.							
		Sustainability.							
		Equalities.							
	Housing Benefit and Council Tax Benefit	Claims Administration.							
		Security.							

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	Housing Benefit & Council Tax Benefit (continued)	User Focus.							
		Resource Management.							
	Corporate Health	Corporate Management.							
	NRAT Issue	Democratic Renewal.	Revised member arrangements.						
		Strategic Management.							
	NRAT Issue	Partnership Working.	Informs NRAT risk on Making the Connections.						
		Standards of conduct.							
	NRAT Issue	Procurement.							
		Project Management.							
	NRAT Issue	Performance Information and Performance Measurement.							
		Understanding of external environment.							

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	Corporate Health (continued)	Performance Management.							
		Culture, Leadership and Vision.							
		Community Focus.							
	NRAT Issue	Customer Engagement.	Informs NRAT risk on Making the Connections.						
		Responsiveness to external challenge (perspectives).							
		Capacity and Capability.							
		Making the Connections.							
	NRAT Issue	Sustainability.	Informs NRAT risk on WPI.						
	NRAT Issue	Equalities.	Informs NRAT risk on WPI.						
	NRAT Issue	Civil Contingencies.							

Risk Ref No.	Service/corporate area	Aspect	Guidance	Risk description	Potential impact	Level of inherent risk (calculated from risk impact matrix)	Council's risk reduction measures and/or controls	Residual risk level after mitigating factors considered	Regulators' risk reduction measures and/or controls
	In House Trading Organisations (this will need to reflect individual councils' arrangements for these services).	Building Maintenance.							
		Building Cleaning.							
		Grounds Maintenance.							
		Street Cleansing.							
		Catering.							
		Vehicle Management and Maintenance.							
		Sustainability.							
		Equalities.							
	COAIP Audit of Financial Systems	Systems of internal control.							
		Proper accounting records.							
	NRAT Issue	Financial Statements.	Informs NRAT risk on Financial Standing						
		Governance Statement.							
	NRAT Issue	Efficiency Gains.	Informs NRAT risk on Making the Connections						

Appendix 3a

ICT aspects of risk

Aspect	Guidance	Risk description	Potential impact
Strategic use of technology	<p>Is the Council well placed to use ICT effectively to enable/improve:</p> <ul style="list-style-type: none"> • Its change agenda? • Customer access to services? • Economies in the authority's service delivery? • Smarter ways of working? • Service performance improvement? 	<ul style="list-style-type: none"> • No clear aims for use of ICT supporting corporate objectives. • No long-term plan upon which to base ICT requirements • Systems and infrastructure unable to support corporate and national aims and objectives. • Governance arrangements do not drive improvement, consolidation and standardisation of technology and systems. • Governance arrangements do not secure value from investment. 	<p>The authority is unable to secure efficiency, economy and effectiveness through improved use of ICT to support business delivery.</p>
Information management	<p>Does the authority have information management arrangements to support:</p> <ul style="list-style-type: none"> • Effective strategic decision-making? • Robust performance management? • Operational delivery of services? 	<ul style="list-style-type: none"> • Corporate aims and objectives are decided based on weak or lack of robust information. • Business cases are decided without the necessary intelligence to support decision-making. • Performance is not managed effectively at strategic, tactical or operational level. • Services are not citizen centred. • Information is not available to best focus resource allocation. • Risk of non-compliance with legal requirements and statutory guidelines. • Lack of capacity and capability to understand and take forward the information agenda. 	<p>Failure to achieve the governmental vision of Making the Connections.</p> <p>Failure to secure economy, efficiency and effectiveness through:</p> <ul style="list-style-type: none"> • improved use of information to support business delivery; and • removal of duplication of functions.

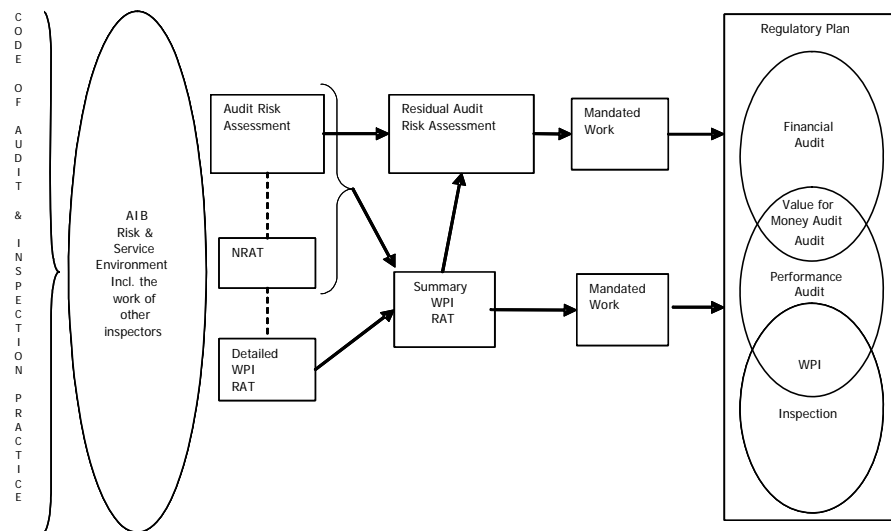
Aspect	Guidance	Risk description	Potential impact
Information management (continued)		<ul style="list-style-type: none"> Information is not available to support partnership approaches and joint working. 	<p>Reputational damage. Poor return on investment. Failure to identify fraud.</p>
Safe use of the internet	<p>Does the authority have arrangements in place in schools, libraries and learning establishments to ensure that the internet is not misused and children’s safety is not compromised?</p>	<ul style="list-style-type: none"> Accessing inappropriate or illegal sites. Downloading illegal software. Downloading harmful software putting the authority’s infrastructure and information resources at risk. Children communicating with inappropriate persons. Reputational risk for the authority in relation to internet misuse incidents. Staff wasting time. 	<p>Safety of children and other vulnerable people is compromised. Reputational damage. Legal action leading to unlimited fine or imprisonment</p>
Operational ICT	<p>Are arrangements in place to ensure that the ICT infrastructure is robust and resilient with capacity to meet current and future service needs?</p>	<ul style="list-style-type: none"> Skills are not available to support service delivery. Lack of capacity to support extended, out-of-hours service and smarter ways of working. High staff turnover, low morale, lack of investment in infrastructure. Weaknesses in change control arrangements. Poor operational procurement. Poor contract management. Failure to comply with software licensing. 	<p>Poor value for money. Loss of operational services. Reputational damage. Financial impact.</p>

Aspect	Guidance	Risk description	Potential impact
Business continuity	<p>Are there effective arrangements in place to ensure:</p> <ul style="list-style-type: none"> • Information, communication and systems can be restored in the event of a disaster? • That services and departments have arrangements to manage these risks during periods of systems outage? 	<ul style="list-style-type: none"> • Loss of operational service. • Loss of data. • Failure to comply with the Civil Contingencies Act. 	
Security	<p>Are there effective arrangements to protect the authority's information assets from unauthorised access and disclosure, loss and attack?</p>	<ul style="list-style-type: none"> • Physical/environmental security risks – fire, flood etc.. • Social engineering – unauthorised access and sabotage or malicious attack. • No risk assessment of the impact arising from loss of IT systems, service criticality not assessed and priorities and plans not defined. • Inadequate back-up and restore arrangements. • Failure to comply with statutory and legal obligations. • Breach of agreements e.g. copyright law. 	<p>Loss of communication channels to staff, partners, emergency services and the public.</p> <p>Reputational damage.</p> <p>Financial impact.</p> <p>Loss of data and information.</p> <p>Loss of operational services.</p>

Aspect	Guidance	Risk description	Potential impact
Sustainability	<p>Is the authority:</p> <ul style="list-style-type: none"> • Using technology to support the sustainability agenda? • Minimising risk to the environment and maximising opportunities for flexible working? • Providing a means for economically viable services? 	<ul style="list-style-type: none"> • Failure to use IT to support the sustainability agenda. • Inefficient power consumption. • Failure to recycle equipment. • Ineffective use of technology to reduce travel. 	Social, environmental and economic impact.
Project and programme management	<p>Are there projects across the authority which have ICT implications and which represent:</p> <ul style="list-style-type: none"> • A risk to service delivery? • A risk of project failure? • A risk of reputational damage? • Significant financial investment? 	<ul style="list-style-type: none"> • Failure to deliver projects on time and within budgets. • Failure to realise expected benefits. • Lack of co-ordination between projects – poor change management (including cultural). • Failure to identify all revenue consequences associated with capital investment 	<p>Reputational damage. Financial impact. Poor return on investment. Poor use of resources. Disengaged, demotivated staff. Initiative overload.</p>

Appendix 4

The Joint Risk Assessment Process





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