

# *Kilkenny County Council*

## **Internal Audit Report Review of Risk Register**

**Date:** 3<sup>rd</sup> July 2023

### **Report Distribution**

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### **Introduction**

Risk Management is an integral part of policy, planning and operational management of Kilkenny County Council and is embedded in the management arrangements and processes. Kilkenny County Council have a Risk Management Policy within which all staff have a role. The Management Team has oversight and supervisory responsibility for managing all risks. Effective risk management supports good governance as it assists in determining priorities and setting and achieving objectives.

The Council's Risk Register serves as the primary tool for risk tracking, containing the overall system of risks and the status of any risk mitigation actions. Entries in the Risk Register contain a description of the risk, its location within the organisation, its category, the likelihood of its occurrence and its impact rating should it occur and the risk prevention controls and actions required to manage risk. It also identifies the owner(s) of the risk within the Council.

Kilkenny County Council's Risk Register was approved by the Management Team of Kilkenny County Council on 31<sup>st</sup> January 2023. The review process for the Risk Register included an assessment of the Risk Management Cycle by the Directorates within Kilkenny County Council. Consideration was given to risk identification, risk assessment, risk mitigation, risk monitoring and risk reporting during this process.

### **Approach**

Internal Audit spoke with Corporate Staff to obtain an overview of the Risk Register process and its content. The following documents were reviewed as part of the Audit on the Risk Register;

- Kilkenny County Council's Risk Register 2023.
- Kilkenny County Council's Risk Management Policy.
- Governance Principles & Governance Framework for the Local Government Sector 2015 – developed by CCMA, AILG & IPA.
- Department of Public Expenditure and Reform Risk Management Guidance for Government Departments & Offices 2016.
- Chartered Institute of Internal Auditors Risk in Focus Report 2023.
- Irish Public Bodies Insurance Step by Step Guides to managing Local Authority Governance, Risk and Compliance.

### **Scope & Limitations of scope**

Scope of the audit was limited to Kilkenny County Council's Risk Register 2023 and Policies and Guidelines as referred to above.

### **Audit Risk**

- No Risk Appetite Statement in place.
- Lack of Risk Register Training.
- Insufficient reporting on Risk Register to Audit Committee.
- Inadequate reviewing of Risk Register by Management Team.
- No Business Continuity Plan in place.

### **Co-operation of Management and staff**

Internal Audit received full co-operation from Council Management and Staff throughout the Audit and would like to thank them for their assistance.

### **Internal Audit Opinion**

Based on this Audit of Kilkenny County Council's Risk Register the audit opinion is reasonable assurance. The Risk Register would benefit from a review and training should be provided to relevant staff to identify and refine Significant Risks to be included in the Corporate Risk Register with Operational Risks identified in Departmental Risk Registers.

This report was distributed to the Corporate Directorate for their Management Action Plan.

The report was approved by the Management Team on 11<sup>th</sup> July 2023.

The Audit Committee reviewed the Audit Report at their meeting of 4<sup>th</sup> September 2023.

*Brigid Webster, Internal Auditor*

## Findings, Recommendations and Management Comments

<i><b>Findings</b></i>	<i><b>Implications</b></i>	<i><b>Recommendations</b></i>	<i><b>Management Action Plan &amp; Timeframe</b></i>
<p><b>1.</b> The Risk Management Guidance issued by the Department of Public Expenditure and Reform states that as part of the Risk Management process a Risk Appetite Statement should be drafted and approved by Management for each Department. It is noted that Kilkenny County Council does not have a Risk Appetite Statement currently in place.</p>	<p>In the absence of a Risk Appetite Statement it is unclear what Kilkenny County Council considers acceptable in terms of appropriate levels of risk to be taken throughout the organisation.</p>	<p>I would recommend that a Risk Appetite Statement is drafted and approved by the Management Team. This statement should clearly articulate the degree to which the organisation is willing to accept risk. Organisations are usually willing to accept different levels of risk depending on the risk type. The Risk Appetite Statement once approved should be clearly communicated to relevant staff.</p>	<p>Revised Risk Management Policy &amp; Risk Appetite Statement approved at Management Team meeting on 11<sup>th</sup> July, 2023</p>

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<p><b>2.</b> It is a number of years since Risk Register training was provided to staff.</p>	<p>Out of date or no Risk Register training for staff.</p>	<p>Kilkenny County Council's insurance company Irish Public Bodies (IPB) are available to give training/guidance on Risk Registers &amp; Local Authority Governance, Risk &amp; Compliance to Local Authorities. Currently a number of Local Authorities are availing of this training/guidance. This training/guidance should be considered by Management in Kilkenny County Council.</p>	<p>Training on <i>Risk Management for Public Service Organisations and State Agencies</i> available from IPA and IPB - enquiries placed with IPA/IPB for inhouse training in Autumn 2023 in advance of compiling the Risk Register for 2024.</p> <p>Management Team agreed to proceed with workshops in relation to Client Risk Management Service with IPB in Q4.</p>
<p><b>3.</b> The current Risk Register contains Significant Risks and also Operational Risks. Best practice would indicate that the Corporate Risk Register should only contain the Significant Risks and the Operational Risks should be identified in the</p>	<p>Lack of clear definition and refinement between Significant and Operational Risk.</p>	<p>Following Risk Register Training, Management should consider implementing Departmental Risk Registers which would clearly define Operational Risks. The Corporate Risk Register should refine the Significant Risks for Kilkenny County Council.</p>	<p>Risk Register for 2023 is divided into Directorate for ease of use. This Register includes all risks identified per Service area including significant risks.</p> <p>A separate document is prepared for the Management Team on all</p>

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Departmental Risk Registers.			the red (significant) category risks for review at their Management Meetings.
<p><b>4.</b> Kilkenny County Council's Risk Register is collated on an annual basis. The register contains identified risks across all the Directorates, mitigations, risk ranking, suggestions for additional mitigations and the responsible person for the risk. Internal Audit notes that a Risk Ranking Score is applied to each risk by using the Risk Rating Table which is consistent with international standards. The explanation for this Risk Ranking Process is not included in the Risk Register.</p>	Some readers of the Risk Register may be unclear as to what the different ratings mean for the different scores assigned to the risks.	I would recommend that the sample Risk Rating Table and explanation of the Rankings be included in the Risk Register for 2024 for ease of use for users of the Risk Register.	Risk Rating Table will be included with risk register going forward.
<p><b>5.</b> The Audit Committee Charter states one of the functions of the Audit Committee is to review</p>	Failing to keep the Audit Committee updated on the significant risks as	The Director of Services & Head of Finance should include reporting on significant risks in their	Directorates' presentations to the Audit Committee will include a report on risks within their areas.

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systems that are operated by the Local Authority for the management of risks. In order to fulfill this function, the Audit Committee require presentations on Corporate Risk Management Policy and on Corporate/ Directorate Risks. This is currently not in place.	identified in the Corporate/Directorate/ Departmental Risk Registers.	Directorates as part of their presentations to the Audit Committee.	
<p><b>6.</b> Kilkenny County Councils Risk Management Policy states that the Risk Register will be reviewed and updated on an ongoing basis and it will be formally reviewed by Management on a quarterly basis. Internal Audit notes that the high risk items are normally on the Agenda for Management Team meetings. This did not occur for all of 2022 but has recommenced in 2023.</p>	In order for the Risk Register to add benefit to the organisation it must be an integral and on-going part of the management processes and day to day business of the Council. Therefore, it is imperative that the Risk Register is reviewed on a continuous basis by the Management Team.	It is recommended that a formal review of the Risk Register be undertaken by Management on an ongoing basis.	<p>Risk Register is reviewed by Management on a regular basis. The report on significant risks is considered at every Management Team meeting.</p> <p>Note: 2 additional risks were added to the Risk Register in June 2023.</p>

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<p><b>7.</b> A Business Continuity Plan is referenced in the Risk Register. Internal Audit requested a copy of this plan but it was not available.</p>	<p>Possible reduced services, revenue loss and reputational damage. If the Council does not have a clear plan on how to address and manage these risks, then it might not be able to bounce back from a major crisis in an efficient manner.</p>	<p>A Business Continuity Plan should be developed following the identification of the Business Continuity Risks as recorded in the Council's Risk Register. A business continuity plan would better position the Council to manage serious disruption.</p>	<p>Business Continuity Plan is to be drafted. Expected completion date end of year.</p>