

**COMHAIRLE CHONTAE CHILL CHAINNIGH
KILKENNY COUNTY COUNCIL**



RISK MANAGEMENT POLICY

Approved by Management Team on Tuesday, 11th July, 2023

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Risk Management Policy

The Cathaoirleach, Elected Members, Chief Executive and Senior Managers must exercise leadership within a framework of prudent and effective controls which enables risks to be assessed and managed.

While local authorities traditionally incorporate risk assessment, implicitly or explicitly, as part of the strategic and operational decision-making process, the development of a Risk Management Policy commits the Council to identifying, assessing and mitigating risk and to ensuring the ongoing review and improvement of risk management approaches in a changing operational environment.

Risk management involves the identification, analysis, treatment and possible toleration of those risks that might prevent the authority from achieving its objectives. It enables a consideration of the potential impact of all types of risks on functions, services and activities.

Risk management must be integrated and integral to policy, planning and operational management and embedded into the culture and management arrangements and processes within the authority. The outputs from successful risk management include compliance, assurance and enhanced decision-making.

The following guidance has informed Risk Management Policy development:

- *Governance Principles & Governance Framework (December 2015) developed by the County & City Management Association (CCMA), the Association of Irish Local Government (AILG) in conjunction with the Institute of Public administration (IPA).*
- *Risk Management Guidance for Government Departments and Offices issued by Department of Public Expenditure and Reform (February 2016).*
- *Risk Management Principles (ISO) 31000-2009 (Appendix 1).*

This Risk Management Policy (RMP) is to provide a framework for Kilkenny County Council's Management Team to:

- *Identify and classify/rate risks at a corporate and operational level.*
- *Develop strategies to address these risks in an appropriate manner.*
- *Ensure that responsible staff monitor identified risks.*

What is "Risk" and what key terms do I need to know?

- *"Risk" is 'the effect of uncertainty on objectives' (ISO Standard 31000:2009 Risk Management). Such effects can be both negative and positive.*
- *"Outcome Uncertainty" is the essence of risk (whether positive or negative). Key risk assessment components include:*
 - *The likelihood of something happening.*
 - *The consequences following this occurrence.*
- *"Risk Management" is the identification, assessment and addressing of risks.*
- *"Risk Appetite" is the amount of risk that a Council is prepared to accept or retain.*

Appendix 2 contains a glossary of policy terms.

What are the key RMP objectives?

As Risk Management resources are finite, the RMP targets risk response based on risk evaluation following practical assessment. This Risk Response is based on an effective internal control process that relies on participation of Managers and Staff.

Key RMP objectives are as follows:

- *Integration of risk management within our business processes and into the culture of the Council.*
- *Management of risk in accordance with best practice.*
- *Anticipate and respond to changing social, environmental, legislative, political, economic, technological, competitive, and customer requirements.*
- *Prevent injury, damage and losses and reduce the cost of risk.*
- *Raising awareness of the need for risk management within all areas and all levels of the Council.*
- *Delivery of risk management in an effective manner without creating excessive administrative demands.*

How can we achieve these objectives?

By:

- *Establishing clear risk management roles, accountabilities, responsibilities and reporting lines.*
- *Providing shared learning opportunities regarding risk management.*
- *Reinforcing effective risk management as an important part of Council activity from every day work up to and including the corporate and business planning process.*

Risk Appetite

A Risk Appetite Statement should be drafted and approved by the Chief Executive and Management Team for the Council. This statement should clearly articulate the degree to which the Council is willing to accept risk. Councils are usually willing to accept different levels of risk depending on the risk type. For example, a Council may have zero risk tolerance with regard to compliance risk but may be willing to accept a level of risk with regard to financial risk. The risk appetite statement, once approved by the Management Team should be clearly communicated to all Line Managers. The importance of the Risk Appetite Statement is that this will be the basis of articulating what is accepted in terms of appropriate levels of risk to be taken throughout the Council.

The Council, Chief Executive and Management Team encourage:

- *Taking controlled risks,*
- *Grasping new opportunities*
- *Innovative approaches to achieve objectives.*

However, all resultant risk exposures should rest within appropriate risk tolerance ranges and should not prejudice the following:

- *Reputation or relationship with other state bodies and agencies*
- *Council's performance and particularly operational efficiency and effectiveness*
- *Control environment and internal control systems*
- *Adherence to governance, legal and regulatory obligations.*

Any threat and opportunity with potential sizeable consequences on the above should be examined, its exposure defined and discussed with the relevant Director of Service.

What is Risk Management?

Risk management means having in place a corporate and systematic process for evaluating and addressing the impact of risks to the Council in a cost effective way and having staff with the appropriate skills to identify and assess the potential for risks to arise.

Risk management is a process of clearly defined steps, which support better decision making by contributing a greater insight into risks and their impacts. Risk management can also be defined as the process of assessing and measuring risk and developing strategies to manage the risk. Risks with the most significant impact and the highest probability of occurrence should be given the highest priority while risks with lower probability of occurrence and lesser impact can be given lower priority.

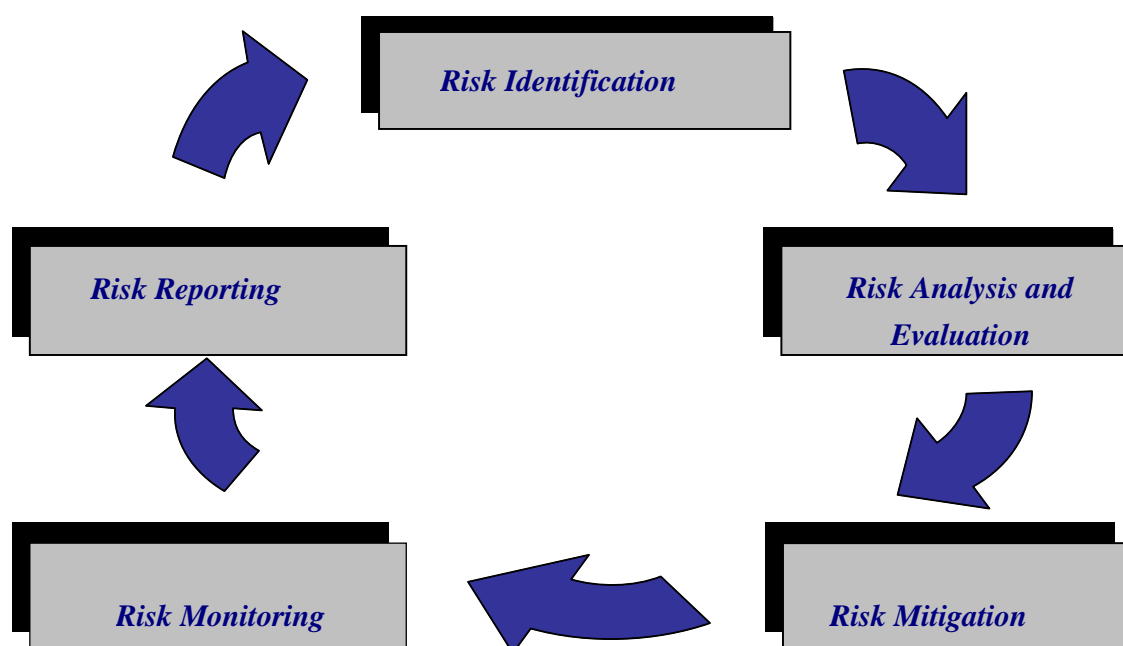
Risk management is not simply about managing risks, it is also about identifying and taking opportunities.

Risk management can bring some benefits including:

- *Transparent processes and application of best practices*
- *Improved public accountability.*
- *Increased quality and efficiencies*
- *Promotion of innovation*
- *Immediate risk prioritisation and awareness*

Risk Management Process

Kilkenny County Council's Management Team requires the identification, classification, evaluation, monitoring and control of events and activities as shown below. This process is regular, cyclical and perpetual and should form part of any Business Planning exercise. An appropriate and specifically tasked group of staff must carry it out at the relevant level and the process outcomes should then direct and control service delivery and other priorities. Staff must also be able to identify and address emerging or one-off risks in a timely and effective manner.



Risk Identification

Each service level (*Corporate Directorate, Section and Team*) should identify risks directly relevant to that level. The overall Corporate Level Risk Register will be made available to staff and all Directorates and services levels should have regard to this. However, some Corporate Risks may be withheld if considered very sensitive by the Management Team.

Grade 7+ staff or equivalent should carry out Directorate level risk identification and all staff will be involved in risk management identification at levels below this.

Risk Analysis and Evaluation

Risk analysis and evaluation requires proper analysis of the causes, likelihood and consequence of ineffective risk management and this analysis should be carried out to include:

- *Risk identification.*
- *Risk likelihood ranking.*
- *Risk consequence ranking.*
- *Mitigations and Controls.*

Risk Mitigation

Risk Mitigation is a critical aspect of Risk Management. Whilst Line Managers oversees Risk Mitigation, significant input will likely be required from operational or “front line” staff regarding effectiveness of existing measures and development of new mitigation measures aimed at containing Outcome Uncertainty to acceptable levels.

Please note that some risk may be unavoidable especially where it falls outside the Council’s capability to manage to an acceptable or tolerable level. Where mitigation is possible then actions fall under the following four key aspects (*known collectively as “Internal Control”*) .

(a) **Treat**

This is the most likely mitigation response and allows the Council to continue with the risk related activity once the risk is contained to an acceptable level by mitigations, actions or controls.

(b) **Tolerate**

A particular risk exposure may be tolerable without mitigation if the negative consequences are minor. Even if intolerable, ability to address risks may be limited, or possible only at disproportionate cost to the potential risk reduction benefit. In such cases, risk tolerance may be the only response.

(c) **Transfer**

Transferral of cost/risk is an option particularly where conventional insurance can be obtained or where a third party assumes the risk. However, certain risks (*particularly to reputation*) are not fully transferable even if service delivery is outsourced.

(d) **Terminate**

Activity termination is sometimes the only option available to either treat or contain risks at an acceptable level. The Council’s statutory requirements must be balanced against this option, however.

Risk Monitoring

All relevant risks must be placed on a Risk Register which then directly informs Risk Monitoring procedures.

The following Risk Register levels are particularly important.

- *Corporate (as identified by Management)*
- *Directorate (as identified by Senior Departmental Staff)*
- *Service Areas (as identified by functional teams mainly AO and below)*

Each Risk Register should concentrate on likely risks at the particular level and should not repeat risks already identified and addressed in a higher tier Risk Register. It is preferable to prepare these Risk Registers in a co-ordinated manner as part of Kilkenny County Council's overall business planning process. However, it is acceptable to prepare, in isolation, an individual Risk Register related to a new function post consultation of higher tier Risk Registers. An appropriate person shall then be nominated to maintain and update each completed Risk Register. Nevertheless, responsibility for addressing and monitoring risk management activities will remain with the Line Manager.

In general, a Risk Register should include the following:

- *Description of the principal risk.*
- *Category of risk.*
- *Current mitigations/controls and actions in place to address the risk.*
- *The likelihood of risk occurrence and the possible consequence in that case.*
- *Suggested additional actions/controls and mitigation where appropriate.*
- *Who is responsible and is responsible for managing that risk.*

Risk Reporting

Directors of Service must review and refresh Risk Registers on a yearly basis at minimum. Directors of Service must also regularly review progress on risk mitigating measures and actions.

Directors must also ensure that the appropriate staff are aware of relevant risk issues and resulting risk management actions. Elected Members, the Audit Committee and the Local Government Auditor may also access details of these key risks.

Definitions and Categorisation of Risk

Risk can be defined as the probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided or mitigated through pre-emptive actions. Risks by their nature, may or may not occur and fall into a variety of categories.

In a general business context, the four most common risks are:

- *Financial*
- *Operational*
- *Reputational*
- *Strategic*

Kilkenny County Council has identified the following categories of risk:

- | | |
|------------------------------------|-----------------------------------|
| ▪ <i>Budgetary & Financial</i> | ▪ <i>Personnel</i> |
| ▪ <i>Communication</i> | ▪ <i>Policy & Operational</i> |
| ▪ <i>Health & Safety</i> | ▪ <i>Reputation</i> |
| ▪ <i>Leadership</i> | ▪ <i>Stakeholder</i> |
| ▪ <i>Legal & Regulatory</i> | ▪ <i>Strategy/Projects</i> |
| ▪ <i>Operations/Way of Working</i> | ▪ <i>Technology</i> |

Roles & Responsibilities

The Chief Executive is responsible for establishing and maintaining a sound system of internal Risk Management control that supports the achievement of policies, aims and objectives. This system should be able to evaluate the nature and extent of these risks and manage these effectively.

Management Team

The Management Team will develop and approve a Corporate Risk Register directly following Directorate Risk Register Reviews and also identify annually the high-level corporate risks for the Council. The Management Team will ensure that risk management is an integral and on-going part of the management processes and day-to-day business of the Council and will continue to facilitate and embed risk management strategies into the management processes of the Council.

Directors of Service & Head of Finance

Directors of Services and the Head of Finance have responsibility for ensuring that the Council's risk management processes are implemented within their directorates. They will address priority risks, identify new risks and related issues and will ensure that control measures for risk mitigation are operating satisfactorily in their areas and that these measures are reviewed on a regular basis. They will ensure that procedures for managing risk are fully understood and implemented by all staff. They will also ensure that Risk Registers for their directorates are prepared/reviewed annually.

Further to the responsibilities of the Director of Service/Head of Function, each Line Manager/Team Leader has responsibility for the carrying out the elements, as assigned to him/her in relation to his/her area of operations.

Staff

All staff in the Council have a part to play in managing risk by:

- *Being aware of the nature of risks in their day-to-day work.*
- *Proactively identifying risk issues and bringing these to the attention of management.*
- *Ensuring that all risks are identified and reported in a timely and effective manner.*
- *Monitoring the effectiveness of management procedures created to mitigate those risks identified.*
- *Responding to the changing nature of the risks faced by the Council.*

Staff members who are identified in the Risk Register as the owner of an individual risk will be responsible for ensuring that the risk is managed and the controls and required action are implemented as required.

Audit Committee

In line with the functions of the Audit Committee as set out in the Committee's Audit Charter, the Audit Committee's role is to review the appropriateness and implementation of Risk Management arrangements. They will receive presentations from Management on corporate, directorate, divisional and sectional risk registers. The review may also include an internal audit on the appropriateness and efficacy of the risk management policy and processes.

Risk Register

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 Council, its category, the likelihood of its occurrence and its impact rating should it occur, and the risk prevention controls and actions required to manage the risk. It will also identify the owner(s) of the risk within the Council.

The Risk Register will be reviewed and updated within each directorate on an annual basis, and it will be formally reviewed by the Management Team on a monthly basis.

APPENDIX 1

RISK MANAGEMENT PRINCIPLES

International Standards Council (ISO) 31000:2009 Risk Management - principles and guidelines sets out the following eleven principles that should be complied with to make risk management effective in Councils.

Principles

For risk management to be effective, a Council should at all levels comply with the principles below.

- (a) Risk management creates and protects value.
- (b) Risk management is an internal part of all Council processes.
- (c) Risk management is part of decision making.
- (d) Risk management explicitly takes account of uncertainty, the nature of that uncertainty and responses to same.
- (e) Risk management is systematic, structured and timely.
- (f) Risk management is based on the best available information.
- (g) Risk management is tailored.
- (h) Risk management takes human and cultural factors into account.
- (i) Risk management is transparent and inclusive.
- (j) Risk management is dynamic, iterative and responsive to change.
- (k) Risk management facilitates continual improvement of the Council.

APPENDIX 2

GLOSSARY OF TERMS

Assurance	<i>An evaluated opinion based on evidence gained from review, on the Council's governance, risk management and internal control framework.</i>
Exposure	<i>The result, in consequence and likelihood terms, which may be experienced by the Council if a risk is realised.</i>
Impact	<i>The extent to which an event or action affects an event, process or target.</i>
Inherent Risk	<i>The exposure arising from a specific risk before any action has been taken to manage it.</i>
Internal Control	<i>Any action within the Council taken to manage risk. These actions may be taken to manage either the impact if the risk is realised, or the likelihood of the realisation of the risk.</i>
Probability	<i>The extent to which something is likely to happen.</i>
Residual Risk	<i>The exposure arising from a specific risk after action has been taken to manage it and assuming that the action is effective.</i>
Risk	<i>The effect of uncertainty on objectives with the effect either positive opportunity or negative threat. It is assessed as the combination of likelihood and consequence, including perceived importance.</i>
Risk Assessment	<i>The evaluation of risk with regard to the consequence if the risk is realised and the likelihood of the risk being realised.</i>
Risk Appetite	<i>The amount of risk that the Council is prepared to accept, retain, tolerate or be exposed to at any point in time in the pursuit of its core priority objectives.</i>
Risk Management	<i>All the processes involved in identifying, assessing, and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.</i>
Risk Register	<i>The documented and prioritised overall assessment of the range of specific risks faced by Council.</i>
Risk Owner	<i>Usually, the line manager associated with the activity from which the risk arises.</i>
Risk Mitigator	<i>Any member of staff with a specific risk mitigation role.</i>