REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYERI

RISK MANAGEMENT POLICY

JULY, 2020

FOREWARD

Recent trends in public sector management have laid emphasis on transparency and accountability. This has resulted in increased focus in governance of public institutions and the incorporation of risk management and financial controls. It is on this basis that County Government of Nyeri has developed this risk management policy. The County Government of Nyeri is committed to managing risks to an acceptable level across all areas of operations so as to achieve its development objectives. The risk commitment extends to third party interaction for example with data producers, users and suppliers, service providers, and contractors.

By the year 2030 it is envisaged that Kenya will have a transparent, accountable, ethical and results-oriented government institutions. The public financial management reforms have identified the need for a more effective Corporate Governance.

The County Government of Nyeri has a primary responsibility of ensuring that all risks facing the organization are identified and appropriate mitigation measures put in place. This can be done through a risk management framework which enables the county institutions to focus in a comprehensive and holistic manner on all risks faced by the County Government.

This risk management policy is an important step in ensuring that the government identifies and manages all risks and the County Executive provides oversight as well as policy direction in all matters. The County Executive has a desire to put in place this guiding policy that will help the county government to move forward in putting in place various tools required to help effectively manage risks.

Robert Thuo Mwangi
County Executive Committee Member
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

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EXECUTIVE SUMMARY

The County Government become fully operational after the 2013 general elections with specific mandates. The functions of the County Executive as per Article 183 of the constitution and the County Government Act 2012 and are: -

1) A County Executive Committee shall-
    a. Implement County legislation
    b. Implement, within the County, national legislation to the extent that the legislation so requires;
    c. Manage and coordinate the functions of the County administration and its departments, and
    d. Perform any other functions conferred on it by the constitution or national legislation
2) A County Executive Committee may prepare proposed legislation for consideration by the County Assembly.
3) The County Executive Committee shall provide the County Assembly with full and regular reports on matter relating to the County

In executing these functions, the County Executive ought to be guided by the Public Finance Management Act, 2012 and the regulations thereof in order to ensure that public funds are utilized efficiently, effectively and economically.

Public Finance Management Act, (PFM) 2012 imposes significant responsibilities on accounting officers and governing bodies. One such responsibility entails maintaining appropriate systems of internal control and risk Management. Further the PFM (County Governments) Regulations, 2015 Section 18-22 indicates that the Accounting Officer shall ensure that the County Government entity develops risk management strategies that builds robust business operations.

In the current competitive and challenging internal and external environment, only those organizations that manage risks effectively will be able to meet their objectives and fulfil their mandates. Development of risk management policy is one step towards ensuring that the County Government manages risks at all levels. However, the policy requires ownership of risk management process by the relevant Accounting Officers and Directors of various functions. This policy simplifies the understanding of risk management and achieves common language through description of various terms. It also puts in places various monitoring and reporting mechanisms as well as an implementation time frame. The government will put all the efforts required and use this policy as a management tool in day-today operations. This policy will also help in continuously improving the County Government performance as it will enable us to be more strategic and forward looking in order to overcome any impediments towards achievement of our objectives.

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CHIEF OFFICER - FINANCE & ACCOUNTING

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

County Government of Nyeri recognizes that risk management is an integral part of the management process and wants this to become part of the culture of the organization. To effect this, the County Executive will communicate to all staff their role in risk management, and provide the means for employees to play that role. As a public institution the County Government will work closely with other government agencies and departments to ensure that collaborative risk management arrangements are put in place. The County Executive is committed to implementing all regulatory requirements and the risk management framework will be a useful component of ensuring compliance. In addressing risk, the County Government of Nyeri will ensure transparency and accountability and seek to identify and address all areas where there are needs for improvement in risk management or risk reduction.

The County Government of Nyeri policy statement on Risk Management shall be an integral part of planning, controlling and reporting procedures in all its operations. The County Government of Nyeri is committed to implementing the risk management framework for effective operations. This policy is intended to provide a framework for managing risk associated with changing roles and responsibilities within the County Government of Nyeri. This Risk Management Policy sets out the process to manage and mitigate against present and potential risks faced by the County Government.

The main purpose of the Risk Management Policy is to ensure that the County Government pursues a structured approach to effectively manage of real and perceived risks. In addition, the risk management policy will support the Executive's fulfillment of its mandate and complement existing Government of Kenya legislations and regulations including but not limited to: The Penal Code, The County Government Act 2012, Public Officers' Ethics Act 2003, Public Officers, Code of Conduct, Audit and Exchequer Act, Public Procurement and Assets Disposal Act, 2015, Public Finance Management Act, 2012, Public Service Commission Act and National Treasury Circulars.

The institutional risk management framework will also integrate other mitigating measures such as: performance contracts monitoring; external and internal audits; service charters; review of financial statements; contract management standards; Quarterly and Annual reports to National Treasury; and reports to our development partners.

1.2 Aim of Risk Management Policy

The aim of this policy is to manage the risks involved in all the County Government activities so as to maximize opportunities and minimize adversities. This is also in line with legislations that requires institutions to have risk management frameworks.

Effective risk management requires a strategic focus, forward thinking and active approaches to management; balance between the cost of managing risk and the anticipated benefits; and contingency planning in the event that the threats are realized. Risk management will also enable the County Government to successfully achieve its goals.

With the growing need for transparent decision-making, a structured, systematic risk management process demonstrates the due diligence that is required and provides an audit trail for decision making. A comprehensive understanding of the risk exposures facing the County Government also facilitates effective planning and resource allocation, and encourages a proactive management culture, with flow-on benefits for every aspect of government operations. Risk management will also provide the County Government with a system for the setting of priorities when there are competing demands on limited resources.

1.3 Definitions of terms

Risk: The term "risk" is defined in the glossary section of the *Standards for the Professional Practice of Internal Auditing* as: "The uncertainty of an event occurring that could have an impact on the achievement of objectives. Risk is measured in terms of consequences and likelihood."

Risk can either provide a positive opportunity or pose negative threat, of actions and events. The delivery of an organisation's objectives is surrounded by uncertainty which both poses threats to success and offers opportunity for increasing success.

If management know for certain something is going to happen it has no risk attached to it. Should there be an element of uncertainty surrounding any activity the County decides to undertake, then a risk exists.

Risk Management: Risk Management means having in place a corporate and systematic process for evaluating and addressing the impact of risks to the County Government in a cost effective way and having staff with the appropriate skills to identify and assess the potential for risks to arise. Risk doesn’t just relate to the challenges facing the County Government, but also the opportunities; they are two sides of the same coin.

The County Government of Nyeri values a positive approach hence the policy encompasses both possible threats and opportunities, reflecting the potential for either of these to impact positively or negatively on the County's vision and purpose. This will help achieve objectives, improve service delivery, accountability, transparency and decision-making, ultimately contributing to the success of the County Government.

Risk management within this policy is informed by three critical questions:

- What is the objective?
- What can go wrong or can threaten the accomplishment of the objective.
- What can be done within set limitations to manage or minimize the results of the risk?

Importantly, risk management is a multi-faceted process as well as an iterative process of continual enhancement.

Risk Strategy: The Risk Strategy of the County defines the standpoint towards dealing with various risks associated with the County Government of Nyeri. It includes the County's decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the County Government.

Risk Assessment: Risk Assessment is defined as the overall process of risk analysis and evaluation.

Risk Estimation: Risk Estimation is the process of quantification of risks.

Risk Tolerance/Risk Appetite: Risk tolerance or Risk appetite indicates the maximum quantum of risk which the County Government is willing to take as determined from time to time in accordance with the Risk Strategy of the County Government.

Risk Description: A Risk Description is a comprehensive collection of information about a particular risk recorded in a structured manner.

Risk Register: A 'Risk Register' is a tool for recording the risks encountered at various locations and levels in a standardised format of Risk Description.

Inherent Risk: The risk related to the nature of the activity before any mitigating controls have been applied.

Residual Risk: The risk remaining after implementation of risk treatment;

Internal Controls: The processes, policies and procedures we use to govern the County's work, or any additional mitigating actions that we take to deal with a particular, or potential situation;

Risk responses: The means by which an organization elects to manage individual risks. The main categories are to tolerate the risk; to treat it by reducing its impact or likelihood; to transfer it to another organization or to terminate the activity creating it. Internal controls are one way of treating a risk.

Transfer of risk: Foresees the persuasion of another party to accept the risk, through a contract. This is a typical case that concerns insurance companies, which is applied often when possible even if at times it is done in a general manner and not, rather, in function of the specific organization (Tailored covering);

Risk exclusion: Foresees the non-execution of the activity that involves a risk that cannot be transferred and/or is considered to be unacceptable. Naturally, the result is a loss of opportunity that the activity at risk would have represented in any case;

Risk reduction: Involves the adoption of managerial, technological and behavioral actions that lower the probability of risk and/or the seriousness of the possible consequences. The persistence of residual risk is often, in any case, unavoidable both for reasons inherent to the context (institutional, managerial, technological, etc.) in which the organization operates, as well as for the possible simplifications and/or omissions of the analysis;

Risk Acceptance: Involves acceptance of risks that are not transferred and/or excluded. The conscious acceptance of residual risk occurs, in general, when at least one of the following conditions applies;

I. Sufficiently low probability of the event;
II. Consequences of the event are proportionally of little relevance;
III. Great benefits if successful

1.4 Purpose of the Policy

The purpose of the risk management policy is to provide guidance regarding the management of risk to support the achievement County Government objectives, by taking advantage of potential opportunities while managing potential adverse effects.

This policy outlines the County's risk management process and sets out the responsibilities of the Audit Committee, the County Executive Committee Members, Accounting Officers and all other staff within the County in relation to risk management.

This policy ensures a pro-active approach in reporting, evaluating and resolving risks associated with the operation of the County Government. The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the County Government of Nyeri are identified, assessed, quantified, appropriately mitigated and managed
2. To establish a framework for the government's risk management process and to ensure countywide implementation
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices
4. To assure that the County meets its objective of transparency, accountability and development.

In order to fulfil the objectives of this policy and lay a strong foundation for the development of a County integrated risk management framework, the policy outlines the following guiding principles of Risk Management:

1.4.1 Principles of Risk Management

1. All decisions will be made with the prior information and acceptance of risk involved
2. The Risk Management Policy shall provide for the enhancement and protection of the County from uncertainties and consequent losses
3. All employees of the County Government shall be made aware of risks in their respective domains and their mitigation measures
4. The risk mitigation measures adopted by the County Government shall be effective in the long-term and to the extent possible be embedded in the operation processes of the County
5. Risk tolerance levels will be regularly reviewed and decided upon depending on the change in County's strategy
6. The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.

1.5 Risk Management Policy Statement

The policy statement is as given below:

1. To ensure protection of the stakeholders through the establishment of an integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating and reporting of all risks.
2. To provide clear and strong basis for informed decision making at all levels of the County Government of Nyeri
3. To continually strive towards strengthening the Risk Management System through continuous learning and improvement

1.6 Benefits of Risk Management

The County Government of Nyeri does not operate in a risk-free environment, in addition the current risk management process does not create such an environment. Effective risk management will assist the government to achieve its performance and service delivery targets and to reduce the potential loss of resources. This results in effective responsibility and performance as well as compliance with laws and regulations, thus avoiding damage to its reputation and other undesirable consequences.

Key specific benefits include;

- Effective, efficient and continuity in service delivery ;
- Higher likelihood of achieving the County Government objectives;
- Basis of better management as risk considerations are made;
- Better performance as there is more focus internally on doing the right things in the right way;
- Identification and management of risks affecting different departments and/or different processes e.g. Risk Based Auditing
- Identification and implementation of cost effective, integrated responses to multiple risks;
- Minimizing operational surprises, costly and time consuming litigation and unexpected losses;
- Better value for money by prudent use of capital and financial resources;
- Enhance accountability and corporate governance processes; and
- Greater transparency in decision making and ongoing management processes.

1.7 Relevance of Risk Management

The underlying premise of risk management is that every organization exists so as to provide value to its stakeholders. Such value is manifested on the quality of service delivery to the residents. All organizations face uncertainty, and the challenge for management is to determine how much uncertainty the County Government is prepared to accept as it strives to grow stakeholders value.

Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. This policy provides a basis for management to effectively deal with uncertainty and its associated risk and opportunity, thereby enhancing its capacity to build value.

1.7.1 Uncertainty

The County Government of Nyeri operates in an environment where factors such as globalization, technology, regulation, restructuring, political influence create uncertainty. Uncertainty emanates from an inability to precisely determine the likelihood that potential events will occur and the associated outcomes.

1.7.2 Value

Value is created, preserved or eroded by management decisions ranging from strategic planning to daily operations of the County Government. In decision making, recognition of risk and opportunity is paramount. This requires that management consider information about the internal and external environment, deploys resources and appropriately adjusts the County Government activities to changing circumstances.

The County Government realizes value when stakeholders derive recognizable benefits that they in turn value. For public institutions, value is realized when constituents recognize receipt of valued services at an acceptable cost. Risk management facilitates management's ability to both create sustainable value and communicate the value created to stakeholders.

While each organization will find its own way to integrate risk management into existing decision-making structures, the following are factors to be considered;

I. Aligning risk management with objectives at all levels of the organization;
II. Introducing risk management components into existing strategic planning and operational practices;
III. Communicating organizational directions on an acceptable level of risk;
IV. Including risk management as part of employees' performance appraisals; and
V. Continuously improving control and accountability systems and processes to take into account risk management and its results.

1.8 Limitations of Risk Management

As with any management process, risk management has its limitations:

- Risk management will not make decisions for the County Government, rather, it will help inform decisions.

- It is impossible to predict all negative consequences. Therefore, risk management will not guarantee freedom from all risk.
- Risk assessments will not be all-encompassing and are therefore not fail-safe.

1.9 Scope

This policy applies to all County Government of Nyeri activities and forms part of the County's governance framework. Employees in all areas and activities of the County Government are responsible for applying risk management principles and practices in their work areas.

Employees in supervisory and managerial positions are responsible for ensuring that risk management principles and practices are applied by those under their supervision.

The policy shall operate in conjunction with other County Government operating and administrative policies.

1.10 Legal Framework

1. Treasury Circular No 3/2009 :- Development and implementation of Institutional Risk Management Policy Framework (IRMPF)
2. 'Mwongozo' Code of Conduct for Boards of Public Sector
3. Public Finance Management (PFM)Act, 2012
4. Public Finance Management (County Government) Regulations, 2015
5. County Governments Act, 2012
6. The Constitution of Kenya, 2010
7. Public Procurement and Assets Disposal (PPAD)Act, 2015

CHAPTER TWO

2.1 Risk Management Process

The objectives of the risk management process is to establish a prioritized list of risks for further consideration and apply risk mitigation and management treatment as required.

The process shall cover the following:

1. **Establish a context:** This is the strategic, organizational and risk management context against which the rest of the risk management process in the County Government will take place. It involves identification of areas susceptible to risks. It also involves organizing the necessary resources and defining duties and responsibilities. Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
2. **Risk identification —** identify risks that potentially affect the achievement of the County Government objectives (for example, statutory functions, effective service delivery and compliance). Establish why and how events arise as the basis for further analysis.
3. **Risk assessment** — for each risk identified, assess the consequence, likelihood and control effectiveness associated with the risk.

- Rate the likelihood of the business activity not being properly performed. Likelihood is assessed on the assumption that there are no existing risk management and compliance processes in place. It is assessed as **Almost Certain, Likely, Possible, Unlikely and Rare.**
- Rate the impact of not properly performing the business activity - damage is quantified in terms of financial loss to the County Government. It is assessed as **Critical, Major, Moderate, Minor and Insignificant.**

4. **Prioritization of Risk —** rank the risk based on acceptable level of tolerance.

   Assign the inherent risk rating based on a combination of the risk rating. Low and medium risks may be considered acceptable and therefore minimal further work on these risks may be required. The rating will be assessed as **High, Medium and Low**.

5. **Risk Treatment-** identify treatment options, evaluate treatment options, select treatment options, prepare treatment plans and implement plans within the specified timeframes.

   The County Government will develop and implement specific risk management plans including funding considerations. It includes, either alternatively or in combination, one or more of the following conditions:

   a) Transfer of risk;
   b) Terminate of risk;
   c) Treatment of risk;
   d) Tolerate the risk.

6. **Monitoring and review** — report on progress of treatment implementation and review risks where new controls are operating.

7. **Communication and Consultation:** The County Executive will ensure that appropriate communication and consultation with internal and external stakeholders occurs at each stage of the risk management process as well as on the process as a whole.

   The risk management process is shown in the diagram below;

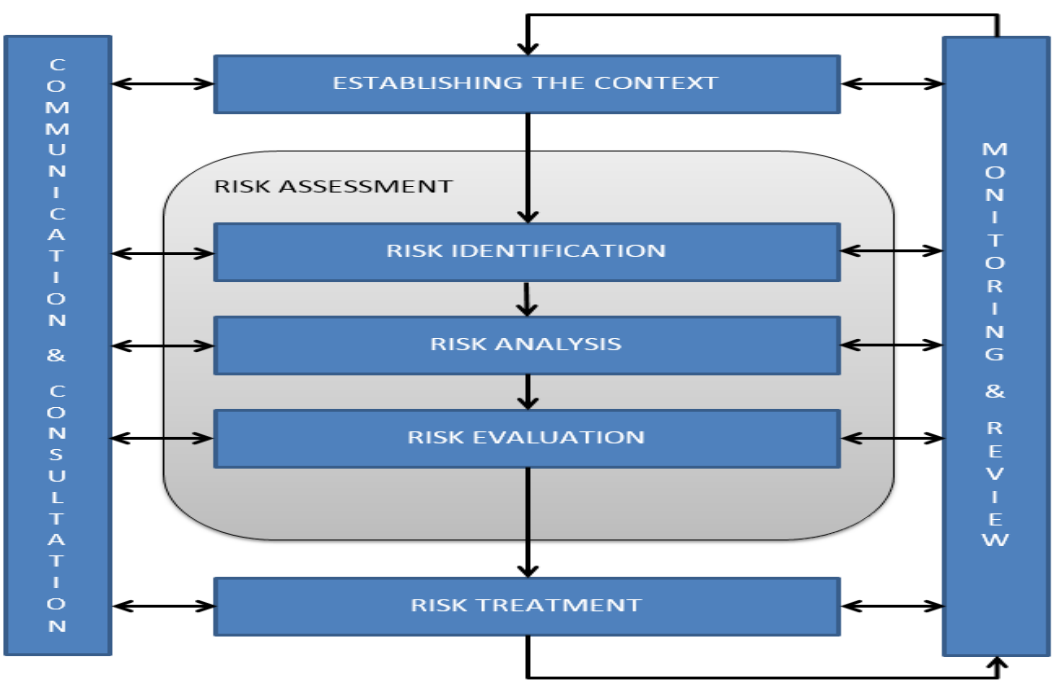

Figure 1: Risk Management Process

2.2 Risk Appetite (Tolerance) Statement

A risk appetite statement will be drafted and approved by the Executive Committee for the County Government of Nyeri. This statement will clearly articulate the degree to which the County Government is willing to accept risks. Organizations are usually willing to accept different levels of risk depending on the type. For example, an organization may have zero risk tolerance with regard to compliance but may be willing to accept a level of risk with regard to financial matters.

The risk appetite statement, once approved by the Executive Committee, should be clearly communicated to Accounting Officers. The importance of the risk appetite statement is that this will be the basis of articulating what is acceptable in terms of appropriate levels of risk to be taken throughout the County Government.

2.3 Risk Identification

The process of identifying risk exposures is key to the success of a risk management procedure as all other elements flow from this initial step. It is crucial that a comprehensive process of risk identification is completed on a regular basis. It will be a matter for each Department to identify the risks it faces as an organization and the ones which could arise from not pursuing opportunities.

2.3.1 Categories of Risk

Risks will typically form natural groupings. While a number of approaches can be adopted, an initial approach can be adopted which classifies risks into four areas as follows:

1. **Strategic risks** -risks that may be external to the County Government such as the economic factors e.g. interest rates, exchange rates and inflation
2. **Operational risks**-relating to the procedures/technologies etc. employed to achieve particular objectives
3. **Financial risks** -relating to the procedures/systems/accounting records in place to ensure that the organization is not exposed to avoidable financial risks, including risks related to assets.

4. **Reputation and compliance risks** -involving risks to the public reputation of the organization and their effects

A summary of common types of risk with examples of the nature, source and effect issues, is provided at **Appendix I**

2.3.2 Risk Identification Techniques

Risk identification attempts to identify the County Government exposure to uncertainty. This requires a detailed knowledge of the county's operations and a sound understanding of its strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives.

As regards how to identify risks, examples of identification techniques include:

I. Listing the risks to continuity of service;
II. Brainstorming (when, where, why and how are risks likely to arise);
III. Questionnaires (e.g. to heads of divisions);
IV. Workshops (perhaps facilitated jointly by management and internal audit);
V. Incident investigations;
VI. Results of audits and inspections; and
VII. Analysis, e.g. Cost-benefit, SWOT, Sensitivity, Cash flow.

2.4 Risk Assessment

Risk assessment is an integral part of risk management process which provides a structured process for departments to identify how its objectives may be affected. It provides management with an improved understanding of risks that could affect achievement of objectives, and of the adequacy and effectiveness of controls already in place.

Risk mapping is a simple and useful method for assessing risks identified. It involves plotting risks on a matrix or map against relevant criteria. The assessment is usually carried out on the basis of two criteria; **impact and likelihood**. Having identified risks, they are recorded in the appropriate quadrant of the map. The following explanations are therefore paramount in this context;

Risk rating: The risks identified are rated depending on impact and likelihood **(I X L),** where;

Likelihood (L): Is the probability that an adverse event, which could cause materialization of the risk, may occur and;

Impact (I): Is the potential loss should the risk materialize

Table 1: Risk Rating-Likelihood of occurrence

RATING	MEANING	LIKELIHOOD OF OCCURENCE
5	Almost Certain	High level of recorded incidents. It is expected to occur in most circumstances weekly or monthly.
4	Likely	It is expected that it will occur during the next 12 months.
3	Possible	Few, infrequent, occurrences of risk have previously occurred. Might occur at some time over the next 12 months.
2	Unlikely	No recorded incident or reliable evidence. Is not expected to occur but may within the next 2-5 years
1	Rare	No history within the organization. May occur in exceptional circumstances (10+ years)

Table 2: Risk Rating-Impact of occurrence

RATING	IMPACT	CRITERIA
5	Critical	Critical or catastrophic effect on operations or delivery. Can cause complete breakdown in system and delivery.
4	Major	Major effect on operations or delivery and may cause severe disruption including but not limited to financial loss Major impact on output, levels of service and external relationships.
3	Moderate	Has moderate and noticeable effect on operations or delivery. This elicits complaints and dissatisfaction from one or more stakeholders
2	Minor	Very slight effect on efficiency and effectiveness of operations and

		has low impact on stakeholders
1	Insignificant	Solved relatively easily with low impact on County operations. The effect is not noticed by stakeholders.

The above are consistent with the "International Standards Organisation (ISO) 31000 Risk Management - Principles and Guidelines" in rating risks on a 5x5 matrix reflecting consequence (impact) and probability (likelihood).

Risks located in the upper right hand side of the map i.e. those of both high impact and likelihood will require the close attention of management. This is shown in the tables below:

Table 3: Risk Rating Matrix

RISK RATING MATRIX

LIKELIHOOD					
5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5
	IMPACT				

Table 4: Risk Rating Levels

SCORE	RISK GRADE	ACTION NEEDED
1-6	Low Risk	Accept Risk- Manage by routine procedures and existing policies
8-12	Medium Risk	Management Action Required- The risk can be acceptable but for each threat the development of the risk must be monitored on a regular basis, with a following consideration whether necessary measures have to be implemented.
15-25	High Risk	Not acceptable risk. Cannot start provide the service before risk reducing treatment has been implemented.

The assessment of risks using the risk rating matrix, above, will be used by the risk focal person(s) to capture risk information in a consistent way and develop a risk register

When the Accounting Officer is satisfied that a comprehensive risk assessment has taken place, a risk register should be finalized.

2.4.1 Risk Register

The County Government will need to maintain centralized records about their key risks in a risk database or corporate risk register. The register will be a primary tool for risk tracking, containing the overall system of risks and the status of any risk mitigation actions. The corporate risk register will inform the principal risks and uncertainties which the County Government of Nyeri faces.

In summary, the risk register will normally include:

- a description of the risk;
- the category or type of risk;
- the current mitigations and actions in place to address the risk;

- an assessment of the likelihood that it will occur and the possible consequences if it does occur ranked in accordance with the agreed rating scale;
- an outline of additional proposed mitigation actions, where appropriate; and
- who is accountable and responsible for managing that risk

A risk register for the county will be developed in consultation with the Accounting Officers, Directors, Internal Audit and departmental risk focal persons.

This register will be updated from time to time, depending on the emerging risks affecting each and every departments. Following the assessment process, risk focal persons will submit completed assessments to the accounting officers for validation and approval.

Where the accounting officer is satisfied with the validity of the assessment and the treatments that have been developed, he or she will submit the risk register to the relevant County Executive Committee Member for it to be discussed in the ExCom after which it will be consolidated to form the County risk register to enable ongoing monitoring and review.

A sample risk register is provided under **Appendix II**

CHAPTER THREE

The County Government will adopt effective risk management operated on the basis of clearly-defined structures and responsibilities. It will include roles for management assurance functions and internal audit.

3.1 Risk Management Structures

The management of risk, at operational and strategic level, is achieved by having a risk management structure which provides for clear lines of responsibility and a coordinated set of activities designed to identify, assess, mitigate and report on risks at all levels. The risk management structure is integral to management structures within a Department.

There are a number of important structures in place in the County Government of Nyeri for directing, overseeing and implementing good risk management practices:-

3.1.1 Executive Committee

The Executive Committee is responsible for;

1. Developing the risk management policy, overseeing its implementation and adoption of changes to the Policy
2. Establishing and maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
3. Satisfying itself that fundamental risks are being managed in an appropriate way by approving risk management policy and procedures and reviewing risk reports from the Audit Committee
4. Determining the Executive's attitude towards risk; risk appetite and acceptability of risk and acceptable level of exposure;
5. Setting the tone and influencing the culture of risk management within the County Government;
6. Delegating responsibility for the implementation of risk management policy to the Accounting Officers and key management personnel.

3.1.2 County Assembly

1. Approving the risk management policy and changes to Policy;

2. Oversighting of the Policy implementation in the County Government of Nyeri

3.1.3 Accounting Officers

As per the PFM (County Government) Regulations 2015, Section 158(1) The Accounting Officer shall ensure that—

a) The County Government entity develops risk management strategies, which include fraud prevention mechanism; and
b) The County Government entity develops a system of risk management and internal control that builds robust business operations.

The Accounting Officer will be in charge of implementing the department's risk management process in their department by;

I. identifying, evaluating and signing off on risks at departmental level;
II. owning and managing the risks within the departmental organizational or functional responsibility on a day to day basis;
III. ensuring that clear roles and responsibilities for risk identification, management and reporting are defined within their areas;
IV. ensuring compliance with the formal risk reporting requirements on an on-going basis; and
V. ensuring risk management awareness throughout the department.

3.1.4 Staff

Individual members of staff, in a department, have a key part to play in managing risk by:

I. being aware of the nature of risks in their day-to-day work;
II. monitoring the effectiveness of management procedures created to mitigate those risks identified;
III. being responsive to the changing nature of the risks faced by the organization;
IV. Proactively identifying risk issues and bringing these to the attention of management;
V. Participating in risk management and business continuity education and training activities relevant to their level of responsibility;

3.2 Risk Audit Structures

The Risk Management assurance will enable reporting on internal controls to support the management on the effectiveness of the risk policy and framework. Policy implementation, audit and monitoring is a key part of the risk assurance process.

There are structures in place in the County Government of Nyeri for risk management assurance:-

3.2.1 Audit Committee

In accordance with the Public Finance Management Act, 2012 and subsidiary legislations, the role of the Audit Committee is to assure the County Executive that adequate systems of Risk Management are in place and that fundamental risks are adequately and appropriately managed.

Audit Committees should advise on the systems of control underlying the risk management framework and processes, including:

I. Ensuring that risk management and business continuity policies, procedures and framework is established, implemented and maintained;
II. Monitoring the management of strategic and significant operational risks;
III. Considering the system of internal financial controls and to satisfy itself that the control environment is adequate and that controls are operating effectively;
IV. Keeping under review, and advise on, the operation and effectiveness of the County Government risk management systems;
V. Considering the Internal Audit Annual Programme, to review reports from the Head of Internal Audit, to consider major findings and Management's response;
VI. Monitoring the effectiveness of Risk Management in relation to the risks identified as fundamental to the success or failure of the County Government objectives.

3.2.2 Internal Audit

Internal Audit is responsible for providing an independent assurance opinion to the Audit Committee on the risk management framework, policy and processes. Its mission is "to enhance and protect organizational value by providing stakeholders with risk-based, objective and reliable assurance, advice and insight".

The Internal Audit function should, as part of their work programme;

- regularly review risk management arrangements and risk policy implementation;
- assess the extent to which Internal Audit can add value to the process of risk management; and
- adopt a risk-based approach to the development of its audit plan.

The work of internal audit may bring to light new or altered risks or weaknesses to controls being relied upon to manage risks

4.0 TRAINING AND DEVELOPMENT

The County Government will be committed towards the development and encouragement of training of the county staff with the main aim of achieving successful risk management and business continuity management. As a result, the Accounting Officers and risk focal persons will be identified from time to time to undergo relevant trainings.

The trainings will not only enable participants understand how risk management affects decision making, but will also enable them raise basic awareness of risk management concepts and mechanisms. This will allow them identify and manage risks in their respective departments/units and strengthen corporate governance through adequate forward planning practices.

5.0 REVIEW OF POLICY

The Risk Management policy will be the guiding document for risk management at County Government and will be reviewed as and when required due to the changes in the risk management regulations, standards and best practices as appropriate. The policy underlying strategies or procedures will be reviewed regularly by the Executive Committee through the Audit Committee and approved by the County Assembly to ensure its continued application, effectiveness and relevance

APPENDICES

Appendix I – Risk Categories

The table below offers a summary of the most common categories of risk with examples of the nature of the source and effect issues.

CATEGORY OF RISK	
EXTERNAL	**NATURE OF THE SOURCE**
Infrastructure	Relating to infrastructures such as transport systems for staff, power supply systems, suppliers, business relationships with partners and dependency on internet and e-mail
Economic	Relating to economic factors such as interest rates, exchange rates, inflation.
Legal & Regulatory	Relating to the laws and regulations which if complied with should reduce hazards (E.g. – Health and Safety at Work Act).
Environmental	Relating to issues such as fuel consumption, pollution.
Political	Relating to possible constraints such as change of Government.
Market	Relating to issues such as competition and supply of goods.
“Act of God”	Relating to issues such as flood, and earthquake.
FINANCIAL	
Fraud or theft	Relating to the unproductive loss of resources.
Budgetary/Financial	Relating to the availability of resources or the allocation of resources.
Insurable	Relating to the potential areas of loss which can be insured against.
Capital investment	Relating to the making of appropriate investment decisions.
ACTIVITY	
Policy	Relating to the appropriateness and quality of policy decisions.
Operational	Relating to the procedures employed to achieve particular objectives.
Information	Relating to the adequacy of information which is used for decision making
Reputational	Relating to the public reputation of the organisation and consequent effects.
Transferable	Relating to risks which may be transferred or to transfer of risks which is inappropriate
Project	Relating to project planning and management procedures.

Innovation	Relating to the exploitation of opportunities to make gains for the county
HUMAN RESOURCES	
Personnel	Relating to the availability and retention of suitable staff.
Health and Safety	Relating to the well-being of people.
OTHERS	
Inter-Agency	Relating to work and activities of external bodies
Intra-Agency	Relating to internal activities and support services

Appendix II – Risk Register

SAMPLE RISK REGISTER								
Risk Identification			**Qualitative Rating**			**Risk Response**		
Risk No	**Risk Title**	**Risk Description**	**Likelihood**	**Impact**	**Risk Score**	**Mitigation Measures**	**Risk Owner**	**Timelines**
<n>	<A “newspaper headline” style statement. Also identify relevant triggers that may cause the risk to be realised.>	<Describe the nature of the risk and the impact on the project if the risk is not mitigated or managed>				<Specify planned mitigation strategies: • Preventative (implement immediately) • Contingency (implement if/when risk occurs).>	<Specify who is responsible for undertaking each mitigation action(s)>	<Specify timeframe for mitigation action(s) to be completed by>

Key Terms

Risk Title: The risk stated in a complete sentence which states the cause of the risk, the risk, and the effect that the risk causes to the project.

Risk Description: Describe the risk, the root cause and consequences (source of risk or other useful category).

Likelihood: The probability that a risk or opportunity will occur (on a scale from 0 to 5 with 5 being the highest).

Impact: The impact of the risk on the project if the risk occurs (scale from 0 to 5 with 5 being the highest).

Risk Score: Determined by multiplying probability and impact (scale from 0 to 25)

Mitigation Measures: Mitigation measures refer to any strategies/ plans that are in place in the event of a risk to theorganisation occurring

Risk Owner: The person who the project manager assigns to watch for triggers, and manage the risk response if the risk occurs.