REPUBLIC OF KENYA

MAIRO INYA MUNICIPALITY RISK MANAGEMENT POLICY FRAMEWORK

FOREWORD

This Risk Management Policy marks a major milestone in the journey toward sustainable risk development and protection within our municipality. Poor risk management has long posed challenges to County and urban growth. This policy provides a clear, integrated, and participatory roadmap that aligns with the Constitution of Kenya 2010, the Public Finance Management Act, 2012 (Kenya), which requires all public entities to establish and maintain effective systems of risk management, internal controls and governances. It also aligns with County Governments Act 2012, which mandates municipalities to deliver services effectively and ensure prudent use of public resources. Public sector Risk management Guidelines of November 2022, Mwongozo: The Code of Governance for State Corporations of January 2015

The municipality recognizes that risks-financial, environmental, operational, technical and social are inevitable in the course of delivering services. However, through structured risk management, we can safe guard municipal assets, strengthen decision making, enhance resilience, and build public confidence in local governance.

I therefore call upon all municipal leaders, staff and stake holders to actively support and implement this policy. Together we can calculate a culture of risk awareness and accountability that ensures Mairo-Inya Municipality continues to thrive and deliver value to its residents.

Purity Ng'ang'a
Chairperson-Mairo Inya Municipality

ACKNOWLDEGMENT

On behalf of the Board of Mairo Inya Municipality, we fully support the implementation of the Risk Management Policy. We commit to ensuring that all departments and staff work together to manage risk effectively for the benefit of our community and to promote good governance, transparency, and sustainable development.

We are especially grateful to the County Executive and staff, led by H.E. Governor Dr. Moses Kiarie Badilisha, for their unwavering support and strategic guidance throughout this process. This milestone reflects the dedication, professionalism, and collaborative spirit of our Board Members, municipal staff, and technical working teams drawn from across departments. Their tireless efforts have strengthened governance and institutional resilience within Mairo Inya Municipality.

Special recognition goes to the Municipal Board Members, led by Purity Ng'ang'a and fellow Board Member Margaret Wambugu. We also acknowledge the invaluable leadership of Hon. Stephen Kinyanjui Mburu, the CECM for Lands, Physical Planning, Housing and Urban Development, and Josephine Muiru, Chief Officer for Lands, Physical Planning, and Urban Development, whose guidance throughout the policy formulation process was instrumental in shaping this framework.

We commend the technical contributions of the three Municipal Managers serving Nyandarua municipalities, together with Director of Physical Planning Racheal Mugo, Director of Legal Services Beatrice Macharia, and Head of Internal of Audit & Risk Assurance, Joseph Kihiko. Their insights and oversight were critical in developing a framework that strengthens governance and ensures resilience for years to come.

Finally, special thanks are extended to fellow team members Jackson Mwaura, Supply Chain Management Officer, Dorcas Mbugua, Economist, and Elder Mariaria, Head of Human Resources. Their professionalism and commitment enriched the process and ensured that the policy reflects the collective vision of Mairo Inya Municipality. We also appreciate all County and Municipal staff who actively participated in consultations, provided data, and shared perspectives that informed the structure and content of this policy.

Rachel Nderitu

Municipal Manager

EXECUTIVE SUMMARY

The Mairo Inya Municipality recognizes that effective risk management is a critical foundation for achieving sustainable service delivery, good governance, and socio-economic development. As a growing municipality, we operate in a dynamic environment where financial, operational, environmental, social, and governance risks can impact our ability to serve our community effectively.

This Risk Management Policy provides a structured framework for identifying, assessing, mitigating, and monitoring risks that may hinder the achievement of our strategic objectives. The policy emphasizes proactive management, accountability, and transparency, ensuring that risks are addressed before they escalate into challenges.

The Municipality's approach to risk management is guided by national legislation, county regulations, and global best practices. It seeks to build a culture of responsibility, where every employee, department, and stakeholder understands their role in safeguarding municipal assets, resources, and reputation.

Key objectives of this policy include:

1. Promoting informed decision-making through systematic risk assessment.
2. Enhancing resilience and adaptability to emerging threats and opportunities.
3. Protecting public funds and ensuring value for money in municipal operations.

Supporting innovation while minimizing exposure to potential losses.

As the Municipal Manager, I am committed to championing the implementation of this policy and ensuring that adequate structures, systems, and capacity are in place. This policy will not only safeguard Mairo Inya Municipality against uncertainties but will also position it to thrive, deliver on its mandate, and build trust with citizens and partners.

Through collective commitment, continuous monitoring, and strong leadership, Mairo Inya Municipality will strengthen its governance framework and remain steadfast in its mission to serve the community with integrity, efficiency, and accountability.

Acronyms and Abbreviations

BEAM – Barriers, Enablers, Assets, Motivators

BCP – Business Continuity Plan

CIDP – County Integrated Development Plan

COSO – Committee of Sponsoring Organizations of the Treadway Commission

EACC – Ethics and Anti-Corruption Commission

ERM – Enterprise Risk Management

ICT – Information and Communication Technology

IIA – Institute of Internal Auditors

ISO – International Organization for Standardization

OAG – Office of the Auditor General

PFM Act – Public Finance Management Act, 2012

PPP – Public–Private Partnership

RMP – Risk Management Policy

SWOT – Strengths, Weaknesses, Opportunities, Threats

UACA – Urban Areas and Cities Act, 2011

Definitions of Key Terms

"Business Continuity Plan (BCP)" means a documented strategy outlining how the Municipality will continue critical operations during and after a disruption.

"**County Government**" means the County Government of Nyandarua.

"Enterprise Risk Management (ERM)" means a structured, organization-wide approach to identifying, assessing, and managing risks in alignment with strategic objectives and decision-making.

"the Municipality" means Mairo Inya Municipality.

"Risk" means the effect of uncertainty on objectives, expressed in terms of causes, potential events, and consequences.

"Risk Appetite" means the level and type of risk the Municipality is willing to pursue or retain in order to achieve its objectives.

"**Risk Champion**" means a designated officer who facilitates risk management processes within a directorate or unit, builds awareness, and ensures consistent reporting, without assuming ownership of risks.

"**Risk Management**" **means c**oordinated activities to direct and control the Municipality with regard to risk, including identification, analysis, evaluation, treatment, monitoring, and review.

"**Risk Owner**" means the individual or entity with the accountability and authority to manage a risk and ensure appropriate treatment.

"Risk Register" means a structured tool used to record identified risks, their analysis, ratings, controls, treatments, and monitoring status.

"Risk Tolerance" means the acceptable variation in outcomes related to specific risks, within the boundaries of the Municipality's appetite.

"Risk Treatment" means measures selected to modify risk by avoiding, reducing, transferring, retaining, exploiting, or retiring it.

"Three Lines of Defense Model" means a governance model defining roles in risk management: (i) management as risk owners, (ii) the risk management function providing support and monitoring, and (iii) internal audit providing independent assurance.

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CHAPTER 1: INTRODUCTION AND SITUATIONAL ANALYSIS

1.1 Background Information

1.1.1 Devolution Context

The Constitution of Kenya, 2010, introduced a devolved governance system that anchors counties and municipalities as primary vehicles for service delivery, local development, and citizen participation. Under this framework, Mairo Inya Municipality carries the mandate to spearhead urban planning, infrastructure development, and responsive governance. While devolution has expanded opportunities for growth and accountability, it also exposes municipalities to complex risks that demand a structured and proactive risk management approach to ensure effective and sustainable administration.

1.1.2 Introduction to Risk Management

Risk is the possibility that uncertainty will affect the achievement of objectives, arising from identifiable causes, potential events, and their likely impacts. Risk management is the structured set of activities through which an organization anticipates, assesses, and responds to such uncertainties.

It entails the systematic application of policies, processes, and practices to:

a) Engage and consult stakeholders;
b) Define the strategic and operational context;
c) Identify, analyze, and evaluate risks; and
d) Implement, monitor, and review treatments on an ongoing basis.

When effective, risk management remains largely unnoticed, yet, its absence is quickly felt through service disruptions, financial setbacks, or loss of public trust. For municipalities, embedding a sound risk management framework is critical to achieve strategic goals with confidence, ensuring that risks are transformed into opportunities and potential harms are reduced.

1.1.3 Mandates of the Municipality

Municipalities in Kenya, governed by the Urban Areas and Cities Act, 2011, are mandated to deliver structured urban development and public services. These functions carry inherent risks that must be proactively managed to ensure compliance, efficiency, and sustainability. Key mandate areas and associated risk considerations include:

1. **Urban Planning & Land Use**

- **Mandate**: Develop and implement integrated development plans.
- **Risk Lens**: Exposure to planning delays, land disputes, and non-compliance with zoning regulations. *Mitigation*: Strengthen stakeholder engagement and enforce land use controls.

2. Infrastructure & Service Delivery

- **Mandate**: Maintain roads, drainage, lighting, waste systems, and public amenities.
- **Risk Lens**: Project delays, cost overruns, and service disruption due to poor procurement or contractor performance.
- *Mitigation*: Apply robust contract management and performance tracking tools.

3. Governance & Citizen Participation

- **Mandate**: Facilitate inclusive governance and public engagement.
- **Risk Lens**: Reputational risk from low public trust, resistance to reforms, or inadequate communication.
- *Mitigation*: Institutionalize public forums and feedback mechanisms.

4. Economic Development

- **Mandate**: Promote local enterprise and job creation.
- **Risk Lens**: Market failure, informal sector exclusion, or misaligned incentives.
- *Mitigation*: Conduct regular economic impact assessments and support SME integration.

5. Financial Management

- **Mandate**: Budget preparation, fund management, and resource mobilization.
- **Risk Lens**: Financial misreporting, audit queries, and low absorption of development funds.
- *Mitigation*: Enforce PFM Act compliance, automate financial trackers, and conduct quarterly reviews.

6. Control & Accountability

- **Mandate**: Monitor service delivery and enforce compliance.
- **Risk Lens**: Operational inefficiencies, weak internal controls, and delayed reporting.
- *Mitigation*: Establish internal audit committees and risk registers.

1.1.4. Importance of risk management in the Municipality

Risk Management underpins good governance and service delivery in the Municipality by:

1. **Protecting Public Services:** Ensuring continuity in essential services such as water, sanitation, waste management, and emergency response.
2. **Safeguarding Financial Stability:** Preventing losses from fraud, lawsuits, or failed projects.
3. **Enhancing Decision-Making:** Supporting data-driven and forward-looking decisions.
4. **Boosting Public Trust:** Building citizen confidence through transparent and accountable processes.
5. **Responding to Emerging Threats:** Preparing for dynamic risks such as pandemics, climate change, and cyber threats.

1.2 Purpose, Vision, Mission, Objectives and Scope
1.2.1 Purpose of the Policy

The purpose of this Risk Management Policy is to establish a consistent and structured approach for the Municipality to develop, implement, and sustain effective risk management frameworks and processes. It aims to enhance efficiency, accountability, and resilience across all operations and strategic initiatives. In particular, the policy has been developed to:

1. **Provide practical guidance** for designing entity-specific risk management frameworks tailored to the Municipality's operational context.
2. **Define the core principles** of risk management to ensure alignment with national and international standards.
3. **Outline the key requirements** for implementing risk management systems, including governance structures, tools, and reporting mechanisms.
4. **Clarify roles and accountabilities** for risk management implementation, coordination, and oversight across departments and agencies.
5. **Prescribe best practices** for embedding risk management into planning, budgeting, service delivery, and performance evaluation.
6. **Establish a common language** for discussing risk across all levels of the Municipality, promoting clarity and shared understanding.
7. **Provide a baseline for measuring effectiveness**, enabling continuous improvement and benchmarking against recognized standards.
8. **Support sensitization and training** of public officers to build institutional capacity and foster a culture of proactive risk awareness.

1.2.2. Vision

To foster a resilient proactive and transparent risk management culture that safeguards the wellbeing of our community, ensures sustainable service delivery and strengthens public trust in Mairo Inya municipality.

1.2.3. Mission

To identify, assess, and manage risks systematically across all municipal operations in order to protect public assets, ensure effective service delivery, enhance decision-making, and promote culture of accountability and resilience within Mairo Inya Municipality.

1.2.4. Goal

To systematically identify and manage risks to protect municipal assets, ensure efficient service delivery, comply with legal obligations and promote the safety and wellbeing of Mairo Inya municipality.

1.2.5. Core Values
The Municipality shall be guided by the following core values:
- Accountability
- Transparency
- Integrity
- Resilience
- Collaboration
- Innovation
- Sustainability
- Continuous improvement

1.2.6 Aim and Objectives

i. Aim of the Risk Management Policy

The aim of this Policy is to institutionalize a structured and proactive approach to risk management across all municipal functions. It supports the goals of devolution by enhancing stewardship of public resources, safeguarding service delivery, and ensuring strategic alignment with national standards, county priorities, and international best practices.

ii. General Objective

To establish a consistent and integrated approach to managing risk across all municipal activities, supported by clear reporting, accountability, and oversight mechanisms.

iii. Specific Objectives

The specific objectives of this Policy are to:

i.   **Promote a Risk-Aware Culture:** Foster proactive risk identification, analysis, and mitigation among staff, leadership, and stakeholders to enhance transparency and informed decision-making.
ii. **Safeguard Public Resources and Infrastructure:** Integrate risk controls into planning, budgeting, and operations to protect municipal assets, investments, and infrastructure.
iii. **Clarify Roles and Accountability:** Ensure that all staff and leaders are aware of, and accountable for, risks within their areas of responsibility, with risks documented in departmental registers.
iv. **Align with Regulatory and Strategic Requirements:** Ensure compliance with national legislation, county development plans, donor programs, and international standards such as ISO 31000:2018.
v.   **Support Institutional Resilience and Continuous Improvement:** Establish mechanisms for regular monitoring, review, and refinement of risk management practices to adapt to emerging challenges and opportunities.
vi. **Preserve Public Trust and Service Delivery Integrity:** Minimize disruptions, reputational damage, and operational inefficiencies by managing uncertainties effectively and sustaining reliable service delivery.

1.2.7. Scope and Application of the Policy

This Policy applies to the Municipal Board, all municipal staff, directorates, affiliated entities, and relevant external stakeholders including contractors, partners, and residents.

It covers all activities, programs, projects, and assets at both strategic and operational levels, ensuring that risk management principles are consistently applied across financial, operational, environmental, legal, technological, and reputational domains.

1.3 Location and Context of the Municipality

1.3.1. Geographic Position

Mairo Inya Municipality is located in Nyandarua County, covering approximately 264 km² on the leeward side of the Aberdare Range. It lies strategically along the Nairobi – Nyahururu highway, with road links to Nakuru, Nyahururu and Ol'Kalou, making it both an administrative and commercial hub for the surrounding agricultural economy. The municipality encompasses a network of peri-urban and rural centres — including Mairo Inya, Shauri, Kiandege, Ndogino, Kamukuji, Gwa Kungu, Equitor, Murichu, Ndaragwa, Kanyagia, Subuku, Suera, Kianjata, Riverside,

Busara, Ngomongo, Kibathi, and Tarbo Hill - which collectively form the commercial and social backbone of the area.
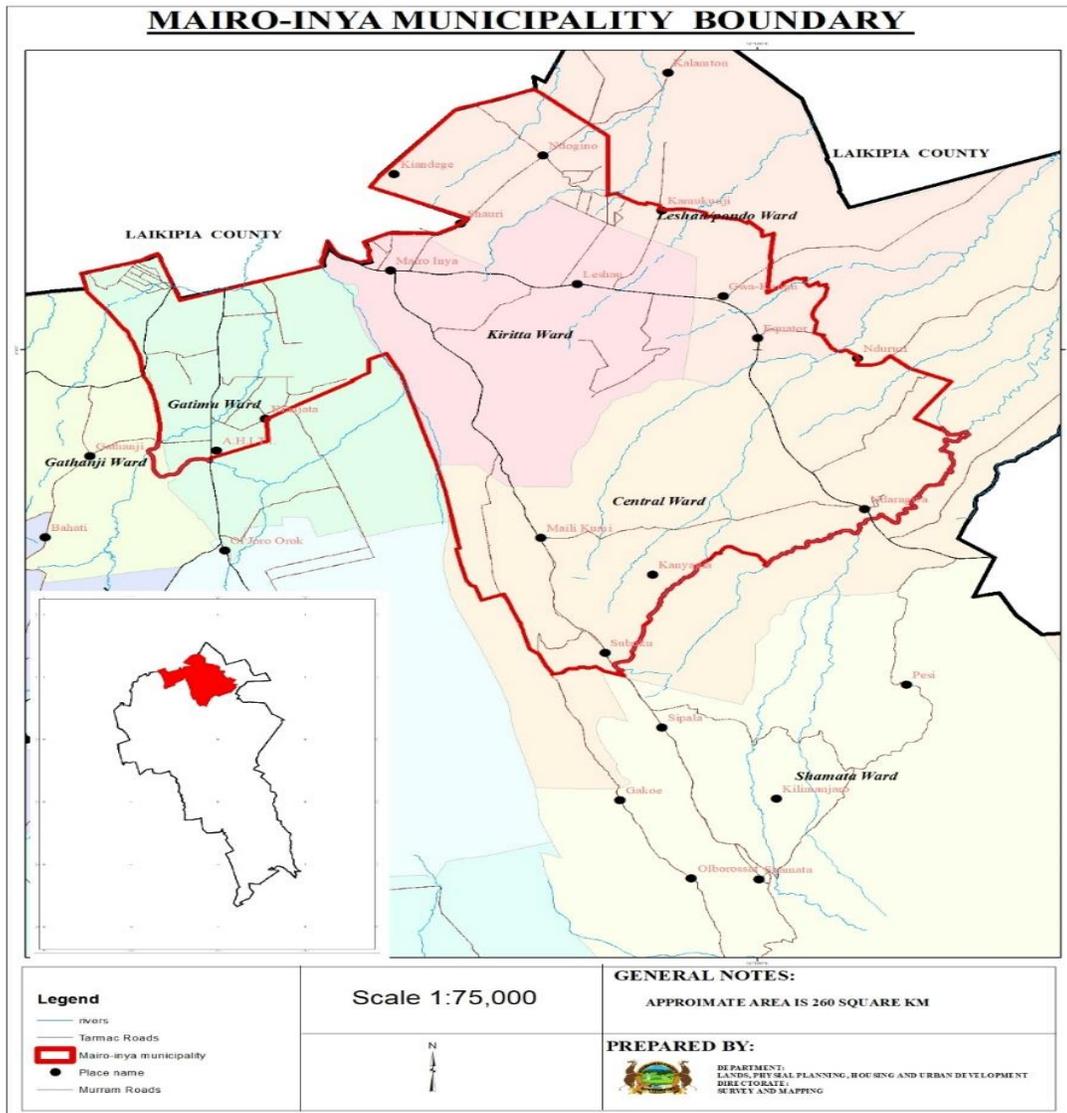
1.3.2. Context and Risk Environment

i.   Climate and Implications for Waste Management

The municipality experiences a cool highland climate, with annual rainfall ranging between 700–1,500 mm (long rains from March–May and short rains from October–December) and temperatures averaging 10–22 °C. These conditions, coupled with high volumes of organic waste,

necessitate climate-sensitive waste management measures such as covered transport, well-drained transfer stations, and storm-water controlled landfills.

ii. Population and Urban Growth

As of 2025, Mairo Inya Municipality has an estimated population of 66,261, translating to about 251 persons per km². Settlement growth is concentrated in trading centres and along transport corridors, driving increased demand for housing, markets, social amenities, and waste management services.

iii. Economic Base and Growth Drivers

The local economy is diverse, anchored in:
- **Agriculture:** Potatoes, dairy, and horticulture dominate, producing high volumes of agricultural residues.
- **Trade:** Weekly markets and vibrant retail/wholesale activities across multiple centres.
- **Small-scale enterprises:** Jua kali industries and recycling ventures, with youth-led innovations in waste management and agri-waste valorisation.
- **Urbanization and land subdivision:** Rapid peri-urban housing and commercial development, generating both opportunities and new waste streams.

iv. Urban Development and Governance Challenges

Despite its strategic role, Mairo Inya faces persistent challenges, including inadequate commercial infrastructure, informal market systems, and constrained land access, which slow modernization efforts. Governance is overseen by the Municipal Board under the County Government, which has prioritized investments in roads, drainage, and lighting. However, risks of project delays, cost escalations, and community pushback remain. Combined with limited financial resources, rapid urbanization, and weak compliance culture, these factors exert pressure on service delivery and infrastructure.

v. Risk Management Implications

These dynamics, ranging from climatic variability to institutional and socio-economic pressures, make structured risk management essential. A robust framework will help the Municipality safeguard public resources, strengthen accountability, and deliver resilient urban services that keep pace with population growth and development needs.

1.4 Situational Analysis

Mairo Inya Municipality operates in a dynamic environment characterized by social, economic, environmental, technological, political, and legal factors that influence its ability to deliver services effectively. As a growing urban center, the municipality faces both opportunities and challenges that require proactive risk management to safeguard public resources, ensure continuity of essential services, and promote sustainable development. This situational analysis seeks to identify the internal and external risk factors affecting the municipality, assess their potential impact, and provide a foundation for the development of resilient strategies in line with the mandates of the Urban Areas and Cities Act, 2011.

This section uses SWOT, PESTEL and BEAM tools to highlight opportunities, vulnerabilities, and implications for risk management.

1.4.1 PESTEL Analysis (external context)

The PESTEL framework provides a structured examination of key external factors — Political, Economic, Social, Technological, Environmental, and Legal — that could present significant opportunities for advancement or pose threats to municipal objectives. This analysis ensures our governance and strategic planning remain agile and responsive to the broader forces shaping our community's future.

TABLE 1: PESTEL ANALYSIS

S/No.	Factors	Analysis
1	**Political**	**Positive** • Political stability – governors hold office for their full term • Political goodwill on devolution – by national government to Counties, and by County Government to municipalities **Negative** • Lack of a transitional framework in government, causing disruption in continuity of services and projects • Political interference limits municipality's autonomy • Citizens politics due to lack of awareness

S/No.	Factors	Analysis
		• Corruption and mismanagement of public funds
2	**Economic**	**Positive** • Strategic location in the county context • Availability of municipal budgets • Availability of alternative financing through donor funding • Insurance schemes that improve financial resilience • Rich agricultural hinterlands thereby supporting the economy in municipalities • Growing urbanization that expands the tax base • Opportunity of PPPs that provide funding for public projects and services. **Negative** • Limited funding for Municipalities • Limited local revenue / tax base due to economic hardships • Dependency on county transfers • Limited funds due to economic downturns leading to reduced emergency response capacity • Rising costs of disaster response and recovery leading to reduced municipality budgets.
3	**Social**	**Positive** • Urban growth • A higher youthful population • Cultural diversity **Negative** • Youth unemployment • Drug and substance abuse • Rising service expectations from residents • Increasing levels of crime and social ills • High rural to urban migration resulting to strain in infrastructure and facilities and social amenities

S/No.	Factors	Analysis
		• Negative public perception and trust making it hard to pass new initiatives or secure public cooperation
4	**Technological**	**Positive** • Improved service delivery due to technological advancement in service delivery • Opportunity for adoption of emerging smart cities technologies • Innovation ecosystems e.g university education hubs • Improvement in communication and citizen engagement through various digital platforms **Negative** • High cost of technology limiting their adoption • Digital divide • Cybercrimes and cyber threats to the data systems • Rapid technological changes
5	**Environmental**	**Positive** • Urban areas are underdeveloped thereby providing an opportunity for guided and controlled development • Rich agricultural hinterlands thereby providing Opportunities for value addition and waste reuse • Conducive climate that supports agriculture • Beneficiary of climate change adaptation funding • Presence of strategic natural resources in the municipality e.g. the Lake and the gazetted Forest in the County • Opportunity for job creation e.g. through waste recycling and reduction **Negative** • Climate change vulnerabilities increasing disaster risks and damage to infrastructure • Environmental pollution from urbanization
6	**Legal / Regulatory**	**Positive** • Robust legal and regulatory frameworks that support accountability environmental protection and citizen participation

S/No.	Factors	Analysis
		Negative • Weak enforcement • Uncertain government taxation policies • Legal disputes and litigation risks

1.4.2 SWOT Analysis (INTERNAL)

The SWOT analysis offers an internal assessment of the Municipality's operational strengths and weaknesses, contextualized against the external opportunities and threats identified in the PESTEL scan. This critical evaluation allows us to strategically leverage our innate capabilities, address areas for improvement, and align our resources to mitigate vulnerabilities while capitalizing on potential for growth and innovation.

Together, these analyses form the evidentiary core of our risk identification process, enabling data-driven decision-making and the development of robust treatment strategies tailored to the unique context of Mairo Inya Municipality.

TABLE 2: SWOT

Strengths	Weaknesses
Delegated authority under the Urban Areas and Cities Act.	Limited financial resources for risk management.
Established Municipal Board and Manager with clear governance mandate.	Gaps in technical capacity and staffing.
Supportive legal and policy framework (Constitution,UACA,CGA, PFM Act, Audit Act, ISO 31000).	Weak ICT and data management systems.
Availability of a dedicated municipal budget	Lack of /inadequate physical infrastructure e.g office space and supporting amenities
A cordial relationship with the community	Poor implementation and enforcement of legal frameworks
Opportunities	**Threats**
Formulation and adoptions of tailored policies	Cyber insecurity
Potential for public-private partnerships (PPPs) in service delivery.	Climate change and natural disasters.

Availability of donor funding and technical assistance.	Political interference and shifting priorities.
Rapid urbanization creating demand for municipal services.	Public resistance to user charges and non-compliance.
Youthful population	Insufficient funding
Economies of agglomeration and reputation	Freehold Land tenures in the Municipalities limiting expansion

1.4.3 BEAM Analysis Method

TABLE 3: BEAM ANALYSIS

Category	Status	Interventions	Recommendations
Barriers	• Limited budget allocations Weak risk culture across departments • Political interference • Fragmented stakeholder coordination.	• Strengthen financial independence • Depoliticize decision-making • Build a culture of risk management.	• Build financial sustainability • Reduce political interference • Train staff.
Enablers	• Supportive County Government and national legal framework. • National Treasury guidelines on risk management (2022).	• Existence of strong legal and policy framework to anchor risk management on	• Align with national guidelines • leverage county support • strengthen policy frameworks.
Assets	• Municipal Board • Municipal Manager • Delegated urban functions. • Existing infrastructure • Technical staff • Partnerships.	• Existence of governance structures and institutional capacity to implement risk management but needs reinforcement.	• Use existing governance structures • Expand infrastructure • Develop staff capacity

Category	Status	Interventions	Recommendations
Motivators	- Resident demand for improved service delivery. - Donor support - PPP opportunities. - pressure for accountability.	There is strong external pressure and incentives to perform better.	- Harness citizen demand - Seek donor partnerships - Enhance transparency

1.4.4. Analysis summary:

The PESTEL, SWOT and BEAM analyses show that while the Municipality faces barriers such as limited finances, weak ICT capacity, and political interference, it also benefits from strong legal frameworks, governance structures, and external motivators. Effective risk management will depend on leveraging enablers and assets while addressing identified weaknesses and threats.

1.5 Legal and Institutional Framework

Risk management in the Municipality is grounded in Kenya's constitutional and legislative framework. The common themes in the frameworks with regard to risk management are accountability, transparency, prudent use of resources, and effective delivery of service. They include:

1.5.1 Constitution of Kenya, 2010

The Constitution of Kenya is the foundation of risk management in the public sector. Articles 10, 201, and 232 establish the principles of good governance, integrity, accountability, and prudent use of public resources, all of which are central to effective risk management.

Article 174 & 175 on Devolved Government further anchors this responsibility. The objects of devolution include:
a) Promoting democratic and accountable exercise of power.
b) Ensuring equitable sharing of national and local resources.
c) Enhancing checks and balances and the separation of powers.

These constitutional principles provide a clear mandate for Municipalities to adopt structured risk management systems. By embedding a Risk Management Framework, the Municipality ensures that

its operations and decisions are consistent with the Constitution, safeguard public resources, and support the effective delivery of devolved functions.

1.5.2 Urban Areas and Cities Act, 2011 (amended 2019)

The Urban Areas and Cities Act provide the legal basis for the establishment and governance of municipalities. It mandates municipal boards and managers to ensure accountability, efficiency, and effective service delivery. Risk management is therefore implicit in the requirement for municipalities to develop policies, plans, and strategies that safeguard resources, promote public participation, and uphold good governance in urban management.

1.5.3 County Government Act 2012

The Act entrenches performance management under Section 47, requiring counties to develop performance management plans to evaluate service delivery. These plans include mechanisms for monitoring and addressing risks that may hinder the achievement of strategic objectives.

Risk management is therefore embedded in the Act's emphasis on continuous improvement, accountability, and responsiveness, making it a core component of effective governance at both county and municipal levels.

1.5.4 Public Finance Management Act, 2012

The Constitution of Kenya establishes two levels of government, being the County Governments and the National Government. Accordingly, pursuant to section 1 (2) of The Public Finance Management Act 2012, the Municipality is bound by the provisions of the said Act and the Public finance Management regulations 2015 with regards to risk management. The responsibility is placed on the County Treasury, where by section 107 (2) (f) requires the County Treasury to ensure prudent management of fiscal risk, ensure that County borrowing is done with prudent degree of risk under sections 141 (1) and empowers it to conduct risk based audits under section 155 (2) (b).
These provisions outlines the need to incorporate risk management in all public finance decisions and in the management of all matters public finance.

1.5.5 Public Audit Act, 2015

The Public Audit Act strengthens oversight by mandating the Auditor-General to evaluate the economy, efficiency, and effectiveness of the use of public resources. In practice, this includes assessing whether risk management systems are in place and functioning effectively. The Act therefore reinforces the need for municipalities to establish robust risk management frameworks to support accountability and transparency in the use of public funds.

1.5.6 Access to Information Act, 2016

The Access to Information Act gives effect to Article 35 of the Constitution, which guarantees citizens the right to access information held by public bodies. This Act promotes transparency and openness in governance, both of which are key elements of risk management. For municipalities, effective risk management requires timely disclosure of information to the public, ensuring accountability and fostering trust in service delivery processes.

1.5. 7 Mwongozo Governance Code for State Corporations, 2015

This detailed public sector guidelines offers an in-depth look at the requirement for all state entities. The code requires the setting up of appropriate structure to ensure adequate systems and processes of accountability, risk management and control. This document is key in reviewing the parameters within which the Municipality must set up its Risk management mechanisms to meet the required standards.

1.5.8 Public Sectors Risk Management Guidelines 2022

These guidelines issued in line with the foregoing legal instruments are specific instruction to all public sector entities and institutions on the area of Risk management. The guidelines are detailed on the expectations and requirement on risk management within the public sector. This policy is molded around these guidelines.

1.5.9 County Integrated Development Plan III (CIDP3) 2023-2028

The CIDP3 is the County's strategic document prepared based on the functions of the Municipality while appreciating that the County and National Governments are interdependent. The plan centers on the inter-linkages of International, National and Local development agendas. For effective

stewardship of the assets allocated to the County, the plan is focused on delivery of services and accountability. This approach is linked to risk management, making the CIDP3 a core reference document for this risk management policy.

Together, these instruments establish a clear mandate for municipalities to integrate risk management into planning, budgeting, service delivery, and oversight, ensuring that devolved governance is both resilient and responsive to emerging challenges.

1.5.10 the COSO, Enterprise Risk Management 2017 Framework

The Committee of Sponsoring Organizations of the Tread way Commission (COSO), developed this framework to strengthen internal controls, improve organizational performance, and deter fraud. COSO emphasizes integrating risk management with strategy and performance, providing useful benchmarks for accountability and governance.

1.5.11 ISO 31000: 2018, Risk Management Guidelines

ISO 31000:2018, issued by the International Organization for Standardization which is based in Geneva, Switzerland, is the globally recognized benchmark for risk management. It provides principles, a structured framework, and an implementation process designed to support decision-making, improve performance, and build resilience.

1.6 Policy Rationale

The Municipality faces financial, environmental, institutional, and operational risks that can disrupt service delivery and good governance. Whereas the PESTEL, SWOT and BEAM analyses above has shown that it has strong governance structures and a supportive legal framework, the lack of a structured approach to risk management makes it vulnerable.

This Policy provides a clear framework to safeguard public resources, improve accountability, and ensure efficient and sustainable operations. It helps the Municipality respond to emerging risks while also making use of opportunities to improve services and development outcomes.

The Policy is guided by international standards, especially **ISO 31000:2018 Risk Management Guidelines**, and follows the National Treasury's requirements for risk management in devolved units through the Public Sector Risk Management Guidelines of November 2022, and Mwongozo: The Code of Governance for State Corporations of January 2015. By linking risk management to planning, budgeting, and decision-making, the Municipality will build a culture of learning, resilience, and innovation.

In this way, the Policy lays a strong foundation for an integrated and practical approach to risk management, ensuring that the Municipality can meet its governance responsibilities and long-term development goals by:

i. Safeguarding public resources and assets.
ii. Promoting accountability, transparency, and efficiency in governance.
iii. Aligning municipal practices with national, county, and international risk management standards.
iv. Building resilience and adaptability in service delivery through continuous learning and innovation.

CHAPTER 2: RISK MANAGEMENT PRINCIPLES

Effective risk management must be grounded in clear principles that provide consistency, accountability, and adaptability across all municipal operations. This Chapter sets out the guiding principles that shall shape the Municipality's risk management approach. While global best practices such as the COSO Enterprise Risk Management Framework (2017) and ISO 31000:2018 Risk Management Guidelines have been reviewed, the Municipality shall primarily align with ISO 31000:2018, as recommended by the National Treasury and Planning in the Public Sector Risk Management Guidelines, 2022**.**

2.1 Justification for Adopting the ISO 31000: 2018, Risk Management Guidelines

The Municipality adopts ISO 31000:2018 as the primary Risk Management Framework because it is flexible, performance-oriented, and well aligned with Kenya's devolved governance structures. It also complies with the **Public Sector Risk Management Guidelines, 2022**, which recommend ISO 31000:2018 as the standard for public institutions.

2.2 Principles of Risk Management

The Municipality shall adhere to the following principles of risk management, as outlined in **ISO 31000:2018 Risk Management Guidelines** and benchmarked against the **COSO Enterprise Risk Management 2017,** integrating with strategy and performance framework.

These principles shall guide the design, implementation, and continuous improvement of the Municipality's risk management approach as follows:

2.2.1 Integration

Risk management shall be integrated into all municipal structures, processes, and decision-making activities, from strategic planning to daily operations.

2.2.2 Structured and Comprehensive

The approach shall be systematic, consistent, and comprehensive to ensure that all risks are identified, assessed, and managed effectively across departments.

2.2.3 Customized

Risk management practices shall be tailored to the Municipality's specific context, objectives, and stakeholder expectations.

2.2.4 Inclusive

Stakeholders at all levels - including staff, leadership, and community representatives - shall be engaged in risk identification, evaluation, and response planning.

2.2.5 Dynamic and Responsive

The Municipality shall continuously monitor and adapt its risk management practices to reflect changes in internal and external environments.

2.2.6 Best Available Information

Decisions shall be based on accurate, timely, and relevant data, while recognizing limitations and uncertainties in available information.

2.2.7 Human and Cultural Factors

The Municipality shall consider human behavior, organizational culture, and capacity-building as critical components of effective risk management.

2.2.8 Continual Improvement

Risk management processes shall be regularly reviewed and improved to enhance resilience, accountability, and performance.

2.2.9 Alignment with Strategy and Performance

Risks shall be managed in a way that supports the achievement of strategic objectives and enhances   overall municipal performance.

The above principles provide the foundation for an effective and sustainable risk management culture within the Municipality. To operationalize these principles, the Municipality requires a structured framework that defines the governance arrangements, roles and responsibilities, and processes for risk identification, assessment, treatment, and monitoring.

CHAPTER 3: THE RISK MANAGEMENT FRAMEWORK

The Municipality commits to adopting the ISO 31000:2018 Risk Management Guidelines as its primary framework, in line with the National Treasury and Planning's Public Sector Risk Management Guidelines (2022). This ensures that risk management is integrated into all municipal structures, strategies, policies, and operations.

The framework is built around six interrelated components, adapted from ISO 31000:2018:

1. Leadership and Commitment
2. Integration
3. Design
4. Implementation
5. Evaluation
6. Improvement

*Figure 1: Risk Management Guidelines **FRAMEWORK** (Source ISO 31000:2018, Risk Management Guidelines)*

3.1 Leadership and Commitment

Good risk management depends on strong governance and leadership. The Municipal Board, as the governing body, and the Municipal Manager, as the Accounting Officer, shall demonstrate their commitment for managing risk by laying the foundations for risk management and shall:

a) Establish clear governance structures for risk management.
b) Define and set risk appetite, tolerance, and thresholds.
c) Assign risk ownership across directorates.
d) Allocate resources for risk management, including staff, systems, training and technology.
e) Ensure risk management is a standing agenda item at Board and Directorate meetings.
f) Promote accountability by embedding risk responsibilities in performance management.
g) Oversee periodic reviews of the framework to ensure continued relevance.
h) Ensuring risk information is appropriately and regular reported internally and externally.

3.2 Integration

Risk management shall be embedded into all levels of municipal planning, operations, and decision-making, supplementing the County Integrated Development Plan. The Municipality shall:

a) Promote a culture of risk awareness through communication, training, and leadership by example.
b) Ensure risk management informs strategic priorities, project approvals, and service delivery.
c) Request all Directorates to maintain and update risk registers linked to their work plans.
d) Encourage open dialogue on risks across Directorates and with stakeholders.

3.3 Design

The risk management framework shall be designed around the Municipality's context, mandate, and stakeholders. The design phase shall include:

3.3.1 Understanding Entity's Context

Risk Management shall be undertaken:

i. Considering internal and external context i.e. political, social, technological, environmental, and economic.
ii. Defining objectives and aligning risk management with strategic and operational goals.
iii. Establishing a strong risk culture through participatory management, accountability, and risk-informed decision-making.

3.3.2 Risk Management Commitment

The Municipal Board shall formalize its commitment to risk management in policy statements and Board resolutions.

3.3.3 Communication and Consultation

The Municipality shall establish clear procedures for communicating and consulting on risks. This shall include:

i.   Internal reporting channels to ensure risks are escalated appropriately.
ii. Public participation mechanisms to capture community concerns.
iii. Feedback loops with county government, regulators, and partners.
iv. Timely reporting of risks and responses to the Board, directorate, and staff levels.

3.3.4 Allocation of Resources

The Board shall ensure there are sufficient resources for risk management, including:

i.   Qualified personnel with relevant skills.
ii. ICT tools and data management systems for risk reporting.
iii. Documented processes, procedures, and training.
iv. Budgetary allocations to support risk treatment measures.
v.

3.3.5 Organizational Arrangements

Risk management responsibilities shall be based on the **Three Lines of Defense Model** (adapted from IIA, 2020) as follows:

i.   **First Line:** Functional officers who identify, own, and manage risks in their areas.
ii. **Second Line:** Risk Management Unit / function that supports directorates, designs processes, and monitors implementation.
iii. **Third Line:** Internal Audit function, which provides independent assurance on the effectiveness of risk management.

Municipal Board

Accountability to Stakeholders for Municipality Oversight

MANAGEMENT

Actions include Managing Risk to achieve the Municipality Objectives

INTERNAL AUDIT

Independent Assurance

EXTERNAL ASSURANCE PROVIDERS

First Line Role:

Provision of services to the Public

Municipal Manager, directorates, risk champions

Second Line Roles

Expertise Support, monitoring and challenge on risk related matters

Risk function

Third Line Roles

Independent and objective assurance and advice on all matters related to the achievement of objective

Internal Audit function

KEY

Accountability, reporting

Delegation, direction, Resources, oversight

Alignment, communication Coordination, collaboration

FIGURE 2: THREE LINES MODEL (SOURCE: THE IIA, 2020)

3.4 Implementation

Risk management shall be implemented through:

a) Development and periodic updating of municipal risk registers.
b) Integration of risk assessments into planning, budgeting, and project cycles.
c) Staff training and awareness campaigns.
d) Embedding accountability in performance contracts and appraisals.

3.5 Evaluation and Improvement

The Municipality shall:

a) Periodically monitor and review risk management performance.
b) Evaluate effectiveness of the framework against set objectives.
c) Incorporate lessons learned and stakeholder feedback.
d) Update the framework to reflect emerging risks and best practices.

CHAPTER 4: RISK GOVERNANCE STRUCTURE

Effective risk governance ensures that risk management is embedded in all levels of decision-making, accountability, and service delivery. The Municipality shall adopt the **Three Lines of Defense Model** as the foundation for assigning responsibilities in risk management, aligned to ISO 31000:2018 and the Public Sector Risk Management Guidelines (2022).

4.1 The Governing Body – The Municipal Board

The Municipal Board, as the governing body, shall provide overall oversight and direction for risk management. Its responsibilities include:

1. Approving the Risk Management Policy, framework, and implementation plan.
2. Defining its own risk governance roles and establishing relevant committees.
3. Setting and reviewing the Municipality's risk appetite and tolerance levels.
4. Delegating implementation responsibility to the Municipal Manager (Accounting Officer).
5. Maintaining oversight of principal risks and ensuring that mitigation measures are in place.
6. Reviewing reports on risk management effectiveness and demanding accountability from management.

4.2 Management (First Line of Defense).

Management, led by the Municipal Manager, shall be responsible for implementing risk management in day-to-day operations.

4.2.1 Municipal Manager (Accounting Officer)

The Municipal Manager, as the Accounting Officer under the Public Finance Management Act (2012), shall:

i. Establish risk management structures, systems, and reporting lines in the Municipality.
ii. Champion a risk-aware culture across directorates.
iii. Integrate risk management into planning, budgeting, and operations.
iv. Assign and monitor risk ownership across departments.
v. Provide assurance to the Municipal Board and report to the County Government on risk matters.
vi. Appoint a representative of the Municipality to sit in the County Risk Management Committee.

4.2.2 Directorate and Section Heads

Directorate/section heads are **risk owners** within their areas of responsibility. Their role is to:

    i.   Identify and manage risks in daily operations.

    ii.   Maintain and update departmental risk registers.

    iii.   Implement mitigation measures and escalate significant risks.

    iv.   Nominate and support risk champions.

    v.   Promote risk awareness and accountability among staff.

4.2.3 All Municipal Staff

All staff shall contribute to risk management by:

    i.   Identifying and reporting risks to supervisors.

    ii.   Supporting the implementation of mitigation measures.

    iii. Complying with policies, by-laws, and controls.

    iv. Contributing to updates of risk registers and documentation.

4.3 Risk Management Function (Second Line of Defense)

4.3.1. Risk Management Unit / Section

The Municipality shall establish and maintain a Risk Management Function, domiciled within its administrative structure, to support and coordinate risk management processes. Its roles include:

    i.   Developing and maintaining risk management tools, templates, and registers.

    ii.   Providing training, awareness, and technical support.

    iii. Monitoring adequacy and effectiveness of controls and treatment plans.

    iv. Escalating unmitigated or emerging risks to the Municipal Manager and Board.

    v.   Consolidating risk reports for submission to the County Government.

4.3.2. Risk Champion

The Risk Champion is a designated officer from each Directorate within the municipality, who serve as a facilitator and change agent in the risk management process. They shall not "own" or make final decisions on risks, but will enable effective identification, assessment, monitoring, and reporting of risks at the operational level.

Key Responsibilities:

1. **Capacity Building:** Familiarize with approved risk tools (e.g., risk registers, scoring systems, and templates) and train departmental staff in their use.

2. **Risk Identification and Assessment:** Facilitate structured identification and scoring risks within departments, ensuring consistency and compliance with the municipal risk management framework.
3. **Support in Risk Mitigation:** Assist risk owners in developing, documenting, and monitoring mitigation measures and treatment plans.
4. **Data Management:** Maintain the accuracy and completeness of departmental risk data and generate timely risk reports for submission to the Risk Management Function.
5. **Technical Facilitation:** Participate in departmental and cross-departmental risk reviews to ensure that risks are understood, communicated, and integrated into decision-making.
6. **Advocacy and Awareness:** Champion a culture of risk awareness, encouraging open discussions and proactive management of risks across the department.
7. **Continuous Improvement:** Contribute insights and lessons learned to improve the Municipality's overall risk management processes.

Performance Expectations:

- Each Risk Champion shall have defined objectives and KPIs for risk management.
- The Municipality shall facilitate annual training and workshops to strengthen their role.

4.4 County Risk Management Committee (External Linkage)

The County Risk Management Committee, established under the Public Finance Management Regulations (2015), provides oversight and coordination of risk management across all County entities, including the Municipality.

The Municipal Manager shall, in consultation with the Board, appoint a representative of the Municipality to sit in this Committee. The Committee's mandate includes:

i. Reviewing risk policies, frameworks, and strategies across the County.
ii. Assessing County-wide risk appetite, tolerance, and indicators.
iii. Ensuring all County entities, including the Municipality, have consistent risk identification and assessment practices.
iv. Reviewing treatment plans and providing technical guidance.
v. Monitoring integration of risk management into County operations.

4.5 Independent Assurance (Third Line of Defense)

4.5.1 Audit Committee

The Audit Committee provides independent oversight of risk management for the County and its' entities. Its roles include:

i. Reviewing implementation of the Municipality's Risk Management Policy and framework.
ii. Ensuring disclosures on risk are included in financial and annual reports.
iii. Monitoring adequacy of internal controls and principal risk reporting.
iv. Reviewing audit plans to ensure alignment with the Municipality's risk profile.

4.5.2 Internal Audit Unit

Internal Audit Unit provides objective assurance by:

i. Reviewing the design and effectiveness of the Municipality's risk management systems.
ii. Recommending improvements to strengthen risk management processes.
iii. Maintaining independence by not assuming operational risk management responsibilities.

4.6 External Oversight and Stakeholders

Beyond internal structures, external bodies provide oversight and assurance. They include:

a) **Office of the Auditor General (OAG):** Reviews effectiveness of controls and risk management.
b) **National Treasury and Planning:** Provides capacity-building and enforces public sector risk management guidelines.
c) **Constitutional Bodies:** Such as the EACC, Controller of Budget, Office of the Ombudsman, and County Assembly.
d) **Stakeholders:** Residents, private sector, development partners, media, and civil society shall participate in risk management through feedback and public participation.

CHAPTER 5: RISK MANAGEMENT PROCESS

5.1. Introduction

The Municipality adopts the ISO 31000:2018 risk management process, which provides a structured, systematic, and iterative approach for identifying, assessing, and addressing risks. This process ensures that risks are managed consistently across all Municipality Directorates and decision-making levels. It includes both cyclical steps (context, identification, analysis, evaluation, treatment) and continuous activities (communication, consultation, monitoring, review, and reporting).

5.2. Steps in Risk Management Process

They are:

1. Establish the Context
2. Identify the risks
3. Analyze the Risk
4. Evaluate the Risk
5. Treat the Risk
6. Communication and Consultation (Continuous)
7. Monitoring and Review (Continuous)
8. Recording and reporting

5.2.1. Step 1: Establishing the Context

Effective risk management begins with a clear understanding of the environment in which the Municipality operates. This involves defining the internal and external context, clarifying objectives, and identifying stakeholders.

Activities include:

i. Defining legal, political, social, cultural, economic, and technological factors.
ii. Setting scope and boundaries of risk management.
iii. Identifying sources and categories of risks.
iv. Guide questions include:

   a. What are the Municipality's objectives?
   b. What external threats or opportunities could influence them?
   c. Who are internal and external stakeholders, and how is accountability ensured?

5.2.2. Step 2: Risk Identification

Risks must first be identified before they can be assessed or managed. The Municipality seeks to capture all potential events, both threats and opportunities that may impact objectives.

Activities include:

i.   Engaging stakeholders and subject experts.
ii.   Using structured tools (brainstorming, audits, complaints analysis, incident reports, systems reviews etc).
iii.   Documenting risks in the register with clear descriptions using the 5Ws (What, Why, Where, When, How).

5.2.3. Step 3: Risk Analysis

Once identified, risks must be analyzed to understand their nature, causes, and potential impacts. This step helps determine the likelihood and consequences of risks. Activities include:

i.   Assessing existing controls and their effectiveness.
ii.   Rating risks using the Municipality's risk assessment matrix aligned to its risk appetite.
iii.   Determining.

5.2.4. Step 4: Risk Evaluation

Risk evaluation allows decision-makers to determine whether risks are acceptable or require further treatment.
This step prioritizes risks and aligns them with the Municipality's risk appetite.

Activities include:

i.   Comparing analyzed risks against appetite and tolerance thresholds.
ii.   Deciding whether to accept, monitor, treat, or escalate risks.
iii.   Documenting rationale for decisions.

Municipality Risk Appetite and Tolerance

The Municipality applies a structured risk appetite framework to guide decision-making. Risks are classified at the *controlled level* as follows:

TABLE 4: RISK CODE (SOURCE IS0:31000)

Risk Level	Colour	Description
Low	**Green**	Acceptable and managed through routine procedures (e.g., quality management systems). No further action required beyond normal controls.
Moderate	**Yellow**	Tolerable but requires active monitoring. Directorate or Section Heads must take responsibility, ensure accountability, and implement additional controls where necessary.
High	**Amber/Orange**	Significant risk requiring the Municipal Manager's oversight and attention of the Board. Remedial action must be planned and resourced.
Extreme	**Red**	Unacceptable risk requiring **immediate action** and full commitment of the Board. Strategic interventions must be prioritized

Risk Matrix

The Municipality will adopt the following Matrix to rate the risk

TABLE 5: LIKELIHOOD AND CONSEQUENCE MATRIX (SOURCE IS0:31000)

	1- Insignificant	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost Certain	**High**	**High**	**High**	**Extreme**	**Extreme**
4 - Likely	**Moderate**	**Moderate**	**High**	**High**	**Extreme**
3 - Possible	**Low**	**Moderate**	**Moderate**	**High**	**High**
2 - Unlikely	**Low**	**Low**	**Moderate**	**Moderate**	**High**
1 - Rare	**Low**	**Low**	**Low**	**Moderate**	**Moderate**

Level	Descriptor	Indicators (Choose only one)		
		Qualitative	Quantitative	Quantitative
5	Almost Certain	Expected to Occur in most circumstances	Daily to Weekly	90-99% probability of occurrence
4	Likely	Will probably occur in most circumstances	Monthly to Six Months	70-89% probability of occurrence
3	Possible	Could occur at some time	Annually	30-69% probability of occurrence
2	Unlikely	Unlikely in the foreseeable future	Once in 5 Years	10-29% probability of occurrence
1	Rare	Occurrence Requires exceptional Circumstances	Once in 10 Years	1-9% probability of occurrence

5.2.5. Step 5: Risk Treatment

Risk treatment involves selecting and implementing measures to modify risks to an acceptable level. The Municipality will adopt treatment options that are proportionate to the level of risk, available resources, and public interest as follows:

    a) **Risk Avoidance** - Eliminating the activity or decision that gives rise to the risk.

      i.   Used when the risk is **unacceptable** and cannot be controlled cost-effectively.

      ii.   Example: Deciding not to implement a project if environmental or legal risks outweigh potential benefits.

    b) **Risk Reduction (Control/Modification)** - Reducing the likelihood or impact of the risk.

      i.   Used when risks are **significant but manageable** with additional controls.

      ii.   Examples:

          a.   Strengthening waste segregation systems to reduce operational risks.

          b.   Conducting regular safety training to reduce accident risks.

      iii.   This is the most common treatment method in public sector risk management.

    c) **Risk Transfer or Sharing** - Shifting some or all of the risk to another party.

i. Applied where risks **can be better managed externally, or to limit financial exposure**.

ii. Examples:
   a. Taking out insurance for municipal vehicles.
   b. Outsourcing hazardous waste disposal to licensed providers.

iii. Note: Accountability remains with the Municipality even when risks are transferred.

d) **Risk Retention/Acceptance - Formally accepting a risk where treatment is impractical, too costly, or** unnecessary.

i. Appropriate when:
   a. The **cost of treatment outweighs benefits**; or
   b. The **risk is low and within acceptable tolerance levels**.

ii. Example: Accepting minor fluctuations in fuel prices as part of routine operations.

iii. Requires clear documentation and approval from the risk owner.

e) **Risk Exploitation (Opportunities)** - Recognizing risks can also present opportunities for innovation or improvement.

i. Applied when **potential positive outcomes outweigh threats**.

ii. Example: Piloting ICT-based systems for fee collection, despite initial technical risks.

f) **Risk Retirement** - Formally closing or archiving a risk that is no longer relevant or has been fully mitigated.

i. Used when:
   a. **Objectives or external conditions change**; or
   b. **Controls reduce the risk to a negligible level**.

ii. Example: Retiring risks related to obsolete technologies after full system upgrades.

Each treatment plan must include:

i. Risk and treatment description.
ii. Treatment owner and responsible parties.
iii. Actions, timelines, and milestones.
iv. Integration with performance management and reporting processes.

5.2.6. Step 6: Recording and Reporting

Risks must be documented consistently to enable monitoring, accountability, and informed decision-making.

Activities include:

i.   Maintaining an up-to-date risk register. The register is a living document and must reflect real-time changes.
ii. Recording risk descriptions, analysis, controls, and treatments.
iii. Conducting quarterly Directorate / section reviews and updates.
iv. Submitting consolidated quarterly reports to the Municipal Manager and Audit Committee.

5.2.7. Step 7: Communication and Consultation (Continuous)

Transparent communication and stakeholder engagement are essential for effective risk management.

Activities include:

i.   Consulting staff, leadership, and external stakeholders throughout the process.
ii. Explaining treatment decisions and progress.
iii. Maintaining open, two-way communication feedback mechanisms to refine practices.

5.2.8. Step 8: Monitoring and Review (Continuous)

Risk management is an interactive process that requires ongoing review to remain effective. Activities include:

i.   Directorate / sectional heads conducting quarterly reviews of risk registers.
ii. Converting completed treatments into ongoing controls.
iii. Using internal and external audit findings and performance reviews to strengthen controls through independent checks and improvement recommendations.

In line with the ISO 31000:2018 Risk Management Guidelines, the Municipality shall embed the three continuous themes of **risk recording and reporting, communication and consultation, and monitoring and review** across all stages of the risk management process.

These interactive themes are not stand-alone tasks but continuous practices that ensure transparency, accountability, and responsiveness to change. By institutionalizing them, the Municipality guarantees that risks are systematically identified, effectively managed, and continually improved upon, thereby safeguarding public resources, strengthening governance, and enhancing sustainable service delivery.

FIGURE 3: RISK MANAGEMENT PROCESS FLOWCHART   (SOURCE IS0:31000)

5.3. Risk Escalation Flow

The Municipality has adopted a structured escalation mechanism to ensure that risks are addressed at the right level of decision-making. Risks are first identified and managed at the departmental level, but when they exceed defined tolerance levels, they are escalated through management to the Municipal Board.

Step 1: Technical Units Level
Risks are first owned and managed where they arise.

  i. Staff and technical units identify risks and record them in the Units risk register.
  ii. Risks within the Units appetite are managed locally and monitored regularly.

Step 2: Escalation to Head of Directorate

When a risk exceeds the Units threshold, it is escalated.

    i.   The Head of Directorate reviews the risk for accuracy and completeness.
    ii.   A decision is made on whether further escalation is required.

Step 3: Municipal Manager Review

The Municipal Manager ensures strategic oversight of escalated risks.

    i.   Reviews all risks outside departmental appetite.
    ii.   Classifies risks as moderate, high, or extreme.
    iii.   Allocates additional resources or directs immediate treatments where necessary.

Step 4: Escalation to the Municipal Board

High and extreme risks are escalated to the Board for governance-level oversight.

    i.   The Board provides direction, approves treatment measures, and monitors progress.
    ii.   Risk appetite thresholds may be re-examined in light of emerging threats.

Step 5: Downgrading or Returning Risks

Risks can also be downgraded as controls improve, or threats diminish.

    i.   Risks that return to acceptable levels are sent back to departments for local monitoring.
    ii.   Downgraded risks remain documented in the register as part of institutional memory.

CHAPTER 6: POLICY ACTIONS ON RISK MANAGEMENT

This chapter sets out strategies and policy statements to embed effective risk management across all municipal operations. While the term "Enterprise Risk Management (ERM)" is often used globally to describe organization-wide risk management, this Policy adopts the simpler term "Risk Management" to emphasize its relevance to the Municipality with the same intent of integrating risk awareness and controls across all functions, in line with ISO 31000:2018 and best practice.

6.1 Awareness Creation and Capacity Building on Risk Management

Policy Statements

The Governing body commits to:
   i. Facilitate awareness creation forums on risk management for Municipal public servants;
   ii. Continuously build the capacity of risk champions through periodic training;
   iii. Undertake targeted training for Internal Auditors;
   iv. Communicate all identified risks vertically and horizontally; and
   v. Cultivate a risk culture in all Municipality processes.

6.2 Integration of ERM in Planning, Performance and Quality Management System in Municipality Processes

Policy Statements

The Governing body commits to:
   i. Involve risk champions in planning processes;
   ii. Enrich job descriptions for the Municipality public servants to incorporate Enterprise Risk Management activities;
   iii. Incorporate risk management in strategy documents such as cabinet papers;
   iv. Include risk management in performance contracting; and
   v. Link Enterprise Risk Management with ISO 9001: 2015.

6.3 Continuous Capacity Building and Research on Emerging Risk Issues

Policy Statements

The Governing body officers shall:
   i. Demonstrate and exercise risk leadership by example and communicate a positive risk culture;
   ii. Model their behaviors based on principles outlined in this policy framework;

iii. Understand and oversee the interdependence of risks;
iv. Ensure effective employee risk competencies by supporting professional development and risk management education and training; and
v. Align resources with managing risks and opportunities.

6.4 Strengthening Policy, Legal and Regulatory Framework on Risk Management

Policy Statements

The Governing body commits to:
i. Support the development, adoption and enforcement of legal, policy, and regulatory measures for risk management;
ii. Monitor and report on implementation of such frameworks.

6.5 Implement and Monitor the Risk Management Policy

Policy Statements

The Governing body commits to:
i. Review the status of its risk register on a quarterly basis; and
ii. Automate the Risk Management processes.

6.6 Develop and Implement Business Continuity Plan for the Municipality

Policy Statements

The Governing body commits to:
i. Develop and implement a business continuity policy;
ii. Ensure safe custody and protection of essential records and systems;
iii. Establish, test and update a disaster recovery plan;
iv. Share the continuity and recovery measures with stakeholders.

6.7 Strengthening Compliance to Public Service Ethics, Values and Principles of Good Governance

Policy Statements

The Governing body commits to:
i. Sensitize Municipal public servants on public service ethics and principles of good governance;
ii. Develop and operationalize public service codes of leadership and integrity; and
iii. In liaison with the EACC, develop and implement a corruption prevention programme.

6.8 Adequate Resource Allocation for Accountable and Responsible Management of Risk

Policy Statements

The Governing body commits to:

i. Ensuring reasonable allocation of resources to all actors involved in risk management and Assurance;
ii. Adequate staffing with relevant skills and competence of the assurance unit;
iii. Support logistical needs of the assurance unit; and
iv. Equip the assurance unit with the requisite tools to ensure full implementation of Risk Management.

6.9 Establishment of a Network of Performance and Risk Management Champions

Policy Statements

The Governing body commits to:

i. Support risk champions in the discharge of their duties; and
ii. Build the capacity of risk champions.

Collectively, these policy actions provide a structured approach to managing risks in line with the principles and framework of ISO 31000:2018. By entrenching risk management into all its processes, the Municipality strengthens its capacity to anticipate and respond to uncertainties while seizing opportunities. This ensures that risk management is not an isolated activity but a core enabler of accountability, resilience, and sustainability, ultimately supporting the Municipality's strategic objectives and long-term development goals.

CHAPTER 7: MISCELLANEOUS PROVISIONS

7.1 Integration with Planning and Budgeting

Risk management shall be embedded in the Municipality's planning and budgeting processes to ensure that resource allocation reflects both identified risks and strategic priorities. All Directorates shall demonstrate how risks are addressed and mitigated in their annual work plans and budget submissions

7.2 Monitoring, Reporting, and Review

The implementation of this Policy shall be monitored through regular risk reporting at Directorate, Management, and Board levels. The Municipal Manager, supported by the risk champion, shall ensure that quarterly risk reports are prepared and presented to the Municipal Board for oversight.

7.3 Policy Effectiveness and Review

This Policy shall come into force upon approval by the Municipal Board and subsequent gazetement in accordance with the applicable legal and regulatory framework. The Policy shall be reviewed every three (3) years, or earlier where circumstances so dictate.
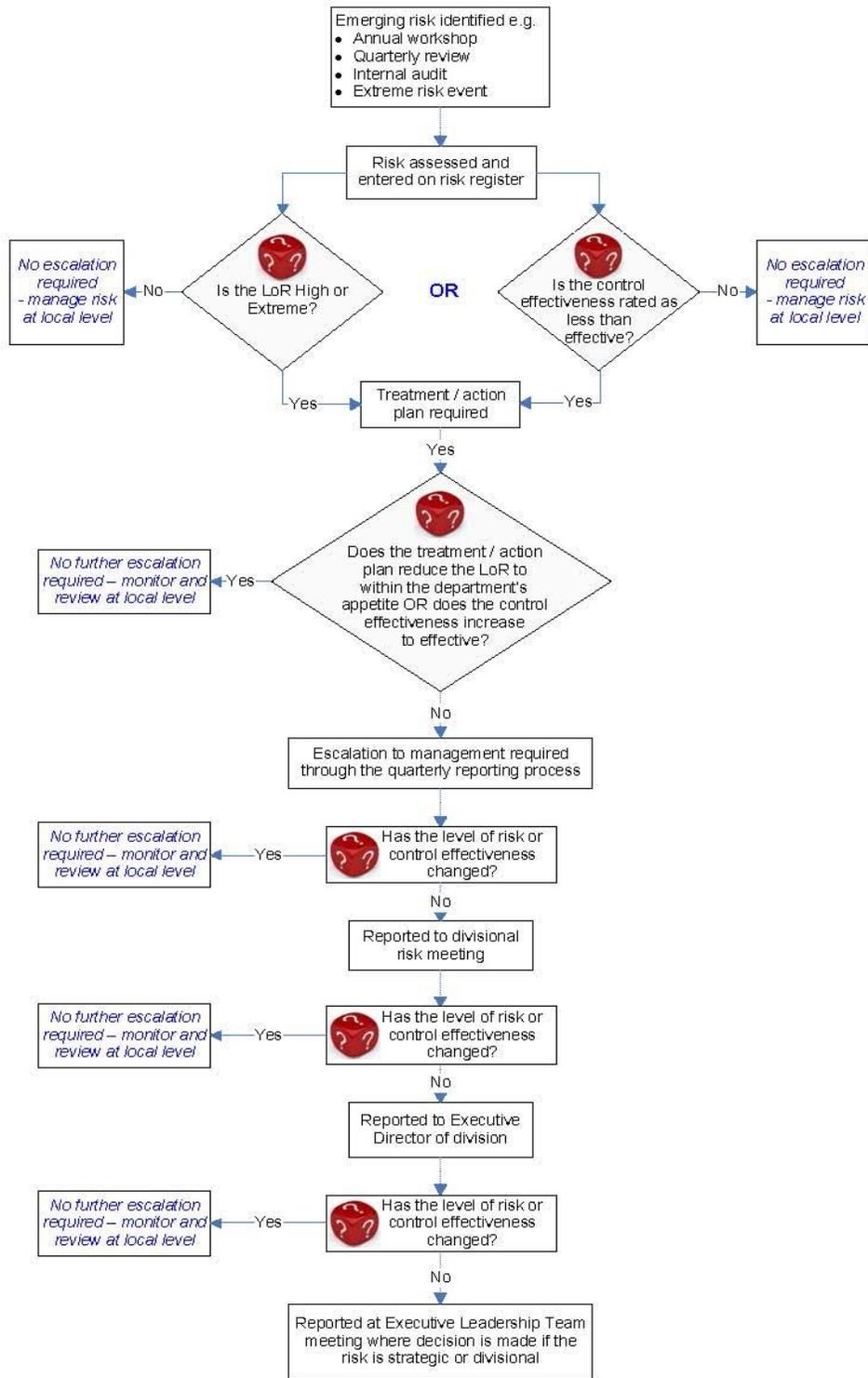
APPENDICES

Appendix 1: RISK REGISTERS

Appendix 2. Risk Management Plan

Element	Description	When	Who
Define Scope and objective of County activities	Risk management will be incorporated into normal County activities including planning, decision making and operational processes, leading to the achievement of County Government goals.	Annually	Management
Risk Management Policy	Policy review is every year. This allows for any updates and administrative changes to be incorporated into the policy and keep the information as contemporary as possible.	Annually	Senior Management
Risk Management Framework	A review every two years of the framework allows the Municipality to continually improve its processes without deviating too far from the policy and procedures.	Biennially	Risk Management Function
Risk Assessments	Formal risk assessment workshops are to be undertaken as part of the annual operational plan cycle.	Annually	All administrative County
Roles and responsibilities	Roles and responsibilities are reviewed on a quarterly basis during the reporting cycle. If responsibilities for risks, controls or treatments have changed, it will be reflected in the report.	Quarterly	All administrative County
Training and education	Risk awareness training to be done	Bi-annually	Risk Management Function
Risk Management Reporting Process	Heads of Directorates review risk registers on a quarterly basis and report to the Accounting Officer. The accounting officer reports to the Board	Quarterly	All administrative Entities
Escalation Process	Any risks that have a high or extreme controlled level of risk OR have controls rated	As required	

Element	Description	When	Who
(Appendix 3)	as less than effective require treatment plans. If the treatment plan does not reduce the level of risk or increase control effectiveness, the risk is required to be escalated to Senior management for further attention. The Risk Management committee to further review the risk and determine whether the risk is to be on the strategic risk register.		All administrative Entities
Risk Treatment Plans	Risk treatment plans exist where a risk has a controlled level of risk rated as either extreme or high, or the control effectiveness has been rated as less than effective. These treatment plans are reviewed on a regular basis by the risk, control and treatment owners however they are only reported on a quarterly basis.	Quarterly	All administrative Entities
Communication	Communication and consultation occurs on a regular basis to ensure key stakeholders (both internal and external) are consulted, engaged and actively involved throughout the risk management process. This promotes a consolidated awareness of the department's risk management system and influences behavioral shifts in relation to management of risks. The County Government also has regular Risk Assessment workshops sharing of information and entrenching the culture of risk management.	Continually	Risk Management Function
Monitor and Review	This allows for lessons learned to be identified and applied to continuously improve upon the risk management framework and associated practices. This encourages and increases the successful achievement of strategic and operational objectives.	Quarterly	All administrative Entities

Appendix 3. Risk Management Escalation Matrix

Identification and Escalation of Risks

Emerging risk identified e.g.
- Annual workshop
- Quarterly review
- Internal audit
- Extreme risk event

Risk assessed and entered on risk register

Is the LoR High or Extreme? — No → No escalation required - manage risk at local level

OR

Is the control effectiveness rated as less than effective? — No → No escalation required - manage risk at local level

Yes → Treatment / action plan required ← Yes

Yes

Does the treatment / action plan reduce the LoR to within the department's appetite OR does the control effectiveness increase to effective? — Yes → No further escalation required – monitor and review at local level

No

Escalation to management required through the quarterly reporting process

Has the level of risk or control effectiveness changed? — Yes → No further escalation required – monitor and review at local level

No

Reported to divisional risk meeting

Has the level of risk or control effectiveness changed? — Yes → No further escalation required – monitor and review at local level

No

Reported to Executive Director of division

Has the level of risk or control effectiveness changed? — Yes → No further escalation required – monitor and review at local level

No

Reported at Executive Leadership Team meeting where decision is made if the risk is strategic or divisional

← Communication & Consultation →

← Monitoring & Review →

Appendix 4: Risk Function Implementation Matrix

S/NO	ACTIVITY	TIMELINES	RESPONSIBLE OFFICE
1	Appointment of the officer in charge of the risk function	February 2026	Manager
2	Approval of Risk Management Policy Framework	By January 2026	Board
3	Creation of Risk activity budget	By February 2026	Appointed officer in charge of the Risk function/ Director of planning
4	Appointment of finance committee on risk		CECM Finance
5	Sensitization to directorates	Bi annually	Appointed officer in charge of the Risk function
6	Finalization of the framework of the risk management function	July 2026	Appointed officer in charge of the Risk function
7	Review of risk policy & registers	July 2028	Appointed officer in charge of the Risk function
8	Launching of the policy	By February 2026	H.E the Governor

Department of Lands, Physical Planning, Housing, and Urban Development
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