

CAPRICORN TVET COLLEGE



RISK MANAGEMENT POLICY

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Policy Revised: 01/10/2021

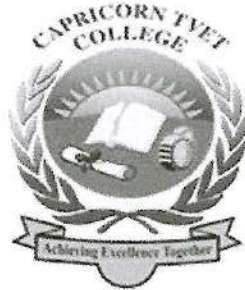
**Approved by
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**Approved by
Council: 29/03/2022**

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November 2024**

VISION OF CAPRICORN TVET COLLEGE



"A dynamic Technical Vocational Education and Training Institution of Excellence"

MISSION STATEMENT OF CAPRICORN TVET COLLEGE

Capricorn College is to offer responsive, flexible and quality programmes that are accessible to all learners through formal learning, skills development and learnerships. This is achieved by adhering to policies and procedures, making use of committed human capital and employing appropriate physical and fiscal resources.

Values

- **Respect:** We treat others as we would like to be treated ourselves. Abusive or disrespectful treatment is not tolerated. We will strive for fairness and equity.
- **Integrity:** We are committed to transparency, honesty and sincerity.
- **Communication:** We are committed to effective communication. We believe information is meant to move and that information moves people.
- **Excellence:** We are satisfied with nothing less than the best quality in everything we do.

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GOVERNANCE SERVICES RISK MANAGEMENT POLICY

1. POLICY OBJECTIVES (*Declaration of Intent*)

1.1 Introduction:

The Accounting Officer has committed the College to a system of risk management that is aligned to the principles of good corporate governance as contained in the King III Report, together with the requirements of the CET (former FET) Act No. 16 of 2006 as amended, Public Finance Management Act (PFMA), Act 1 of 1999 as amended by Act 29 of 1999 and the National Treasury Public Sector Risk Framework, April 2010.

1.2 Background and Explanatory Notes

The underlying premise of risk management is that every entity exists to provide value for its stakeholders and that such value is based on the quality of service delivery to such stakeholders. All entities face uncertainty, and the challenge for management is to determine how much uncertainty the College is prepared to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value.

Risk management forms a critical part of strategic management. It is the process whereby the College both methodically and intuitively addresses the risks attached to their activities whilst still achieving its goal of sustainable benefits within each activity and across the portfolio of activities.

The College implements and maintains effective, efficient and transparent systems of risk management and internal control. Such risk management will assist the College to achieve, among other things, the following outcomes needed to underpin and enhance performance:

- 1.2.1 more sustainable and reliable delivery of services;
- 1.2.2 more focused internal audit planning and delivery;
- 1.2.3 informed decisions underpinned by appropriate rigour and analysis;
- 1.2.4 innovation;
- 1.2.5 reduced waste;
- 1.2.6 prevention of fraud and corruption;
- 1.2.7 better value for money through more efficient use of resources; and
- 1.2.8 better outputs and outcomes through improved project and programme management.

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1.3 Purpose and Objectives

- 1.3.1 The purpose of this policy is to articulate the College's risk management philosophy. The College recognises that risk management is a systematic and formalised process to identify, assess, manage and monitor risks and therefore adopts a comprehensive holistic approach to the management of risk.
- 1.3.2 The realisation of the College strategic plan depends on it being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risks will enable the College to anticipate and respond to changes in its service delivery environment, as well as to make informed decisions under conditions of uncertainty.
- 1.3.3 An entity-wide approach to risk management is adopted by the College, which means that every key risk in each part of the College will be included in a structured and systematic process of risk identification and management. It is expected that risk management processes will become embedded into the College's systems and processes, ensuring that its responses to risks remain current and dynamic whilst following a consistent approach endorsed by the DHET. All risk management efforts will be focused on supporting the College's strategy and objectives. Equally, they must ensure compliance with relevant legislation and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.
- 1.3.4 The College's risk management philosophy encompasses the following:
 - 1.3.4.1 Ensures that all significant and key risks that the College is exposed to, are proactively identified and managed;
 - 1.3.4.2 Contributes to building a risk-aware workforce and environment that allows for innovation and responsible risk-taking whilst ensuring legitimate precautions are taken to prevent fraud and corruption, protect the reputation of the College, maintain public trust, and ensure due diligence;
 - 1.3.4.3 Provides a comprehensive approach to better integrate risk management into strategic decision-making and into the College's systems and processes, notably that of internal audit;
 - 1.3.4.4 Provides guidance to the Accounting Officer, Council, managers and staff when overseeing or implementing the development of processes, systems and techniques for managing risk, which are appropriate in the context of the College.

2. TERMINOLOGY

For the purpose of this policy, unless the context indicates otherwise, the following definitions acronyms and abbreviations are set out for the terms indicated:

2.1 Accounting Officer – is the College Principal also known as the Chief Executive Officer ("CEO").

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- 2.2 **Act** means the Continuing Education and Training Colleges Act no 16 of 2006 (CET Act) (as amended).
- 2.3 **Action Owner** – is the person named to ensure that action(s) agreed to be implemented in order to reduce Residual Risk are put in place within the agreed timeline.
- 2.4 **Audit Committee** – a body currently established in accordance with the College Charter and with responsibility for ensuring that the Council and the Accounting Officer meet their obligations regarding risk management.
- 2.5 **Audit and Risk Management Committee** – the Audit committee combined with the “Risk Management Committee” (6.18) in order to streamline the governance process until College charters have been standardised to give legitimacy to the combined committee.
- 2.6 **Auditor General (AG)** is the Auditor-General of South Africa
- 2.7 **College** – is a Public TVET (formerly FET) College: Capricorn TVET College
- 2.8 **Council** – is the governing body of Capricorn TVET College as established in terms of CET (former FETC) Act 16 of 2006 as amended.
- 2.9 **Department (DHET)** – is the Department of Higher Education and Training.
- 2.10 **Employees** – is any official, employed by the College, or Department, irrespective of grade, full-time or part-time, or basis of remuneration: whether it be monthly, weekly, daily or on an hourly basis.
- 2.11 **Executive Committee (XCO)** – means a sub-committee established by the Council Charter to assist the Accounting Officer with discharging his or her responsibilities under the Act;
- 2.12 **Framework** means: the Risk Management Framework based on the requirements of the Public Sector Risk Management Framework guidelines issued by the National Treasury of the Republic of South Africa;
- 2.13 **Fraud Prevention Policy** means a document approved and adopted by Council, detailing the steps to be taken to prevent opportunities for fraud and corruption in functions within the College’s control.
- 2.14 **Function Head** means the senior manager of a function or department within a College, typically a Deputy Principal or person of equivalent status.
- 2.15 **Inherent Risk** – is the product of the impact of a risk and the probability of that risk occurring before the implementation of any direct controls.
- 2.16 **Internal Auditing** means an independent, objective assurance and consulting activity designed to add value and improve a College’s operations. It helps a College accomplish its objectives by

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bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Risk Management, control, and governance processes;

2.17 **King III** means The King Code of Corporate Governance for South Africa 2009;

2.18 **Manager** – is any employee who is responsible for the direction and supervision of one or more employees except for the Chief Risk Officer and officials reporting to him/her;

2.19 **Other Official means:** an official of the College other than Management, the Accounting Officer, members of Council and the Chief Risk Officer and his/her staff;

2.20 **Residual Risk** – is the remaining exposure after the mitigating effects of deliberate management intervention(s) to control such exposure (the risk remaining after Management has put in place measures to control the inherent risk).

2.21 **Risk** – is an unwanted outcome, actual or potential, to the detriment of the College's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present in opportunities with upside potential, which Management must be aware of and be prepared to exploit. This definition of "risk" also encompasses such opportunities.

2.22 **Risk Appetite** – is the amount of residual risk that the College is willing to accept.

2.23 **Risk Champion** means a person who by virtue of his/her expertise or authority (typically a function head or his or her direct report) champions a particular aspect of the Risk Management process or particular risk(s) but who is not the risk owner;

2.24 **Risk Factor** – is any threat or event which creates, or has the potential to create risk.

2.25 **Risk Management** – is a systematic and formalised process to identify, assess, manage and monitor risks.

2.26 **College Risk Management Committee** – is the body through which the Audit Committee, appointed by Council, drives and reviews the College's system of risk management. To streamline the governance process and for improved cost efficiency, the Risk Management Committee is effectively combined with the Audit Committee (6.3), under one chairperson until College charters have been revised to give effect to this structure.

2.27 **Risk Owner** means: the person accountable for managing a particular risk.

2.28 **Risk Register** a document that records identified Risks, their probabilities of occurring, the likely impact on the College, existing controls and recommended actions to mitigate the effects of such Risks

2.29 **Risk Tolerance** – is the amount of risk the College is capable of bearing (as opposed to the amount of risk it is willing to bear)

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3. ABBREVIATIONS:

3.1 **AGSA** Auditor General South Africa

3.2 **CET** Continuing Education and Training

3.3 **DHET** Department of Higher Education and Training

3.4 **FET** Further Education and Training

3.5 **PFMA** Public Finance Management Act (Act No. 1 of 1999 as amended by Act No. 29 of 1999);

3.6 **EXCO** Executive Committee

3.7 **TVET** Technical and Vocational Education & Training

4. THE SCOPE OF APPLICATION

This policy applies throughout the College

5. GOVERNING PRESCRIPTS (*Legislative Framework that Informs the Policy*)

5.1 Continuing Education and Training (former FET) Colleges Act No.16 of 2006 (as amended)

5.2 Public Finance Management Act, 1999 (Act No 1 of 1999 as amended by Act 29 of 1999) (PFMA)

5.3 National Treasury Regulations of March 2005

5.4 National Treasury Public Sector Risk Framework, April 2010

5.5 King III Code of Governance Principles of 2009

5.6 Batho Pele Principles

6. GUIDING PRINCIPLES AND PROCEDURAL GUIDELINES

6.1 Risk management methodology

The implementation of the College's risk management policy should be guided by the strategy of the Executive Committee and recommended to the Audit and Risk Management Committee. The latter shall debate and agree thereon and present to Council for approval.

The strategy should include:

6.1.1 a plan of action to improve the maturity of the College's risk management;

6.1.2 a process to drive the risk based internal audit plan(s);

6.1.3 a focus on the prevention of fraud and corruption;

6.1.4 the College's risk management structure and reporting lines;

6.1.5 a description of the components of risk management;

6.1.6 user guidelines; and

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6.1.7 details of periodic review and assurance of the risk management processes.

6.2 A controlled risk environment

The elements of a controlled (risk aware) environment that should be designed and implemented are as follows:

6.2.1 *Risk Management Philosophy*

The risk management philosophy encompasses the tone set by the College with respect to its risk appetite or risk tolerance, thereby implementing the basis of how risk is viewed and addressed. The overall aim is for risk management to become embedded into all the critical systems and processes of the College and to form an integral part of good management and governance practices.

6.2.2 *Communication and enforcement of integrity and values*

These are essential elements that influence the adoption and effectiveness of the design, administration and monitoring of controls.

6.2.3 *Commitment to Competence*

This is management's consideration of the competence levels for particular jobs and how those levels translate into requisite skills and knowledge.

6.2.4 *Participation by those charged with governance*

Attributes of those charged with governance such as:

- their independence from management;
- their experience and stature;
- the extent of their involvement, the information they request and or receive and the scrutiny of activities; and
- the appropriateness of their actions, including the degree to which difficult questions are raised and pursued with management.

6.2.5 *Management's philosophy and operating style*

Characteristics to be considered, such as management's:

- willingness to adopt and apply the risk management philosophy;
- response to outcomes reported by the Audit and Risk Management Committee;
- approach to taking and managing business risks;
- attitudes and actions toward financial reporting; and
- attitude towards information processing and accounting functions and personnel.

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6.2.6 Organisational structure

The framework, within which the College's activities for achieving its objectives are planned, executed, controlled, and reviewed. The Accounting Officer and Council should delegate roles and responsibilities in a manner that ensures effective co-ordination and synergy of risk management activities.

6.2.7 Assignment of authority and responsibility

Matters such as how authority and responsibility for operating activities are assigned and how reporting relationships and authorisation hierarchies are established in order to avoid potential conflicts of interest, adequate segregation of duties and, to the extent possible, opportunities for collusion.

6.2.8 Human resources policies and procedures

The implementation of policies and practices that relate to, inter alia, recruitment, induction, training, evaluation, counselling, promotion, compensation, and remedial actions.

6.3 Objective setting

The College's strategy and objectives should be documented and used to inform the risk management process. The College objectives can be viewed in the context of five categories:

- 6.3.1 Strategic:** relating to high-level goals, aligned with and supporting the Department's and College's mission/vision;
- 6.3.2 Operations:** relating to effectiveness and efficiency of the College's operations, including performance and service delivery goals. These may vary based on management's decisions regarding structure and performance;
- 6.3.3 Reporting:** relating to the effectiveness of the College's reporting. They include internal and external reporting and may involve financial and non-financial information;
- 6.3.4 Compliance:** relating to the College's compliance with applicable laws and regulations;
- 6.3.5 Safeguarding of assets:** relating to prevention of loss of the College's tangible and intangible assets or resources, whether through theft, waste or inefficiency.

This categorisation of the College's objectives allows management to focus on separate aspects of risk management, although overlapping of the objectives when processes are managed is almost always unavoidable. Having confirmed and clearly documented the College's objectives, it is necessary to identify all the potential risks and threats relating to processes, assets and strategy.

6.4 Risk appetite

- 6.4.1 Risk appetite is the extent to which the College is prepared to take risks in pursuit of its objectives.
- 6.4.2 Management may consider risk appetite *qualitatively*, with such categories as high, moderate or low, or they may take a *quantitative* approach, reflecting and balancing goals for capital expenditure, budgets and risk.
- 6.4.3 The College's risk appetite guides resource allocation. Management allocates resources across functional areas with consideration of the College's risk appetite and individual strategy for ensuring that expenditure remains within the budget of the College and that the objectives are met.
- 6.4.4 Management considers its risk appetite as it aligns its people and processes and designs infrastructure necessary to effectively respond to and monitor risks.

As risk appetite is unlikely to be reduced to a single measurement, the College needs to decide on the key measurements of risk that are best aligned to its objectives and in most cases risk appetite will be defined by a mixture of *quantitative* and *qualitative* elements.

6.5 Risk tolerance limits

- 6.5.1 Risk tolerances are the acceptable levels of variation of financial affordability relative to the achievement of objectives.
- 6.5.2 Risk tolerances can be measured, and often are best measured in the same units as the related College's objectives.
- 6.5.3 Performance measures are aligned to help ensure that actual results will be within the acceptable risk tolerances.
- 6.5.4 In setting risk tolerances, management considers the relative importance of the related objectives and aligns risk tolerances with risk appetite. An example may be the percentage variation that supply chain management may be authorised to allow on the purchase of, for example, imported copying machines subject to exchange rate fluctuations, compared to the variance that may be contractually condoned in advance on a R10m capital project.
- 6.5.5 Operating within risk tolerances provides management greater assurance that the entity remains within its risk appetite and, in turn, provides a higher degree of comfort that the entity will achieve its objectives.

6.6 Risk Identification

- 6.6.1 Risk identification is a deliberate and systematic effort to identify and document the College's key risks.

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- 6.6.2 Risk assessments should be performed on an ongoing basis. The outputs of risk assessments should provide the Council and Management with a realistic perspective of material risks facing the College. The Accounting Officer should ensure that a thorough risk assessment, using a generally recognised methodology, is performed at least annually and used continually and informs internal audit planning for current and successive periods. Emerging risks should be incorporated and assessed as soon as they are identified. The risk identification process shall cover all risks, regardless of whether or not such risks are within the direct control of the College.
- 6.6.3 The risk of the unknown is part of the qualitative and quantitative risk assessment process and should also be considered.
- 6.6.4 Risk identification produces the required information for the ensuing risk management processes, it is therefore critical that the process is accurate, thorough and complete.
- 6.6.5 Risk identification should not rely solely on the perceptions of a select group of managers. A thorough approach to risk identification should include the use of data analysis, business indicators, market information, loss data, scenario planning and portfolio analysis and, where possible, should involve those employees “on the ground” that are often more aware of the potential for risks and the possible existence of instances of fraud and corruption than their management.
- 6.6.6 Risks that are regarded as low probability but high severity should receive specific attention, including the recognition that the probability of occurrence of an unpredictable but severe event may be much greater than is generally recognised. The most effective way to mitigate such risks may ultimately be by way of business continuity plans, including consideration of financial soundness as the ultimate mitigating factor. Such exposures and mitigating actions should be considered by Council and external auditor as part of their annual assessment of the going concern assumption.
- 6.6.7 Risks should not only be considered in isolation, as the effect of negative events occurring simultaneously can have a multiplier effect as opposed to merely adding to an individual risk.
- 6.6.8 All the risks to be managed must be identified and documented in the Risk Register. Risks identified but considered remote or unlikely to adversely affect the College’s strategy and core business should be retained in a separate folio within the register so that they may be revisited from time to time to confirm their ongoing, benign status.

6.7 Risk assessment

- 6.7.1 The main purpose of risk assessment is to help the College to prioritise the most significant risks as the College is not expected to have the capacity to deal with all risks in an equal manner.

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- 6.7.2 Risks shall be assessed on the basis of the likelihood of the risk occurring and the impact of its occurrence on the College's objectives. The Accounting Officer should ensure that key risks are quantified where practicable.
- 6.7.3 Once identified, the controls that are in place to mitigate these risks must be assessed to determine whether they will result in an acceptable level of residual risk.
- 6.7.4 The Audit and Risk Management Committee, in conjunction with Council and the Accounting Officer should develop a clear, shared understanding of the risks that are acceptable or likely to become unacceptable and then decide how they will manage the risks and control strategies.
- 6.7.5 An assessment of the College's resilience to risk and loss should be calculated. This will include consideration of the following:
 - 6.7.5.1 risk probability or likelihood;
 - 6.7.5.2 potential effect of risk;
 - 6.7.5.3 effectiveness of risk responses;
 - 6.7.5.4 acceptability of residual risk;
 - 6.7.5.5 solvency, liquidity;
 - 6.7.5.6 sustainability of strategy;
 - 6.7.5.7 going concern;
 - 6.7.5.8 financial performance;
 - 6.7.5.9 values at risk;
 - 6.7.5.10 risk bearing capacity;
 - 6.7.5.11 mitigation of risk; and
 - 6.7.5.12 Transference of risk.
- 6.7.6 The Accounting Officer should ensure that risks are validated with relevant stakeholders to confirm the:
 - 6.7.6.1 accuracy and validity of risk information recorded;
 - 6.7.6.2 assumptions made in assessment of the risk information provided; and
 - 6.7.6.3 the need for any additional data or information on the effectiveness of the control environment.
- 6.7.7 Risks evaluated should be prioritised and ranked to focus risk response measures on those risks outside the College's risk tolerance limits.
- 6.7.8 The risk register should include at least a risk description, risk category, risk ratings, a description of the current risk responses, possible root causes and a description of management's planned risk responses.
- 6.7.9 A Risk Owner will be assigned to each risk to ensure that the planned mitigating action is taken.

6.7.10 The reports from the Audit and Risk Management Committee to the Council and Accounting Officer should provide a balanced assessment of the significant risks and the effectiveness of the system of internal control in managing those risks.

6.7.11 Any significant control failings or weaknesses identified should be discussed in the reports, including the effect that they may have had, or could have, on the College and the actions being taken to rectify them.

6.7.12 It is essential that all risk management stakeholders communicate openly within the appropriate College structures on matters relating to risks and controls.

6.8 ASSESSMENT TABLES

Below are tables that may be used to prioritise the risks according to the potential impact of the risk and the likelihood that the risk will occur.

6.8.1 IMPACT

The impact is assigned a magnitude of its effect on the College's operations, should the risk / threat actually occur. No account of existing controls is taken into consideration in assessing the impact of risks. The impact may be categorised into 5 different levels, namely:

Table 1

1 – Insignificant	2 – Minor	3 – Moderate	4 – Major	5 – Critical
Solved relatively easily by Process Manager / Owner with low impact on College operations. The effect is not noticed by stakeholders.	Very slight effect on efficiency and effectiveness of operations and has low impact on stakeholders.	Has moderate and noticeable effect on operations or delivery. This elicits complaints and dissatisfaction from one or more stakeholders.	Major effect on operations or delivery and may cause severe disruption or loss of business.	Critical or catastrophic effect on operations or delivery. Can cause complete breakdown in system and delivery.

6.8.2 PROBABILITY OR LIKELIHOOD

The probability of occurrence: This is the likelihood that the identified risk / threat will occur within a specified period of time on the basis that management have no specific / focused controls in place to address the risk / threat. The probability of occurrence is categorised into 5 different levels, namely:

Table 2

PROBABILITY OR LIKELIHOOD		
LEVELS OF PROBABILITY	1 Rare	May or may not occur but only in rare and exceptional circumstances
	2 Unlikely	Unlikely to occur but could happen
	3 Moderate	Possible and likely to occur at some time
	4 Likely	Likely to occur frequently
	5 Common	Almost certain to occur in most circumstances

6.8.3 INHERENT RISK SCORE

The score for inherent risk assists management and internal audit alike to establish relativity between all the risks / threats identified. At this stage no account is taken of existing controls implemented by management. This indicator may be used to assign / measure the level of management effort / resources required to attempt to control the relevant risks and to determine the level of internal audit focus required. Alternatively, the indicator may suggest consigning the risk to the “deleted” category if appropriate.

Table 3

INHERENT RISK SCORE (IRS)			
Multiply the Impact score x Probability score (scale of 1 to 25)			
LOW	MEDIUM	HIGH	VERY HIGH
1 – 5	6 - 12	13 - 18	19 - 25
Impact and probability is insignificant. This risk may be tolerated, and the cost of control may well exceed any losses that may comfortably be absorbed by the entity.	Management will make an informed decision as to whether this risk must be controlled or absorbed by the entity. The decision will be based on a “cost vs. benefit” approach	This risk will typically initiate a discussion as to how it may be mitigated (treated)	This risk should be highlighted as a priority and decisions made to address it through termination / management to a tolerable level / insurance

Before considering how to address the risks so identified and assessed, it is appropriate to depict the process described so far in the form of a process flow that can be associated with the steps to be taken using the risk assessment spreadsheet. The process flow and example spreadsheet are set out below:

6.8.4 Risk Assessment Process Flow

In order to complete the risk assessment spreadsheet to the point of identifying the Inherent Risks and their Scores, please adhere to the following approach:

- 6.8.4.1 Before commencing a risk assessment, ensure that you have the College's current strategic Plan in hand in order to populate Column B.
- 6.8.4.2 Also, ensure that the "Types of Risk" in a drop down menu in Column E fairly reflect the most likely types of risk to be encountered by your College. A reasonably skilled user of Excel can amend a drop down menu quite easily. If assistance is required, please direct your enquiry to Quality assurance and Internal Audit section
- 6.8.4.3 In the example shown below, column A (the "Risk Number") is sequentially numbered by a formula.
- 6.8.4.4 Column B contains the College's Strategic Objectives as stated in its current five year rolling strategic plan. Strategic goals are formulated by DHET. The achievement of these goals through the strategic objectives in Column B is essential to the successful performance of the College and its management.
- 6.8.4.5 Column C describes an actual or potential risk to the Strategic Objective in that row and is entered by the risk assessor / team.
- 6.8.4.6 Column D, the source of the risk is selected from two alternatives in a drop down menu (either "internal or "external").
- 6.8.4.7 Column E, the type of risk (i.e. what the risk is likely to affect) is selected from a drop down menu of types loosely associated with "internal" risks and "external" risks. See note 2 re the alignment of risk types to those likely to be experienced in your College.
- 6.8.4.8 Column F is the assessor's comment on the primary cause of the Risk. This should preferably be a consensus view of the team carrying out the assessment.
- 6.8.4.9 Similarly, a consensus description of any underlying cause of the Risk is entered in Column G
- 6.8.4.10 Column H, Effect of Risk" is selected from a drop down menu of possible consequences if the risk transpires.
- 6.8.4.11 Should any other effect be considered possible, it may be entered in Column I.
- 6.8.4.12 In the section (Columns A to O) of the spreadsheet presently being explained, the last entries required of the assessor are Columns J and L that describe the Impact and Probability, respectively, and are selected from their respective drop down menus.

6.8.4.13 Formulae embedded in the spreadsheet will calculate and display the Inherent Risk Score as described in 6.8.3 above.

Table 4

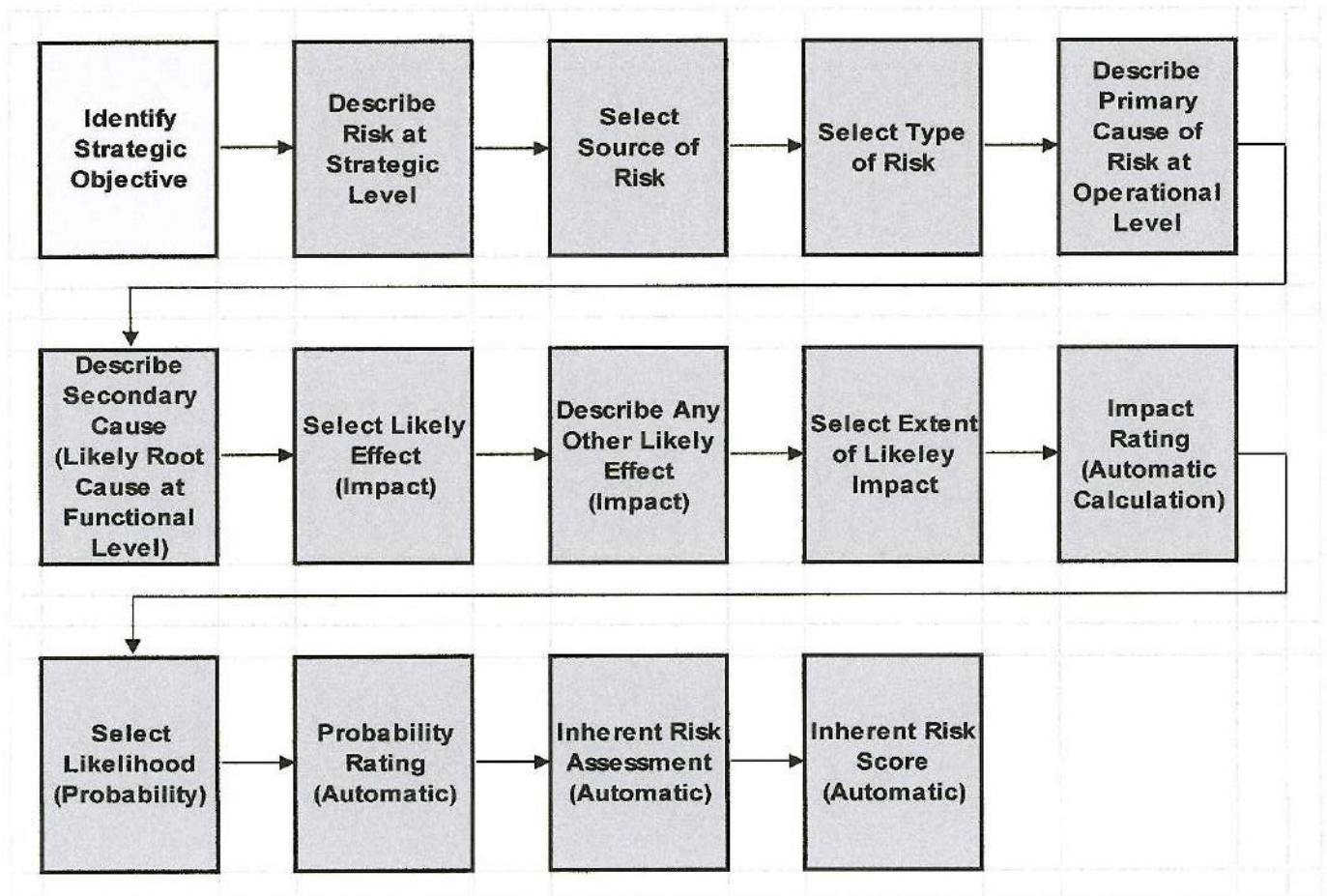


Table 5

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Risk Number	Strategic objective	Risk description at Strategic Objective level	Source of Risk	Type of Risk	Primary Cause (Describe Risk at Operational level)	Secondary Cause (Likely Root Cause at Functional level)	Effect (Impact)	Effect (Impact) Other	Impact	Impact Rating	Likelihood (Probability)	Probability Rating	Inherent risk	Inherent Risk Score
1	Increase the number of skilled youth by expanding access to education and training for the youth.	Insufficient conditional grant funding from DHET to meet enrolment targets	External	Service delivery	College has been unable to accommodate targeted number of students due to lack of facilities (human and other resources)	DHET has stated that it has insufficient funds to support projected number of students.	Failure to meet Target(s)	N/A	Critical	5	Common	5	Maximum	25
2	Adequately capacitated individual institutions for effective provision or facilitation of learning.	Restricted availability of funds to create new infrastructure to accommodate target number of students	External	Service delivery	Culture of grant dependency and poor experience of raising funds externally.	DHET has stated that it has insufficient funds to support projected number of students.	Failure to meet Target(s)	N/A	Critical	5	Common	5	Maximum	25

6.9 Risk treatment

- 6.9.1 Having identified and scored the Risks, cost effective strategies and action plans must be developed and implemented to limit them, thus enhancing value for money and service delivery.
- 6.9.2 The Audit and Risk Management Committee should discuss and approve key risk indicators and tolerance levels. Risk tolerance limits should be established for each key risk and recommended to Council for approval. The tolerance limits should be established for risk exposure levels, risk response performance, levels of loss or measured levels of performance. Tolerance limits should be considered against the backdrop of the College's strategy, business objectives and financial status. It is also important to assess the College's resilience when determining tolerance limits.
- 6.9.3 Tolerance limits should be tested and evaluated by studying their potential effect on the College's objectives. Management should compare tolerance calculations with risk retention capacity limits and the level of materiality. The selected tolerance thresholds should be reviewed regularly but also immediately upon a significant change in circumstances.
- 6.9.4 Responsibilities should be allocated to those in the best position to address and limit risk ("Risk Owners") and target dates for action must also be documented.

6.10 Risk response strategy

- 6.10.1 Management will identify risk response strategy options and consider their effect on event likelihood and impact, in relation to risk tolerances and costs versus benefits and thereafter design and implement appropriate responses.
- 6.10.2 After the risks have been identified and the contributing factors or root causes have been established, the control strategy should be discussed and agreed for the various risk exposures.
- 6.10.3 Risk responses fall within the categories of risk avoidance, active management and acceptance.

6.11 Control Strategy Alternatives:

The following table may be used to identify the control strategies to be considered by management:

Table 6

Control Strategy	Description
Manage	Management undertakes to implement actions that are designed to reduce the risk likelihood, impact, or both

Accept	Management accepts the risk level, take no action to affect likelihood or impact because it is such a minimal risk and the cost to implement the risk mitigation is disproportionate
Avoid	Management takes action to remove the circumstances that give rise to the risks

- a) After the control strategy (risk response) decision has been made, the current controls to manage the risk in question are identified and their adequacy assessed.
- b) This is a measure of how well management perceives the identified and existing controls have been designed to manage the risks.
- c) Management does this by determining the respective impact of the controls on either the inherent impact or likelihood of the specific risk.
- d) No specific rating of control adequacy is applied and this allows for management to consistently use more simplified rating mechanisms for risk and controls.
- e) Management should recognise that some level of residual risk will always exist, not only because resources are limited but also because of inherent future uncertainty and limitations inherent in all activities.

6.12 Perceived control effectiveness

The College control effectiveness rating table is as follows:

Table 7

EFFECTIVENESS RATING			
Priority 4 Acceptable / may even reduce control	Priority 3 Monitor	Priority 2 Action required	Priority 1 Immediate action required
1 - 5	6 - 12	13 - 18	19 - 25
The residual risk exposure is acceptable to the College Management may consider reducing the cost of control	Management should constantly monitor the risk exposure and related control effectiveness	Management should implement more controls or increase the effectiveness of current controls to reduce the residual risk to a more acceptable level	Management should take immediate action to reduce residual risk exposure to an acceptable level
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6.13 Control Assessment

Having now considered the Risks to the College strategies and their potential or actual effects and probabilities, it is appropriate to depict the process of perceived control assessment (or existing risk mitigation) using the risk assessment spreadsheet.

The process flow and example spreadsheet are set out below:

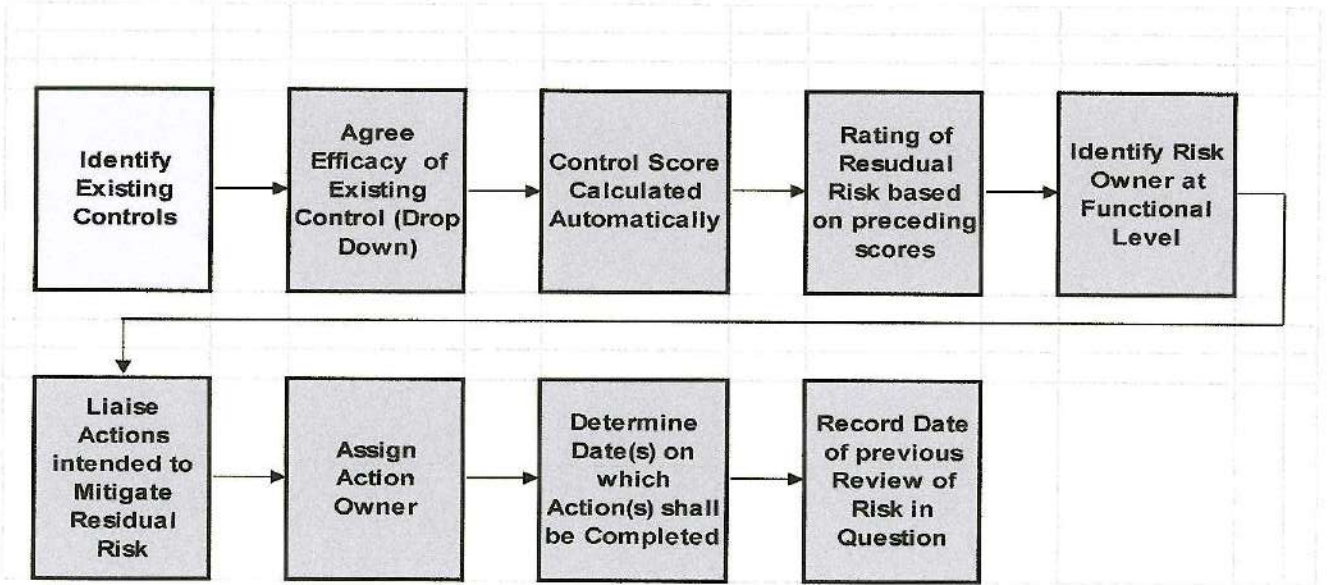
6.13.1 Control Assessment Process Flow

In order to complete the risk assessment spreadsheet to the point of identifying the Inherent Risks and their Scores, please adhere to the following approach:

- 6.13.1.1 To initiate the assessment of existing controls, ensure that the assessor or assessment team has access to the appropriate staff who are familiar with the controls and, as importantly, whether they are applied.
- 6.13.1.2 Column P, in the example, briefly describes the control/s already in place to mitigate the risk identified in row 15. There could be multiple controls, in which case they could be listed (1 to X), within the same cell.
- 6.13.1.3 From the adjacent cell in column Q, select the overall effectiveness of the existing control(s) from the drop down menu. Columns R, S and T will be automatically populated, the latter column providing a Residual Risk Score.
- 6.13.1.4 Taking cognisance of the Control Effectiveness Ratings described in Table 7 above, the College may take a view on whether there is sufficient control to manage the risk, too little or, indeed – taking costs effectiveness into account – too much.
- 6.13.1.5 Column U is used to identify the name and role of the Risk Owner, typically the Head of the function that may be adversely affected by the Risk and having the responsibility to manage same on behalf of the Accounting Officer.
- 6.13.1.6 Column V, in the example below, identifies the action(s) that are recommended to be implemented to improve control over the risk. If multiple actions are recommended, they may be assigned to one or more Action Owners in column W, taking care to reference each action to an Action Owner to avoid misunderstandings
- 6.13.1.7 Column X specifies the date on which the agreed actions are to be completed and a report regarding the effective implementation of the action(s) is to be sent to the Risk Owner and the Audit and Risk Management Committee.
- 6.13.1.8 Column Y, in the example, provides the date of the previous assessment of each risk purely for record purposes and so that a reviewer can observe the frequency with which assessments are carried out.

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Table 8



DHET Risk Management Toolkit
Example Risk Register

P	Q	R	S	T	U	V	W	X	Y
	Perceived control effectiveness	Control Score	Residual Risk	Residual Risk Score	Risk owner (Job Title and present incumbent)	Actions to improve management of the risk	Action Owner (Job Title and present incumbent)	Time Scale / Ultimate Delivery Date	Date risk last updated
Existing controls	Very good	0.2	Medium	5	Deputy Principal I&D Mr. Xxxxxx	(i) Approach SETAs. (ii) NSF, (iii) Major local employers of artisans, (iv) College-Business Forums, (v) Celebrate and Publicise Successes	Marketing Manager Ms. Xxxxxx	(i) End August 20__ (ii) End August 20__ (iii) End Jan 20__ (iv) End Nov 20__ (v) Ongoing and continuous	30 July 20__
Exploring alternative revenue streams.									

Examining operating expense budgets to ascertain if funds may be redirected to maintenance to exploit current facilities to the fullest extent.

Weak	0.8	Maximum	20	Deputy Principle Finance Mrs. Xxxxxx	Create task force to brainstorm savings and fund raising for specific projects. Report back to SMT	Deputy Principal Finance Mrs. Xxxxx	End August 20__	30 July 20__
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6.14 Information and communication

- 6.14.1 Information is needed at all levels of the College to identify, assess and respond to risks, to operate and achieve its objectives.
- 6.14.2 Information systems have long been designed and used to support organisational strategy. To support effective risk management, an entity captures and uses historical and current data. Historical data allow the College to track actual performance against targets, plans and expectations. It provides insights into how the College performed under varying conditions, allowing management to identify correlations and trends and to forecast future performance. Historical data also can provide early warnings of potential events that warrant management attention.
- 6.14.3 Present or current state data allows the College to assess its risks at a specific point in time and whether they remain within established risk tolerances. Current state data allow management to take a real-time view of existing risks inherent in a process, function or unit and to identify variations from expectations. This provides a view of the College's risk profile, enabling management to alter activities as necessary to fit in with the acceptable level of risk.
- 6.14.4 Management must keep the Council up-to-date on performance, developments, risks and the functioning of risk management, and other relevant events and issues. By the same token, Council should communicate to management what information it needs and provide feedback and direction. Risk management should be an agenda item of every Audit Committee and meeting.
- 6.14.5 Management should provide specific and directed communication addressing behavioural expectations and the responsibilities of personnel. This includes a clear statement of the College's culture (code of ethics), risk management philosophy and approach and delegation of authority. Communication about processes and procedures should align with, and underpin, the desired risk culture. In addition, communication should be appropriately "framed" – the presentation of information can significantly affect how it is interpreted and how the associated risks or opportunities are viewed.
- 6.14.6 Communication should raise awareness about the importance and relevance of effective risk management, communicate the College's risk tolerance levels, implement and support a common risk language and advise staff of their roles and responsibilities in effecting and supporting the process of risk management. Communication channels should also ensure that staff may freely communicate verified / verifiable risk-based information across, up and down functions and processes without fear of retribution.

6.14.7 External communications channels can provide highly significant input on the quality of services. Management should consider how its risk tolerance aligns with that of its customers and suppliers ensuring that no stakeholder inadvertently takes on excessive risk.

6.15 Document, monitor and review

6.15.1 The risk management process must be documented and formally monitored to ensure it remains effective. This is important as circumstances change continuously and, for risk management to remain effective there must be frequent review and assessment.

6.15.2 Monitoring can be done in two ways: through ongoing activities or separate evaluations. This will ensure that risk management continues to be applied at all levels and across the College.

6.15.3 Ongoing monitoring is built into the normal, recurring operating activities of the College, is performed on a real-time basis and reacts dynamically to changing conditions and is ingrained in the College. If determined to be too burdensome on management and their subordinates due to resource constraints, this activity may be assumed by the internal audit function, either in-house or outsourced.

6.15.4 The frequency of separate evaluations is a matter of judgement determined by Management. In making that determination, consideration is given to the nature and degree of changes, from both internal and external events, and their associated risks, the competence and experience of the personnel implementing risk management strategies and related controls and the results of the ongoing monitoring. Usually, some combination of ongoing monitoring and separate evaluations will ensure that risk management maintains its effectiveness over time.

6.15.5 What is not negotiable is the integration of the risk management activities and findings with the internal audit function, directed by the Audit and Risk Management Committee, and developing an internal audit programme that focuses on high priority risks.

6.15.6 Risk indicators, as described above, are intended to assist management in monitoring risks and have two focal points, i.e. the inherent risk itself as well as losses, incidents and variances. Each significant risk should have a risk indicator to serve as a risk warning mechanism. Every risk owner within each function is responsible for monitoring and reporting on risk indicators and the progress made on implementing agreed control mechanisms against pre-determined timelines for all risks identified.

6.15.7 All risk management deficiencies that affect the College's ability to develop and implement its strategy and to deliver its core services should be reported to the Audit and Risk Management Committee which is authorised to make the necessary recommendations to

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Council. The term “deficiency” refers to a condition within the risk management process worthy of attention. A deficiency, therefore, may represent a perceived, potential or real shortcoming, or an opportunity to strengthen the process to increase the likelihood that the entity’s objectives will be achieved. Information generated in the course of operating activities is usually reported through normal channels. Alternative communications channels also should exist for reporting sensitive information such as illegal or improper acts, fraud, corruption and theft and a policy to support this should be developed.

6.15.8 Providing relevant information on risk management deficiencies to the right party is critical. Protocols should be established to identify what information is needed at a particular level for effective decision making. Such protocols reflect the general rule that a manager should receive information that affects actions or behaviour of personnel under his or her responsibility, as well as information needed to achieve specific objectives. However, whilst this may be done to expedite an urgent, appropriate response, all findings must be submitted to the Audit and Risk Management Committee who shall, in turn, report material control deficiencies to Council.

6.15.9 Incident reporting: This is an internal management function and will form part of the Risk Management process. Incident reports should incorporate:

- a) Incidents of non-compliance to approved standards (whether losses were incurred or not); and
- b) Losses arising from particular incidents.

The submission of final incident reports to Council will be determined by the Audit and Risk Management Committee after taking account of the nature of the potential or actual loss. Incidents and losses that originate from risks contained in the key risk registers must always be elevated to higher levels of management with risk-related variance reports being incorporated into routine management reporting processes.

6.15.10 Performance measurement: Management’s performance in complying with the risk management policy will be measured and monitored through the following performance management activities:

- a) monitoring of progress made by management with the implementation of the risk management methodology;
- b) monitoring of key risk indicators;
- c) monitoring of loss and incident data;
- d) management’s progress made with risk mitigation action plans; and
- e) an annual quality assurance review of risk management performance.

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Performance measurement in this area of management may be undertaken by the Audit and Risk Management Committee through the internal audit function and its annual plan or by the external auditor during the course of an annual review based on adherence to this policy.

6.16 Key risks facing the public College sector

For information only, and for Colleges embarking on a drive to improve the risk management compliance and capability, the following, non-exhaustive list of generic risks may offer some guidance to the team initially charged with the task:

- 6.16.1 Strategic risk;
- 6.16.2 Operational risk;
- 6.16.3 Reputational risk;
- 6.16.4 Compliance, including the CET Act, PFMA, Labour law, Health and Safety legislation and anti-fraud and corruption legislation;
- 6.16.5 The extent to which risks relating to sustainability are addressed and reported on;
- 6.16.6 Primary stakeholder risk i.e. education and training related;
- 6.16.7 Ethics and adherence to the Code of Conduct;
- 6.16.8 Financial;
- 6.16.9 Human resources; and
- 6.16.10 Information technology

7. ROLEPLAYERS AND REPORTING REQUIREMENTS

Risk management oversight:

7.1 DHET

The Department takes an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect all Colleges against significant risks.

7.2 Council

Council should approve the College's chosen risk philosophy and risk management plan and record its adoption in a risk management philosophy statement. Its contents may include the Council's appetite for risk, downside risk tolerance limits, regulatory compliance expectations, safety and health demands, and sustainability management and governance requirements. The philosophy

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statement should affirm the Accounting Officer's accountability for risk and Council's delegated responsibility for designing and implementing risk management procedures.

The Council should report on the effectiveness of risk management and the degree of risk management maturity. This should be reflected in the College's risk profile, commitment of the Council to risk management and the extent to which risk management has been embedded in business processes. The Council should assess the College's degree of risk management maturity and disclose their findings in their annual report to DHET.

7.3 The Audit and Risk Management Committee

- 7.3.1 The Audit and Risk Management Committee is an independent committee responsible for oversight of the College's control, governance and risk management.
- 7.3.2 The responsibilities of the Audit and Risk Management Committee with respect to risk management are defined in its charter, attached as an annexure to this document.
- 7.3.3 The Committee's role, inter alia, is to review the progress of the College with respect to the maturity of its risk management procedures, the effectiveness of risk management activities, the key risks facing the College, and the responses to address key risks.
- 7.3.4 A dedicated risk committee may be constituted in addition to the Audit and Risk Management Committee but Council and the Accounting Officer may not abdicate their legal responsibilities to provide for a system of risk management and good governance.

8. RISK MANAGEMENT IMPLEMENTERS

8.1 Accounting Officer

- 8.1.1 Whilst there is no legal requirement within the TVET sector to appoint a Chief Risk Officer, the Accounting Officer is effectively accountable for the College's overall governance of Risk.
- 8.1.2 By setting the tone at the top, the Accounting Officer promotes accountability, integrity and other factors that will create a positive control environment.
- 8.1.3 Through the Council, the Accounting Officer will also motivate the College to embed risk management and leverage its benefits to enhance performance.
- 8.1.4 The operational coordination of Risks will be delegated by the Accounting Officer to the Senior Admin Officer Quality Assurance and Internal Audit.

8.2 Management

Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines.

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8.3 Other staff

Risk management should be practiced by all staff who should integrate risk management into their day-to-day activities.

9. RISK MANAGEMENT SUPPORT

9.1 Risk Champion(s)

- 9.1.1 The Risk Champion(s) guide the effective operating of the risk management system.
- 9.1.2 The Risk Champion's responsibility involves intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management or other staff and the lack of College skills and expertise.
- 9.1.3 Risk champions (or risk owners) are also responsible for the implementation of agreed controls in accordance with the timelines set in the RM register.

10. RISK MANAGEMENT ASSURANCE PROVIDERS

10.1 Internal Audit

- a) Internal audit should provide independent, objective assurance on the effectiveness of the College's risk management.
- b) The internal audit function should be used to provide independent assurance in relation to management's assertions surrounding the robustness and effectiveness of risk management (including compliance) and may comment on the level of risk management maturity.
- c) Internal Audit must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.
- d) It is also anticipated that the internal audit plan, the successful execution of which is used to determine, inter alia, the extent of the external auditor's reliance on the RM procedures, is largely based on the identification and ranking of risks identified by the risk management procedures.

10.2 External Audit

The external auditor also provides an independent opinion on the effectiveness of risk management.

11. POLICY IMPLEMENTATION AND REVIEW

11.1 Adoption and implementation of policy

This policy will be implemented the day on which it has been adopted and approved by the College Council and will be reviewed every 3 years.

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11.2 Availability of Risk Management Policy

A copy of this policy and other relevant documentation should be made available to all stakeholders.

11.3 Revision of policy

The Audit and Risk Management Committee shall review the implementation and effectiveness of this policy and make recommendations to Council in respect of any improvements that may be deemed necessary to incorporate into the policy.

Subject to Council's approval, Colleges should forward any inputs and recommendations to the TVET Branch of the Department for possible consideration during their annual review process.

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