
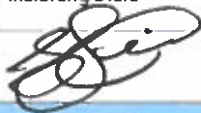







# Risk Management Policy

RMP\_GRC\_004

Version 4.0 2021/22

Version Control and Approval	
Document Name	Risk Management Policy
Document Number/Version	4.0
Implementation	
Implementation Date	2021/22 Financial Year
Approval	
Date Approved	June 2021
Related Documents	Risk Management Strategy, Risk Management Plan
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## **1. PREAMBLE**

Safety & Security Sector Education and Training Authority (SASSETA) is committed to the optimal management of risks in order to achieve its vision, mission, strategic objectives, and plans and to protect its core values.

The Accounting Authority / Board has committed SASSETA to risk management processes that are aligned to the principles of the COSO framework and ISO 31000 standard on risk management; and King IV Report on good corporate governance, which has as its foundation, the obligations placed upon the Accounting Officer in terms of the Public Finance Management Act (“PFMA”) and Treasury Regulations.

## **2. PURPOSE**

The purpose of this policy is to promote a standard approach to enterprise risk management at SASSETA and to ensure that all risks that could affect the SETA’s reputation, strategies, business operations and processes and systems, financial and environmental performance are identified, assessed, treated and mitigated to an acceptable level.

The purpose of this policy is to assist in ensuring that all significant relevant potential risks are understood and prioritized as part of normal management practices. This policy forms part of SASSETA’s corporate governance arrangements and should be read alongside the Risk Management Strategy, Methodology and Approach, Risk Management Implementation Plan and the Risk Management Procedures.

## **3. DEFINITION**

Risk management is the practice of identifying and analysing the risks associated with the business and, where appropriate, taking adequate steps to manage those risks. ‘Risk management’ may imply the elimination or mitigation of particular risks. It may also imply increasing the risks accepted as a deliberate and calculated move to benefit from a forecasted outcome, for example investing in new services in anticipation of increased market demand.

The costs arising from risks flow not just from the harm from unforeseen events, but also from the failure to capitalise on foreseeable opportunities or circumstances. Risk management is therefore more than an exercise in risk avoidances. It is as much about identifying and utilising opportunities as avoiding or mitigating losses.

#### **4. SCOPE**

Risk management is recognised as an integral part of responsible management and SASSETA therefore adopted a comprehensive and integrated approach to management of risks.

The features of this approach are outlined in the SETA's Risk Management Implementation Plan. It is expected that all Business Unit's operations and processes will be subject to the Risk Management Policy. It is the intention that all business units will work together in a consistent and integrated manner, with the overall objective of ensuring that risk is managed and kept within the risk appetite approved by SASSETA's Accounting Authority / Board, as far as is reasonably possible.

An entity-wide and integrated approach to risk management has been adopted by SASSETA, which means that every key strategic and operational risk in each business process of the SETA will be included in a structured and systematic process of risk management.

The risk management processes will be embedded into the SETA's systems and processes, ensuring that responses to risk remain current and dynamic. All risk management efforts will be focused on supporting SASSETA's objectives.

#### **5. PRINCIPLES**

SASSETA will adopt the following principles in respect of its Integrated Risk Management, which is directly related to the role and the accountability of the SETA's Accounting Authority / Board:

- Risk management is inseparable from SASSETA's strategic and business processes;
- Risk identification should be directed in the context of the SETA's purpose;
- The Accounting Authority / Board is responsible for ensuring that there are adequate processes of risk management;
- The SETA's Accounting Authority / Board shall review and approve the Risk Management Policy after an initial review by the Risk Management Committee and final recommendation by the Audit & Risk Committee;
- The Accounting Authority / Board, with the assistance of Management and the relevant sub-committees shall:
  - Provide clear strategic direction for the taking and managing of risk and opportunity including the capturing of opportunities offered, fraud prevention and ethics risk management;

- Understand and deal with complexities and interdependencies in the external environment that can affect the SETA, assessment of vulnerabilities and critical dependencies on the SETA's funds and stakeholder relationships and the assessment of plans to withstand volatility and acute shocks and the capacity to build resilience against risks.
- Delegate to Management the responsibility of ensuring that risks and opportunities are integrated in the decision-making processes;
- The Accounting Authority / Board/ shall approve key strategic risks as well as the risk appetite and tolerance levels on an annual basis, after review by the Risk Management Committee and recommendation by the Audit & Risk Committee;
- The Audit and Risk Committee shall report to the Accounting Authority / Board, on the effectiveness of risk management;
- The Accounting Authority / Board shall ensure that SASSETA's reputational risk is managed;
- The Accounting Authority / Board/ shall through its Sub-committees (Audit & Risk Committee and Information and Communications Technology Steering Committee, Risk Management Committee) ensure that the SETA's ICT is aligned to the business objectives and sustainability;
- The Accounting Authority / Board may delegate the responsibility of risk management to any of its Sub-committees;
- Management is responsible and delegated to design, implement and monitor the Risk Management Implementation Plan;
- Risk management shall be practised by all staff in their day to-day activities; Risk assessments shall be performed on a continuous basis; and
- Management shall ensure that frameworks and methodologies are fully implemented to increase the probability of anticipating unpredictable risks;
- Business continuity and disaster recovery plans shall also form an integral part of risk management processes and without them risk management will not be fully accomplished.

Internal Audit should provide independent assurance on the risk management process. These principles should guide SASSETA in all its Enterprise-wide Risk Management activities and should guide the embedding of risk management in strategic and operational processes of the organisation.

## 6. OBJECTIVES

The aim of risk management is to assist Management to identify factors and events that could prevent SASSETA from achieving its strategic objectives and manage them. Risk management must therefore be integrated into the management processes of SASSETA from strategy, business planning and budgeting through to operational execution.

SASSETA's risk management objectives are to:

- Achieve and maintain a reduced cost of risk without placing SASSETA in a position of risk exposure that could have a significant impact on its financial security and its service delivery to stakeholders;
- Minimise unnecessary exposure of the organisation, its Accounting Authority / Board, management or staff to claims for liability;
- Modify or eliminate identifiable conditions and practices which may cause loss or negative deviation from SASSETA's mission.
- Define responsibilities for risk management and indicate core risk management activities;
- Provide for a structured, consistent and integrated approach to Risk Management;
- Ensure that strategic objectives are achieved through the identification, assessment, mitigation, monitoring and reporting of risks associated with those objectives;
- Operationalise risk management in the organisation;
- Create a "risk aware" culture that encourages every employee to participate in the risk management process; and
- Undertake the risks and manage them well within the risk appetite of the Accounting Authority / Board

Realising these objectives will make SASSETA a risk intelligent organisation by ensuring that;

- Risks are approached and engaged in a systematic manner;
- Proactive management of risks takes place to avoid big surprises; and
- Upside organisational opportunities are identified and exploited.

## **Underlying Approach**

To assist in implementing this policy, SASSETA shall:

- Identify, analyse and produce a risk management strategy for those risks which might inhibit SASSETA from achieving its strategic objectives and which would threaten its business continuity;
- Raise awareness of and integrate risk management into the way in which SASSETA is managed;
- Promote an understanding of the importance and value of risk management, particularly associated with the development opportunities and threats;
- Establish, regularly review and maintain a strategic and operational register of the major risks facing SASSETA;
- Ensure that should the SETA experience any form of disaster or business interruption; the business continues to function at the minimal levels. This will serve as a form of forward thinking in light of unfortunate events which may be out of the SETA's control; and
- Identify new and emerging risks posed by globalisation, new technologies that may disrupt the business, which were not considered as potential risk based on traditional methods.

## **7. ROLES AND RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY / BOARD SUB COMMITTEES, MANAGEMENT AND INDEPENDENT ASSURANCE PROVIDERS**

An effective risk management programme should permeate the existing management processes and provide assurance over the management of key risks. It requires interdependence between strategic and operational objectives, management processes, governance arrangements and other policies.

It is recognised that in order to pursue its objectives and to take advantage of opportunities, SASSETA cannot avoid taking risks, and that no risk management programme can aim to eliminate risk completely. Accordingly, SASSETA's approach to risk management is intended to increase institutional risk awareness and understanding, and thus support taking risks where appropriate, in a structured, controlled and co-ordinated manner.

Risk management must be embedded throughout SASSETA and all of its

employees. It is not the sole responsibility of the Governance, Risk & Compliance Unit or Senior Managers and should be exercised by all staff, particularly those with management or operational responsibilities. The means of achieving this may vary according to the needs of different parts of the organisation.

### **7.1 Roles and Responsibilities of the Accounting Authority / Board**

The Chairperson of the Board is ultimately responsible for and shall assume “ownership” of Enterprise Risk Management as the Accounting Authority / Board in line with section 51 of the PFMA. As risk can have a significant influence on how SASSETA performs, or even on its existence, it must be a prime concern of the Accounting Authority / Board. The Accounting Authority / Board must ensure that the Enterprise Risk Management process is aligned to the strategy and performance objectives of SASSETA.

The Accounting Authority / Board is responsible for:

- Setting SASSETA’s appetite for risk – those risks that it will take and those risks it will not take;
- Calculating the risk bearing capacity and the tolerance limits for key risks. These shall not exceed SASSETA’s risk appetite;
- Knowing the extent to which Management has established effective Enterprise Risk Management in their respective Business Units;
- Ensuring that Management has implemented an ongoing process to identify, assess, mitigate and manage risks;
- Forming its own opinion on the effectiveness of risk management in SASSETA;
- Ensuring that the Enterprise Risk Management process is formally evaluated at least on an annual basis;
- The total process of risk management, which includes a related system of internal controls;
- Providing monitoring, guidance and direction in respect of Enterprise Risk Management;
- Set risk appetite and risk tolerance levels. The risk appetite will be formally considered as part of the setting of business strategy, with capital expenditure and other strategic decisions reviewed against it as they arise.

### **7.2 RESPONSIBILITIES OF THE AUDIT & RISK COMMITTEE (ARC)**

The responsibilities of the Audit and Risk Committee with regards to risk management and internal controls shall be approved by the Board in accordance with the approved ARC Charter.

Section 3.2.1 of Treasury Regulations prescribe that the Audit and Risk Committee of SASSETA must ensure that the following takes place within SASSETA:

- A risk assessment is conducted regularly (at least twice yearly) to identify emerging risks of the SETA;
- Ensure that a risk management strategy, which must include a fraud prevention plan, is developed and used to direct Internal Audit effort and priority, and to determine the skills required of personnel to improve controls and to manage those risks;
- The Audit and Risk Committee should understand the major risk areas;
- Monitor the control process and the adequacy of the system of internal control by reviewing Internal and External Audit and any other assurance reports;
- Be constantly aware of the current areas of greatest financial, operational, compliance, legal, regulatory and reputational risk and ensure management are effectively managing the risks;
- Ensure that an effective system of accounting and internal controls are established and maintained to manage financial risk;
- Satisfy itself as regards the integrity and prudence of management control systems, including the review of policies and/or practices; and

Ensure that the Board and Management are aware of any matters that might have a significant impact on the financial condition or affairs of the SETA; and monitor the follow-up thereof by Management.

### **7.3 SASSETA ACCOUNTING AUTHORITY / BOARD'S SUB-COMMITTEES**

Despite the Audit and Risk Committee providing an integrated risk report to the Accounting Authority / Board, all its sub-committees, i.e. Finance Committee (Fincom), Remuneration Committee (Remco), Governance and Strategy Committee, Social and Ethics Committee and any other sub-committees as delegated strategic control owners shall also provide oversight in relation to the controls within their functional oversight responsibility and Committee terms of reference and report to the Governing Board if it deems it relevant under the circumstances.

#### **7.4 THE ACCOUNTING OFFICER / CHIEF EXECUTIVE OFFICER**

The Accounting Officer / Chief Executive Officer is accountable to the Accounting Authority / Board through the Audit & Risk Committee for the overall risk management performance and reporting.

#### **7.5 THE RISK MANAGEMENT COMMITTEE (RMC)**

The Risk Management Committee is a sub-committee of and reporting to the Audit & Risk Committee and the CEO in monitoring the performance of risk management within SASSETA business units. Accounting Authority / Board

The role of the Risk Management Committee (RMC) is to monitor and report to ARC and the CEO on the management of business unit risks and controls in direct support of the SASSETA Strategic Risk and Strategic controls and the SASSETA Combined Assurance Model that is reported to the Audit & Risk Committee and Accounting Authority / Board. The Committee is also tasked to assist the Audit & Risk Committee and the CEO with continuous awareness and capacity building amongst Business Units to contribute to a sustained risk maturity and performance driven culture within SASSETA.

The Risk Management Committee should assist the ARC with integrating and entrenching the organisational strategy and risk management throughout the SETA, and monitor the implementation of the Risk Management policies and procedures. Its remit is to:

- Ensure that the identification and evaluation of key risks that negatively impact or threaten the achievement of SASSETA's objectives is carried out, and that a register of these risks is maintained;
- Ensure that Management has a strategy in place to manage such risks, including identification of appropriate risk owners, and monitoring the satisfactory operation of the management strategy;
- Satisfy itself that other risks are being proactively managed, with the appropriate strategies and mitigation plans in place and working effectively;
- Report regularly to the Audit and Risk Committee on its assessment of risk management throughout the SETA;
- Contribute to raising awareness of risk generally across SASSETA and to maintaining the profile of risk management; and
- Address such other matters related to risk as may arise from time to time.

## **7.6 STATUTORY REPORTING, GOVERNANCE, COMPLIANCE AND RISK MANAGER**

The main responsibilities of the Chief Risk Officer are as follows:

- Support the CEO as the Accounting Officer in terms of the PFMA by leading the risk management process within SASSETA and to leverage the benefits of risk management in order to achieve the SETA's strategic objectives;
- Develop, communicate, coordinate and monitor the risk management activities of the SASSETA;
- Promote and support Enterprise-wide Risk Management and bring expert skills to assist in integrating risk management throughout SASSETA;
- Provide a central source of information and guidance on risk management;
- Encourage and create awareness of risk management;
- Ensure consistency in evaluating and reporting on risks to facilitate comparability at an organisation level;
- Assist the Accounting Authority / Board and its sub-committees with their oversight responsibility and reporting function on strategic risk, setting of the risk appetite/tolerance levels and establishment of related risk management strategies and processes.

## **7.7 MANAGEMENT COMMITTEE (MANCO)**

Management shall execute the Accounting Authority / Board 's risk policy, strategy, methodology and approach by means of effective and integrated risk management systems and processes. Management responsibilities in terms of risk management entail the following:

- Integrating risk in the day to day activities of SASSETA's business units;
- Ensuring that at all levels, employees collectively have the competence and responsibility through selection, retention, education and awareness to implement these guidelines;
- Continuously assess and manage risks in their Business Units and related functions;
- Evaluate the impact of these risks on the achievement of business objectives and the probability of these risks occurring;
- Ensure that quality and sustainable risk mitigating controls are put in place to manage risks adequately and effectively;

- Report on the above-mentioned processes to the SETA's Risk Management Committee and the Audit and Risk Committee through their respective business unit representatives on the Committees; and
- Ensure that risk management is continually discussed and reported on within the respective Business Unit meetings.

## **7.8 OTHER EMPLOYEES**

The recognition and management of risk is the responsibility of everyone in the SETA. Employees must:

- Be familiar with the Enterprise Risk Management Strategy, Methodology and Policy and the approach to Enterprise Risk Management, as set out in this document; and
- Identify risks, including emerging risks that might affect the achievability of business and process objectives.

Enterprise Risk Management is the responsibility of every employee in SASSETA and therefore will over time be an explicit or an implicit part of their job descriptions. Virtually all personnel should produce information used in Enterprise Risk Management or take other actions needed to manage risks. Employees are responsible for communicating risks such as problems in operations, non-compliance with the code of conduct, other policy violations or illegal actions.

## **7.9 RISK OWNERS AND CONTROL OWNERS**

The Accounting Authority / Board is the risk owner while the CEO is the control owner with delegated control owners assisting in Business Units on each of the various risks identified. Control owners shall be responsible for the following:

- Updating the risk information timeously;
- Providing assurance regarding adequacy and effectiveness of controls;
- Implementation of corrective action plans for the risks where needed;
- Reporting on the status of the various controls at their respective Business Unit meetings; and
- Assist the respective Business Unit representatives with reports to the Risk Management Committee.

## **7.10 INTERNAL AUDIT**

Internal audit is responsible for independently and regularly reviewing the operation of the overall risk management process at SASSETA. In doing this, it adopts and deploys the best practice as recommended by professional institutes and other relevant organisations. Internal Audit shall:

- Report its findings to the Audit Committee;
- Advise and make recommendations to Management, the Risk Management Committee and Executive Management as appropriate.

The high-level responsibilities of internal audit include the following:

- Assist the Accounting Authority / Board, Audit & Risk Committee and Management in the monitoring of risk management within the SASSETA, without assuming the functions, systems and processes of risk management;
- Perform an objective assessment of the effectiveness of the SASSETA's Risk Management processes and internal control environment;
- As a third line of defence, report assurance levels in line with the SETA Combined Assurance Model;
- Use the outputs of risk assessments to, inter alia, inform the compilation of an Internal Audit Coverage Plan to plan their respective risk based audits of SASSETA Business Units; and
- Formally review the adequacy and effectiveness of the SASSETA Enterprise-wide Risk Management processes.

## **8 TRAINING AND WORKSHOPS**

To enhance the risk management culture among all SASSETA employees, at least one staff risk management workshops and training will be arranged in each financial year. Risk Management will form part of the staff induction pack for new employees.

## **9 POLICY ADHERENCE**

This Policy applies to the Accounting Authority / Board/Board, its sub-committees, Management and SASSETA staff.

These structures and persons are expected to adhere to the Policy principles, guidelines and standards. Non-adherence to the Policy may result in the SASSETA becoming non-compliant with legislations and unable to deliver effectively on its contracted deliverables and for staff, therefore, compliance to the Policy is mandated in terms of the SASSETA Conditions of Employment.

## **10 POLICY REVIEW**

This Policy shall be reviewed every two years or when Management or any relevant governance structure deems it fit for continuous control and monitoring of the regulatory environment for possible amendments and recommendation to the Accounting Authority / Board for approval.