

RISK MANAGEMENT POLICY

[GEN007]



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<http://www.staff.uct.ac.za/staff/finance/operations>



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ACRONYMS

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| ED | Executive Director |
| HOD | Head of Department |
| KPI | Key Performance Indicators |
| PASS | Professional, Administrative and Support Staff |
| RMEC | Risk Management Executive Committee |
| UARC | University Audit and Risk Committee |





1. INTRODUCTION

Risk management is the ongoing process to identify, assess, manage and control potential events or situations in order to provide reasonable assurance regarding the achievement of an organisation's objectives. The University of Cape Town (hereinafter referred to as the 'University') is committed to establishing and maintaining a systematic approach to the proactive identification, assessment and management of risk.

The University commits to manage all risks which could prevent the achievement of its stated objectives while at the same time not limiting its ability to attain the same objectives by taking on an acceptable level of risk. The various governance structures and committees play an important role in the management of risks.

The institutional statute enables these governance structures which include the UARC to fulfil this role. Furthermore, the University Delegations of Authority (DoA) clearly sets out the levels and conditions of delegated Council authority to facilitate contracting on behalf of the University. Risk management aims to assist decision-makers to make informed choices, to prioritise activities and to identify the most effective and efficient course of action in relation to University operations

2. IMPORTANCE OF RISK MANAGEMENT

Risk management helps the University to identify uncertainties and to lessen these by obtaining risk assessment information and implementing mitigating and compensating controls. Risk management also contributes to efficiency and effectiveness in achieving consistent, comparable and reliable results. It is important that risk management draw on diverse sources of historical data, expert judgement and stakeholder feedback to ensure that evidence-based decisions are made. Furthermore, the University's risk management strategy must be aligned to the risks of the internal and external environment in which the University operates.

3. OBJECTIVES OF THE POLICY

The objectives of the Risk Management Policy are to enable the University to identify, assess, manage, monitor and report all risks to ensure an efficient and effective integration of risk management. The University's risk universe confirm the University's commitment to integrated enterprise-wide risk management and encourage pro-active management and improve decision-making throughout the University. Notwithstanding that the risks in the University environment cannot be totally eliminated, the policy will enable the following:

- Formalise and communicate a consistent approach of managing risk for all programs and activities;
- Prepare the management teams to be in a position to react appropriately when an unexpected risk materialises;
- Ensure that all significant risks are identified, assessed and where necessary mitigated and reported to the RMEC in a timely manner;
- Provide clarity on the roles and responsibilities of management and governing structures of the University in relation to risk management;
- Outline the principles guiding the University's approach to integrated risk management;
- Assisting business areas to make prudent risk-based decisions by promoting risk aware behaviours and continuous disclosure;
- Supporting a healthy, safe and environmentally sustainable University community;
- Timely resumption of core services in the event of a major disruption;
- Providing assurance to students, staff, Council, industry, regulators, government, the broader University community and other stakeholders that the University has a systematic and pro-active approach to the management of risk; and
- Ensure timely and appropriate response to Business Continuity Plans and Disaster Recovery Plans.





4. SCOPE OF THE POLICY

This Policy applies to all staff, students and entities of the University. The Policy extends to all current and future activities, potential opportunities and business dealings involving the University. The Policy frames an integrated enterprise wide risk management approach that attempts to proactively identify various categories of risk at the earliest opportunity in order to implement an appropriate solution to manage the risks efficiently and effectively.

5. POLICY STATEMENT

The University regards the risk management function as an integral part of the University's governance and accountability arrangements, performance management, planning and processes of reporting.

Effective risk management must:

- Feature in day-to-day decision-making at operational, management, strategic planning and execution levels;
- Ensure commitment by all to identifying, analysing, evaluating and mitigating exposures that may impact on the University achieving its objectives;
- Provide a commitment to training and knowledge development in the area of risk management, ensuring that all staff particularly those with management and decision-making responsibilities obtain sound understanding of the principles of risk management; and
- Provide a sound commitment to monitor performance whilst improving the risk culture and maturity of the University.

6. KEY PRINCIPLES

Risk management helps the University to achieve its objectives and to improve its performance in its core business activities and areas such as corporate governance, programme and project management, and the health and safety of all staff members and students.

The University must consciously and systematically ensure the alignment between its strategy, organisational culture and organisational resources to meet the goals and objectives as determined.

The principles of the Policy are to:

- Address enterprise-wide risks as outlined in the University's Risk Management Framework (URMF);
- Establish and maintain an integral part of all organisational processes in a systematic, structured and timely manner based on the best available information;
- Respond promptly to both internal and external events, changes in the environment, new knowledge, the results of the monitoring and reviewing of activities, new risks that emerge, and existing risks that change or disappear;
- Ensure the University constantly improves its operations by developing and implementing strategies to improve its risk management maturity;
- Remain in compliance with regulatory requirements, such as the regulations for Reporting by Higher Education Institutions and leading risk-management practices;
- Align to good corporate governance and acceptable standards; and
- Encourage the accountability, ownership, responsibilities, expectations, as well as the required conduct and mindset regarding the risk-management responsibilities of Council, management at all levels, staff members and students; and third parties undertaking work for or on behalf of the University.





7. KEY RESPONSIBILITIES

7.1 COUNCIL

Council's responsibilities include determining the vision, mission, strategies, goals, objectives and policies for the sustainable development of the University. Council has the responsibility of maintaining and ensuring that the University is financially, socially and environmentally sustainable. Council is ultimately accountable for all decisions taken at the University, including the submission of the required reports and documents to the Minister of Higher Education and Training. In line with the Higher Education Act, the scope of the duties of risk management within the University are clearly defined.

Council is responsible for ensuring there is an effective policy to ensure that the process of risk management is embedded at all levels of the University and covering the University's core mandate of research, teaching and learning, community engagement and social responsiveness; and related management, administration and operating functions and systems in support of the core mandate. Council sets the tone and influences the culture of risk management at the highest level.

As part of the Annual Report on risk management, Council is responsible for reporting on how the University dealt with institutional risks, as prescribed in the Regulations for Reporting by Higher Education Institutions. Council also ensures that a formal risk assessment is undertaken at least annually and considers risk reports from the UARC. Council remains committed to good corporate governance standards noted in the King IV guidelines. Council accepts that the Risk Management Policy, including internal systems of control, is the responsibility of the University Council, and the University Executive management is accountable for the implementation of the Policy.

7.2 UNIVERSITY AUDIT AND RISK COMMITTEE

The UARC is established by Council to assist with its duties as prescribed by the Higher Education Act and the University Statute as they relate to issues of audit and risk. The UARC has delegated responsibility for overseeing the University's risk management processes and providing assurance to Council on the effectiveness of the internal control system and any emerging issues, through its reports to Council.

The UARC is required to:

- Ensure that University Management has adequate controls generally and in particular over assets, risk and financial systems;
- Ensure that University Management has systems that allow for timeous, accurate and regulation-compliant financial reporting; and
- Assist Council in ensuring sound corporate governance and acceptable risk management.

The UARC ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities and, in particular, the committee shall:

- Ensure the implementation of suitable frameworks for enterprise-wide risk management, including policies and procedures, whistle blowing arrangements and reporting risk management activities;
- Ensure that the combined assurance received is appropriate to address the significant risks facing the University; and monitor the relationship principles and practices;
- Oversee the University's risk appetite and tolerance levels are to be approved and communicated throughout the University;
- Monitor compliance with applicable legislation and the requirements of regulatory authorities;
- Ensure that the University implements effective risk management processes and ensures that Council receives reports at least twice per annum;
- Ensure that an appropriate risk culture at the University is maintained, and the University Management are at the forefront of leading this;





- Review all risk management proposals relating to the creation, disposal or restructure of entities which are consolidated into the Annual Financial Statements; and
- Identify new risk activities emerging from decisions, initiatives, transactions and exposures, prioritise them and report them to the Council.

7.3 VICE-CHANCELLOR

The Vice-Chancellor provides leadership and direction to Executive and Senior Management teams, who are responsible for the operations of the University. The Vice-Chancellor is accountable for ensuring that a risk management strategy and risk management plan are in place and that policies are communicated to all staff, students, relevant stakeholders and third parties to ensure that the risk strategy is incorporated into the culture of the University. The Vice-Chancellor leads the development and review of the University's Strategic Risk Register.

7.4 RISK MANAGEMENT EXECUTIVE COMMITTEE

The Vice-Chancellor is supported by the University Executive and Senior Management teams in fulfilling the University mandate. As part of their responsibilities, the Vice-Chancellor establishes and is the Chairperson of the RMEC. The primary function of the RMEC is to ensure that a sound risk management and internal control system is maintained at the University in line with strategic goals/plan of the University. RMEC has to review the risk philosophy, strategy and policies adopted by Council; satisfy the UARC that there is an overall effective combined assurance strategy and structure for all risk management across the University. RMEC will also be responsible for external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts. RMEC has to assist UARC in the discharge of its duties relating to University and corporate accountability and the associated risk in terms of management, assurance and reporting.

7.5 DEANS, EXECUTIVE DIRECTORS AND HEADS OF DEPARTMENTS

Deans, Executive Directors, and Heads of Departments are responsible for overseeing the formal risk management processes in their respective area of functioning. They are responsible and accountable for the day-to-day management of risk in their areas of responsibility, including ensuring that operational risks are identified, and mitigation strategies are in place. The overall University Operational Risk Register is a consolidated view of the operations risks faced by the University.

7.6 RISK MANAGEMENT OFFICE

The Risk Management Office is the second line of defence in the risk management process and is responsible for establishing processes, tools and advice to facilitate effective risk management across the University and for creating an awareness of potential risks and culture of risk awareness. The Office is responsible for facilitating the identification, assessment and reporting of the University's risk profile to the RMEC and UARC.

The overall responsibilities of the Risk Management Office is to:

- Oversee the development and implementation of processes to support the identification, assessment, management and reporting of risk;
- Review the Risk Register(s) produced to ensure that Risk Management Policy and guidance have been consistently adhered to in all academic and administrative functions;
- Review all the Risk Register(s) of the University on a continuous basis as the environment changes or at least annually, and present them to the RMEC for discussion and approval;
- Regularly monitor the effectiveness of risk management across the University and its entities;
- Promote the ongoing enhancement of risk management processes and provide guidance where necessary;





- Assist with the identification and assessment of potential and emerging risks; and
- Compliance with insurance requirements identified in the University's risk management framework.

7.7 LINE MANAGEMENT

Managers and supervisors are responsible for complying with the University Risk Management Policy and managing risks for their respective activities. In order to minimize risks from student and staff activities, managers must be able to identify problems and implement practices and procedures to eliminate or reduce the exposure.

7.8 WHO ARE RISK OWNERS AND CHAMPIONS?

Risk Owners are responsible for the management and control of all aspects of the risks assigned to them, including implementation of risk response actions to address threats and maximise opportunities. The responsibility for implementation of risk response actions may be delegated to a named individual, the Risk Champions, who support and take direction from the Risk Owner.

7.9 MEMBERS OF STAFF AND STUDENTS

All staff have a significant role in the management of risk, particularly within their own areas of control. Project managers and Project teams are responsible for managing project-specific risks and must complete a Project Risk Register to demonstrate that this is being done. All staff with management responsibility will be expected to understand the nature of risk associated with their area of responsibility. Individual members of staff are responsible for ensuring individual risks are controlled and monitored, including the implementation of actions identified to strengthen controls, and where appropriate, escalating any changes or concerns to their Line manager.

7.10 INTERNAL AUDIT

Internal Audit is an essential part of the overall risk governance framework within the University. Internal Audit plays a role in assisting the UARC, External Audit service providers, and Management in the monitoring of risk management in the University and providing independent assurance on how well risks are being mitigated. Internal Audit also provides independent reporting to the RMEC and the UARC. Internal Audit has the responsibility to develop a risk-based audit plan which must be approved by the UARC. Internal Audit will contribute as part of its combined assurance to the Annual Report.

Internal Audit is independent of management and provide objective assurance and consulting activity designed to add value and improve the operations of the University. It helps the University accomplish its objectives by ensuring a systematic and disciplined approach that the University's risk management, governance and internal control processes are adequately designed and operating effectively. The Internal Audit strategy is developed around the University's priorities and the assessment of fundamental risks. Internal Audit also contributes in the development of the Annual Report covering internal controls and risk management which is included in the University's Annual Report. Where possible, Internal Audit may be relied upon by the External Auditors for performing audits.

7.11 EXTERNAL AUDIT

The External Auditors attend and have access to the UARC to report on any risk matters identified in their role as part of the third line of defense. External Auditors' can also engage the UARC on any matters relating to risk management or audit of the University.





7.12 THIRD PARTY EXPERTISE

When necessary, the use of specialist third parties for risk management review may be used to increase the reliability of the internal control system. Areas which may require external expertise include amongst others, health and safety, information technology, disaster management, business continuity, legislative compliance and financial modelling.

8. APPROACH TO INTEGRATED RISK MANAGEMENT

Risk is inherent in all the University's activities.

The University's approach to risk management includes the following essential characteristics:

- Conducted in an integrated and structured manner;
- Forms an integral part of the University's strategic management process and planning and budget cycle;
- Always supports the University's vision, mission, strategies, goals and objectives;
- Embedded in all business processes, including project and contract management;
- Forms part of every Line manager's (risk owner) area of responsibility and is included in their job description and is part of their KPI's and performance management; and
- Risk treatment strategies will always be implemented on a cost-benefit approach.

9. RISK PHILOSOPHY

The philosophy of the University is to recognise that risk management is an essential component of good corporate governance and as such integral to sound business principles and practice. The University embraces risk management for the contribution it makes to achieving the University's strategies. The Key Risk Indicators (KRI's) and KPI's management (strategic and operational) are developed, maintained, monitored and updated regularly and submitted to RMEC, UARC and the Council.

10. RISK MANAGEMENT FRAMEWORK

An important element of risk management is the framework within which it operates as it provides the foundations and organisational arrangements within which risk management operates. This framework assists the University community to manage risks in an efficient and effective manner through the application of a structured risk management approach and process. The risk management framework is guided by the University's risk management philosophy and operates within the specific University's organisational culture and integrated into the strategic planning process and business processes of the University. Regular communication of the Risk Management Policy, processes and guidelines is essential. Risk management requires a planned and systematic approach to the identification, assessment and mitigation of the risks that could hinder the achievement of the University's strategic objectives.

The University's approach allocates responsibility for risk management and establishes a framework within which risks are identified and evaluated so that an appropriate response can be determined and effected. Risk management is undertaken as an integral part of strategic and operational management. Strategic and operational plans will include an assessment of the risks and mitigating actions associated with each objective, which are reviewed regularly. Risks must be identified and assessed as part of the business case for all new schemes, investments and projects. Risk Registers form the basis for action plans designed to address weaknesses in controls identified and mitigate risks where this is considered to be necessary.

11. THE RISK MANAGEMENT PROCESS

The risk management process describes the process that should be followed. It requires that a context be established, risks to be identified, analysed, assessed and risk treatment strategies designed. Enterprise Risk Management should be performed at the University strategic and operational level i.e. academic (Faculty) and supporting functions (PASS).





The overall flow of the Enterprise Risk Management process will determine:

- A clear and unambiguous understanding of the University's strategies, goals and objectives;
- Environmental scans that keeps the institution updated on its operating environment;
- A risk identification exercise for the year ahead;
- Evaluation of identified risks using risk assessments (matrix);
- Manage risks through application of risk management techniques;
- Record and monitor risks using Risk Registers and applicable governance tools;
- Assigning responsibility for risks to appropriate individuals in line with their roles; and
- Ongoing reporting of the risk profile of the University.

12. INTEGRATION OF RISK MANAGEMENT IN BUSINESS PROCESSES

The integration of risk management into business process shall be supported by the University philosophy and culture that encourages everyone to manage risks. Effective risk management cannot be practiced in isolation but needs to be built into existing decision-making structures and processes. As risk management is an essential component of good governance, integrating the risk management function into existing strategic management and operational processes will ensure that it is an integral part of day to day activities.

13. RELATED POLICIES AND GUIDELINES

- Delegated Authority Limits [\[GEN002\]](#)
- Fraud and Corruption Prevention Policy [\[GEN005\]](#)
- [Policy on Conflict of Interest at UCT and on Disclosures of interests to be made by members of the University](#)
- University Risk Management Framework

14. REFERENCES

- South African National Standards (SANS 31000:2018)
- King IV Report on Corporate Governance for South Africa, 2016
- The IRMSA Guideline to Risk Management
- The Higher Education Act (No. 101 of 1997)
- Benchmarking exercises with South African, International Universities and some JSE listed corporates that shared and assisted with their own policies.
- Faculty of Health Science HREC Guidelines.

15. CONTACT

The Risk Management Office must be contacted when more information or clarity is required.

riskoffice@uct.ac.za





ANNEXURE A: DEFINITIONS AND EXPLANATIONS

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| Enterprise Risk Management | It is a structured approach that aligns strategy, processes, people, technology, and knowledge with the purpose of evaluating and managing the opportunities, uncertainties and threats the University faces. It involves integrating risk management effectively. The aim is to provide reasonable assurance regarding the achievement of the University's objectives |
| Internal Control | A system designed to promote efficiency, to assure the implementation of a policy, to safeguard assets or to avoid fraud and error. These set of rules/measures are put in place to prevent or to mitigate an undesired event or condition. |
| Risk | A risk is any threat or event that is currently occurring, or that has a reasonable chance of occurring in the future, which could undermine the institution's pursuit of its goals and objectives. It manifests as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance. |
| Risk Appetite | <p>Risk appetite refers to "the amount of risk that the University is prepared to accept, tolerate, or be exposed to at any point in time". The risk appetite of the University is intrinsically linked to the various roles played by governance structures. It indicates the parameters within which the University would want to conduct its activities, and is intended to act as a guide to Faculties and Directorates when taking risk:</p> <p>Consideration by Senate and its Committees, the Institutional Forum, etc. on key in decisions relating to academic and research activities.</p> <p>The University Finance Committee which plays an oversight role on the financial sustainability of the University, and resource allocation via the planning and budgeting process. The University Building and Development Committee and its sub-structures with an oversight role on infrastructure development and environmental sustainability.</p> <p>The University Human Resources Committee and its oversight role on social sustainability. The University's approach is to minimise its exposure to reputational, compliance and financial risk, whilst accepting and encouraging an increase degree of risk in pursuit of its mission, vision and strategies.</p> |
| Risk Assessment | Identified risks are analysed in order to form a basis for determining how they should be managed. Risks are associated with objectives that may be affected. Risks are assessed on both an inherent and a residual basis, with the assessment considering both risk likelihood and impact. The risk management structure indicates the management and governance structures within which the risk management process is implemented and monitored. |
| Risk Description | A structured statement of risk that usually contains four elements: sources, events, causes and consequences. |
| Risk Profile | The University risk profile is centred on its key objectives and will include, academic (teaching and learning), research, compliance, financial, strategic and operational matters. It should be known that reputational risk is deeply embedded in all the above. |
| Risk Management | Coordinated activities to direct and to control the University with regard to risk. It is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the institution's service delivery capacity. |
| Risk Culture | Culture is defined in an organisational context as the manner in which members within an organisation relate to each other, their work and the outside world in comparison to another organisation. Risk culture encompasses the values, beliefs, knowledge and understanding about risk that are shared by a group of people with a common intended purpose. |
| Risk Evaluation | The process of comparing the results of risk analysis with risk criteria to determine whether a risk and/or its magnitude is acceptable or tolerable. |
| Risk Register | This register is compiled through a risk assessment process with the assistance of the Risk Management office. The risk owners are responsible for the development and updating the Risk Register on a regular basis as the environment changes or at least annually. |





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| Risk Statement | Through its various policies the University has expressed its view on the risks it encounters. The Fraud and Corruption Prevention Policy specifically states that the University accepts a zero tolerance when it comes to any matter on fraud and corruption. The University further states that on matters related to health and safety where the degree of exposure increases beyond a management level's ability/ delegated authority, the risk should be escalated to the Executive who will consider whether the risk should be added to the University's Risk Register. |
| Risk Tolerance | The University's readiness to bear a risk after risk treatment to achieve its objectives. |
| Reporting Requirements | Reporting of the result of the Enterprise Risk Management process is critical as it ensures that the Enterprise Risk Management process is ongoing and embedded. Risk management should be integrated to the reporting process, form part of every decision that is made, every objective that is set and every process that is designed. Risk management needs to be integrated to the process of all strategic planning. |

