

**EASTERN CAPE DEPARTMENT OF EDUCATION  
ENTERPRISE RISK MANAGEMENT FRAMEWORK**

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THE EASTERN CAPE DEPARTMENT OF EDUCATION



**CHIEF DIRECTORATE: EXECUTIVE SUPPORT & GOVERNANCE**

**ENTERPRISE RISK MANAGEMENT FRAMEWORK**

*Effective: 2025/2026*

**EASTERN CAPE DEPARTMENT OF EDUCATION  
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## **DEFINITION OF TERMS**

Establishing a risk management common language at Eastern Cape Department of Education ("the ECDoE or the Department") is inherent to the provision of an equal understanding of risk management and the process thereof by all within the Department.

The common language provides a platform of cohesion that will enable all officials within the Department when relating to risk management matters to speak a common language and understand the terms used without confusion. This Appendix lists various terms with appropriate definitions that are used at the Department. These terms can be adapted as the needs and focus of the business change.

**Accountability** - Accountability refers to the mechanisms for demonstrating how delegated authority has been exercised, and for calling to account those to whom authority has been delegated.

**Accounting Officer** - Is the Head of the Department. He\she is also being the ultimate Chief Risk Officer of the Department and is accountable for the Department's overall governance of risk.

**Audit Committee** - The Audit Committee is an independent committee responsible for oversight of the Department's control, governance, and risk management, established in terms of section 77 of the Public Finance Management Act 1 of 1999 ("PFMA").

**Consequence** – The outcome of an event expressed qualitatively or quantitatively, being a loss or gain to the Department.

**Cost** – The cost of activities, both direct and indirect, involving any negative impact, including money, time, labour, disruption, goodwill, political and intangibles losses.

**Event** - An incident or situation, which occurs in a particular place during a particular interval of time.

**Frequency** - A measure of the rate of occurrence of an event expressed as the number of occurrences of an event in a given time. See also Likelihood and Probability.

**Hazard** - A source of potential harm or a situation with a potential to cause loss.

**Impact** – The effect that a risk will have on the Department if the risk materialises.

**Inherent risk** – The risk to the Department, which arises by virtue of the nature of the business activity. The level of exposure in the absence of deliberate management actions to mitigate the risk.

**Likelihood** - A qualitative description of probability or frequency of the risk if it materialises.

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- Loss** - Any negative consequence, financial or otherwise.
- Management** - refers to the team of officials who support the Accounting Officer in the management of the Department's activities. This includes the Deputy Directors-General, Chief Directors, Directors, and Deputy Directors.
- Monitor** - To check, supervise, observe critically, or record the progress of an activity, action, or system on a regular basis to identify change, and ensure the required progress is maintained.
- Residual risk** - The remaining level of risk after risk treatment measures and/or controls have been taken and/or put in place.
- Risk** - An unwanted outcome, actual or potential, to the Department's service delivery and other performance objectives, caused by the presence of risk factors.
- Risk acceptance** - acknowledgement of the risk and deciding not to take action to mitigate it. A deliberate choice to live with the potential consequences of the risk, rather than investing resources in mitigating or transferring the risk.
- Risk analysis** - A systematic process of evaluating and managing potential risks by identifying potential threats, assessing their likelihood and the magnitude of their consequences (impact), and determining strategies to mitigate the risks.
- Risk appetite** - The amount of residual risk the Department is willing to take in pursuit of its mission and vision.
- Risk assessment** - A process of evaluating the magnitude of the risk; in terms of the likelihood of the risk occurring, as well as the impact the risk may have on objectives should it occur.
- Risk avoidance** - Responding to risk by an informed decision not to become involved in a risk situation; for example, choosing a different strategy or terminating the activity that produces risks.
- Risk control** - Part of integration of risk management activities which involves the implementation of policies, standards, procedures, and physical changes to eliminate or minimize adverse risks.
- Risk Culture** - Set of shared risk management attitudes, values and practices that characterise how the Department considers its day-to-day activities.
- Risk exploitation** - Responding to risk opportunities by implementing strategies to take advantage of the opportunities presented by such risk factors.
- Risk evaluation** - The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.

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**Risk factor:** Any threat or event which creates or has a potential to create risk.

**Risk financing** - The methods applied to fund risk responses and the financial consequences of risk.

**Risk identification** - The process of systematically identifying all possible risks, which may impact negatively on the Department.

**Risk management** - The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects, through a systematic and formalised process to identify, assess, manage, and monitor risks.

**Risk Management Committee** – an oversight advisory body charged with the responsibility of discharging its governance responsibilities relating to risk management and anti-corruption activities.

**Risk register** – the formal documentation of the identification, assessment, management, and the monitoring of risks.

**Risk retention** - Intentionally or unintentionally retaining the responsibility for loss, or financial burden of loss within the Department.

**Risk tolerance** - The amount of risk the Department is capable of bearing (as opposed to the amount of risk it is willing to bear).

**Risk transfer** – Responding to risk, by shifting the responsibility or burden for loss to another party through legislation, contract, insurance, or other means. Risk transfer can also refer to shifting a physical risk or part thereof elsewhere.

**Risk treatment** – responding to risks by implementing or improving on the internal control systems, selection, and implementation of appropriate options for dealing with risk.

**Sensitivity analysis** - Examines how the results of a calculation or model vary as individual assumptions are changed.

**Stakeholders** - Those people and entities who may affect, be affected by, or perceive themselves to be affected by, a decision or activity.

**The ECD\Department** – refers to the Eastern Cape Department of Education.

## **FOREWORD BY THE ACCOUNTING OFFICER**

As the ECDoE, we are committed to a process of risk management that is aligned to the principles of good corporate governance, as supported by the Public Finance Management Act (PMFA), Act 1 of 1999 as amended and various other pieces of legislations applicable to the ECDoE.

Risk management is recognised as an integral part of responsible management and the ECDoE therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in the Department's Enterprise Risk Management Framework. It is expected that all programmes and/ or sections must work together in a consistent and integrated manner, with an overall objective of reducing risk to be within an acceptable level, as far as reasonably practical.

Effective risk management is imperative to the ECDoE to fulfil its mandate, the service delivery expectations of the public and the performance expectations within the Department. The realisation of our Strategic objectives depends on all employees being able to take calculated risks in a way that does not jeopardise the interest of stakeholders. Sound management of risk must enable the ECDoE to anticipate and respond to changes in its environment, as well as taking informed decisions under conditions of uncertainties.

The departmental staff must adhere to the fundamental principles that all resources must be applied economically to ensure:

- a) The highest standards of service delivery;
- b) A management system containing the appropriate elements aimed at minimising risks and costs in the interests of all stakeholders;
- c) Maintaining an environment, which promotes the right attitude and sensitivity towards internal and external stakeholders' satisfaction;
- d) Educating and training of all staff to ensure continuous improvement in knowledge, skills and capabilities, which facilitate consistent conformance to the stakeholders' expectations.

## **1. PURPOSE**

The Enterprise Risk Management Framework (ERMF) is intended to guide the implementation of the Department's risk management processes, so that a risk management culture is instilled in the Department. The ERMF also outlines how the Department plans to effectively manage its risks, and to improve the risk management maturity of the Department.

It also clarifies the risk management strategy, various risk management roles and responsibilities, and the risk management reporting lines within the Department.

Risk management in the Department is concerned with managing threats and opportunities that it faces and creating an environment of *'No Surprises.'*

By managing the Department's risks effectively, the Department will be in a stronger position to deliver our business objectives. By managing our opportunities well, we will be in a better position to provide improved services and better value for money.

This Enterprise Risk Management Framework describes the processes that the Department has put in place and links together to identify, assess, manage, monitor, and report on the risks; and describes the principles that underpin our approach. This document also points to other relevant sources of information where more guidance is available.

## **2. OBJECTIVE OF THE ENTERPRISE RISK MANAGEMENT FRAMEWORK**

The objective of this framework is to implement the Department's enterprise risk management policy and create a favourable risk management culture at all levels within the Department and to provide a strong commitment towards the following values:

- a) Reporting obligations;
- b) Sound financial and risk management practices;
- c) Strengthen values, ethics and protocols;
- d) Ensure a control environment on transparency and open government practices;
- e) Employees to be aware of risks and fraud risks;
- f) Provide sound, creative and client driven practices;
- g) Ensure a mature framework of delegation, rewards and sanctions;
- h) Achieve and improve a cultural change in government practices; and
- i) Consider all spheres of government practices and commitments and to improve risk transparency.

### **3. BACKGROUND**

The Department is bound by its constitutional mandate to provide services or goods in the interests of the public good.

No institution has the luxury of functioning in a risk-free environment and public institutions, like ECDoE, are especially vulnerable to risks associated with fulfilling their mandate.

The public sector environment is fraught with unique challenges such as inadequate capacity, excessive bureaucracy and silo mentality, limited resources, competing priorities and infrastructure backlogs to mention a few.

Such dynamics increase the risk profile of the public sector as a whole and place an extra duty of care on public sector managers to contain risks within acceptable limits.

Risk management is a management tool which increases the institution's prospects of success through minimising negative outcomes and optimising opportunities.

Local and international trends confirm that risk management is a strategic imperative rather than an option within high performance organisations.

High performing organisations set clear and realistic objectives, develop appropriate strategies aligned to the objectives, understand the intrinsic risks associated therewith and direct resources towards managing such risks based on cost-benefit principles.

The Department must, in accordance with the prescripts mentioned below, implement, and maintain effective, efficient, and transparent systems of risk management and internal control.

The underlying intention of VIII above is that the Department must through risk management processes achieve, amongst others, the following outcomes needed to underpin and enhance performance:

- a) More sustainable and reliable delivery of services;
- b) Informed decisions underpinned by appropriate rigour and analysis;
- c) Innovation;
- d) Reduced waste;
- e) Prevention of fraud and corruption;
- f) Better value for money through more efficient use of resources; and
- g) Better outputs and outcomes through improved project and programme management.



#### **4. SCOPE AND APPLICABILITY**

This document presents the Department's Enterprise Risk Management Framework, that is facilitated by the Risk Management (RM) Function and reviewed by the Risk Management Committee, and thereafter approved by the Accounting Officer.

#### **5. DEVELOPMENT OF THE FRAMEWORK**

Development of this framework has considered much of the latest research done by the Committee of Sponsoring Organisations ("COSO"), the enterprise-wide risk management (EWRM), the King IV Report on Corporate Governance (King IV Report) and the Public Sector Risk Management Framework ("PSRMF"). The framework consequently views risk management in relation to objective setting, risk identification, risk assessment, risk response and control, communication, and monitoring.

#### **6. GOVERNING PRESCRIPTS**

##### **Public Finance Management Act (PFMA), No. 1 of 1999**

Section 38(1)(a)(i):

"The accounting officer for a department, trading entity or constitutional institution must ensure that that institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

Treasury Regulations (Issued under the PFMA)

##### **Regulation 3.2.1:**

"The accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. A risk management strategy, which includes a fraud prevention plan, must be used to direct internal audit efforts and priorities, and to determine the skills required of managers and staff to improve controls and to manage these risks."

##### **Regulation 27.2.1:**

"Each accounting authority must ensure that a risk assessment is conducted regularly and that a risk management strategy is developed and implemented to manage risks."

#### **7. RISK MANAGEMENT MATURITY**

The Department has adopted the National Treasury's Risk Management Maturity Model ("RM Maturity") to measure its level of risk management maturity. This assists the Department in registering its risk management maturity improvement. The RM Maturity is made up of five levels, summarised as follows:

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**Level 1 – Non-existent :** A public institution will be deemed to be in this level if there is a lack of formalised risk management processes to deal with future uncertainties. No attempts are made to identify risks and develop mitigation plans. The public institution, management and employees have an overall lack of awareness of risk management principle.

**Level 2 – Initial/Ad Hoc:** A public institution is deemed to have reached the initial or ad hoc level when the public institution has recognized the need for formal risk management processes. At this level risk management processes are repetitive and reactive, with little or no attempt to learn from past experiences or to prepare for future uncertainties. No attempt is made to identify risks or to develop mitigation or contingency plans.

The normal method for dealing with risks is to react after risk eventuation with no proactive thought. During risk eventuation, operational processes are normally abandoned, downscaled, or temporarily abandoned and management hopes for the best.

Occasionally, capable officials can identify and mitigate risks; but when they leave, their influence leaves with them. Even strong operations plans cannot overcome the instability created by the absence of sound risk management practices. At this level, some public institutions are experimenting with the application of risk management, usually through a limited number of individuals.

At this level, public institutions would have no formal or structured risk management processes in place. Although the public institution is aware, at some level, of the potential benefits of managing their risks, there are no effectively implemented enterprise-wide processes.

**Level 3 – Repeatable:** Departmental-wide risk assessments have been completed and the necessary departmental capacity and structures to support risk management are in place. Risk management processes, practices and systems satisfy all legislative requirements at this stage but have limited influence on the control environment.

At the repeatable Level, a public institution would have implemented risk management into their routine processes. Risk management is implemented in most, if not all, units. Generic risk policies and procedures are formalized, and the benefits of risk management are understood at all levels of the public institution.

There are some risk management success stories in some programmes. Risk management capability is enhanced by establishing basic risk management disciplines on a routine basis. Programmes or units implement risk management through processes that are defined, documented, practiced, measured, enforced, and improvable. All units or programmes would typically have an identified risk owner.

The basic requirement for achieving Level 3 is that there be policies that guide the units, or programmes in establishing the appropriate management processes. Capability of Level 3 can be summarized as disciplined because earlier successes can be repeated.

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The public institution's risk management processes are under the effective control of a defined system, following realistic plans based on the performance of previous experiences or bench marking on success stories.

**Level 4 – Managed:** A public institution would have attained the managed Level, when the public institution has established a risk-aware culture that utilizes a proactive approach to the management of risks in all aspects of the public institution. Appropriate information is continually developed and actively used to improve all the public institutions processes. Standard risk management processes are documented and utilized across the public institution.

Risk management responsibilities have been assigned to individuals (risk owners, committees, coordinators, etc) in the public institution, thus opening formal and effective communication channels. Risk awareness interventions, training programs, etc are implemented to ensure that the officials have the required knowledge and skills to fulfil their assigned roles.

**Level 5 – Optimised:** The optimized level is attained when public institutions establishes an institution-wide continuous improvement programme that takes into account lessons learned and best practices. Information Technology systems are utilized to achieve risk management objectives.

The Department has developed a Risk Management Implementation Plan to ensure that the risk management process is driven to and matures to a compliance level (level 3) by the end of the 2024\2025 financial year.

A Risk Management Improvement Plan (separate document) is developed annually to ensure that the Department has a consistent risk management improvement registered in terms of its risk management maturity, and ultimately maintenance of the highest level of risk management maturity in the Department.

## 8. DEFINING RISK AND ENTERPRISE RISK MANAGEMENT

### 8.1. Definition of Risk

According to the Public Sector Risk Management Framework (2010), the term, "Risk", means "an unwanted outcome, actual or potential, to the Institution's service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which Management must be aware of and be prepared to exploit. This definition of "risk" also encompasses such opportunities".

### 8.2. Types of Risks

#### 8.2.1. Strategic Risks

COSO defines strategic risk as the risk of the department's ability to achieve its objectives and strategic goals, which can be impacted by internal and external events. These risks are crucial as they can have

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severe consequences for the long-term success and sustainability of the department. Strategic risks are risks emanating from the strategic choices made by the Institution, specifically regarding whether such choices weaken or strengthen the Institution's ability to execute its Constitutional mandate.

**8.2.2. Operational Risks**

Operational risks are "risks concerned with the Institution's operations" i.e. "operational risk identification should seek to establish vulnerabilities introduced by employees, internal processes and systems, contractors, regulatory authorities and external events," PSRMF.

**8.2.3. Project Risks**

A bulk of the work of the DoE is undertaken through projects implemented by appointed implementing agents (IAs) on behalf of the department, in this context project risks encompass contracting between the DoE and IAs, project implementation and project handover; therefore risks are identified at each level. Project risk are risks inherent to particular projects and in the context of the DoE, project risks refer to those risks that could result in project failure; delays in project completion, increased costs, project handover failure or delays, etc.

**8.3. Enterprise-wide Risk Management (ERM)**

ERM is a broad-based application of risk management in all major functions and activities of the Department, rather than only in selected areas, to isolate the material risks.

ERM represents a response to the dilemma that risks (including opportunities) are dynamic and often highly interdependent and need to be managed through a portfolio approach rather than as separate and static events, to achieve comprehensive and integrated attention.

ERM also calls for the Institution to look beyond itself, requiring the consideration of risks on performance regardless of whether risk is internally or externally generated.

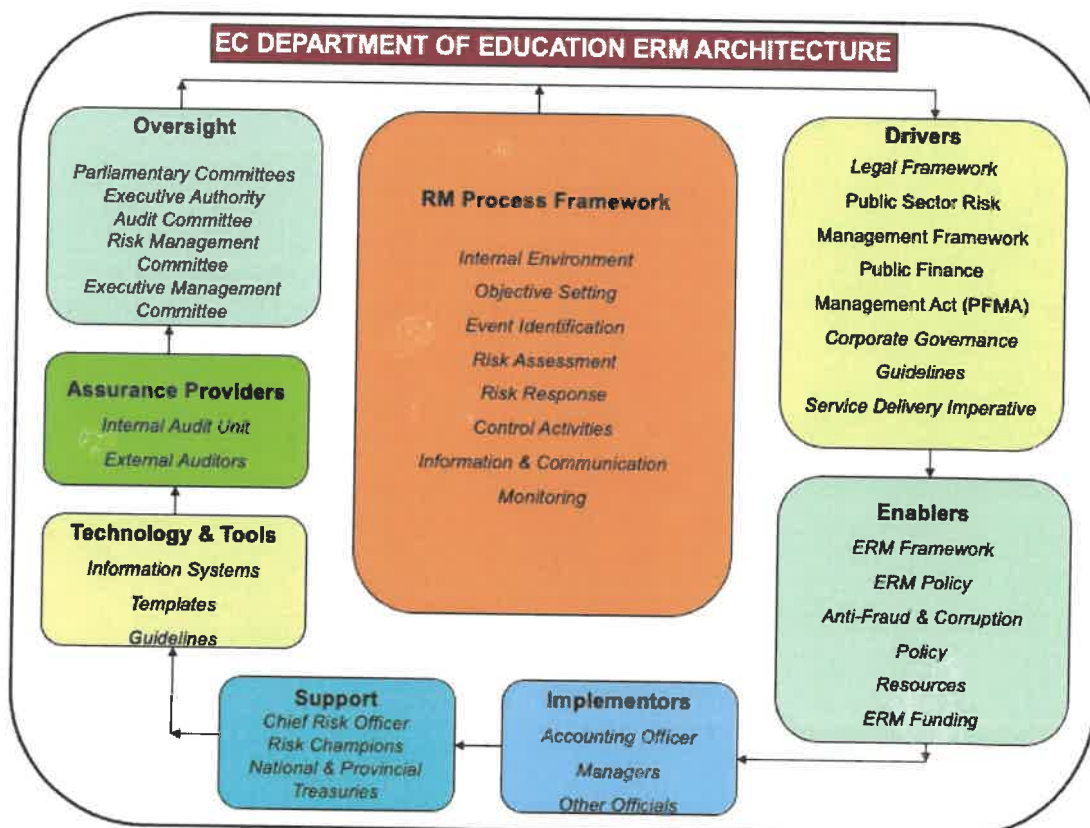
**9. ENTERPRISE RISK MANAGEMENT IMPLEMENTATION APPROACH**

The Department has adopted the Public Sector Risk Management Framework's risk management Architecture that considers various interrelated and inter-dependent components of risk management in the implementation of a system of risk management. The Architecture consist of the following elements:

- a) A process framework consisting of eight components guides the process of risk management within the Department.
- b) Drivers that stabilise and govern risk management in the Department as far as legislation is concerned.
- c) Enablers that translate the stance of risk management within the Department and serve as guidance for instilling risk management into the Department.

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- d) Human resource capacity consisting of implementers, support specialists and assurance providers and oversight strategy, to ensure that risk management is installed efficiently and effectively.
- e) Tools and technology to assist with the human resources in instilling efficient and effective risk management within the Department.
- f) Funding which assists with implementing, maintaining and continuously improving the state of risk management and control.



### 9.1. Components of the Risk Management Process Framework

#### 9.1.1. Internal Environment

The Accounting Officer is responsible for ensuring that the Department environment supports the effective functioning of risk management and needs to create an environment in which risk management can function efficiently and effectively. In doing so, it commits to and has a plan in place to change the current culture of the Department.

The Department's environment is the foundation of risk management, providing the underpinning culture, discipline and structures that influence how strategy and objectives are established and how Departmental activities are planned and executed and how risks are identified and acted upon.

### **9.1.2. Objective Setting**

The Accounting Officer has set out the objectives of the Department, which are aligned to the Department's mandate. These objectives are the reference point of risk identification.

These objectives include, amongst others:

- a) Objectives from the Annual Performance Plan;
- b) Objectives from short- and long-term projects;
- c) Objectives from prioritised special intervention plans for the Departments; and
- d) Objectives for the Department's programmes, sub-programmes, and all operations.

As part of objective setting, the Accounting Officer must determine the amount of risk it is capable of bearing (risk tolerance); and the amount of risk the department is willing to accept (risk appetite). "Accept" in this instance refers to that portion of risk that the in Department will not manage actively.

It is the risk the institution is prepared to live with because of the following considerations:

- a) The risk factor(s) is/are beyond the Department's control.
- b) All possible and rational risk control measures have been exhausted (additional risk mitigation measures are no longer available); or
- c) Additional risk control is not justified on cost-benefit grounds.

The key principles on risk tolerance and risk appetite must be set out in the department's risk appetite and tolerance framework.

### **9.1.3. Risk Identification**

Risk identification is a deliberate and systematic effort to identify and document the Department's key risks. The objective of risk identification is to understand what is at risk within the context of the Department's explicit and implicit objectives and to generate a comprehensive inventory of risks based on the threats and events that might prevent, degrade, delay, or enhance the achievement of the objectives.

The approach that the Department is adopting in risk identification and documentation is objective, therefore, for every objective a risk identification and documentation process is performed by the responsible parties, facilitated by the Chief Risk Officer and/ or the dedicated risk management (RM) function.

Risk identification is broken down into three levels: strategic, operational and project risk identification.

The methods of risk identification that is used is dependent on the risk assessments to be conducted.

The risk identification process is as follows:

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- a) The RM Function does preparatory work before conducting the risk identification. In doing this preparatory work, the RM Function considers (and does not limit itself to) the review of external and internal audit reports; review of the reports of the Standing Committee on Public Accounts and the relevant Parliamentary Committee(s); analysis of Executive Committee reports; financial analysis; historical data analysis; actual loss data; interrogation of trends in key performance indicators; benchmarking against peer groups or quasi peer group; market and sector information; scenario analyses; and forecasting and stress testing.
- b) Conduct the risk identification through risk management workshops or interviews by presenting the prepared work and leading and facilitating the risk identification process. The identification of risk is not limited to the internal environment; but the external environment is also considered.
- c) The RM Function then documents all the risks identified into a risk register which is owned by the relevant managers.

#### **9.1.4. Risk Assessment**

An assessment of risk is done by the Departmental officials in their areas of responsibilities facilitated by the RM Function. The risk assessment assists the Department in prioritising risks that have the highest threat to the Department.

Risks are assessed based on the likelihood of the risk occurring and the impact of its occurrence on the Department's objective(s).

Risks can be assessed on a quantitative basis or a qualitative basis. Quantitative assessment works best for risks that involve numeric functions. A good example would be the risk of financial losses as this can be numerically quantified.

Quantitative techniques typically bring more precision and are used in more complex and sophisticated activities.

Qualitative assessment is applied when the risk in question does not lend itself to numeric quantification. In such cases more subjective means are utilised, the most important of which is the expert judgement of management.

Risk assessment is performed through a three-stage process:

- a) Firstly, the inherent risk is assessed to establish the level of exposure in the absence of deliberate management actions to influence the risk. This level of assessment provides a perspective of the consequences of the risk to the Department in its unmanaged state.
- b) Secondly, a residual risk assessment is performed to determine the actual remaining levels of risk after the mitigating effects of management actions to influence the risk. Normally, management would introduce sufficient control to reduce the risk to within a pre-determined level, as informed by the optimal risk level. The residual risk is a critical indicator of whether the existing controls are effective in reducing the risk to an acceptable level.

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- c) Thirdly, the residual risk should be benchmarked against the Department's risk appetite to determine the need for further management intervention, if any.

Risk Rating Tables on Impact and Likelihood below guide the rating process on likelihood and impact, at both inherent and residual assessments:

**Table 1: Impact Assessment**

The following rating table is utilised to assess the potential impact of risks.

Rating	Assessment	Definition
1	Insignificant	Negative outcomes or missed opportunities that are likely to have a negligible impact on the ability to meet objectives.
2	Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives.
3	Moderate	Negative outcomes or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives.
4	Major	Negative outcomes or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives.
5	Catastrophic/ Critical	Negative outcomes or missed opportunities that are of critical importance to the achievement of the objectives.

**Table 2: Likelihood Assessment**

The following rating table is utilised to assess the likelihood of risks.

Rating	Assessment	Definition
1	Rare	The risk is conceivable but is only likely to occur in extreme circumstances.
2	Unlikely	The risk occurs infrequently and is unlikely to occur within the next 3 years.
3	Moderate	There is an above average chance that the risk will occur at least once in the next 3 years.
4	Likely	The risk could easily occur and is likely to occur at least once within the next 12 months.
5	Almost Certain	The risk is already occurring or is likely to occur more than once within the next 12 months.

The assessment of risks assists the department in prioritising high risks that need immediate response, depending on the exposure of the risks. The exposure will be measured by multiplying the likelihood and the impact, and then categorised into three levels, namely, low, medium, and high, as depicted in Table 3.

**Table 3: Risk Level & Risk Response**

The following table is utilised by the department to guide risk responses and reporting for the various levels of risks based on their risk ratings (impact x likelihood).



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Description/ Definition		Risk Exposure		
		Low	Medium	High
<b>Risk Rating</b>	<b>Risk Score</b> (impact x likelihood)	1 - 5	6 - 14	15 - 25
<b>Quantitative Risk Exposure</b>	Monetary value of the risk exposure.	<R5m	>R5m but <R50m	>R50m
<b>Risk Response</b>	How to respond to the risk rating – what steps to follow?	<b>Accept</b> Unlikely to require additional interventions or resources.	<b>Reduce</b> Likely to cause moderate damage or disruption; and moderate threat to the effectiveness of the department, programme, or project.	<b>Avoid/ Reduce/ Share/ Transfer</b> Very likely to cause significant damage, disruption, or breach of controls. Highly likely to threaten the survival or continued effective functioning of the department, programme, or project.
	<b>Treatment</b>	Acceptable level of risk.  Must be managed by well-established routine processes and procedures.	Unacceptable level of risk.  Detailed mitigation plans that may include risk financing must be developed and implemented.	Unacceptable level of risk.  Intensive control intervention is required to achieve an acceptable level of residual risk.  Detailed mitigation plans that may include risk financing must be developed and implemented.
	<b>Frequency of monitoring</b>	Quarterly	Monthly	Weekly
	<b>Timelines for resolution</b>	n/a/	6 – 24 months	6 – 18 months
	<b>Reporting</b>	Reported to Senior Manager. Reported to Programme Manager and HOD.	Reported to Senior Manager. Reported to Programme Manager and HOD. Reported to the RMC and AC.	Reported to Programme Manager and HOD. Reported to the RMC and AC. Reported to MEC.
	<b>Frequency of reporting</b>	Quarterly	Quarterly	Monthly

Risk heatmaps will therefore be depicted in the following manner to ensure correct interpretation of risk scores:

<b>LIKELIHOOD</b>	Almost Certain	5	10	15	20	25
	Likely	4	8	12	16	20
	Moderate	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Rare	1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic

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	<b>IMPACT</b>
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#### **9.1.5. Risk Response**

Risk response is concerned with developing strategies to reduce or to eliminate the threats and events that create risks. All key risks identified are responded to; however, not all risks require treatment refer to table 3 above for guidance.

The purpose of responding and treating risks is to minimize or eliminate the potential impact the risk may pose to the achievement of set objectives.

Risk response is concerned with developing strategies to reduce or eliminate the threats and events that create risks. Risk response should also make provision for the exploitation of opportunities to improve the performance of the Department. Responding to risk involves identifying and evaluating the range of possible options to mitigate risks and implement the chosen option. Management should develop response strategies for all material risks, whether the management thereof is within the direct control of the Department, prioritising the high risks.

Where the management of the risk is within the control of the Department, the response strategies consider the following:

- a) Avoid the risk by, for example, choosing a different strategy or terminating the activity that produces the risk.
- b) Treating the risk by, for example, implementing or improving the internal control system.
- c) Transferring or sharing the risk to another party more competent to manage it by, for example, contracting out services, establishing strategic partnerships and buying insurance.
- d) Accepting the risk where cost and strategy considerations rule out alternative strategies; and,
- e) Exploiting the risk factors by implementing strategies to take advantage of the opportunities presented by such risk factors.

In instances where the management of risk is not within the control of the Department, the response strategies should consider measures such as forward planning and lobbying. Response strategies are documented, and the responsibilities and timelines attached thereto are communicated to the relevant persons.

#### **9.1.6. Control Activities**

Control activities produce detailed action plans for managing all material risks.

The risk assessment produces a management's perspective of the effectiveness of the existing controls. This informs management of additional control interventions required to better manage the risk exposures to an acceptable level. Management must then consider the best control options from various alternative control types:

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- a) **Management controls** - these ensure that the Department's structure and systems support its policies, plans and objectives and operate within laws and regulations.
- b) **Administrative controls** - these ensure that policies and objectives are delivered in an efficient and effective manner and that losses are minimised.
- c) **Accounting controls** - these ensure that resources allocated are accounted for fully and transparently and are properly documented.
- d) **Information Technology controls** - these controls relate to IT systems and include access control, controls of system software programmes, business continuity controls and other controls.

Each control type above can be classified as either:

- a) **Preventative controls** – these controls are designed to discourage errors or irregularities from occurring e.g., adequate physical security of assets to prevent losses such as theft or damage. If properly enforced, these controls are usually the most effective type of controls.
- b) **Detective controls** – these controls are designed to find errors or irregularities after they have occurred e.g., performance of reconciliation procedures to identify errors.
- c) **Corrective controls** – these controls usually operate together with detective controls to correct identified errors or irregularities.

#### **9.1.7. Communication and Reporting**

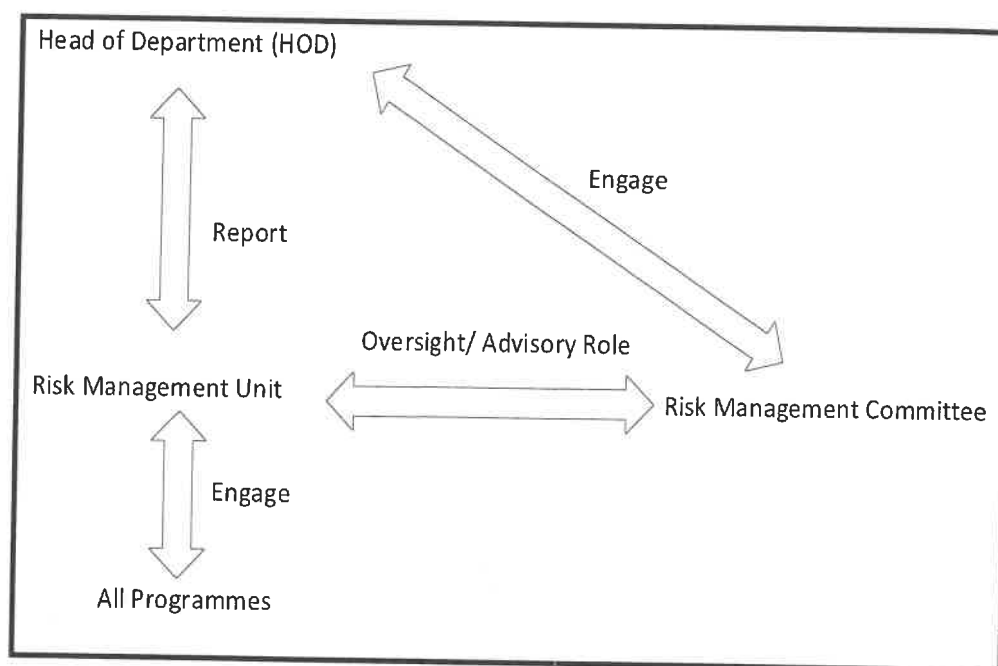
The Department has a need to define and communicate risk reporting arrangements to all its stakeholders.

Common language, consistent form of reporting and collaboration among stakeholders (Committees, Management, Chief Risk Officer, etc) are critical to ensuring that risk reports are effectively utilised to drive departmental performance. It is also crucial that risk reporting is not only a bottom-up approach. While risk reporting is meant to aid Managers to make risk-based decisions, it is equally important for such information and decisions to be communicated to operational staff and/or relevant officials in the Department.

Everyone within the Department gets a risk register to communicate risk information for her\his area of responsibility. The register is monitored by the immediate supervisor and the Risk Management Function. Various supervisors update programme heads on risk information monthly. Risk information gets reported at top management meetings at head office and at Cluster FinCom meeting quarterly.

**Table 4** – Risk management information reporting structure is adopted by the Department in reporting its risk management information. The Chief Risk Officer report directly to the Accounting Officer and report and have direct access to the risk committee. Risk management monitors and reviews the management risks on a *quarterly* basis and quarterly risk reports are approved by the accounting officer and presented at the quarterly risk committee meetings.

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**9.1.8. Monitoring**

- a) A critical aspect that needs attention to create such an environment is the cultural change within the Department.
- b) Monitoring is conducted through ongoing activities to ascertain whether risk management is effectively practised at all levels and across the Department in accordance with the enterprise risk management policy, framework, and plan.
- c) Monitoring concerns checking on a regular basis to confirm the proper functioning of the entire risk management system.
- d) Monitoring should be conducted through ongoing activities or separate evaluations to ascertain whether risk management is effectively practised at all levels and across the Institution in accordance with the enterprise risk management policy, framework, and plan.
- e) Monitoring activities should focus on evaluating whether:
  - i. Allocated responsibilities are being executed effectively;
  - ii. Response strategies are producing the desired result of mitigating risks or exploiting opportunities; and
  - iii. A positive correlation exists between improvements in the system of risk management and Institutional performance.

**9.2. Drivers of Risk Management**

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The implementation of risk management within the Department is driven by relevant legislative framework, regulations and guidelines issued and/or endorsed by National Treasury and the Provincial Treasury.

The applicable risk management legislative framework relevant for the Department is as follows:

- a) Section 38 (1) (a) (i) of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA) requires that: *"The accounting officer has and maintains an effective, efficient and transparent systems of financial and risk management and internal control."*
- b) Section 3.2.1 of the Treasury Regulations: The roles and responsibilities for the implementation of the ERM strategy are contained in the Treasury Regulations published in terms of the PFMA. Section 3.2.1 of the regulations addresses risk management and summarised as follows:
  - i. *The accounting officer must ensure that a risk assessment is conducted regularly to identify emerging risks for the institution.*
  - ii. *The risk management framework, which must include a fraud prevention plan, must be used to direct internal audit effort and priority and to determine the skills required of managers and staff to improve controls and to manage these risks.*
  - iii. *The risk management framework must be clearly communicated to all officials to ensure that it is incorporated into the language and culture of the institution and embedded in the behaviour and mind-set of its people.*
- c) Section 45 of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA): The extension of general responsibilities in terms of Section 45 of the PFMA to all managers within the public sector implies that responsibility for risk management vests at all levels of management and that it is not limited to only the accounting officer and internal audit.
- d) Section 3.2.7. (a) of the Treasury regulations states: *"An internal audit unit must prepare, in consultation with and for approval by the audit committee –*
  - i. *A rolling three-year strategic internal audit plan based on its assessment of key areas of risk for the institution, having regard to its current operations, those proposed in its strategic plan and its risk management strategy."*
- e) Section 3.1.10 of the Treasury Regulations states:
  - i. *The effectiveness of the internal control system;*
  - ii. *The effectiveness of internal audit;*
  - iii. *The risk areas of the Department's operations to be covered in the scope of the internal and external audits;*
  - iv. *The adequacy, reliability and accuracy of financial information provided to management and other users of such information;*
  - v. *Any accounting and auditing concerns identified as a result of internal and external audits;*
  - vi. *The entity's compliance with legal and regulatory provisions; and*
  - vii. *The activities of the internal audit function, including its annual work programme, co-ordination with external auditors, the reports of significant investigations and responses of management to specific recommendations."*

### **9.3. Enablers of Risk Management**

#### **9.3.1. Enterprise Risk Management Framework**

Risk management enablers such as the Enterprise Risk Management (ERM) Framework assist the Department in guiding the entrenchment of risk management within the Department. To be fully effective, this framework should be adequately communicated throughout the Department.

#### **9.3.2. ERM Policy**

Risk management enablers such as the ERM Policy and the risk management implementation plan assist the Department in guiding the entrenchment of risk management within the Department. To be fully effective, these documents should be adequately communicated throughout the Department.

#### **9.3.3. Fraud Prevention & Anti-Corruption**

Risk management enablers such as the Fraud Prevention & Anti-Corruption Policy and the Fraud Prevention Plan (FPP) assist the Department in guiding the entrenchment of risk management within the Department. To be fully effective, these documents should be adequately communicated throughout the Department.

#### **9.3.4. ERM Resources and Funding**

##### *a) Human resource capacity*

- i. Adequate human resources capacity, represented by the requisite number of people with the right skills, is fundamental to implementing the risk management framework, therefore the department is committed to ensure that there is an appropriate structure in place to provide risk management support and continuous risk management capacity building takes place at all levels of operation within the department.
- ii. As part of continuous risk management capacity building, the department will sensitise all employees of the relevance of risk management to the achievement of their performance goals.
- iii. Training and support will be provided to everyone involved in risk management activities to equip them to optimally execute their responsibilities for risk management as set out in Section 8.4 and 8.5, read together with Section 10.
- iv. The Chief Risk Officer and his/her staff should possess the necessary skills, competencies, and attitudes to execute the functions set out in section 8.5.1.

##### *b) Funding the risk management activities*

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- i. Funding is required to cover the cost of implementing, maintaining, and continuously improving the state of risk management and control.
- ii. The Chief Risk Officer should control the operating and capital costs of the Risk Management Unit.
- iii. The cost of implementing and improving controls should be the responsibility of the respective Risk Owners, who should provide for such costs in their capital or operational budgets.
- iv. Investments in risk management and control should be considered based on cost versus benefit.

#### **9.4. Implementers of Risk Management**

##### **Risk management enablers**

##### **9.4.1. Accounting Officer**

Functions of Accounting Officer with respect to risk management:

- a) The Accounting Officer is the ultimate Chief Risk Officer of the Institution and is accountable for the Institution's overall governance of risk.
- b) High level responsibilities of the Accounting Officer should include:
  - i. Setting an appropriate tone by supporting and being seen to be supporting the Institution's aspirations for effective management of risks;
  - ii. Delegating responsibilities for risk management to Management and internal formations such as the Risk Management Committee, Finance Committee, Information and Communication Technology Committee;
  - iii. Holding Management accountable for designing, implementing, monitoring and integrating risk management into their day-to-day activities;
  - iv. Holding the internal structures referred to section 8.4 accountable for performance in terms of their responsibilities for risk management;
  - v. Providing leadership and guidance to enable Management and internal structures responsible for various aspects of risk management to properly perform their functions;
  - vi. Ensuring that the control environment supports the effective functioning of risk management as discussed in sections 8.1.1, 8.1.2, 8.3 and 8.6.
  - vii. Approving the enterprise risk management policy, framework, and implementation plan;
  - viii. Approving the Fraud Prevention & Anti-Corruption Policy, strategy and implementation plan;
  - ix. Approving the Institution's risk appetite and risk tolerance;
  - x. Devoting personal attention to overseeing management of the significant risks;
  - xi. Leveraging the Audit Committee, Internal Audit, External Audit and Risk Management
  - xii. Committee for assurance on the effectiveness of risk management;

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- xiii. Ensuring appropriate action in respect of the recommendations of the Audit Committee, Internal Audit, External Audit and Risk Management Committee to improve risk management; and
- xiv. Providing assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated.

**9.4.2. Management**

Functions of Management with respect to risk management:

- a) Management is responsible for executing their responsibilities outlined in the risk management framework and for integrating risk management into the operational routines.
- b) High level responsibilities of Management should include:
  - i. Executing their responsibilities as set out in the risk management framework;
  - ii. Empowering officials to perform effectively in their risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
  - iii. Aligning the functional risk management methodologies and processes with the Institutional process;
  - iv. Devoting personal attention to overseeing the management of key risks within their area of responsibility;
  - v. Maintaining a co-operative relationship with the Risk Management Unit and Risk Champion;
  - vi. Providing risk management reports;
  - vii. Presenting to the Risk Management and Audit Committees as requested;
  - viii. Maintaining the proper functioning of the control environment within their area of responsibility;
  - ix. Monitoring risk management within their area of responsibility; and
  - x. Holding officials accountable for their specific risk management responsibilities.

**9.4.3. Other Officials**

Functions of other officials with respect to risk management:

- a) Other officials are responsible for integrating risk management into their day-to-day activities.
- b) High level responsibilities of other officials should include:
- c) Applying the risk management processes in their respective functions;
  - i. Implementing the delegated action plans to address the identified risks;
  - ii. Informing their supervisors and/or the Risk Management Unit of new risks and significant changes in known risks; and
  - iii. Co-operating with other role players in the risk management process and providing information as required.



## **9.5. Support for Risk Management**

### ***Risk management enablers***

#### **9.5.1. Chief Risk Officer**

Functions of the Chief Risk Officer:

- a) The primary responsibility of the Chief Risk Officer is to bring to bear his / her specialist expertise to assist the Institution to embed risk management and leverage its benefits to enhance performance.
- b) The high level responsibilities of the Chief Risk Officer should include:
  - i. Working with senior management to develop the Institution's vision for risk management;
  - ii. Developing, in consultation with management the Institution's risk management framework incorporating, inter alia, the:
    - Enterprise risk management policy;
    - Enterprise risk management framework;
    - Risk management and fraud prevention implementation plan;
    - Risk identification and assessment methodology;
    - Risk appetite and tolerance; and
    - Risk classification.
- c) Communicating the Institution's risk management framework to all stakeholders in the Institution and monitoring its implementation;
- d) Facilitating orientation and training for the Risk Management Committee;
- e) Training all stakeholders in their risk management functions;
- f) Continuously driving risk management to higher levels of maturity;
- g) Assisting Management with risk identification, assessment and development of response strategies;
- h) Monitoring the implementation of the response strategies;
- i) Collating, aggregating, interpreting and analysing the results of risk assessments to extract risk intelligence;
- j) Reporting risk intelligence to the Accounting Officer, Management and the Risk Management Committee; and
- k) Participating with Internal Audit, Management and Auditor-General in developing the combined assurance plan for the Institution.

#### **9.5.2. Risk Champions**

Functions of the Risk Champion:

- a) The Risk Champion is a person with the skills, knowledge, leadership qualities and power of office required to champion a particular aspect of risk management.
- b) A key part of the Risk Champion's responsibility should involve intervening in instances where the risk management efforts are being hampered, for example, by the lack of co-operation by Management and other officials and the lack of institutional skills and expertise.
- c) The Risk Champion should also add value to the risk management process by providing guidance and support to manage "problematic" risks and risks of a transversal nature that require a multiple participant approach.
- d) In order to fulfil his/her function, the Risk Champion should possess:
  - i. A good understanding of risk management concepts, principles and processes;
  - ii. Good analytical skills;
  - iii. Expert power;
  - iv. Leadership and motivational qualities; and
  - v. Good communication skills.
- e) The Risk Champion should not assume the role of the Risk Owner but should assist the Risk Owner to resolve problems.

#### **9.5.3. Provincial Treasury**

Functions of the Provincial Treasury with respect to risk management:

- a) The Provincial Treasury has specific functions in terms of section 18(2) of the PFMA
  - i. Prescribe uniform norms and standards;
  - ii. Monitor and assess the implementation of the PFMA;
  - iii. Assist Institutions in building their capacity for efficient, effective and transparent financial management; and
  - iv. Enforce the PFMA.
- b) To give effect to 32(1)(b), the Provincial Treasury should monitor and assess, among other things, the implementation of risk management, including any prescribed norms and standards.
- c) With respect to capacity building, the Provincial Treasury should assist provincial departments, in among other things, in building their capacity for efficient, effective and transparent risk management.

- d) With respect to enforcement, the Provincial Treasury should enforce the legislation and any prescribed norms and standards for, among other things, risk management in provincial departments.
- e) In addition, the Provincial Treasury may do anything further that is necessary to fulfil its responsibilities effectively.

#### **9.6. Risk Management Technology and Tools**

##### **Risk management enablers**

- a) Tools and technology can produce considerable efficiencies by simplifying complex processes and accelerating otherwise time-consuming tasks in the risk management process.
- b) The Department will consider the use of automated tools for capturing, organising, storing data, as well as communicating and tracking information related to risks.

#### **9.7. Assurance Providers**

##### **9.7.1. Internal Audit Function**

- a) The role of the Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the Institution's system of risk management.
- b) Internal Auditing must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.
- c) Internal Auditing must develop its internal audit plan on the basis of the key risk areas.
- d) In terms of the International Standards for the Professional Practice of Internal Audit, determining whether risk management processes are effective is a judgment resulting from the Internal Auditor's assessment that:
  - i. Institutional objectives support and align with the Institution's mission;
  - ii. Significant risks are identified and assessed;
  - iii. Risk responses are appropriate to limit risk to an acceptable level; and
  - iv. Relevant risk information is captured and communicated in a timely manner to enable the Accounting, Management, the Risk Management Committee and other officials to carry out their responsibilities.

##### **9.7.2. External Auditors**

- a) The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management.

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- b) In providing the audit opinion, the Auditor-General usually focuses on:
  - i. Determining whether the enterprise risk management policy, framework and implementation plan are in place and are appropriate;
  - ii. assessing the implementation of the enterprise risk management policy, framework and implementation plan;
  - iii. Reviewing the risk identification process to determine if it is sufficiently robust to facilitate the timely, correct and complete identification of significant risks, including new and emerging risks;
  - iv. Reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritisation; and
  - v. Determining whether the management action plans to mitigate the key risks are appropriate, and are being effectively implemented.

**9.8. Risk Management Oversight**

**9.8.1. Executive Authority**

- a) The Executive Authority should take 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 the Institution against significant risks.
- b) Responsibilities of the Executive Authority in risk management should include:
  - i. Ensuring that the Institutional strategies are aligned to the government mandate;
  - ii. Obtaining assurance from management that the Institution's strategic choices were based on a rigorous assessment of risk;
  - iii. Obtaining assurance that key risks inherent in the Institution's strategies were identified and assessed, and are being properly managed;
  - iv. Assisting the Accounting Officer to deal with fiscal, intergovernmental, political and other risks beyond their direct control and influence; and
  - v. Insisting on the achievement of objectives, effective performance management and value for money.

**9.8.2. Audit Committee**

- a) The responsibilities of the Audit Committee with respect to risk management should be formally defined in its charter.
- b) The Audit Committee should provide an independent and objective view of the Institution's risk management effectiveness.
- c) Responsibilities of the Audit Committee, include:
  - i. Reviewing and recommending disclosures on matters of risk in the annual financial statements;
  - ii. Reviewing and recommending disclosures on matters of risk and risk management in the annual report;

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- iii. Providing regular feedback to the Accounting Officer / Authority on the adequacy and effectiveness of risk management in the Institution, including recommendations for improvement;
  - iv. Ensuring that the internal and external audit plans are aligned to the risk profile of the Institution;
  - v. Satisfying itself that it has appropriately
  - vi. Addressed the following areas:
    - financial reporting risks, including the risk of fraud;
    - internal financial controls; and
    - IT risks as they relate to financial reporting.
- d) The Audit Committee should evaluate the effectiveness of Internal Audit in its responsibilities for risk management.

**9.8.3. Risk Management Committee**

- a) The Risk Management Committee is appointed by the Accounting Officer to assist them to discharge their responsibilities for risk management.
- b) The membership of the Risk Management Committee should comprise both management and external members with the necessary blend of skills, competencies and attributes, including the following critical aspects:
  - i. An intimate understanding of the Institution's mandate and operations;
  - ii. The ability to act independently and objectively in the interest of the Institution; and
  - iii. A thorough knowledge of risk management principles and their application.
  - iv. The chairperson of the Risk Management Committee should be an independent external person, appointed by the Accounting Officer
  - v. The responsibilities of the Risk Management Committee should be formally defined in a charter approved by the Accounting Officer.
- c) In discharging its governance responsibilities relating to risk management, the Risk Management Committee should:
  - i. Review and recommend for the Approval of the Accounting Officer, the:
    - i. Enterprise risk management policy;
    - ii. Enterprise risk management framework;
    - iii. Risk and fraud prevention implementation plan;
    - iv. Institution's risk appetite, ensuring that limits are:
      - Supported by a rigorous analysis and expert judgement;
      - Expressed in the same values as the key performance indicators to which they apply;
      - Set for all material risks individually, as well as in aggregate for particular categories of risk; and
      - Consistent with the materiality and significance framework.

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- v. Institution's risk tolerance, ensuring that limits are supported by a rigorous analysis and expert judgement of:
    - The Institution's ability to withstand significant shocks; and
    - The Institution's ability to recover financially and operationally from significant shocks.
  - vi. Institution's risk identification and assessment methodologies, after satisfying itself of their effectiveness in timeously and accurately identifying and assessing the Institution's risks.
  - ii. Evaluate the extent and effectiveness of integration of risk management within the Institution;
  - iii. Assess implementation of the risk management policy and framework (including plan);
  - iv. Evaluate the effectiveness of the mitigating strategies implemented to address the material risks of the Institution;
  - v. Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
  - vi. Develop its own key performance indicators for approval by the Accounting Officer;
  - vii. Interact with the Audit Committee to share information relating to material risks of the Institution;
  - viii. Provide timely and useful reports to the Accounting Officer on the state of risk management, together with accompanying recommendations to address any deficiencies identified by the Committee; and
- d) In instances where the scale, complexity and geographical dispersion of the Institution's activities dictate the need for the Risk Management Committee to work through subcommittees, the Risk Management Committee should ensure that:
- i. Approval is obtained from the Accounting Officer for the establishment of the sub-committees;
  - ii. The terms of reference of the sub-committees are aligned to that of the Risk Management Committee; and
  - iii. The Risk Management Committee exercises control over the functioning of the subcommittees.

## **10.FRAUD PREVENTION AND ANTI-CORRUPTION PLAN**

The Department is committed to taking a stand against fraud and corruption and adopts a ZERO TOLERANCE stance as far as fraud and corruption is concerned. Therefore, the Department has formulated and adopted a Fraud Prevention and Anti-Corruption Policy (separate document).

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The Department has in place a Fraud Prevention Implementation Plan which is part of the Risk Management Plan in a separate document titled Risk Management and Fraud Implementation Plan. The Plan is monitored by the RMC on a quarterly basis and reviewed annually.

## **11.EVALUATION OF ENTERPRISE RISK MANAGEMENT EFFECTIVENESS**

### **11.1 Evaluation**

Evaluation of enterprise risk management:

- a) Evaluation of risk management effectiveness is vital to maximise the value created through risk management practices.
- b) Institutions should strive to achieve a mature risk management regime incrementally and sustainably to realise the outcomes referred to in section 6.
- c) Institutions should periodically evaluate the value add of risk management by measuring outcomes against predetermined key performance indicators (refer to the Risk and Fraud Prevention Implementation Plan) aligned to the overall goals and objectives of the department.
- d) The Department is implementing the Financial Management Maturity Capability Model developed by the National Treasury to evaluate its current and progressive risk management maturity.
- e) The evaluation takes place through self-assessment facilitated by the Provincial Treasury on an annual basis.

### **11.2 Performance Indicators**

- a) The Accounting Officer shall evaluate the department's performance in leading the risk management process in the Institution through the following and other relevant indicators:
  - i. The risk management maturity trend as measured in terms of an appropriate index such as the Financial Capability Maturity Model;
  - ii. The Institution's performance against key indicators, including comparison of year-on-year performance;
  - iii. Percentage change in unauthorised expenditure, fruitless and wasteful expenditure and irregular expenditure based on year-on year comparisons;
  - iv. Percentage change in incidents and quantum of fraud based on year-on-year comparisons; and
  - v. Progress in securing improved audit outcomes in regularity and performance audits.

### **11.3 Audit Committee**

- a) Insofar as it concerns the responsibilities of the Audit Committee for risk management, the Accounting Officer should evaluate the performance of the Committee through the following and other relevant indicators:

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- i. The Auditor-General's report on the effectiveness of the Audit Committee;
- ii. The results of the Audit Committee's own 360° assessment;
- iii. The Committee's co-ordination of the work of Internal Auditing, External Audit and other assurance providers in respect of risk management; and
- iv. The quality and timeliness of the Audit Committee's counsel and recommendations on matters concerning the system of risk management.

**11.4 Risk Management Committee**

- a) The Accounting Officer should evaluate the performance of the Risk Management Committee through the following and other relevant indicators:
  - i. The results of the Risk Management Committee's own 360° assessment;
  - ii. The oversight provided on the risk management and fraud prevention implementation plan;
  - iii. Provincial Treasury report on the state of risk management;
  - iv. The Internal Audit report on the state of risk management;
  - v. The Auditor-General's report on the effectiveness of the Risk Management Committee; and
  - vi. The quality and timeliness of the Risk Management Committee's counsel and recommendations.

**11.5 Chief Risk Officer**

- a) The Accounting Officer, in consultation with the Risk Management Committee, should evaluate the performance of the Chief Risk Officer through the following and other relevant indicators:
  - i. Development and implementation of the risk management policy, framework and implementation plan;
  - ii. Activities conducted to improve risk awareness, skills and participation in risk management activities;
  - iii. Risk management maturity;
  - iv. Quality and timeliness of support to Management, other officials and the Risk Management Committee;
  - v. Progress in the implementation of the Risk Management and Fraud Prevention Implementation Plan.

**11.6 Management**

The Accounting Officer should evaluate the performance of Management through the following and other relevant indicators:

- a) Business unit performance against key indicators, including comparison of year-on year performance;
- b) Reduction of risk incidents and losses in their areas of responsibility;
- c) Availability for and participation in Risk Management Unit activities, Risk Management Committee meetings, and responding to Risk Champions and relevant stakeholders involved in risk management;



- d) Elimination of unauthorised expenditure, fruitless and wasteful expenditure and irregular expenditure;
- e) Reduction in fraud; and
- f) Progress in securing improved Internal Audit and Auditor-General outcomes in regularity and performance audits.

#### **11.7 Risk Champions**

- a) The Accounting Officer should evaluate the performance of Risk Champions through the following and other relevant indicators:
  - i. Implementation of delegated activities.

#### **11.8 Internal Audit**

- a) Insofar as it concerns the responsibilities of Internal Auditing for risk management, the Accounting Officer should evaluate the performance of Internal Auditing through the following and other relevant indicators:
  - i. Timeliness and quality of assurance on risk management;
  - ii. Timeliness and quality of recommendations to improve risk management; and
  - iii. Adoption of risk-based auditing.

#### **11.9 Staff**

Management should evaluate the performance of their staff through the following and other relevant indicators:

- a) implementation of risk management action plans.

### **12. REVIEW OF THE ERM FRAMEWORK**

This framework shall be reviewed annually or as there are changes in applicable legislation or guidelines; or any substantial organisational changes.

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Compiled by:

B Ndabambi

Reviewed by:



Mr S Govind

Director: Enterprise Risk and Integrity Management

24 June 2025

Date

Recommended by:



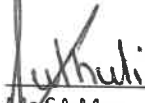
Ms FN Kobo

Chairperson Risk Committee

24 June 2025

Date

Approved by:



Ms SA Maasdorp

Accounting Officer

Eastern Cape Department of Education

07/07/2015

Date