

## Subject Outline Enterprise Risk Management

**NQF8**

**Prescribed textbook: Managing Enterprise Risk  
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**Compulsory Supplementary Reading: Risk Management in the Public Sector: Salga<sup>1</sup>  
King IV**

The aim of this subject is to develop an enhanced knowledge of enterprise risk management (ERM) practices to assist the board, or other governing body to determine its strategic responsibility for risk-taking; demonstrate an understanding of how different risks operate within the context of existing enterprise management frameworks; formulate the organisation's attitude and policy to risk appetite; tolerance for key individual risks and ensure clear lines of accountability

Topics	Topic content	Textbook
<b>Learning outcome 1:</b> Conceptualise the foundations, concepts, frameworks and principles of ERM		
<ul style="list-style-type: none"> <li>• Introduction to ERM</li> <li>• ERM perspectives</li> <li>• Concepts and terminology</li> <li>• ERM frameworks and standards</li> </ul>	<ul style="list-style-type: none"> <li>• Definition of risk and risk management</li> <li>• History of ERM and where we are today</li> <li>• Board roles and responsibilities</li> <li>• The concept of ERM</li> <li>• Types of risks</li> <li>• Different specialist perspectives of risks (engineers, economists, insurers, safety, health and environmental (SHE) practitioners, accountants, chartered secretaries etc.)</li> <li>• Concepts and terminology</li> <li>• Importance of ERM to business</li> <li>• ERM Frameworks:                             <ul style="list-style-type: none"> <li>○ International Risk Management Standard (IRM)</li> <li>○ ISO (International Organisation for Standardisation) 31000:2018 and new developments</li> <li>○ Committee of Sponsoring Organisations (COSO)</li> <li>○ Association of Insurance and Risk Managers (AIRMIC)</li> <li>○ Casualty Actuarial Society (CAS)</li> <li>○ Australian/New Zealand Standards (AS/NZ)</li> </ul> </li> </ul>	Chapter 1: Principles of management applied to managing risk Chapter 2: Concept of risk Also see readings
<b>Learning outcome 2:</b> Justify and critically apply the practical aspects of ERM, including all elements of a robust risk management framework (people, systems, and processes) and its operation, and critical success factors		

<sup>1</sup> Available from: <https://www.salga.org.za/Documents/Knowledge%20Hub/Publications/Final%20Risk%20Management%20Framework%20June%202017e.pdf>

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<ul style="list-style-type: none"> <li>• ERM process</li> <li>• ERM assessment and analysis techniques</li> </ul>	<ul style="list-style-type: none"> <li>• Sources and generic categories/classes of risk</li> <li>• Cycle of risk management</li> <li>• Identification of risks and risk identification techniques</li> <li>• Definition of risk assessment</li> <li>• Purpose and objectives of risk assessment</li> <li>• Techniques in risk assessment</li> <li>• Questionnaires</li> <li>• Brainstorming and workshops</li> <li>• Control self- risk assessment</li> <li>• Hazard and Operability Study (HAZOP)</li> <li>• PESTLE/SWOT (Political, economic, social, technological, legal, environmental; strengths, weaknesses, opportunities, threats)</li> <li>• Root Cause analysis</li> <li>• Quantitative and qualitative methods</li> <li>• Risk evaluation</li> <li>• Treating risks</li> <li>• Risk management governance and structures</li> <li>• Challenges of implementing ERM systems</li> <li>• Treatment of risk</li> </ul>	<p>Chapter 5: Risk identification Chapter 6: Risk evaluation</p>
<p><b>Learning outcome 3:</b> Justify how ERM can benefit organisations and its impact on cost, corporate governance, sustainability and wider social responsibility</p>		
<ul style="list-style-type: none"> <li>• ERM and business systems</li> <li>• Business case for ERM</li> </ul>	<ul style="list-style-type: none"> <li>• What is the role of ERM in corporate governance?</li> <li>• Safety, Health, Environmental and Quality (SHEQ) management system</li> <li>• Sustainability programs</li> <li>• Organisational security issues</li> <li>• The impact of risk on other corporate business systems (financial, IT, etc.)</li> <li>• Costs</li> <li>• Benefits</li> <li>• Trends internationally</li> </ul>	<p>Chapter 4: Corporate Governance and Enterprise Risk Management See readings</p>
<p><b>Learning outcome 4:</b> Justify and critically apply methods for the management of the key organisational risk, such as, but not limited to, risk optimisation, management of market risk, credit risk and operational risks</p>		
<ul style="list-style-type: none"> <li>• Emergent risks</li> <li>• Application of ERM methods to different strategic, operational, financial risks etc.</li> </ul>	<ul style="list-style-type: none"> <li>• What are emergent risks?</li> <li>• Recognising sources of emergent risks</li> <li>• Examples and case studies of emergent risks</li> <li>• Mitigation and control of emergent risks</li> <li>• Examples in specific industries</li> </ul>	<p>Chapter 7: Operational risk management Chapter 9: Risk financing</p>

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	<ul style="list-style-type: none"> <li>○ Financial services</li> <li>○ Information technology</li> <li>○ Pharmaceuticals</li> <li>○ Mining and metals</li> <li>○ Fast Moving Consumer Goods (FMCG)</li> <li>○ Telecommunications</li> <li>○ Private Voluntary Organisations</li> <li>○ Public sector</li> <li>● Not-for-profit sector</li> </ul>	
<b>Learning outcome 5:</b> Manage, critically appraise and report to relevant stakeholders, the organisation's exposure to risk and the key risks that could undermine its strategy, reputation or long-term viability		
<ul style="list-style-type: none"> <li>● Reporting of ERM and levels of report</li> <li>● ERM Documentation tools</li> </ul>	<ul style="list-style-type: none"> <li>● Types and structures of reports</li> <li>● Risk registers</li> <li>● Levels and protocols of reporting – operational, tactical and board</li> <li>● Purpose of reports and frequency of reporting</li> <li>● Monitoring systems</li> <li>● Reward and sanctions systems</li> <li>● Risk matrices</li> <li>● Risk registers</li> <li>● Risk maps</li> <li>● Risk logs</li> <li>● Dashboards</li> <li>● Control self-assessment</li> </ul>	Chapter 8: Risk response: Risk control
<b>Learning outcome 6:</b> Synthesise an organisation's approach to risk and develop a risk management strategy, policies and procedures which will include identifying, analysing, assessing and instilling the right culture		
<ul style="list-style-type: none"> <li>● Treatment of risk</li> <li>● Maturity models</li> <li>● ERM Strategy Approach</li> </ul>	<ul style="list-style-type: none"> <li>● Risk treatment process</li> <li>● Treatment strategies</li> <li>● Contingent and continuity plans</li> <li>● Maturity model theory</li> <li>● Application of the maturity model in developing ERM systems</li> <li>● Concept of risk appetite</li> <li>● Charters</li> <li>● Risk management policy</li> <li>● Developing risk management strategies and policies for different organisations</li> <li>● Current issues in ERM</li> </ul>	Chapter 8: Risk response: Risk control Chapter 10: Risk retention Chapter 12: Insurance

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|  | <ul style="list-style-type: none"><li>• Researching into the future of ERM</li></ul> |  |
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### Practical work

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| <ul style="list-style-type: none"><li>• Given a case study, draw up a risk register for an organisation.</li><li>• Carry out a risk analysis and draft a report on findings.</li></ul> |
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### Online resources:

ERM Introduction: <https://youtu.be/QgyiRWcZYS4>

What is ERM? <https://youtu.be/MgGq3RExPSs>

Which one is better? COSO or ISO13000: <https://youtu.be/0MgVltiqkCs>

ISO31000:2018 structure and overview: <https://youtu.be/RDlCsQ2OPdc>

### Readings:

- EY. (2016) Enterprise Risk Management An integrated approach towards effective and sustainable risk management: [https://www.ey.com/Publication/vwLUAssets/EY-enterprise-risk-management/\\$FILE/EY-enterprise-risk-management.pdf](https://www.ey.com/Publication/vwLUAssets/EY-enterprise-risk-management/$FILE/EY-enterprise-risk-management.pdf)
- The IRM. (2018) A Risk Practitioners Guide to ISO 31000: 2018: <https://www.theirm.org/media/3513119/IRM-Report-ISO-31000-2018-v3.pdf>
- OECD (2014). Risk Management and Corporate Governance: <http://www.oecd.org/daf/ca/risk-management-corporate-governance.pdf>
- Department of Environmental Affairs and Tourism (2006): [https://www.environment.gov.za/sites/default/files/docs/series23\\_risk\\_management.pdf](https://www.environment.gov.za/sites/default/files/docs/series23_risk_management.pdf)