

Risk categories

As the risk environment is so varied and complex it is useful to group potential events into risk categories to get a more manageable risk register with greater possibility to overview risks. By aggregating events horizontally across an institution and vertically within operational units, Management develops an understanding of the interrelationship between events, gaining enhanced information as a basis for risk assessment. It is easier to get an overview of a large number of risks if they are grouped.

A good risk categorization system assists to:

- Simplify risk identification;
- Identify gaps between risks;
- Identify dependencies, redundancies and correlations between risks.

In developing any risk categorization system for an institution it is important that the categories address the specific risks of the particular Institution. Many different frameworks for categorizing risk exist. The categorization used in this template can easily be adapted to any Institution, or may form the general basis of risk categorization for any public sector institution considering a risk management framework for the first time.

The main categories to group individual risk exposures are provided below. When using this template the Institution can replace or align the Risk Categories in this worksheet with Risk Categories aligned for its specific needs and approved by the institution:

Risk type	Risk category	Description
Internal	Human resources	Risks that relate to human resources of an institution. These risks can have an effect on an Institution's human capital with regard to: <ul style="list-style-type: none">• Integrity and honesty;• Recruitment;• Skills and competence;• Employee wellness;• Employee relations;• Retention; and• Occupational health and safety.
	Knowledge and Information management	Risks relating to an Institution's management of knowledge and information. In identifying the risks consider the following aspects related to knowledge management: <ul style="list-style-type: none">• Availability of information;• Stability of the information;• Integrity of information data;• Relevance of the information;

	<ul style="list-style-type: none"> • Retention; and • Safeguarding.
Litigation	<p>Risks that the Institution might suffer losses due to litigation and lawsuits against it. Losses from litigation can possibly emanate from:</p> <ul style="list-style-type: none"> • Claims by employees, the public, service providers and other third party • Failure by an institution to exercise certain rights that are to its advantage
Loss \ theft of assets	<p>Risks that an Institution might suffer losses due to either theft or loss of an asset of the institution.</p>
Material resources (procurement risk)	<p>Risks relating to an Institution's material resources. Possible aspects to consider include:</p> <ul style="list-style-type: none"> • Availability of material; • Costs and means of acquiring \ procuring resources; and • The wastage of material resources
Service delivery	<p>Every Institution exists to provide value for its stakeholders. The risk will arise if the appropriate quality of service is not delivered to the citizens.</p>
Information Technology	<p>The risks relating specifically to the Institution's IT objectives, infrastructure requirement, etc. Possible considerations could include the following when identifying applicable risks:</p> <ul style="list-style-type: none"> • Security concerns; • Technology availability (uptime); • Applicability of IT infrastructure; • Integration / interface of the systems; • Effectiveness of technology; and • Obsolescence of technology.
Third party performance	<p>Risks related to an institution's dependence on the performance of a third party. Risk in this regard could be that there is the likelihood that a service provider might not perform according to the service level agreement entered into with an institution. Non performance could include:</p>

	<ul style="list-style-type: none"> • Outright failure to perform; • Not rendering the required service in time; • Not rendering the correct service; and • Inadequate / poor quality of performance.
Health & Safety	Risks from occupational health and safety issues e.g. injury on duty; outbreak of disease within the institution.
Disaster recovery business continuity	<p>Risks related to an Institution's preparedness or absence thereto to disasters that could impact the normal functioning of the Institution e.g. natural disasters, act of terrorism etc. This would lead to the disruption of processes and service delivery and could include the possible disruption of operations at the onset of a crisis to the resumption of critical activities.</p> <p>Factors to consider include:</p> <ul style="list-style-type: none"> • Disaster management procedures; and • Contingency planning.
Compliance \ Regulatory	<p>Risks related to the compliance requirements that an Institution has to meet. Aspects to consider in this regard are:</p> <ul style="list-style-type: none"> • Failure to monitor or enforce compliance • Monitoring and enforcement mechanisms; • Consequences of non compliance; and • Fines and penalties paid.
Fraud and corruption	These risks relate to illegal or improper acts by employees resulting in a loss of the Institution's assets or resources.
Financial	<p>Risks encompassing the entire scope of general financial management. Potential factors to consider include:</p> <ul style="list-style-type: none"> • Cash flow adequacy and management thereof; • Financial losses; • Wasteful expenditure; • Budget allocations; • Financial statement integrity; • Revenue collection; and

		<ul style="list-style-type: none"> Increasing operational expenditure.
	Cultural	<p>Risks relating to an Institution's overall culture and control environment. The various factors related to organisational culture include:</p> <ul style="list-style-type: none"> Communication channels and the effectiveness; Cultural integration; Entrenchment of ethics and values; Goal alignment; and Management style.
	Reputation	Factors that could result in the tarnishing of an Institution's reputation, public perception and image.
External	Risk category	Description
	Economic Environment	<p>Risks related to the Institution's economic environment. Factors to consider include:</p> <ul style="list-style-type: none"> Inflation; Foreign exchange fluctuations; and Interest rates.
	Political environment	<p>Risks emanating from political factors and decisions that have an impact on the institution's mandate and operations. Possible factors to consider include:</p> <ul style="list-style-type: none"> Political unrest; Local, Provincial and National elections; and Changes in office bearers.
	Social environment	<p>Risks related to the Institution's social environment. Possible factors to consider include:</p> <ul style="list-style-type: none"> Unemployment; and Migration of workers.
	Natural environment	<p>Risks relating to the Institution's natural environment and its impact on normal operations. Consider factors such as:</p> <ul style="list-style-type: none"> Depletion of natural resources; Environmental degradation; Spillage; and

		<ul style="list-style-type: none">• Pollution.
	Technological environment	Risks emanating from the effects of advancements and changes in technology.
	Legislative environment	Risks related to the Institution's legislative environment e.g. changes in legislation, conflicting legislation.