

ENTERPRISE RISK MANAGEMENT

The Executive Committee plays an active role in the risk management process and is responsible for the implementation, ongoing maintenance and compliance with the risk process as it applies to each business unit.

Risk management and the ongoing improvement of corresponding control structures remain a key focus of management in building a successful and sustainable business. The Risk Management Committee is an operational committee, comprising executives and management, which is responsible for ensuring that risks are identified, addressed and managed across the Group. This ensures that a comprehensive, robust and systematic risk management process is entrenched throughout the Group.

The diagram below outlines the procedure followed to ensure risk management processes are optimised to efficiently mitigate the corporate risks contained in the corporate risk register.



Formalisation of a risk management framework is the responsibility of the Board of Directors and the Audit and Risk Committee is responsible for oversight of the risk management process. The Committee monitors the progress of risk mitigation strategies, processes and provides formal feedback to the Board.

KEY RISKS AND MITIGATION STRATEGIES

During the reporting period, the Risk Management Committee evaluated the corporate risk register and the associated risk treatment plans. The key risks identified are detailed below. Throughout this report, reference is made to the strategies and initiatives that Iemas implemented to mitigate these risks.

Additional information regarding mitigating actions is included below:

RISK DESCRIPTION	ACTIONS TO MITIGATE RISK
Iemas Business Modernisation (IBM) program	
Implementation of the IBM program within acceptable timeframes and approved budget.	<ul style="list-style-type: none"> • Best practice in project management and system delivery methodology implemented. • Change management measures implemented to ensure seamless adoption by users. • Oversight and governance structures implemented to oversee delivery.
New member attraction	
Failure to attract new active and product participating members and customers.	<ul style="list-style-type: none"> • Member attraction and retention programme developed. • Improvement of product cycle timelines, easing the engagement between members and Iemas. • Extension of engagement channels through digitalisation. • Conduct brand and product awareness campaigns with non-members. • Focused new member market strategy, corporate marketing and communications through the use of customer relationship management principles.
Payroll deduction dependence	
Dependence on payroll deduction facilities as a primary method for instalment and premium collections.	<ul style="list-style-type: none"> • Enhanced development of debit order capabilities in business systems.

RISK DESCRIPTION	ACTIONS TO MITIGATE RISK
Operating model	
Ineffectiveness and failings of the operating model.	<ul style="list-style-type: none"> • Creation of a culture of focus and accountability throughout the Co-operative. • Development of internal strategic and results delivery capability. • Process re-engineering followed by reskilling and upskilling of employees. • Change management and re-enforcement of culture.
Profitability constraints	
Failure to generate and grow profit in real terms.	<ul style="list-style-type: none"> • Re-evaluate distribution alternatives and validation targets. • Product development. • Restructured focus on standardisation and scaling. • Cost containment strategies using alternative funding/ insurance structures. • Implementation of structural changes to create more focus and accountability. • Review all operational processes to increase the use of automation and robotics.

The external environment and landscape in the financing and insurance industry have changed significantly during the last three years, impacting on the inherent rating and ranking of the key risks. The risk treatment plans have been reviewed and updated to mitigate the risks included in the corporate risk register. Responsibilities have been assigned to ensure active management and control to reduce the likelihood and impact, should a risk materialise.

BUSINESS CONTINUITY

Strategies have been implemented to mitigate the risks associated with business interruptions in the event of failure to resume critical business activities and services within a reasonable time, these include:

- standardisation of the systems implemented and virtualised;
- compilation and testing of business continuity plans, which are reviewed and revised when required; and
- identification of a disaster recovery site with a formal disaster recovery framework in place.

COMBINED ASSURANCE

The Combined Assurance Committee, a non-statutory committee, is an extension of the Risk Management Committee and is accountable to the Risk Management Committee. The Committee is responsible to oversee the implementation and maintenance of the combined assurance programme as well as the co-ordination of the actions of the various assurance providers to avoid duplication of effort.

Members of the Combined Assurance Committee are appointed by the Risk Management Committee and consist of internal and external assurance providers.

Stakeholders in the combined assurance framework

The roles of stakeholders in the combined assurance framework are illustrated below:

IEMAS BOARD	Responsible for the formalisation of risk management and internal controls upon recommendation from the Audit and Risk Committee.
AUDIT AND RISK COMMITTEE	Responsible for oversight of combined assurance, periodical assessment of the state of combined assurance and feedback to the Board.
RISK MANAGEMENT COMMITTEE	Responsible for approval of the combined assurance scope and cover, oversight of the monitoring process and consideration of the assurance provided.
COMBINED ASSURANCE COMMITTEE	Responsible for reporting to the Risk Management Committee on the effectiveness and findings of assurance providers.

Assurance providers

Financial services institutions are inherently complex in nature with a number of areas exposed to the risk of control failure. In general, most internal control systems require continuous review and refinement of business processes to ensure that best market practices are followed and to eliminate the potential for human error or deliberate manipulation of control activities. A number of assurance providers are utilised to mitigate the risk of control failure.

Management-based assurance

Iemas' internal controls and systems are relied upon to:

- provide reasonable assurance of the integrity and reliability of its accounting reports and financial statements;
- safeguard, verify and maintain accountability of its assets; and
- prevent and detect fraud, potential liability, loss and material misstatement,

while at the same time complying with applicable regulations.

Management oversight includes strategy implementation, key performance indicators and performance measurement, self-assessments and continual monitoring mechanisms and systems.

Internal assurance

Risk management (adopting an effective business-wide risk management framework), information technology, human resources and compliance functions are included in internal assurance. These functions are responsible for maintaining policies, minimum standards, oversight, risk management and reporting.

Independent assurance

Internal Audit

Internal Audit forms an integral part of the combined assurance process. The role of Internal Audit is defined in the Internal Audit Charter.

Internal Audit performs an independent assessment of Iemas' systems of internal controls, policies, procedures and monitors whether it is adequate and effective. All of Iemas' business operations and support functions are subject to internal audit during different audit cycles.

Operational matters are reported to members of the Executive Committee. All non-compliance outcomes arising from planned audits, special projects, forensic investigations and independent investigations into fraud and similar acts of dishonesty, are referred to management for corrective action. Material findings are reported to the Audit and Risk Committee.

External audit

The Audit and Risk Committee is responsible for recommending the external auditor for approval by members at the Annual General Meeting (AGM). The committee also ensures that the external auditor

carries out the annual audit in accordance with international auditing standards and reports on the results of the audit to the Audit and Risk Committee. The external auditor is the main external independent assurance provider with regard to Iemas' annual financial results.

External assurance

Moonstone Compliance (Pty) Ltd is contracted to Iemas to provide independent compliance services required to establish and maintain compliance processes. It also ensures compliance with provisions of legislation as far as reasonably possible, with specific reference to FICA and FAIS.

Oversight committees

The following committees provide assurance as stated below:

- Audit and Risk Committee – with regard to financial and internal controls as well as risk management, including input received from the Risk Management Committee and the Combined Assurance Committee.
- Information Technology Committee – with regard to business systems and controls, as well as business continuity and disaster management.
- Human Resources Committee – with regard to employee and related matters.

BOARD ASSESSMENT OF IEMAS' SYSTEMS OF INTERNAL CONTROLS AND RISK MANAGEMENT

The internal control self-assessment process, internal audit and year-end external audit revealed no material aspects of control but did highlight some matters for future enhancements. As a result, the Board is of the opinion that Iemas' systems of internal controls and risk management are effective and that the internal financial controls form a sound basis for the preparation of a reliable annual report and financial statements. The Board's opinion is based on the assurances from the various assurance providers, which include the external and internal auditors, management and the Audit and Risk Committee as well as the Information Technology and Human Resources Committees.