

9. REPORT ON RISK EXPOSURE ASSESSMENT AND MANAGEMENT

MUT is committed to maintaining the highest standards of governance. Risk activities are managed by the Internal Risk Management Committee.

The Risk Management Committee has input to the risk assessment, which is approved by the Audit, Risk and Compliance Committee.

MUT is committed to the implementation of Enterprise Risk Management (ERM). The policy and framework of ERM provide processes for risk management that allow Council, through the Audit, Risk and Compliance Committee, to identify, prioritise and effectively manage its material risks. By identifying and proactively addressing these risks and opportunities, MUT is able to protect its assets and create value for its stakeholders.

The Internal Risk Management committee assessed the likelihood of events occurring, as well as their potential impact.

MUT has a risk register which records all risks identified by management that could impact on the attainment of the university's strategic goals. It provides for the management to record the actions taken and the controls it has in place to mitigate the identified risks, and it serves as an action registry where there are gaps in the controls implemented.

The current MUT ERM and guidelines are used to direct the MUT Risk Management Plan. ERM focus areas with the planned deliverables were all implemented.

Focus Area	Planned Deliverables	Comments
Embed Risk Management Framework	Review MUT Strategic Risk Register	Completed
	Combined assurance conducted	Completed
	Report on risk profiles	Completed
	Risk Management Plan	In progress
Fraud Risk	Develop policy on prevention of fraud and other irregularities	Completed
	Fraud Working group terms of reference	Completed
	Fraud Hot Line	Completed
	Investigation Register	In progress
Internal Audit	Internal Audit Charter	Completed
Compliance	Compliance Plan	In progress
	Compliance Charter	In progress

In compliance with the regulations for reporting by Public Higher Education Institutions, corporate governance and standards of the risk management process, MUT has identified the following strategic risks and has put in place mitigating actions to address the risks and report on the respective controls regularly.

FINANCIAL RISKS:

- Inadequate NSFAS funding, which has a significant impact on the university's financial sustainability.
- Shortfall of critical infrastructure.
- Inability to procure goods and services which are in line with best practice (i.e. fair, transparent, competitive and cost effective).

NON- FINANCIAL RISKS:

- Inability to manage the under-performance of individual staff members.
- Key positions (including executive appointments) have been vacant for a significant period of time.
- Student unrest.
- Student accommodation.
- There might be security threats and incidents in the IT systems, leading to loss or theft of data.
- Lack of corporate identity and visibility.

10. 2017 ANNUAL FINANCIAL REVIEW

10.1 Introduction

The Finance and Remuneration Committee (now the Finance and Investment Committee) met as scheduled during the year to consider various financial and investment issues. Financial sustainability and cost reduction were the major focus for the committee during the year under review.

The institution has made a surplus during the current year. This has been a welcome relief after three years of having a deficit. In 2017 the institution had a 21% increase in revenue whilst the increase in expenses was only 10%.

The increase in revenue was mainly due to an increase of 19% in government grants and subsidies and also an increase in tuition fees of 27%. The number of students increased by 1,078 (10%) in 2017 from 10,508 in 2016 to 11,586 in 2017.

The austerity measures that were implemented by management have produced good results as the expenses increased by only 10%.

We always budget for a surplus before provisions, which are a non cash item. The statement of comprehensive income distinguishes between Council controlled funds, earmarked funds, and student and staff accommodation.

Various measures have been taken to ensure financial sustainability of the institution. The following were the major contributors to the deficit in the past:

- Post- retirement medical liability.
- Provision for doubtful debt.

Student debt, which has increased by 400%, is a major worry for the university. The increase in the provision for doubtful debt is still one of the highest expenses of the institution.

10.2 Budgeting Process

The budget supports the implementation of plans aimed at achieving the objectives of the MUT's Annual Performance Plan. The budget takes into consideration cash available. We try to match expenditure against cash available.

There is a Budget Committee responsible for reviewing and recommending the budget to the Finance and Remuneration Committee.

10.3 Financial Aid

NSFAS

In 2017 there were 6,708 students who were allocated NSFAS funding amounting to R320.12-million. In 2016, 6,872 students were funded for R219.68-million. There was an increase of R100.44-million (46%) in funds allocated to MUT for 2017, while there was a decrease of 167 in the number of students funded.

Bursaries and Scholarships

Bursaries and scholarships amounted to R47.27-million and funded 1,089 students. There were 148 sponsors.