ASSESSING THE UNDERSTANDING OF RISK MANAGEMENT; A CASE STUDY OF THE EASTERN CAPE PROVINCIAL PLANNING AND TREASURY

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Abstract
This study was focused on the risk management maturity level of the Eastern Cape Provincial Planning and Treasury. There are various role players in risk management that needs to be capacitated. These role players are: Executive Authority (Member of the Executive Committee), accounting officer (Head of Eastern Cape Provincial Planning and Treasury), the Management, Risk Management Committee, Audit Committee, internal audit, Chief Risk Officer, and other personnel such as Clerks, General Assistants, Personal Assistants and so on. This study was focused on maturity level in order to bring about a plan of action on how to capacitate the role players for them to perform their risk management related functions for the benefit of the organization.
Key Words: Assessing; Risk Management; Planning; Treasury; Maturity Level; Accounting Officer; Audit; Capacitate; Role Players; Functions

INTRODUCTION

Background to the Study

This study is focused on the risk management maturity level of the Eastern Cape Provincial Planning and Treasury through awareness campaigns, training and development. There are various role players in risk management who need to be capacitated. These role players are: the Executive Authority (Member of the Executive Committee), Accounting Officer (Head of Eastern Cape Provincial Planning and Treasury), and the various members of the Management team, the Risk Management Committee, the Audit Committee, Internal Audit, the Chief Risk Officer, and other personnel such as Clerks, General Assistants, and Personal Assistants.

This study focuses on maturity level in order to bring about a plan of action on how to capacitate the role players for them to perform their risk management related functions for the benefit of the organization.

The Eastern Cape Provincial Government

The government of South Africa has three spheres of government, which are national, provincial and the municipalities. The Eastern Cape government falls in the second sphere of government. The provincial government is founded in Chapter Six of the Constitution of South Africa (Provincial governments of South Africa, 2014: 1).

The province is governed by the provincial legislature that is following the parliament system. The legislature is elected by relative representation, and it then elects the Premier to lead the executive. The Premier elects members of the executive council (MEC's) to administer various provincial departments (Provincial governments of South Africa, 2014: 1).

The authority of the provincial government is restricted to the nation constitution. The constitution of the Republic of South Africa promotes a co-operative government between the three spheres of government. For instance, the different spheres of government must coordinate their actions and legislation; and there are a number of rules for resolving conflicts between national and provincial legislation (Provincial governments of South Africa, 2014:2).

The office term of the provincial legislature members take a period of five year. They are appointed by the party-list proportional representation. The recent election took place on the 07 May 2014, and the African National Congress (ANC) won majority seats in the Eastern Cape Province (Provincial governments of South Africa, 2014:2).

Provincial constitution

The provincial constitution is customized from the nation constitution. It has to be consistent with the nation constitution except that it can provide for different structures and procedures for the executive and the legislature (Provincial governments of South Africa, 2014:4).

A provincial government can, by a two-thirds majority vote, adopt a constitution for the province. The only province that has adopted a constitution is the Western Cape; in doing so it chose to rename its legislature the Provincial Parliament. It also calls its Executive Council the Provincial Cabinet, and the MECs are called Provincial Ministers (Provincial governments of South Africa, 2014:4).

The South African local Government Association (SALGA) in the Eastern Cape

The Eastern Cape Province has produced legends like Nelson Mandela, Thabo Mbeki, Walter Sisulu, Oliver Tambo and many other leaders who fought for the liberation of this country. It is a province rich in history, because many frontier wars where fought in the Eastern Cape. It stands out with its beautiful oceans, large landscape, and rich heritage (SALGA, 2014:5).

The offices of SALGA Eastern Cape (EC) are situated in the beautiful city called East London that falls in the Buffalo City Metropolitan Municipality. SALGA EC is controlled politically by the Provincial Executive Committee and administratively by the Provincial Executive Officer (SALGA, 2014:5).

The Eastern Cape has two metropolitan municipalities, six district municipalities, and thirty seven local municipalities (SALGA, 2014:5).

List of municipalities

Metros

Nelson Mandela Metropolitan and Buffalo City Metropolitan (SALGA, 2014:6).

Districts
Amathole District Municipality, Alfred Nzo Municipality, Cacadu District Municipality, Joe Gqabi Municipality, O.R Tambo Municipality, and Chris Hani Municipality (SALGA, 2014:6).

Local Municipalities
Amahlathi, Baviaans, Blue Crane, Camdeboo, Elundini, Emalahleni, Engcobo, Gariep, Great Kei, Ikhwezi, Ingquza Hill, Inkwanca, Intsika Yethu, Inxuba Yethemba, King Sabatha Dalindyebo, Kouga, Koukamma, Koukamma, Lukhanji, Makana, Maletswai, Matatielle, Mbhashe, Mbizana, Mnquma, Mhlontlo, Ndlambe, Nkonkobe, Ngqushwa, Ntabankulu, Nxuba, Nyandeni, Port St Johns, Sakhisizwe, Senqu, Sundays River Valley, Tsolwana, Mzimvubu (SALGA, 2014:6).

The Government-owned Corporations

The government owned corporations are established to operate in a profitable manner. They have public policy objectives but are different from other forms of government agencies or state entities that are non-profit sicking. They are legal entities owned by the government to do business on behalf of the government (Government-owned Corporation, 2014, 24).
They are natural monopolies and infrastructure like railways and telecommunications, strategic goods and services, natural resources and energy, politically sensitive business, broadcasting, demerit goods(alcohol) and merit goods(healthcare) (Government-owned Corporation, 2014, 24-25).

The Core functions and responsibilities of the Eastern Cape Provincial Planning and Treasury

The Provincial Planning and Treasury is the custodian of the provincial government funds. It assists provincial institution with budget preparation and planning, monitors the utilization of the budget to stick to the original plan, controlling expenditure, and sound financial governance in the province (EC Treasury, 2014:1).

The Provincial Planning and Treasury have the following business objectives:

Programme one

- To provide policy direction and strategic management towards improved service delivery and fulfilment of stakeholder needs.
- Efficient human resource management, security and information services.
- Effective financial management inclusive of effective internal control measures and risk mitigation strategies within the department

(Source: EC Treasury annual performance plan, 2013/14: 17)

Programme two

- Revenue enhancement to maximise the fiscal “envelope” in the EC province
- Monitoring and evaluation of financial performance towards effective and efficient use of public resources.
- Provide socio-economic research that influences fiscal policy and budget process towards the achievement of the Province’s strategic priorities.
- Main and adjusted budgets that efficiently allocate public resources.
- To provide technical support towards infrastructure delivery

(Source: EC Treasury annual performance plan, 2013/14: 30)

Programme three

- Facilitate, promote and monitor the implementation of practices that ensure sound management of assets for the province.
- Provide technical support, monitoring and guidance towards efficient SCM practices in the province.
- Promote sound cash and liability management best practices to improve the province's liquidity.
- Support the provincial departments towards improvement and efficient of financial management systems.

(Source: EC Treasury annual performance plan, 2013/14: 40)

Programme four

- Provide technical guidance and training towards the implementation financial management reforms in the province.
- Ensure the achievement of credible financial reporting and accounting.
- Ensure effective assessment and management of risks.
- Ensure adequate and effective Internal Audit and Governance practices in the province.

(Source: EC Treasury annual performance plan, 2013/14: 48)

Aim of the Study

The aim of this study is to assess the level of understanding of risk management at Eastern Cape Provincial Planning and Treasury.

Objectives of the Study

The main objectives of this research are to:

- Investigate how risk management is prioritised and implemented by role players;
- To investigate the knowledge of these role players with regard to risk management;
- To examine whether risk management is properly implemented according to the public sector risk management framework;
- To scrutinise the impact of employee understanding of risk management on performance.

LITERATURE REVIEW

Risk Management in the Public Sector

The main literature on risk management tends to focus more on the private sector and there is very little on government. National Treasury documents are almost the only literature available in South Africa for the public sector (National Treasury, 2013: 23).

What is a risk?

A risk is any impediment that might prevent an organisation from achieving its intended goals and objectives. There is no risk free environment in any sector because all of them are having objectives. Any objective comes with built in risk/s. below are definition of risks from different sources.

A risk can be seen as 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 (Public Sector Risk Management Framework, 2010: 15).

Risk is defined as the variation of the actual outcome from the expected outcome. If this definition is accepted, then the standard deviation can be an appropriate measure of risk. Risk therefore implies the presence of uncertainty (Valsamakis, Vivian and du Toit, 2010:29).

What is risk management?

A more simplified definition of risk management is provided by Burnaby and Hass (2009: 569) where risk is defined as anything that gets in the way of an organisation achieving its objectives and the management hereof is thus referred to as risk management.

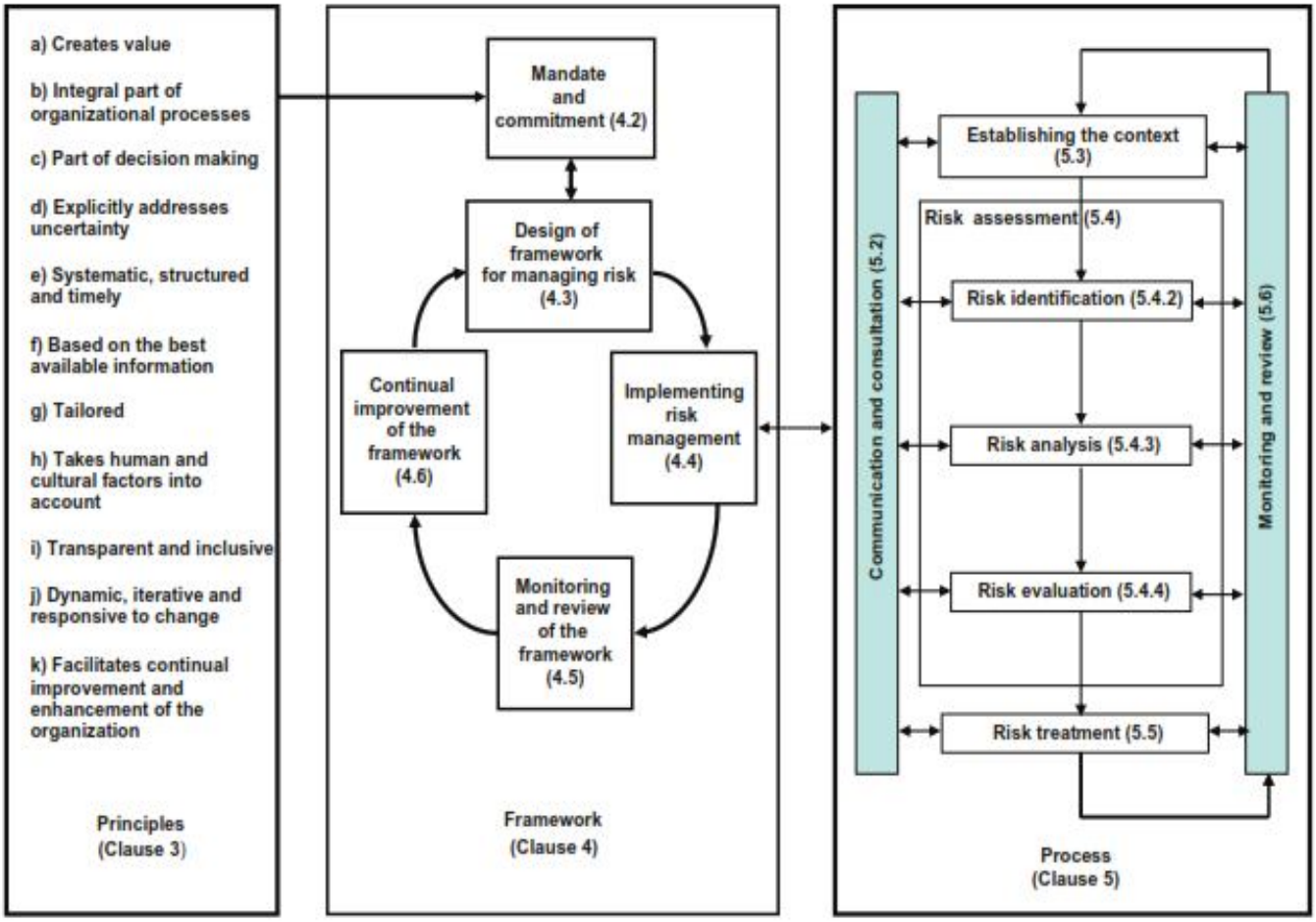
In the public sector, risk management is unfortunately seen as a compliance issue rather than a tool that can enhance the organization's service delivery. At the Provincial Planning and Treasury the enterprise risk management approach is in use. The Committee of Sponsoring Organisations of the Treadway Commission (COSO) has a definition which is much more relevant to the public sector but in the provincial departments there is no board of directors but rather the Accounting Officer who is an individual.

Risk management is a managerial function aimed at protecting the organisation and its people, assets and profits against the physical and financial consequences of risk. It involves planning, coordinating and directing the risk-control and the risk-financing activities in the organisation (Valsamakis et al., 2010:13).

Enterprise risk management is a process, usually affected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise. It is designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of objectives (Committee of Sponsoring Organizations of the Tread way Commission-Enterprise Risk Management, Integrated Framework, 2004: 4).

Risk management aims to support organizational objectives by informing decision making at the governance, planning, and operational levels. An organization's internal and external context, and interactions between them, can create uncertainty. Risk management supports decision making by taking into account uncertainty, its effect on achieving objectives and the potential need for any risk treatment. In CAN/CSA-ISO 31000, risk is being said to have positive or negative consequences. Risk management can help organizations realize gains and reduce losses (Implementation guide to CAN/ CSA-ISO 31000, Risk Management Principles and guidelines, 2011: 15).

Figure 2.1: Associations amongst the risk management principles, framework and process.



Source: (Implementation guide to CAN/ CSA-ISO 31000, Risk management — Principles and guidelines, 2011: 15)

Risk management implementation by role players

The Public Finance Management Act (PFMA) 1 of 2011 has to further regulate risk management in the public service to cover the risk management committee. For example internal auditing and the audit committee are legislated by the PFMA in sections 38 and 76 respectively and it makes it easier to hold an auditor accountable.

According to the PFMA (2006:39), the Accounting Officer for a department, trading entity or constitutional institution:

Is Required to ensure that the department, trading entity or constitutional institution has and sustains effective, efficient and transparent systems of fiscal and risk management and internal control (Public Finance Management Act 1 of 2011, section 38 (a) (1), 2006: 39).

PFMA (section 45, 2006:53) allows the Accounting Officer to delegate his/her responsibility entailed in section 38 of the PFMA. Everybody within the organization becomes accountable

and the Accounting Officer can also delegate the facilitation of risk management to the Chief Risk Officer (CRO).

The Accounting Officer must ensure that a risk assessment is conducted regularly to identify any emerging risks for the institution. A risk management strategy, which must include a fraud prevention plan, is to 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 the relevant risks. The strategy must be clearly communicated to all officials to ensure that it is incorporated into the language and culture of the institution. (Treasury Regulation 3.2.1, 2011: 166. Cited in Public Finance Management Act 1 of 2011)

Approaches to implementing Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM) is fundamentally about preparing for the future more than creating a crisis response capability (Darroch and Weitzner, 2010: 92).

The Committee of Sponsoring Organizations of Treadway Commission (COSO) has an approach as below. In implementing risk management it is a more appropriate approach than that of Valsamakis. COSO includes in its approach other components like the internal environment, objective setting, risk response, control activities and information and communication; all of which Valsamakis does not have.

Two general approaches to the implementation of ERM have emerged

(i) **The measurement-driven approach:** This approach focuses on identifying the key risk factors facing an organisation and understanding their materiality and probability of occurrence. Risk mitigation activities are focused on the most material risks, with appropriate mitigation strategies.

(ii) **The process-control approach**: this focuses on key business processes and accompanying uncertainties that can arise in the execution of the business plan. The emphasis is on linking the process steps, reporting relationships, methodologies and data collection. The goal is to manage risk events by achieving consistency of application across the business spectrum, thereby limiting the possibility of risk occurring.

Each approach incorporates the following risk management steps:

- Risk identification
- Risk evaluation
- Risk mitigation (which includes risk control, risk hedging and risk financing)
- Risk monitoring

Components of Enterprise Risk Management

Enterprise risk management is said to consist of eight interrelated components. These are derived from the way management runs an enterprise and are integrated with the management process ((COSO)-Enterprise Risk Management, Integrated Framework, 2004: 10).

. According to COSO (2004:10), these components are:

- **Internal Environment**-This considers issues like: Human resource standards, Risk appetite, integrity and ethical values.
- **Objective Setting**- setting institutional vision, mission, goals, and objectives. The risk management unit assist management to ensure that the process of setting objectives is

in place and align with the department's mission and objectives are consistent with the risk appetite of the department.

- **Event Identification**-. Identifying risks and opportunities linked to set objectives. Opportunities are taken back to management's strategy or objective setting process.
- **Risk Assessment**- Considering how potential events might affect the achievement of objectives, through quantification of the potential likelihood and impact.

- **Risk Response**-Management selecting the best viable and available risk response/s for each identified risk, to ensure that the identified risk is within the risk tolerance and appetite levels.
- **Control Activities**-management develop and implement policies, processes and procedures designed to ensure that risk response/s are properly implemented.
- **Information and Communication**- Identification, capturing, and communication of relevant information in a manner and time that enable stakeholders to carry out their responsibilities.
- **Monitoring-** Timeously monitor and review the implemented risk management processes to ensure adequacy, completeness, flexibility, effectiveness, etc

Figure 2.2: Risk management cycle incorporating eight components of COSO

Source: (Shutter Stock, 2013: 9)

Roles and responsibilities of risk management role players

The Public Sector Risk Management Framework is not a legally binding document. Its application is not prescriptive rather principle based and recognises that public institutions are not homogeneous. Therefore the framework is customised to suit different needs when implemented. It makes it difficult to hold anybody accountable because it is not prescriptive

in nature but it is nevertheless an important document because it provides relevant guidelines for government.

Below are the roles and responsibilities of risk management role players according to the framework from (Republic of South Africa 2010: 42-62) (a) to (j) are:

(a) The Executive Authority(EA) is responsible to assist the Accounting Officer in instances where the powers of the Accounting Officer is limited with regard to risk management implementation, for example in cases where there is a need for a political intervention.
(b) The Accounting Officer (AO/HOD) is the ultimate Chief Risk Officer of the Institution and is accountable for the Institution's overall governance of risks.
(c) The Audit Committee is an independent committee responsible for oversight of the institution's control, governance and risk management.
(d) The Risk Management Committee is appointed by the Accounting Officer to assist managers to discharge their responsibilities for risk management.
(e) 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.
(f) Management is responsible for executing their responsibilities outlined in the risk management strategy and for integrating risk management into the operational routines.
(g) Other officials are responsible for integrating risk management into their day to day activities.
(h) The Risk Champion (not the CRO) is a person with the skills, knowledge, leadership qualities and power of office required to champion a particular aspect of risk management.
(i) The role of Internal Auditing in risk management is to provide an independent, objective assurance on the effectiveness of the Institution's system of risk management.
(j) The external auditor (Auditor-General in the case of the government) provides an independent opinion and reports on the effectiveness of risk management in different entities.

Risk Assessment Process

Risk management can be seen as having two components. The first is risk assessment, in which an inventory exercise (a "risk register") takes place to identify, analyse and rank risks. (Wallis 2010: 124-125)

Risk assessment is a systematic process for identifying and evaluating risks, before such risks can have a negative effective on the department's service delivery capacity (Pricewaterhousecoopers, 2008: 5).
Risk assessment is a key component in the risk management process. Managements tend to delegate junior officials to attend a risk assessment process and that can ultimately compromise the quality of the end product. It then makes it difficult for the internal audit unit to rely on the risk assessment performed by the risk management unit. The internal audit plan is risk based; therefore it gives more reliance in the final product of the risk assessment process.

Risk assessment is the main activity when implementing a good enterprise risk management programme in the organization.

In the public service, risk assessment is mainly conducted in order to enhance service delivery. At the current moment the risk assessment process and strategic management are not as well integrated as they might be. In other words, risks are not identified immediately at the strategic management workshop after the organization's objectives are crafted**.**
According to Trade Union Congress of the United Kingdom (TUC) (2008, 42), risk assessment process means:

- Scanning of the workplace environment and tasks to identify what could be dangerous to people.
- An assessment of the chances, high or low, that somebody could be harmed by the hazards identified, together with an indication of how serious the harm could be (the risk).
- Evaluating the likelihood of an employee harmed per the identified risks, and the impact of the risk identified.

TUC's risk assessment definition is more focusing towards the employees of the organization regarding their safety. The enterprise risk assessment is covering all the risks faced by the organization.
PWC (2008:5) defines risk assessment as a systematic process for identifying and evaluating risks, before such risks can have a negative effective on the department's service delivery capacity

A process for capturing and analysing risks

Most of the public institutions including Provincial Planning and Treasury use a manual system (based on Excel) to capture risks. In these days, a use of risk management software would be much more appropriate. The software will make it easy to capture and monitor risks, and ultimately the risk maturity level of the organisation will improve.
For example, Barn Owl Risk Management software helps in achieving strategic objectives and enables a culture of risk planning and control with accountability and ownership throughout the organization. Continual monitoring of the risk universe gives greater comfort and confidence in managing the organization.
Barn Owl software allows importing the various acts, legislation, policies and procedures that are required to comply with, linking these to associated risks and monitor compliance. This facilitates regulatory compliance and director protection (Risk Management Solutions, 2014: 3).
Barn Owl software supports any type of audit methodology including risk and control based auditing in support of best practice standards, ensuring that the key risks in the organization are audited. Barn Owl facilitates all phases of auditing from planning through to reporting with advanced online and offline execution (Risk Management Solutions, 2014: 3).

A foundation for enterprise risk management
Altman and Cooper (2004:13) define enterprise risk management as a discipline that extends beyond crisis management and regulatory compliance to provide a tangible and structured approach for addressing both organisational as well as financial risks with the ultimate goal of working towards the enhancement of shareholder value and competitive advantage.

There is no risk free environment and every employee in the organization has a responsibility to do what is right all the time. In that way the organisation can achieve its objectives and the ordinary man on the street will ultimately benefit.

According to PWC (2008:6), to be effective, risk assessment cannot be just a checklist or a process disconnected from business decision making. Rather, it should be integrated into the organization in a way that provides timely and relevant risk information to management. For risk assessment to be a continuous process, it must be owned by the organization and be embedded within the business cycle, starting with strategic planning, carrying through to the organization's processes and execution, and ending in evaluation (PWC, 2008:6).

Risk management is an on-going business practice and it has to be practiced on day-to-day business operations, in a method aligning with the department's risk appetite and tolerance.

Table 2.1(a) Risk Rating Table (Impact)

The following is an example of a rating table that can be utilised to assess the potential impact of risks. Institutions are being encouraged to customise the rating table to their specific requirements (National Treasury, 2013:10).

Rating	Assessment	Definition
1	Minor	Destructive consequences or wasted opportunities that are likely to have a insignificant impact on the ability to meet objectives
2	Significant	Destructive consequences or wasted opportunities that are likely to have a fairly low impact on the ability to meet objectives
3	Serious	Destructive consequences or wasted opportunities that are likely to have a fairly reasonable impact on the ability to meet objectives
4	Critical	Destructive consequences or wasted opportunities that are probable to have a relatively substantial impact on the ability to meet objectives
5	Catastrophic	Destructive consequences or wasted opportunities that are of critical importance to the attainment of the objectives

Source: (Nation Treasury, 2013: 10)

Table 2.1(b) Risk rating (Likelihood)

According to Nation Treasury (2013:11), the following is an example of a rating table that can be utilised to assess the likelihood of risks. Institutions are encouraged to customise the rating table to their specific requirements (National Treasury, 2013:11).

Rating	Assessment	Definition
1	Uncommon	Not expected to happen - Event would be a surprise. The risk is conceivable but is only likely to occur in extreme circumstances
2	Doubtful	Small likelihood but could happen. The risk occurs infrequently and is unlikely to occur within the next 3 years.
3	Possible	Could occur quite often. There is an above average chance that the risk will occur at least once in the next

		3 years
4	Expected	More than an even chance of occurring. The risk could easily occur, and is likely to occur at least once within the next 12 months.
5	Almost Certain	The risk is almost certain to occur in the current circumstances. The risk is already occurring, or is likely to occur more than once within the next 12 months.

Source: (National Treasury, 2013: 11)

2.6 How risk management is to be implemented according to the public sector risk management framework

In order for a department to properly implement risk management, it would have to make use of the Financial Management Capability Maturity Model (FMCMM) as developed by National Treasury.

The Public Sector Risk Management Framework is developed from the combination of many best practices, including those of corporate governance.

Gitman (2009:8) defines Corporate Governance as the system used to direct and control a company. It defines the rights and responsibilities of key stakeholders, decision-making procedures and the way in which objectives will be set, achieved and monitored. Rezaee (2009:32) describes corporate governance as the way a company is managed, monitored and held accountable.

Features of Good Corporate Governance

Corporate Governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders in a company. These include its shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

RESEARCH METHODOLOGY

The word methodology discusses the designed sets of procedures and instruments by which the study is conducted. It is a basis within which facts are registered, documented and interpreted in a research project. The two basic types of methodology are the qualitative (or phenomenological) and the quantitative (or positivist) methods. Qualitative research is more descriptive, whilst quantitative research more often draws inferences based on statistical procedures and often makes use of graphs and figures in its analysis (Ghauri and Grönhaug, 2005:132). In this study the researcher makes use of both methods. On the other hand, the quantitative approach is important as it is needed because there are figures/statistical aspects of the observed risk management relationships included in this study.

Target Population

Lewis et al. (2009:212) noted that the concept of the population is basic to survey research and defines population as a complete set of cases or group members that have at least one common characteristic. However, Frankel and Wallen (2007:103) define it as a larger group to which one may try to apply the results.

The population for the study was all staff members who are part of the Provincial Planning and Treasury in Bisho, the provincial capital. The total population for all employees of Provincial Planning and Treasury is 467 employees. That is, all the staff members of the

Limitations of the Research

The research was limited to head office employees of the Eastern Cape Provincial Planning and Treasury, Bisho.

Time constraint in that is a period of a semester was too short for such a research project to be fully conducted in this area. However, efforts were made to ensure as far as possible that salient facts about the objectives were met.

Lastly, it was very difficult to assess the level of understanding of risk management due to unpreparedness and reluctance of the staff to give full information about their activities.

RESULTS, DISCUSSIONS AND INTERPRETATION OF FINDINGS

This section of the study presents the responses obtained from the questionnaires. Personal information about respondents is presented, followed by the data that relate to the objectives of the study. The data is presented in two formats: tables and graphs.

Demographic results

Table 4.1 Age of respondents

Age	**Frequency**	**Percentage %**
20-29	10	10
30-39	70	70
40-49	10	10
50-59	9	9
60 and above	1	1
Total	100	100

The ages of respondents are presented here from table 4.1 above and figure 4.1 below 10% respondents are between 20 and 29; 70% respondents being the majority between 30 and 39; 10% respondents between 40 and 49; 9% respondents between 50 and 59; and 1% respondent is between 60 and above. The majority of the employees in the whole department are between the ages 30-39.

Figure 4.1: Graph showing age of respondents

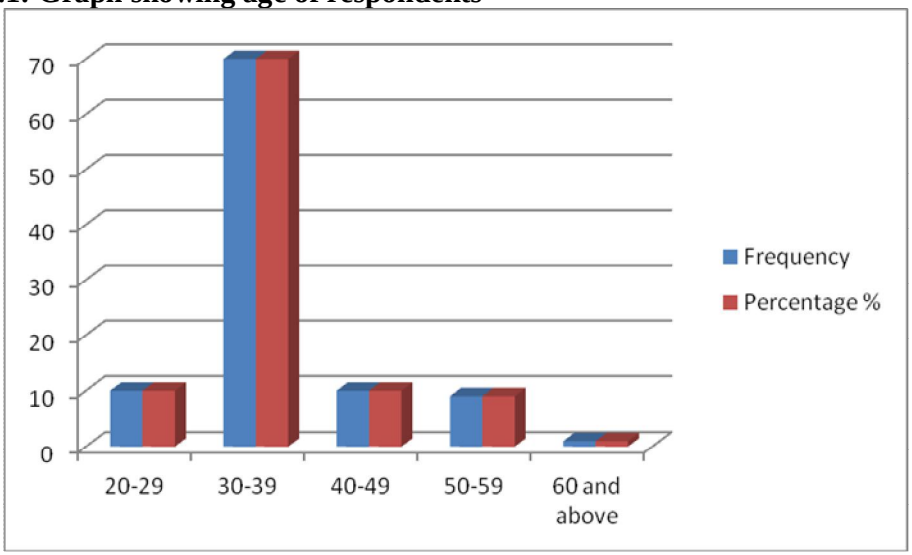


Table 4.2 Educational background of respondents

Qualification	**Frequency**	**Percentage %**
Below matric	0	0
Matric	0	0
Diploma	35	35
Degree	47	47
Post Graduate	18	18
Total	100	100

The educational background of respondents is presented in table 4.2 above and figure 4.2. From table 4.2 and figure 4.2, all the respondents have matric and above; 0% respondents have matric; 35% respondents have a diploma; 47% respondents have first degrees; and 18% respondents have post graduate qualifications. This is an indication that the organisation has a skilled and educated human resource base to steer its affairs.

Figure 4.2: Educational background of respondents

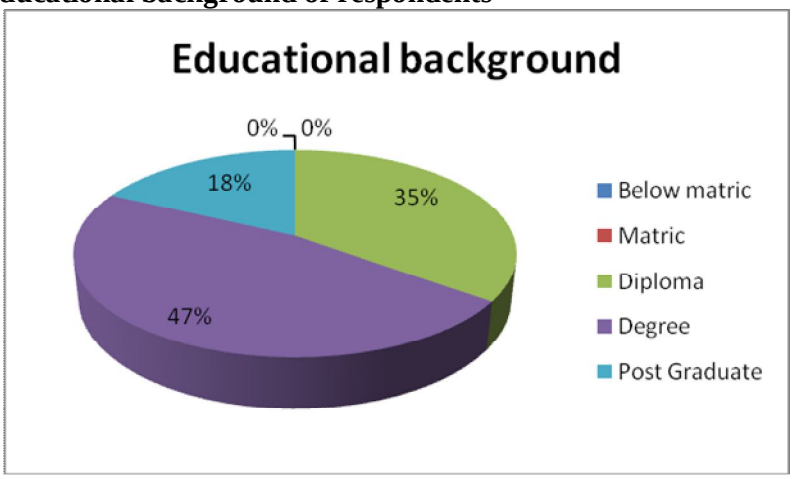


Table 4.3 Gender of respondents

Male	45	45%
Female	55	55%
Total	100	100%

From table 4.3 above and figure 4.3 below, there are 45% respondents who are males and 55% respondents are females. This is a signal that there are more females than males in the organization. The department may have to consider balancing the gender equation although the imbalance is only minor.

Figure 4.3: Graph depicting the gender of respondents

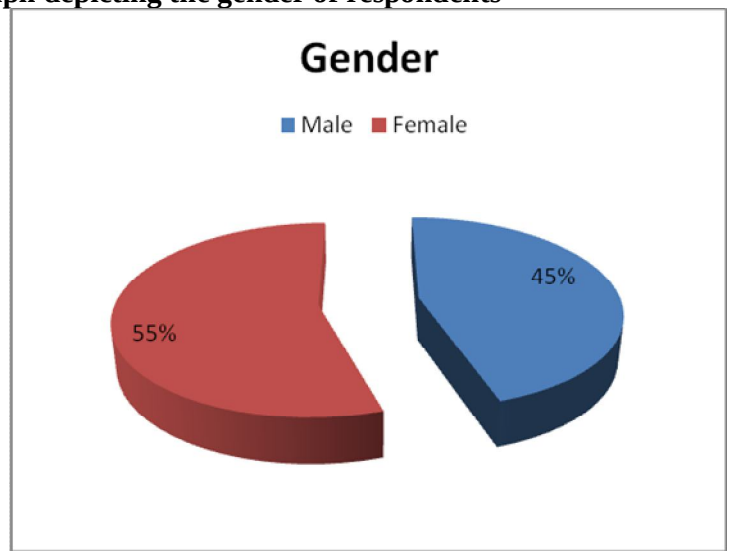
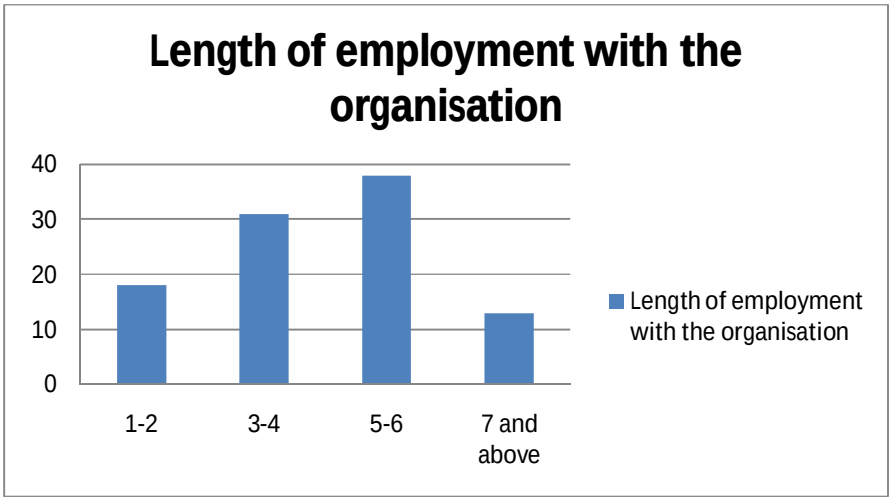


Table 4.4 Length of employment with the organisation

Years	**Frequency**	**Percentage %**
1-2	18	18
3-4	31	31
5-6	38	38
7 and above	13	13
Total	100	100

Figure 4.4: Graph showing the length of employment with the organisation



From table 4.4 and figure 4.4, 18% respondents are about 2 years in the organisation; 31% respondents are between 3 and 4 years; 38% respondents are between 5 and 6 years; and 13% respondents are 7 and above years in the organisation. This implies that most of the respondents are fairly experienced and the information given is likely to reflect that fact and be more reliable than it would be for a less experienced group.

Results pertaining to the research study

Table 4.5 is risk management a standing agenda in your management meetings?

Response	Frequency	Percentage %
Yes	7	7
No	79	79
Not sure	14	14
Total	100	100

According to the survey table 4.5 above and figure 4.5 below, it was discovered that risk management is not seen to be a standing agenda item in management meetings. The majority of the respondents said no. This is a major finding for the study and the department must prioritize risk management in management meetings. The Public Sector Risk Management Framework states that risk management has to be a standing agenda item in management meetings.

Figure 4.5: Graph showing whether risk management is a standing agenda item in management meetings.

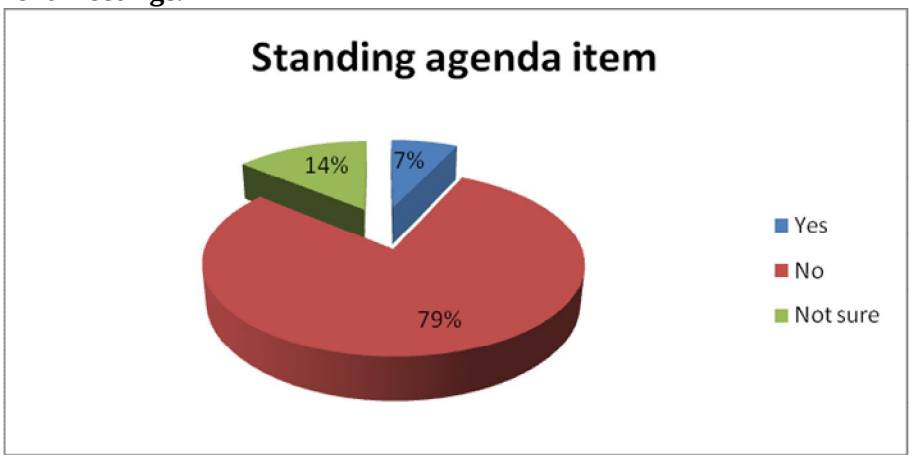


Table 4.6 Is risk management incorporated in your performance agreement

Response	Frequency	Percentage %
Yes	12	60
No	8	40
Total	20	100

Table 4.6 above and Figure 4.6 below present the position of senior managers who have incorporated risk management into their performance agreements. A sample of 20 senior officials was used, because according to the Public Sector Risk Management Framework, it is only senior management which must incorporate risk management in performance agreements. 12 respondents who make up 60% said yes; and 8 respondents who make up 40% said no. This is an important finding as it indicates that there is a serious gap in the way performance agreements are being arrived at and managed.

Figure 4.6: Graph showing if risk management is incorporated into the performance agreement of senior officials

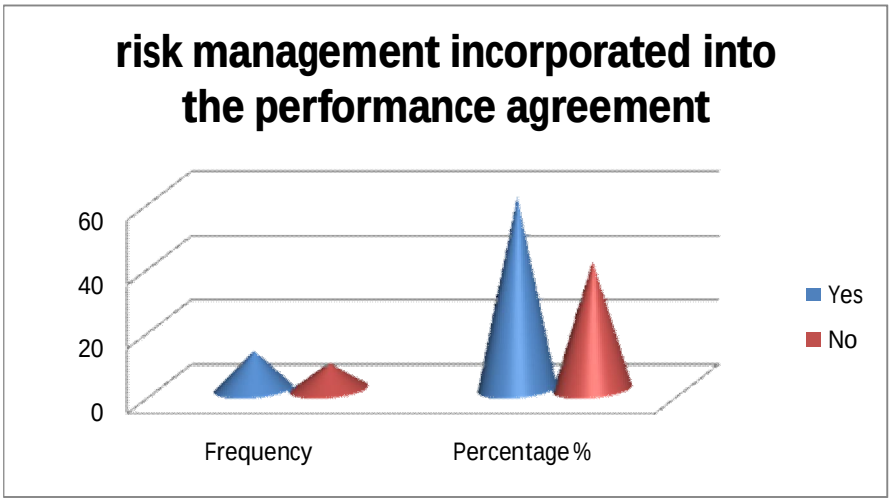


Table 4.7 how often do you see risk management being implemented in the organisation?

Response	**Frequency**	**Percentage %**
On a day to day basis	19	19
Monthly	0	0
Quarterly	26	26
Half yearly	8	8
Annually	32	32
Never	9	9
Not sure	6	6
Total	100	100

Table 4.7 above and Figure 4.7 below show attitudes of respondents as to whether risk management is implemented on a day to day basis. 32% are of the opinion that risk management is implemented annually.19% are also of the belief that risk management is implemented on a day to day basis. 26% are of the opinion that risk management is implemented quarterly. 8% believe risk management is implemented half yearly. 9% believe it has never been implemented and 6% are not sure.

Figure 4.7: Graph showing how risk management is being implemented in the organisation

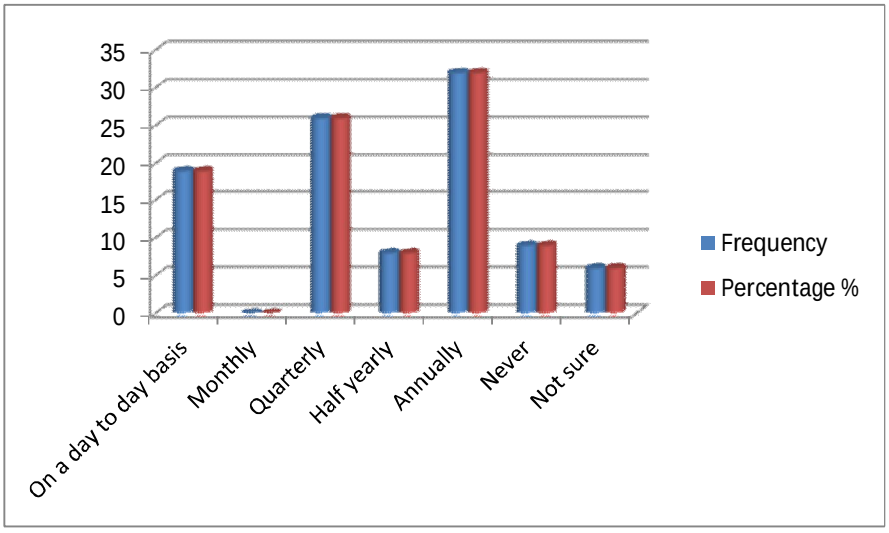


Table 4.8 Do you know the main risk management guiding document for the public sector?

Response	**Frequency**	**Percentage %**
Yes	50	50
No	25	25
Not sure	25	25
Total	100	100

The respondents who seem to understand the risk management guiding document are 50% of the sample, but 25% do not know and the other 25% are not sure. Half of the sample does not understand the risk management guiding document. This seems to show a serious lack of risk management awareness.

Figure 4.8: Graph showing the main risk management guiding document for the public sector

Table 4.9 What is your responsibility in risk management?

Response	**Frequency**	**Percentage %**
Got it right	22	22
Got it wrong	78	78
Total	100	100

The respondents who seem to understand their responsibilities in risk management make up 22% and 78% do not understand their responsibilities in risk management. This also shows serious lack of risk management awareness. This seems to echo the point made earlier; if risk management responsibilities are not understood, problems may escalate to a point where they are much more difficult to resolve.

Figure 4.9: Graph showing the role players responsibility in risk management

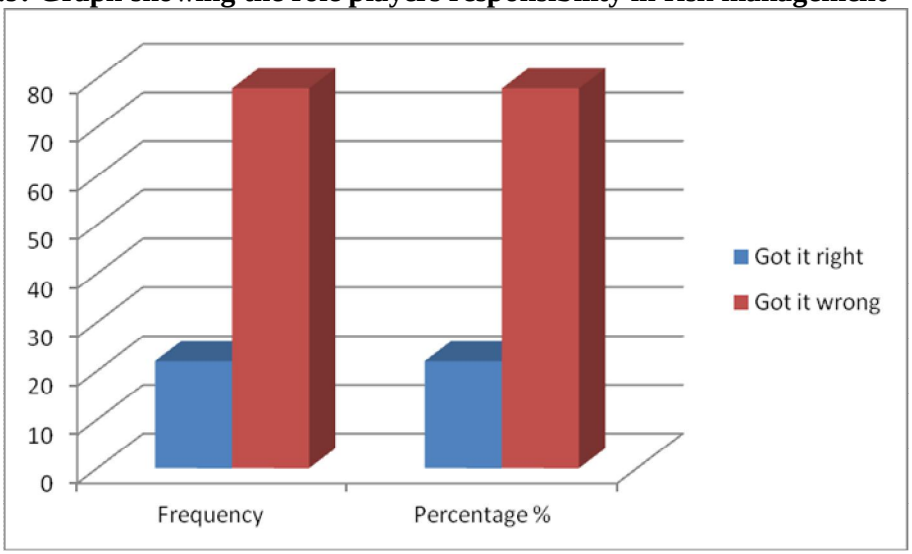


Table 4.10 what is the difference between risk management and internal auditing?

Response	Frequency	Percentage %
Got it right	44	44
Got it wrong	56	56
Total	100	100

The respondents who seem to understand the difference between risk management and internal auditing make up 44% and 56% do not understand this difference. Although risk management and auditing are closely related, they are distinct fields; but it is no surprise that many people do not see the distinction and suggests that more training and other ways of promoting awareness might be needed on this issue.

Figure 4.10: Graph showing the difference between risk management and internal auditing responses

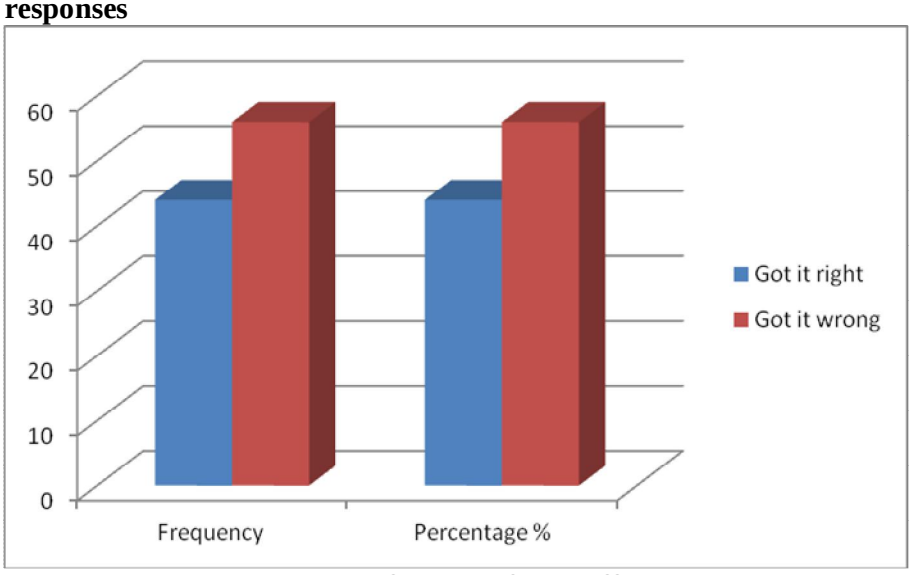


Table 4.11 what is the responsibility of the chief risk officer in risk management of the department?

Response	Frequency	Percentage %
Got it right	39	39
Got it wrong	61	61
Total	100	100

The respondents who seem to understand the responsibility of the Chief Risk Officer's responsibility in risk management make up 39% and 61% do not understand. Again, this indicates a serious lack of risk management awareness.

Figure 4.11: Graph showing the respondents who know the responsibility of the Chief Risk Officer in risk management of the department

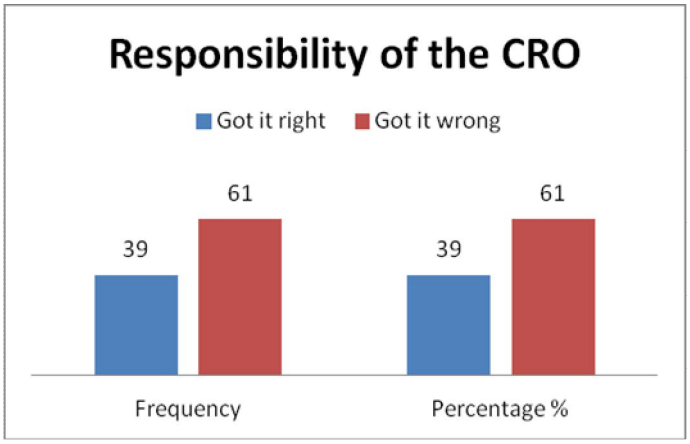


Table 4.12 In which document does risk management emanate from in the public service?

Response	Frequency	Percentage %
Public Service Regulations	0	0
Public Sector Risk Management Framework	64	64
Public Finance Management Act of 1999	36	36
Treasury Regulations	0	0
Not sure	0	0
Total	100	100

Table 4.12 and Figure 4.12 present the view of respondents as to what document does risk management Emanate from in the public service. 64% respondents says it is from the Public Sector Risk Management Framework. 36% respondents are of the view that it is from the Public Finance Management Act of 1999(PFMA). The correct answer is the PFMA that comprises A smaller percentage which is 36%. The framework document is important but less so because it gives guidelines which are not obligatory unlike the legislation itself which is legally enforceable at least in Theory.

Figure 4.12: Graph showing the response from respondents about the document that risk management emanate from in the public service

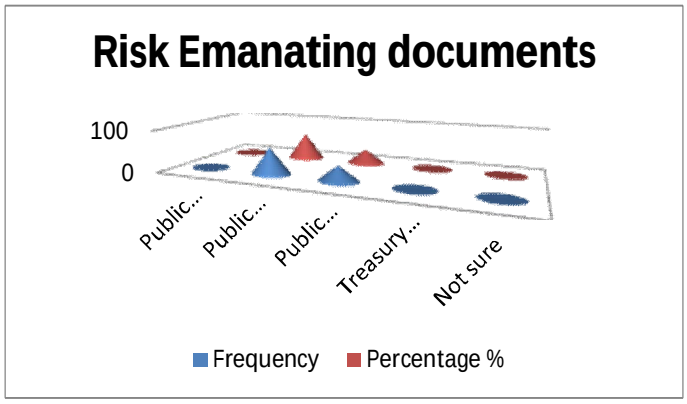


Table 4.13 Have you seen a risk management policy and strategy of the department?

Response	**Frequency**	**Percentage %**
Yes	33	33
No	67	67
Total	100	100

Table 4.13 above and figure 4.13 below presents the position of respondents on whether they have seen a risk management policy and strategy of the department. 67% respondents says they have never seen the risk management policy and strategy of the department.33% respondents say they have seen the two documents.

Figure 4.13: Graph showing respondents who have ever seen a risk management policy and strategy of the department?

Table 4.14 Have you ever been trained in risk management?

Response	**Frequency**	**Percentage %**
Yes	23	23
No	77	77
Not sure	0	0
Total	100	100

Table 4.14 and figure 4.14 present the position of respondents on whether they have been trained in risk management. 77% respondents say they have never been trained in risk management. 23% respondents are saying they have been trained in risk management. Risk management is the responsibility of everybody in the organization and it is clearly a concern if only 23% have been trained.

Figure 4.14: Graph showing employees that have been trained in risk management

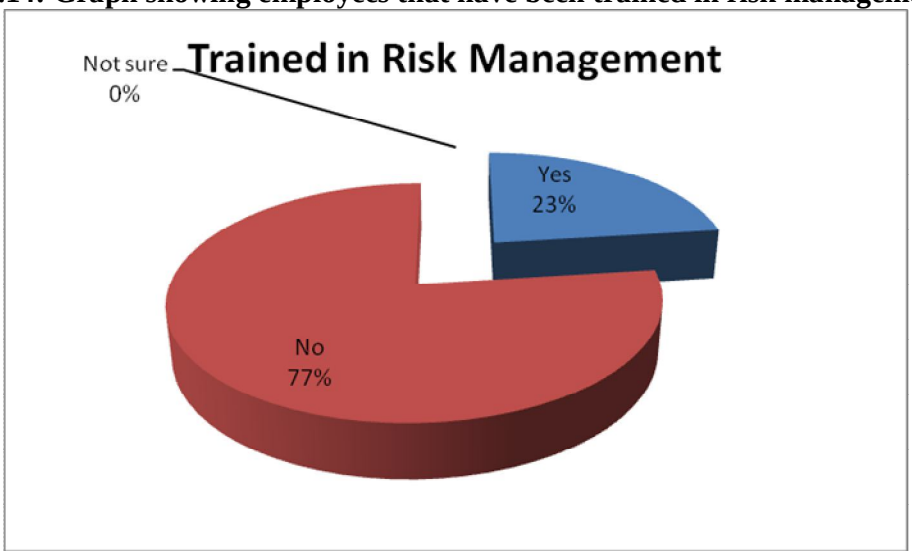


Table 4.15 Do you have a risk register of your section/programme?

Response	Frequency	Percentage %
Yes	75	75
No	17	17
Not sure	8	8
Total	100	100

Table 4.15 and figure 4.15 present the position of respondents' knowledge of whether they have a risk register of their section/programme. 75% respondents say they have a risk register for their section/programme. 17% respondents are saying they do not have risk registers of their sections.
8% respondents are saying they are not sure if they have a risk register.

Figure 4.15 Graph showing respondents that have a risk register

Table 4.16 In your opinion, do you see risk management benefiting the department at the moment?

Response	Frequency	Percentage %
Yes	28	28
No	22	22
Not sure	50	50
Total	100	100

Table 4.16 above and figure 4.16 below presents the position of respondents on how far they see risk management benefiting the department. 28% respondents say they see risk management benefiting the department. 22% respondents are saying no, and 50% respondents make up the biggest group and are not sure. This may also reflect a lack of risk management awareness in the organization.

Figure 4.16 Graph showing if risk management is benefiting the department at the moment?

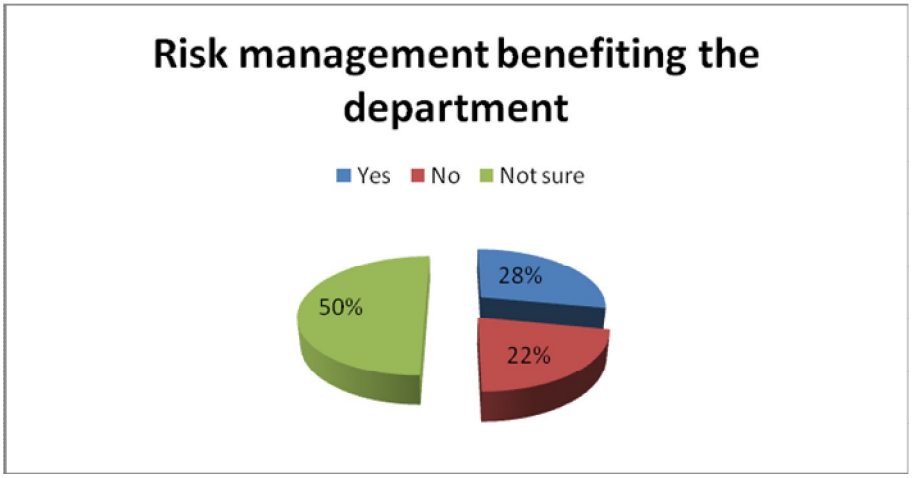


Table 4.17 Risk management is pro-active in nature and promotes innovation

Response	Frequency	Percentage %
Strongly agree	24	24
Agree	76	76
Disagree	0	0
Strongly disagree	0	0
Not sure	0	0
Total	100	100

The extent to which the employees feel about the pro-activeness and innovative element of risk management in an ideal situation was evaluated on a 5 point Likert scale. This ranged from strongly agree, agree, disagree, strongly disagree and not sure. The study reveals in table 4.17 above and figure 4.17 below that 24% of the respondents strongly agree, 76% agree. It is remarkable that no one disagrees but perhaps this is because they see risk management as good in theory even if not much is seen to be happening in practice. In other words, their views may not be based on direct observation of the organization in action.

Figure 4.17 Graph showing if respondents see risk management as the pro-active in nature and promoting innovation ideally

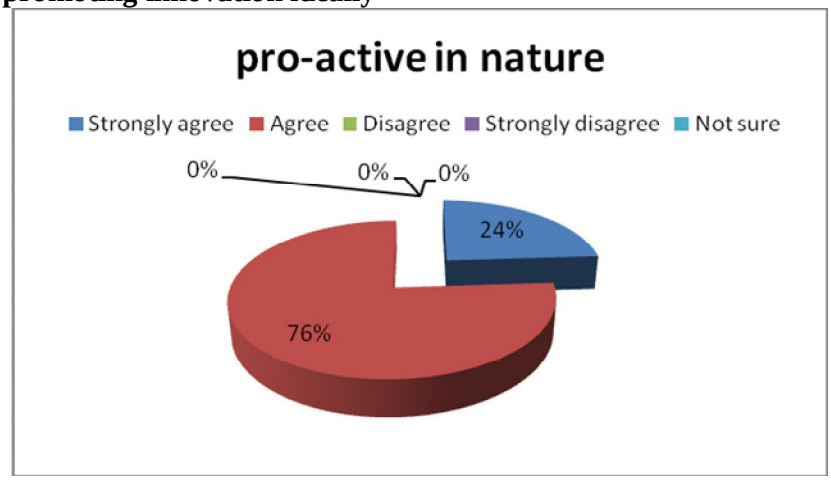


Table 4.18 Risk management enables a more sustainable and reliable delivery of service

Response	**Frequency**	**Percentage %**
Strongly agree	33	33
Agree	67	67
Disagree	0	0
Strongly disagree	0	0
Not sure	0	0
Total	100	100

The extent to which the employees feel that risk management is creating a more sustainable and reliable delivery of service in an ideal situation was evaluated on a 5 point Likert scale. This ranged from strongly agree, agree, disagree, strongly disagree and not sure. The study reveals in table 4.18 and figure 4.18 that 33% of the respondents strongly agree, 67% agree. There are no disagreements because employees understand risk management benefits in an ideal situation but that does not mean they know how to achieve it.

Figure 4.18 Graph showing if respondents see risk management as a more sustainable and reliable delivery of service ideally

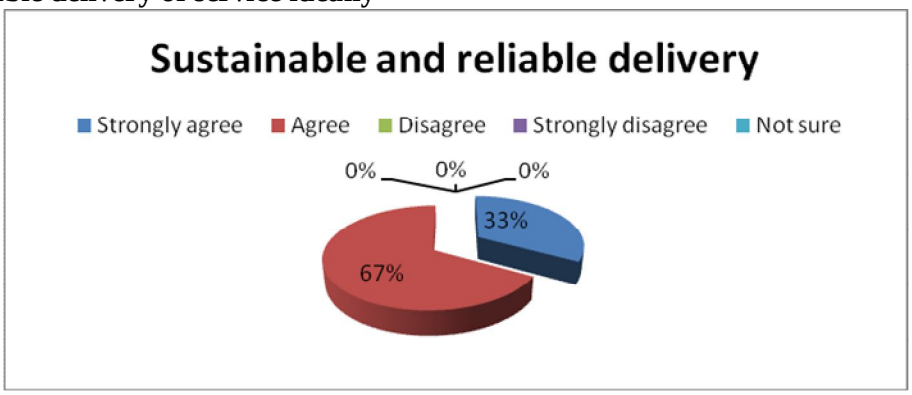


Table 4.19 Risk management assists in the prevention of fraud and corruption

Response	Frequency	Percentage %
Strongly agree	35	35
Agree	53	53
Disagree	12	12
Strongly disagree	0	0
Not sure	0	0
Total	100	100

The extent to which the employees feel that risk management is assisting in the prevention of fraud and corruption was evaluated on a 5 point Likert scale. This ranged from strongly agree, agree, disagree, strongly disagree and not sure. The study reveals in table 4.19 and figure 4.19 that 35% of the respondents strongly agree, 53% agree, and 12% disagree.

Figure 4.19 Graph showing if respondents see risk management preventing fraud and corruption

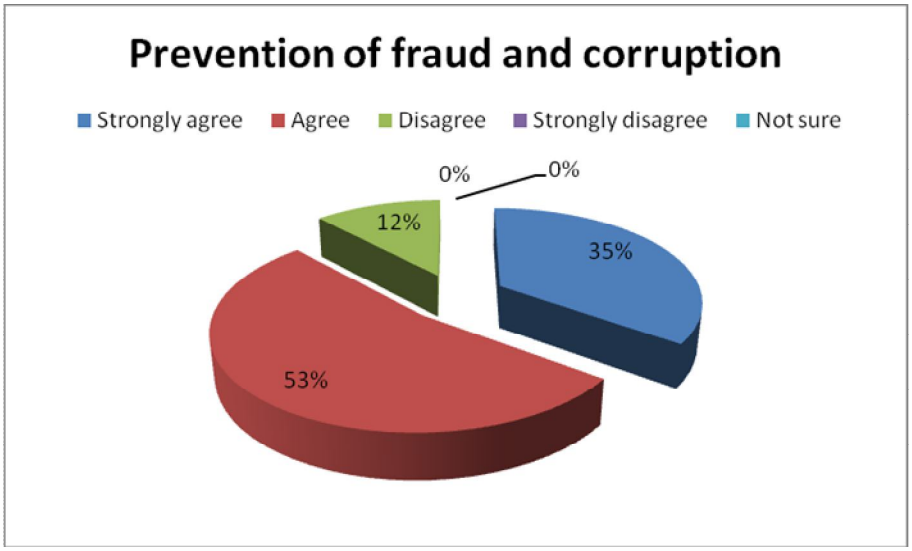


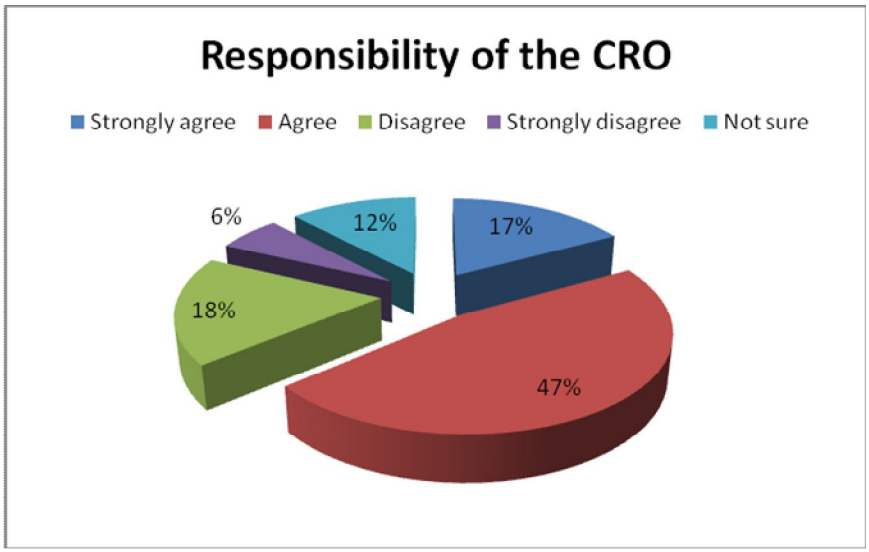
Table 4.20 the main function of the Chief Risk Officer is to identify the institution's risks and manage them.

Response	Frequency	Percentage %
Strongly agree	17	17
Agree	47	47
Disagree	18	18
Strongly disagree	6	6
Not sure	12	12
Total	100	100

The respondents were asked if the primary responsibility of the Chief Risk Officer is to identify the institution's risks and manage them in an ideal situation. The question was evaluated on a 5 point Likert scale. This ranged from strongly agree, agree, disagree, strongly disagree and not sure. The study reveals in table 4.20 and figure 4.20 that 17% of the respondents strongly agree, 47% agree, 18% disagree, 6% strongly disagree, and 12% are not sure.

Therefore the majority of the respondents are agreeing to the statement and they are incorrect because they confuse their responsibility with that of the Chief Risk Officer.

Figure 4.20 Graph that explains how respondents understand the main function of the Chief Risk Officer



Conclusion

The study has concluded from the above discussion that risk management is not yet understood fully by the employees of the Provincial Planning and Treasury. Respondents are confusing the responsibility of the Chief Risk Officer with that of their responsibilities. The positive point that can be made is that ideally they seem to understand that an organization with an effective or good risk management environment can be stronger but are unsure on how to achieve it.

CONCLUSIONS AND RECOMMENDATIONS

Findings from the Literature Review

- The main literature in the field of risk management tends to focus more on the private sector and little has been done in relation to the government. National Treasury documents are almost the only literature available in South Africa for the public sector (National Treasury, 2013: 23).
- The Public Sector Risk Management Framework is not a legally binding document. Whilst its application is not prescriptive but is instead rather a principle based guide, it recognises that public institutions are not homogeneous, and therefore it is to be customised to suit different institutions' needs when implemented (Public Sector Risk Management Framework, 2010:18). It then makes it difficult to hold anybody accountable because of the flexibility of the Framework when implemented. On the other hand, the PFMA holds organizations and individuals accountable for their actions (section 45, 2006:53).

Findings from the Primary Study

Research Questions:

(a) How is risk management prioritised and implemented by role players?
(b) Do the role players have enough knowledge with regard to risk management?
(c) Is risk management properly implemented according to the public sector risk management framework?
(d) What impact does risk management have on the performance of employees understanding of risk management?

Answers to Research Questions:

(a) The researcher discovered that the majority of respondents that make up 79% said risk management is not a standing agenda item in management meetings. 40% of the senior managers have not incorporated risk management into their performance agreement.

(b) It was discovered that about 78% of the respondents did not know their responsibilities in risk management of the department. The respondents that make up 61% do not know what is expected from the CRO of the department. 64% respondents believe the Public Sector Risk Management Framework is the document that risk management emanate from in the public sector. 67% respondents says the have never seen a risk management policy and strategy of the department.

(c) A low 19% of the respondents which is the correct answer are saying risk management is implemented daily. Respondents that make up 77% have never being trained in risk management.

(d) 50% of the respondents are not sure if the current practice of risk management can benefit the department; and 22% are of the view that risk management cannot benefit the organization.

In an ideal situation, 76% of the respondents are agreeing that risk management is pro-active in nature and promotes innovation, and 24% are strongly agreeing. 67% of the respondents are agreeing that risk management enables a more sustainable and reliable delivery of service, in an ideal situation, and 33% are strongly agreeing. Last but not list, 53% agree, 35% strongly agree, and 12% disagrees that risk management assists in the prevention of fraud and corruption.

Key Conclusions Reached:

(a) Risk management is not a standing agenda item in top management meetings of the department, and very little is discussed pertaining to risks facing the department. The identification and management of risks is a management function, but a large number of senior managers have not yet incorporated risk management into their performance agreements. Risk management is not prioritised by role players in the organisation.

(b) It can be concluded from the study that risk management role players do not have enough knowledge with regard to risk management:

Employees who seem to understand and do not seem to understand the risk management guiding document in the public sector are about equal in number. Many role players do not understand their responsibilities in risk management as required by the Public Sector Risk Management Framework. Most of the employees of the department claim to have never seen a risk management policy and strategy for the department. This clearly indicates a severe lack of understanding.

(c) It can also be concluded from the study that role players do not properly implement risk management according to the Public Sector Risk Management Framework:

A minority of the employees implement risk management on a day to day basis and a majority have never been trained in the concept. It has been discovered that the majority of the employees have risk registers in their sections but only a few are working on it actively.

(d) From the study, respondents ideally seem to understand an organization can be made to be more effective if there is a good risk management environment but do not know how to achieve it as a result of a lack of capacity in the organization despite some having received training. They frequently seem to be confusing the responsibility of the Chief Risk Officer with their own responsibilities.

Recommendations

The recommendations that will be presented here with respect to this study are divided into two; one relating to the literature review and the other to the survey.
The following recommendations need to be adhered to as they relate to the literature review:

- The Public Finance Management (PFMA) Act 1 of 2011 still needs to further regulate risk management in the public service. For example internal auditing and the audit committee are legislated by PFMA in section 38 and 76 respectively. The PFMA supersedes any other "best" practice available; therefore it has to adequately accommodate risk management.

The following recommendations need to be considered as they relate to the survey:

- All senior officials of the department should be required to incorporate risk management into their performance agreements. They will then be more motivated to perform the risk management function in their respective units. Risk management should be a standing agenda item in management meetings and ultimately be embedded in the business strategy and operational activities.
- The Chief Risk Officer of the department should develop, through a consultative process, a risk management implementation plan that incorporates training and awareness programmes of risk management for all employees. It has to be signed by the Accounting Officer (AO/HOD) and be provided with enough budgeted resources to conduct trainings/workshops and awareness campaigns. These activities have to be done on a continuous basis in order to change the attitudes towards risk management of all employees. The risk management strategy and policy have to be communicated through email and other means to all staff and also uploaded in the website of the department. Employees should be work shopped on it after the documents have been communicated.
- Continuous risk management monitoring by the Chief Risk Officer (CRO) will enable or drive employees towards better managing of risks in their units. The CRO has to be visible to assist employees when faced by challenges in risk management.
- When the annual performance plan is being developed in strategic meetings, the risk management unit should form part of the process in an advisory capacity. Risks of the department should then be identified immediately in the strategic management meetings. It will give management time to plan and also align plans with budget at an early stage. Ultimately key risks of the department will need to be prioritized and that will impact positively on performance of the whole organisation. The Accounting Officer has to play a key role in supporting the risk management unit by setting the right tone from the top.

Areas for Further Research

Since this dissertation only deals with a narrow topic concerning risk management, the following suggestions are provided to guide further research that can enhance the knowledge of risk management role players and other stakeholders;

- This research was conducted in one organisation which is only a fraction, admittedly an important one, of the provincial government in the Eastern Cape Province. Therefore, the author of this dissertation suggests that a comparison of the risk management maturity levels for all spheres of government in the Eastern Cape should be conducted including local government.
- The relationship between risk management and business strategy in the public service should be further researched, because risk management is an integral part of the field of business strategy.

- Another issue is how risk management can be improved through the proper implementation of the combined assurance framework.
- Studies in other provinces could be done to give us a better picture of what is and is not happening to risk management initiatives nationally. This could, for example, provide evidence, on which to base changes to the framework and to the legislation.
- Case studies of areas of work where risk management has been successfully practised could be of interest as they might indicate good practices which others might follow.
- Finally, research could be carried out on how service delivery (education, water etc.) can be improved by risk management methods and procedures through properly coordinating provincial government institutions and the extent to which improvement has taken place.

Conclusion

Risk management has been an initiative which the Eastern Cape government had to comply with but which it has yet to give a serious commitment to it, with the result that implementation has been lacking to a large degree. It is rather a case of "paper compliance" as opposed to meaningful implementation. It is therefore essential to go beyond this limited level of performance and ensure that risk management becomes an accepted feature of provincial government in South Africa.

NOTE: This study was presented by the principal author in 2014 to the Regent Business School for the award of the Master of Business Administration Degree (MBA). The study and dissertation was supervised by Professor Malcolm Wallis and edited by Professor Anis Mahomed Karodia for purposes of producing a Journal article for publication.
Kindly note that in this journal article the entire bibliography of the study is cited and the specific references applicable to this article are cited in the full bibliography.

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