Risk culture in a South African government institution

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It all starts here ™

PREFACE

This mini-dissertation is the final deliverable in the Centre for Applied Risk Management (UARM)'s taught master's degree programme. The mini-dissertation was written in article format and consists of three sections: Research project overview, Article and Reflection.

This mini-dissertation is the student's work. The student was responsible for the final concept, set-up, execution of the research project, and writing of the mini-dissertation. The members of the supervisory team contributed in an advisory and technical support capacity to study conception and design, analysis and interpretation of data and critical revision of the manuscript by the student. The mini-dissertation was language edited before submission.

The main study supervisor gave the student permission to submit this mini-dissertation for examination.

ABSTRACT

Risk culture is defined as norms of behaviour for individuals and groups that determine the collective ability to identify and understand, openly discuss and act on an organisation's current and future possible risks. Although studies have been done on risk culture, an assessment of the maturity level of risk culture in a South African government organisation has not been reported in the academic literature. Many government organisations have implemented risk management processes but it seems that, subsequently, no tangible benefits have been realised from applying these processes. The reason for this might be that these organisations did not first embed a risk culture. This article assesses the risk culture maturity level of a South African government organisation. Data were gathered by developing and applying a questionnaire and a checklist. In addition, documents were analysed. The results show that the organisation has established basic risk management processes and structures; however, a mature risk culture was not embedded in the organisational processes.

Keywords: *Risk culture, Risk management, Organisational culture, Risk culture maturity.*

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Research problem statement

Most global organisations would confirm that managing risk is essential to the success of non-profit and profit-driven organisations (Roslan & Dahan, 2013). The demise of many organisations locally and globally has indicated that poor identification and management of risks exacerbated the fall of big organisations (Clarke & Varma, 1999). The general expectation is therefore that the adoption and implementation of a risk management process will yield positive results and enhance organisational value and performance (Hoyt & Liebenberg, 2011).

Prior to 1999, the management of risks in public sector organisations was done haphazardly. This was a result of a lack of legislation that required the process to be formalised. Even though the King Report on Corporate Governance of South Africa, or King I (Institute of Directors in Southern Africa [IoDSA], 1994), was in existence at the time, it was not a requirement for government organisations to comply with it. The enacting of the Public Finance Management Act 1 of 1999 (PFMA) (South Africa, 1999) formalised the requirement of practising risk management in all government organisations. Government organisations have struggled to implement and maintain effective and efficient risk management processes. Many of the government organisations have, however, managed to establish and maintain basic risk management processes and structures. According to Bozeman and Kingsley (1998) a common challenge in government institutions is that benefits of risk management have not been realised.

The aim of this study is to measure the maturity level of risk culture in a specific government organisation. The research results will be used to make recommendations on how to entrench risk culture so that it forms part of the organisation's daily activities at all levels of operations.

Relationship between risk culture and risk management discipline

An extensive literature review of risk culture revealed that embedding of risk culture is the responsibility of the board and management and that it is essential for the effective management of a business. According to Culp (2001) the adoption of a risk culture is the most important success factor for the organisation when shifting from a purely risk control business model to a risk transformed organisation model. The best way to comprehend the risk culture across an organisation is to engage directly with the employees whose daily activities are to identify, take and manage risk (Cortez, 2011).

According to Bozeman and Kingsley (1998) it is the perception and awareness of managers that create the culture, even more than any tangible and documented set of decisions taken by

management. It is how managers are perceived by employees that provides the cues for acceptable behaviour. In their study Bozeman and Kingsley (1998) found that risk culture has no direct link to the sector of the organisation, that is, to whether it is in the public or private sector.

Bostanci (2013) conducted a study on risk culture maturity to analyse risk culture in various levels of management in an organisation. This was conducted according to key performance indicators with the intention to explore weaknesses and strengths. The study found that the maturity of risk culture differs in levels of management within an organisation according to adherence to rules and ethical issues. The factors of risk perception, risk awareness, performance and leadership scored low, which indicated that risk culture had not matured enough in these areas of the organisation.

Roslan and Dahan (2013) conducted a study and argued that risk culture is one of the important features of risk management that the board and executives should understand. Their study also argued that without embedding a risk conscious culture in all organisational levels, the implementation of risk management will not be successful and that organisational culture is essential for success in embedding a risk culture. Their study found that there is a significant relationship between risk culture and enterprise risk management (ERM). They also found that there is a relationship between risk culture and organisational performance.

The literature shows that most studies regarding this topic have done research on exploring or establishing a relationship either between risk cultures in private and public institutions or risk management and organisational culture. Some of these studies conducted research comparing risk culture between private and public organisations.

However, none of these studies have explored the extent to which risk culture has been embedded in a public sector organisation. The specific research question that this study will address is: To what extent has a risk culture been embedded in a specific South African government organisation and what is the maturity of its risk culture? This will be answered by determining whether risk management has been adopted as an integral part of the organisation's daily activities. The study will also make recommendations on how to entrench and maintain a mature risk culture in the organisation so that it forms part of daily activities at all levels of operations.

Purpose of the research

Culture is a soft and delicate matter, which is usually not easy to deal with or manage. Culture, and more specifically, risk management culture, is essential to the success of an organisation

(Banks, 2012). This study aims to show that in order to successfully deploy an effective and efficient risk management process you need a mature risk culture at all organisational levels. The main research objective of this study is to assess the maturity level of risk culture in the organisation. In order to achieve the main research objective the following secondary research objectives have been formulated for this study:

- to evaluate the risk awareness and risk management practice in daily, weekly or monthly operations;
- to assess the level of risk adherence with regard to implementation of relevant legislation;
- to compare and analyse the results of risk culture and risk adherence; and
- to recommend how to entrench and sustain mature risk culture in the organisation.

Scope of the research

This study is conducted in one South African government organisation. The organisation is studied in terms of the regulations and best practices applicable to public sector organisations. The regulations applicable specifically to private sector organisations are excluded. The risk management processes for government organisations are regulated by the PFMA (South Africa, 1999) and best practices that are formulated by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2004), International Organisation for Standardisation 31000:2009 (ISO 31000) (2009), and The King Report on Corporate Governance of South Africa (King III) (2009). This research seeks to give more insights into the embedding of risk culture in a government organisation. The research covers adherence to applicable regulations, the practising of risk management, and an assessment of the maturity level of risk culture in the organisation.

Journal selection

The *International Business and Economics Research* journal of the Clute Institute was chosen because it disseminates its articles or papers to a wide readership both locally and internationally. Furthermore, it is easily accessible to the targeted audience, and all sectors (private or public) can be reached within a reasonable time. The journal publishes various papers on different risk management topics, but a paper on the maturity level of risk culture was not found in the journal. This paper will add value to the journal's database and benefit its readers.

ARTICLE

1   Abstract

Risk culture is defined as norms of behaviour for individuals and groups that determine the collective ability to identify and understand, openly discuss and act on an organisation's current and future possible risks. Although studies have been done on risk culture, an assessment of the maturity level of risk culture in a South African government organisation has not been reported in the academic literature. Many government organisations have implemented risk management processes but it seems that, subsequently, no tangible benefits have been realised from applying these processes. The reason for this might be that these organisations did not first embed a risk culture. This article assesses the risk culture maturity level of a South African government organisation. Data were gathered by developing and applying a questionnaire and a checklist. In addition, documents related to risk management in the organisation were analysed. The results show that the organisation has established basic risk management processes and structures; however, a mature risk culture was not embedded in organisational processes.

Keywords: *Risk culture, Risk management, Organisational culture, Risk culture maturity.*

2   Introduction

Nowadays culture is regarded as a leading risk factor for compromising integrity and compliance in organisations (Miroshnik, 2002). As a result of inadequate knowledge of how their organisational culture affects the implementation process, some organisations have not been able to achieve a fully effective risk management process (Mihet, 2013).

Many organisations are making efforts to move beyond regarding risk management as only a compliance process (Asenova, Bailey, & McCann, 2015). However, this may prove difficult unless they first build and embed a mature risk culture (Cooper, Faseruk, & Khan, 2013). Because the public sector environment is highly regulated, with laws to ensure compliance, there is an assumption that if employees understand the risk management policy and risk management strategy they will conscientiously practise risk management. The South African public sector provides a clear example of a situation in which risk regulation is often in place but risk management practice is not (Coetzee & Lubbe, 2013).

The introduction of the PFMA (South Africa, 1999) formalised the implementation and maintenance of risk management in the country's public sector organisations. Thus far, the

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organisation of interest for this study has established the basic risk management processes which encompass setting up a risk management function, a risk policy, a risk strategy, and risk registers. Despite efforts to establish basic risk management processes, these processes have not evolved but have rather remained static. Consequently, the organisation has not reaped the expected tangible benefits from the process.

Banks (2012) stated that the principle of a mature risk culture is the embedding of risk management processes within an organisation where risk management exists and is subconsciously practised. A mature risk culture is therefore an essential basis for the successful implementation of risk management and for reaping the benefits of risk management. The issue addressed in this paper is that a risk conscious culture within the organisation studied is still immature and is not fully embedded in its daily activities, which results in poor risk taking and poor management of risk.

In order to address this issue we (i) determined the regulatory risk requirements applicable to the organisation, (ii) established how well the organisation has adhered to the risk regulatory requirements, and (iii) assessed the maturity level of risk culture in the organisation.

The remainder of this article is arranged as follows: section 3 briefly provides a background on risk management literature and its relation to organisational culture, which is used to compose a definition of risk culture for the purpose of the study. Section 4 discusses the research method used and section 5 presents and discusses the results. The article concludes with section 6 which provides a summary of the major findings and recommendations.

3   Background

This section provides a brief background on ERM and its relation to organisational culture. Sections 3.1 and 3.2 discuss the understanding of ERM and organisational culture respectively. Section 3.3 gives a background on risk culture by discussing the importance and maturity of risk culture, its components, risk integration and the limitations of applying risk culture in an organisation. Lastly section 3.4 provides a brief overview of the organisation referred to in the research.

3.1   Understanding of ERM

Risk management can be described as a process of identifying, assessing, evaluating and managing risks that could affect the achievement of strategic business objectives (Blunden & Thirlwell, 2010).

Risk management was traditionally performed in a silo manner whereby management of risks was fragmented and reactive. The adoption of a formal ERM approach to the management of risks was established in 2004 when COSO created and introduced the Enterprise Risk Management – Integrated Framework to assist institutions in managing risks (COSO, 2004).

The ERM concept extended traditional silo risk management practices to include organisational processes and all their activities. ERM can be seen as proactive action and its focus is on integrating risk management with existing organisational processes. Therefore, the scope of ERM encompasses every organisational process, project and activity. Risk management is the responsibility of everyone in the organisation and it must be an integral part of the way all employees think, approach challenges and take business decisions (Liebenberg & Hoyt, 2003).

3.2   Organisational culture

Organisational culture can be described as beliefs, values and behaviours that influence and make unique the social and psychological environment of an organisation (Alvesson, 2002, p. 3; Schein, 2010). Organisational culture influences business processes and the making of decisions as well as employees' perceptions and behaviour (Cooper, Faseruk, & Khan, 2013). Organisational culture is usually associated with risk management in organisations (Roslan & Dahan, 2013; Bostanci, 2013).

A study by Kimbrough and Componation (2009) found that there is a correlation between organisational culture and risk management. Their study further found that a more mature culture is more conducive to the better deployment of risk management. Similarly, Cooper, Faseruk and Khan (2013) found that a mature organisational culture will make it possible to implement a proper risk culture in an organisation and vice versa. Organisational culture should be evaluated and reframed to ensure better support and adoption of risk management in organisations (Culp, 2001, p. 221).

3.3   Risk culture

For the purpose of this study, risk culture within an organisation is defined as the norms of behaviour for individuals and groups that determine the collective ability to identify and understand, openly discuss and act on the organisation's current and future possible risks (Banks, 2012, p. 22; Cortez, 2011, p. 48; Brooks, Fraser, & Simkins, 2010; KPMG, 2009). Risk culture influences the decisions of employees, even if they are not deliberately weighing risks and benefits (Brooks, Fraser, & Simkins, 2010).

There may be no universal understanding of the term 'risk culture' in an organisation (KPMG, 2009). Misunderstanding may pose challenges in addressing the issue of poor risk culture. The formation of a risk culture requires an organisation to have a common risk language and all its employees to have the same understanding of risk taking (Cortez, 2011, p. 29).

3.3.1 Importance of risk culture

The objective of a risk-aware culture is to ensure that all business decisions, from planning to reporting, are taken through a risk management process. Roeschmann (2014) states that risk culture is the main enabling factor for the establishment of an effective risk management process. Brooks, Fraser, & Simkins (2010) argue that an organisation's risk culture is a key element that can ensure that the organisation takes risks to achieve strategic objectives. A Protiviti (2012) survey focusing on risk culture found that risk culture is fundamental in risk management and should be addressed as part of a training programme. Therefore, organisations that have given adequate attention and efforts to embed a risk culture have realised some risk management benefits.

3.3.2 Risk culture maturity

A mature risk culture portrays effective risk management, transparency, and sound risk-taking, and ensures that risk-taking activities beyond an organisation's risk appetite are recognised, evaluated and timeously addressed (FSB, 2014). A mature risk culture, amongst other features, includes (Institute of Risk Management [IRM], 2012):

a) collective adoption and implementation of risk management in all organisational activities;
b) the ability and agility to continuously improve learning to manage risks more effectively;
c) the major task of aligning employees' individual interests and values to the organisation's risk strategy; and
d) transparent and timeous communication and reporting of risks that advocate effective and efficient risk management processes.

The organisation with an immature risk culture can be seen as making decisions without considering risk factors, succumbing to pressures, and relaxing its risk requirements. According to Brooks, Fraser and Simkins (2010) such organisations tend to make business decisions that counter risk policies and desired risk profile.

Similarly Roeschmann (2014) argues that most organisations refer to poor risk culture as one of the main reasons for the 2007 and 2008 financial crises. Probably the most critical lesson learned from that period and from the demise of prominent organisations around the world was

that organisations should strive towards attaining a mature risk culture, sustaining it and permeating it throughout the organisation.

3.3.3 Components of risk culture

It is important, when assessing the maturity of risk culture in an organisation, to first determine if the organisation has a mature or immature risk culture. According to Banks (2012), this assessment can be done through observation and inspection by means of objective and subjective measurements. Risk culture can be a very elusive matter as it encompasses numerous components and elements (FSB, 2014).

The manner in which organisations develop and maintain a risk culture can vary. There are, however, certain common features in the organisations that do it properly. Roeschmann (2014) argues that a mature risk culture consistently advocates appropriate behaviour, risk awareness, leadership and risk adjusted business decisions (i.e. integration) within a robust risk policy framework.

A mature risk culture is probably the most important factor for effective risk management in organisations (Roslyn & Dahan, 2013; Roeschman, 2014). Its incorporation into daily activities provides the best way to manage risks in the organisation (Acharyya & Johnson, 2006). The incorporation happens better when the organisational culture is mature (Kimbrough & Componation, 2009). To achieve integration of a mature risk culture, all employees should be made aware of the importance of risk management through an organisation-wide educational programme (Cortez, 2011). The successful integration of risk culture should result in employees consistently weighing risks and rewards when making business decisions (Cortez, 2011, p. 145; Liebenberg & Hoyt, 2003).

In the research reported on in this dissertation a questionnaire was used as an instrument to assess the maturity of risk culture in the organisation through testing the risk culture components of behaviour, integration, leadership and awareness. These components relate to this study's adopted risk culture definition as they deal with the usual conduct, understanding and practising of risk management by employees in the organisation.

3.3.4 Limitations of embedding risk culture

Every organisation has a culture that supports its core mandate and success (Mihet, 2013). Naturally, people resist change especially when it challenges deeply held beliefs and behaviours (Cortez, 2011, p. 28). The introduction of risk culture in an organisation requires changes of set beliefs and behaviours. Therefore, the implementation of a risk culture in an

organisation is exposed to challenges (Blood & Thorsborne, 2005). A survey on risk culture conducted by Ernst & Young (2014) found that alignment of front-office (core function) culture with organisational risk culture was one of the top challenges in strengthening the risk culture in organisations. Another challenge emphasised in the same survey was the enforcement of accountability.

3.4 Study context

This study was conducted at a public sector organisation which operates at a national level. This public sector organisation provides policies and frameworks to other South African public sector organisations in all three spheres of government (local, provincial and national). Amongst other things, it is responsible for promoting the growth and stability of the economy and advocating appropriate governance processes throughout the public sector.

The organisation referred to in this study has managed to comply with the PFMA (South Africa, 1999) and other best practices by establishing risk management structures. The risk management function is headed by the chief risk officer (CRO). The CRO administratively reports to the accounting officer and functionally reports to the Risk Management Committee. Amongst its achievements, the risk management function has been able to develop and implement risk policy, risk strategy and risk registers.

This organisation, like other government institutions, is faced with challenges of service delivery and poor audit results. The Auditor General South Africa (2014), hereafter referred to as AGSA, reported, in the general report of 2013/14, a decrease of government organisations that obtained unqualified audit opinions from 61% in the year 2011/12 to 51% in 2013/14. The politicians and oversight structures are mainly blamed for not having performed their oversight role appropriately. The poor governance of risks and compliance with relevant legislation aggravates these challenges.

This descriptive study was done with the aim of establishing how well the organisation had adhered to the regulatory risk requirements and whether risk regulations had been functionally implemented. The maturity level of risk culture in the organisation was assessed. The next section discusses the method used to conduct this study.

4 Method

The secondary objectives of this study were, first, to determine the regulatory risk requirements applicable to the organisation and second, to ascertain how consistently the employees of the

organisation put these risk requirements into practice. A questionnaire was designed to assess the risk culture maturity of the organisation.

4.1 Risk management adherence

To address the first objective, we developed a risk management adherence checklist (Appendix C). As the basis for the checklist the relevant legislation, guidelines and best practices were identified. The legislative requirements were derived from the PFMA (South Africa, 1999) and the Treasury Regulations (TR) (South Africa, 2001) while the guidelines for adherence were derived from the Public Sector Risk Management Framework (PSRMF) (South Africa, 2010a) and the Framework for Strategic Plans and Annual Performance Plans (FSPAPP) (South Africa, 2010b); the elements of best practice were drawn from King III (Institute of Directors Southern Africa [IoDSA], 2009).

To ensure an objective and independent report on the functioning of risk management, we requested the chief audit executive (CAE) of the organisation to complete the risk management adherence checklist. The completed checklist was then discussed with the CRO of the organisation, who was responsible for implementing and maintaining the risk management process in the organisation.

4.2 Risk management practice

To address the second objective, documents were analysed to evaluate the embeddedness of risk requirement practices in the daily activities of employees of the organisation. The sample included the external audit reports by the AGSA for the five years 2009/10 to 2013/14 and monthly management reports for the five years 2009/10 to 2013/14. The 2009/10 audit report was not available and could not be traced so only four external audit reports (2010/11–2013/14) could be used for evaluation.

The documents were analysed using the APPARTS (author, place and time, prior knowledge, audience, reason, the main idea, and significance) method (Swan & Locascio, 2008; Greer, 2006), and scanned for words depicting actions or discussions of risk management, to indicate whether regulations were functionally implemented in the organisation.

The AGSA's audit procedures assessed the establishment of the organisation's risk management framework and activities only with relation to the adequacy of the design, without verifying the embeddedness of risk management practices in the organisation. Nevertheless these reports offered a valid, if limited, independent external perspective on the organisation's risk management systems.

A total of 12 usable management reports in the form of executive committee (EXCO) minutes were also available for examination. Although some reports for the sample period were not obtainable, those that were available augmented the analysis of external audit reports, thus serving a useful purpose. The minutes were analysed to establish whether, and to what extent, risk management was incorporated into the organisation's EXCO discussions, as well as to confirm the tone at EXCO level regarding risk management, the level of accountability expressed, and the extent to which EXCO consciously took responsibility for the practice of risk management in the organisation. The findings from these analyses are discussed in section 5.2.

4.3 Risk culture maturity

The literature on risk culture did not yield a suitable questionnaire instrument for assessing the maturity of risk culture in the organisation that we were studying. However, as indicated in section 3.3.3, we identified key risk culture components from the literature: awareness, behaviour, risk integration and leadership (Banks, 2012; Roeschman, 2014). We used these components to compile statements that would form the basis of a questionnaire relevant to our study.

Our questionnaire was relatively short, taking about 15 minutes to complete. It contained statements related to the four key risk culture components that we had identified. A four-point Likert scale was used to rate the level of agreement for each statement (1 = strongly disagree; 2 = disagree; 3 = agree and 4 = strongly agree). A neutral option was not given as the statements were constructed to elicit clear positive or negative levels of agreement. The questionnaire was piloted with five participants, representative of the target population. The pilot feedback was used to modify the questionnaire slightly.

The focus was to assess the maturity of risk culture at management level in the organisation. The organisation had 1 264 employees, with 604 officials at executive, senior and middle management levels. A convenience sample was used. The officials were asked to indicate their level of agreement with 39 statements related to risk culture, on the basis of their knowledge and experience of risk management practice in the organisation.

The questionnaire was distributed electronically to the entire target (604) population. In total 147 responses were received of which 140 were completed in full and therefore used. As soon as the questionnaire had been completed, the responses were automatically recorded in an online database. Frequencies were calculated using the IBM Statistical Program for Social Sciences (SPSS version 22).

5 Results and Discussion

This section discusses the research findings. The results are presented in three sections: regulatory adherence checklist, analysis of documents and risk culture questionnaire.

5.1 Regulatory adherence checklist

The results of the completed adherence checklist (see Appendix C) showed that the organisation had achieved basic risk management adherence as required by the PFMA, TR and FSPAPP. However, the checklist categories relating to the PSRMF and King III indicated that, although basic processes had been established, the organisation had not successfully entrenched the risk management processes in daily activities. In addition, the organisation had not set or implemented the risk appetite limits to guide risk-taking, nor had it implemented the processes to hold internal structures accountable for managing risks and integrating risk management into its day-to-day work.

These results indicated that although the organisation had established a basic risk management system as required, it has not as yet embedded a mature risk culture. This conclusion supports the findings of Coetzee and Lubbe (2013) that government institutions' risk maturity levels are still low.

5.2 Analysis of documents

The results of the analysis of the documents are presented in two parts: external audit reports and the organisation's internal management reports.

The AGSA reports showed that the organisation had implemented and maintained appropriate risk management activities, ensuring that regular risk assessments were conducted and that a risk strategy to address the risks had been developed and was being monitored. Furthermore, the reports showed that the organisation had successfully established risk management structures and implemented relevant activities. It had, however, only maintained these structures and activities; no evidence could be found of any further improvements.

With regard to the organisation's management reports, the unavailability of some of the requested minutes, and the fact that minutes were not signed, revealed inconsistency and inadequate records management. The conclusion could be drawn that risk management had not been adequately practised in the organisation. Assessment of the minutes revealed that management understood the need for establishing risk management in the organisation. The excerpt from the EXCO minutes, dated 5 March 2010, support this finding: "CRO presented the risk assessment report as at March 2010. He urged all EXCO members to ensure the

correctness of the report, take ownership and implement the recommendations". This function, however, had not regularly been considered nor integrated in organisational processes.

The manner in which risk management was currently practised suggested that the risk culture in the organisation was still immature. The following excerpts support the finding:

a) Minutes dated 21 September 2012: "concern expressed by the Director General regarding the lack of a strategic planning session so far during the current and previous financial year".
b) Minutes dated 4 April 2013: "concern that the organisation also does not pay sufficient attention to certain basic issues required in terms of the relevant regulations, such as the reporting requirements of annual performance plans (APP)".
c) Minutes dated 6 March 2014: "concern at the lack of sufficient opportunity to review the APP thoroughly and to oversee the content properly".

5.3   Questionnaire

This subsection discusses the results of the risk culture survey. In order to interpret these results we calculated frequencies and focused on the results where a frequency greater than 50% was achieved.

Based on the results portrayed in Table 1, a significant majority of respondents agreed (40%) or strongly agreed (54%) that risk identification was important in the pursuit of the organisation's goals. This shows a high level of risk awareness in the organisation. Interestingly, this disproved the initial assumption that the existing risk awareness is low.

Table 1: Risk Culture Survey (frequencies)

Corres-ponding Question No.	Statement	Strongly disagree (%)	Disagree (%)	Agree (%)	Strongly agree (%)
	Risk Awareness				
10	Risk identification is important in the pursuit of the Department's goals (service delivery).	3	4	40	54
14	Adequate risk management training is provided by the Department.	15	65	17	3
36	The identified key risks are disclosed in the annual report of the Department.	3	29	64	4
	Leadership				
20	I evaluate risks when I make important business decision (e.g. develop operational plans, projects, budget allocation, etc.).	2	9	69	20

Corres-ponding Question No.	Statement	Strongly disagree (%)	Disagree (%)	Agree (%)	Strongly agree (%)
26	The reported unethical behaviour is followed up on.	6	30	59	5
27	Unethical behaviour is dealt with through appropriate disciplinary action.	7	26	59	8
29	Risks are identified for divisional annual performance plans.	4	30	58	8
	Risk Integration				
15	The risk management training I received allows me to perform my role in risk management.	14	60	17	9
16	The risk management training I received allows me to perform my role in risk management better than before the training.	12	60	20	8
19	Risk management forms an integral part of my normal work tasks.	3	21	61	15
30	The Department's risks are monitored and reported at EXCO/ MANCO meetings.	4	33	58	4
35	The divisional/ sectional monthly reports reflect risks occurred and prevented	10	62	27	1
	Risk Behaviour				
22	The Department rewards staff for proactively communicating and escalating issues or risks.	24	60	14	2
25	The Department encourages the reporting of unethical behaviour.	5	14	67	15

On the issue of adequate risk management training provided by the organisation, 65% of respondents disagreed and 15% strongly disagreed with the statement. Similarly most of the respondents (60%) felt that risk management training received, did not allow them to perform their risk management roles better than before. This shows that employees of the organisation have not adequately been trained and enabled to perform their risk management activities. This finding could have a negative influence on risk awareness. Cortez (2011), in agreement with the Protiviti (2012) survey on risk culture, suggested that a robust organisation-wide training programme is a key tool for effecting risk culture change and instilling it in the organisation. The

study results show that, even though risk awareness had been created, more organisational risk training is needed.

Interestingly, 33% of respondents disagreed that the organisation's risks are monitored and reported at EXCO/MANCO meetings, while 58% agreed that risks are reported. In contrast to the latter, a majority of 62% of respondents disagreed and 10% strongly disagreed that divisional/sectional monthly reports reflect risks that had occurred and risks that had been prevented. Based on these results an inference can be made that, to some degree, a certain level of risk monitoring and reporting has been achieved in the organisation. However, there are still gaps in the monitoring and reporting of risks that have been prevented and those that have occurred in the organisation. This finding is in agreement with the analysis of management meeting minutes that risk management processes are not fully integrated into organisational processes. The result further supports findings from research conducted by Cortez (2011) and Liebenberg and Hoyt (2003) that employees of organisations that have not successfully integrated a risk culture do not consistently weigh risk and rewards when making business decisions.

The researcher acknowledges that there is no existing objective norm to measure against and classify the risk maturity level of organisations. The research results are used to allege that the organisation has a low maturity level. The organisation has been able to create risk awareness and improve employees' behaviour towards risk management. It has, however, not been able to embed a mature risk culture in its processes.

6   Conclusion

The main objective of this study was to assess the maturity level of risk culture in a specific South African government organisation. The assumption was that a risk conscious culture within the organisation studied was still immature and was not fully embedded in its daily activities resulting in poor risk taking and management of risks.

The secondary objectives of the study were:

- to evaluate the risk awareness and risk management practice in daily, weekly or monthly operations;
- to assess the level of risk adherence with regard to implementation of relevant legislation;
- to compare and analyse the results of risk culture and risk adherence; and
- to recommend how to entrench and sustain mature risk culture in the organisation.

The risk culture assessment was conducted in three phases: (i) risk regulatory requirements applicable to the organisation were determined by means of a risk regulatory adherence checklist, (ii) documents were analysed to establish how well the organisation has adhered to the risk regulatory requirements and (iii) an instrument (questionnaire) was developed and applied to assess the maturity level of risk culture in the organisation.

This study's main objective was to assess the maturity level of the risk culture in the organisation and it found that the organisation's level of risk culture is still immature. To address the secondary objectives of the study the results demonstrated that the organisation has established basic risk management processes and structures to assist with achieving its performance targets. This study also demonstrated that the organisation has created risk awareness and has established measures to improve employees' behaviour towards better risk management. However, the research also confirmed that the organisation has not fully embedded a risk culture in its daily activities. The results of the risk regulatory adherence checklist and the documents that were analysed showed that although risk regulations have been adopted and implemented, risk management activities and practices were only maintained and did not improve. The reason why no advancement occurred could be traced back to an immature risk culture.

Furthermore, this study showed that the risk culture components of risk integration and risk leadership are still immature. These findings support Coetzee and Lubbe (2013), Cortez (2011), and FSB (2014), who argue that senior management should be accountable for risk management activities.

Many literature sources highlighted the fact that risk management is the responsibility of everyone in an organisation and that it should be embedded in the business processes of the organisation. This requires embedding a risk conscious culture into the behaviour and attitude of all employees (Cortez, 2011). To achieve this, the accounting officer should ensure that the following should happen in an organisation, namely, that:

- senior management be held responsible for risk management activities in their respective areas of work;
- management meetings encompass issues of risk (e.g. risk identified, risk occurred, and risk prevented);
- regular performance reviews be made of structures tasked with risk management responsibility in particular the embedding of risk culture into organisational processes;

- continuous risk management training be provided with emphasis on the importance of risk culture; and

- risk appetite and risk tolerance limits be set and implemented to guide risk taking and that corrective actions be taken if those limits are breached.

Although the objectives of the study were reached, it had a few limitations: it was limited to only one government organisation and the inclusion of more organisations could have led to different results; participation of the executive level of management in the survey was low and perhaps more responses would have provided a different perspective; this study deliberately excluded the public sector's Risk Management Capability Maturity Model (RMCMM) when the maturity of risk culture was tested, which could have had a different impact on the research results.

Future research can be conducted on evaluating the impact made by the low maturity of risk culture. The incorporation of risk culture cannot be done in a vacuum, but alongside improvements of other organisational processes it would subsequently realise value. As a future study, an investigation can be done relating to embedding a risk culture and setting of risk appetite and tolerance. Another possible study would be to map the findings of this research to the RMCMM. Some researchers may want to conduct a case study to measure benefits reaped from the successful embedding of risk culture in an organisation.

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REFLECTION

The existing literature on risk culture was used to define risk culture for the purposes of this study. Risk culture was defined to include awareness, attitude, norms and behaviour of employees within an organisation and the influence of that risk culture on taking risk related decisions.

The issue addressed in this paper is that a risk conscious culture within the organisation studied is still immature and is not fully incorporated in the organisation's activities, which leads to poor management of risk. In order to address this issue three steps were performed: (i) determination of the regulatory risk requirements applicable to the organisation, (ii) establishment of how well the organisation has adhered to the regulatory risk requirements and (iii) assessment of the maturity level of risk culture in the organisation.

We started with conducting a descriptive study to establish if applicable regulatory risk requirements had been adhered to and implemented. In order to determine this we developed a risk management adherence checklist. We identified relevant legislation, guidelines and best practices as a basis for the checklist. Further, internal management documents were analysed to evaluate the embeddedness of risk requirement practices in the daily activities of employees of the organisation.

We conducted a literature review on risk culture but there was no suitable instrument for assessing the maturity of risk culture in the organisation studied. The literature on risk culture was used to identify key risk culture components: awareness, behaviour, risk integration and leadership. These components were used to compile statements which formed the basis of a questionnaire relevant to the study.

This study used a mixed method research design, which is a process of collecting, analysing, and mixing both quantitative and qualitative research methods in a single study to understand a research problem (Patton, 1990). A questionnaire was used as a quantitative measure while analysis of documents and the risk management adherence checklist formed a qualitative measure. This study used the convergent parallel design to analyse the collated data (Patton, 1990). This consisted of applying the methods simultaneously and/or equally and conducting independent data analysis. The results were later combined at the overall interpretation stage.

The research method applied in this study has worked well. It has provided sufficient results and the main research objective, which was to assess the maturity level of risk culture in the organisation studied, was met. It successfully assessed and determined how well the

organisation adhered to the regulatory risk requirements. In addition, it resulted in a questionnaire instrument developed as a measure to assess the maturity level of risk culture in an organisation. In hindsight, the method of this study could have involved interviews of employees at the executive level to augment low survey response at this level of management. This would have assisted in supplementing the questionnaire results. This study could also have been done in two or more organisations.

This research has shown that there are limited similar studies on risk culture, especially studies of public sector organisations. Some studies have, however, been conducted on maturity of risk; effects of risk culture on insurance risk management; relationship between risk management and organisational culture; and related topics.

The results from this study support previous findings that government organisation's risk maturity levels are still low (Coetzee & Lubbe, 2013). Similarly to studies conducted by FSB (2014), Cortez (2011) and Coetzee and Lubbe (2013), this research found that the organisation's risk integration and risk leadership are still immature. Interestingly, this study has found that the organisation has created risk awareness and risk behaviour in the organisation, which is contrary to a finding made by Coetzee and Lubbe (2013) that there is general low risk maturity level in government organisations.

This study is expected to strengthen the research base on risk management and maturity of risk culture. This study provides some guidelines for how to embed a mature risk culture in a South African government organisation or any other organisation. Most important, it gives an instrument in the form of a questionnaire to assess the maturity level of risk culture in an organization. Lastly, it provides accounting officers with guidance as to how to incorporate a mature risk conscious culture into organisational processes.

Based on the study's results, this research has generated recommendations that can be used by government organisations, risk professionals, auditors, compliance professionals, and risk management researchers.

Generally there is limited academic literature available on risk culture, especially risk culture in the public sector. The published literature on risk culture was based mainly on the private sector and some were largely surveys conducted across different organisations in various industries. No literature was found on the maturity level of risk culture in a South African government organisation, nor did we find literature on this topic covering any other government organisation. This scarcity has added to the significance of this research, since it is a pioneering study on assessing the maturity level of risk culture in a government organisation.

This study has addressed the issue that the organisation studied has a low risk conscious culture, and risk culture has not been fully incorporated in its daily activities, which has resulted in poor risk taking and poor management of risk. The main objective was to assess the maturity level of risk culture in the organisation. This study has assessed the risk management practice and the risk culture maturity level in the organisation. The study showed that the organisation has established basic risk management processes and structures. However, the study further demonstrated that the organisation has a low maturity level of risk culture.

This research was decided on as a result of interest in the developments of risk management and its relation to the achievement of business objectives. It was also prompted by contemporary workplace challenges faced by fellow risk professionals such as poor implementation of risk management, lack of buy-in from executive management, lack of benefits derived from it, etc. The fact that there is inadequate research on risk culture was an extra motivation to conduct this study.

Conducting this research has been a challenging yet an interesting journey. It has posed a lot of challenges on my novice researching and writing skills. I work as a senior risk manager and my role, amongst other duties, involves work-related research which has proven not to be enough to conduct academic research.

I had to quickly learn the formal academic research process, thanks to the supervisory team for their guidance. This research has tested my knowledge and understanding of risk management. My risk management knowledge has been broadened as a result of this research and this has positively improved my daily work. Each and every little thing that I have learned throughout this research project will benefit me, personally, and my employer.

Although the research journey was challenging and sometimes difficult, there were interesting and great moments in the process. I was fascinated with the development and rolling-out of the questionnaire, but the most exciting part was the survey results. It was amazing to see how employees of one organisation can answer same questions so differently. This has produced a balanced study.

APPENDIX A: RISK CULTURE QUESTIONNAIRE

Maturity of Risk Culture Survey

1. Survey explanation and consent

TITLE OF THE RESEARCH STUDY:
Risk culture in a South African government institution

RESEARCHER: Bheki Gutshwa
ADDRESS: ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮
CONTACT DETAILS:
Email: bheki.gutshwa@▮▮▮▮▮▮▮▮
Phone: ▮▮▮▮▮▮▮▮▮▮▮

Dear Participant

You are invited to take part in a research study that forms part of my mini-dissertation as partial fulfilment of the degree MCom Banking and Financial Risk Management. Please take some time to read the information presented here, which will explain the details of this study.

You are welcome to ask the researcher any questions about any part of this study that you do not fully understand. It is very important that you are fully satisfied that you clearly understand what this research study entails and how you could be involved. Your participation is entirely voluntary and you are free to decline to participate. If you say no, this will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point, even if you do agree to take part.

This study will be conducted according to the ethical guidelines and principles of the International Declaration of Helsinki and the guidelines of the Research Ethics Committee of the North-West University. It might be necessary for the Research Ethics Committee members or relevant authorities to inspect the research records.

You can contact Bheki Gutshwa on ▮▮▮▮▮▮▮▮ or bheki.gutshwa@▮▮▮▮▮▮▮▮ if you have any further queries or encounter any problems.
You can contact the Research Ethics Committee via Dr S Gilliland 016 910 3261 or sonja.gilliland@nwu.ac.za if you have any concerns or complaints that have not been adequately addressed by the researcher.
You may make a copy of this information and consent form for your own records.

The objectives of this study are:
To assess the maturity of the risk culture in ▮▮▮▮▮▮▮▮
To evaluate risk awareness and practice in ▮▮▮▮▮▮▮▮ daily activities.

For the purpose of this study "risk culture" refers to the norms of behaviour for individuals and groups within the institution that determine the collective ability to identify and understand, openly discuss and act on the institution's current and future possible risks. Risk culture influences the decisions of employees, even if they are not consciously weighing risks and benefits (Banks, 2012).

Please note the following:
The Director General has approved this research study to be conducted within ▮▮▮▮▮▮▮▮ (herein referred to as The Department).
Responses are required from Department officials at executive, senior and middle management levels.
Your name does not appear on the questionnaire and the answers you give will be treated as strictly confidential.
The data will be reported in aggregated format and not individually.
The results of this study will be used for academic purposes and may be published in an academic journal. The results of this study will also be made available to the Department. A summary of the findings shall be provided to you on request.

1

Please answer the questions as completely and honestly as possible. The first part of the questionnaire asks for biographical information followed by Likert scale questions to determine the maturity of the risk culture in the Department.

It should take less than 15 minutes to complete this questionnaire.

Please complete this questionnaire by 14 August 2015.

Your participation is essential to gather information regarding the maturity of the risk culture in The Department. Your willingness to assist in this study is highly appreciated!

1. I have read the information above and consent to participate in this study on a voluntary basis

◯ Yes

◯ No

Maturity of Risk Culture Survey

2. Biographical information

This section asks for information about yourself. This information will be used in the analysis of the data and not to identify you.

Please select the option that best describes yourself.

2. How old will you be at the end of 2015?

age in years [   ]

3. Your gender

◯ Male

◯ Female

4. Your ethnic group

◯ Black

◯ Coloured

◯ Indian

◯ White

◯ Other

Other (please specify)

[   ]

2

26

5. Your nationality

○ South African

○ Other

Other (please specify)

[   ]

6. The level of your current role in your organisation

○ Deputy Director

○ Chief Director

○ Director General

○ Director

○ Deputy Director General

○ Other

Other (please specify)

[   ]

7. Division (Select only the division or branch in which you work)

○ ████████████

○ ██████████████

○ ██████

○ █████████████████

○ ██████

○ ███████████████

○ ████████

○ ████████████

○ ███████

○ █████████████

○ █████████████

○ ████████████████

○ Other

Other (please specify)

[   ]

3

8. Highest level of formal education completed

◯ No formal education

◯ Primary school

◯ Secondary school

◯ Diploma

◯ Bachelor's degree

◯ Honours degree

◯ MBA

◯ Master's degree

◯ Doctorate degree

◯ Other

Other (please specify)

[   ]

Maturity of Risk Culture Survey

3. Maturity of Risk Culture Survey

Please read each statement and decide how much you agree or disagree with that statement. Then tick the appropriate choice.

9. Risk management contributes to achieving the Department's strategic goals

Strongly disagree	Disagree	Agree	Strongly agree
◯	◯	◯	◯

10. Risk identification is important in the pursuit of the Department's goals (service delivery)

Strongly disagree	Disagree	Agree	Strongly agree
◯	◯	◯	◯

11. I consider risks when making business decisions

Strongly disagree	Disagree	Agree	Strongly agree
◯	◯	◯	◯

12. I am familiar with the risk management process as applied in the Department (i.e. identify, evaluate, manage and report risks)

Strongly disagree	Disagree	Agree	Strongly agree
◯	◯	◯	◯

4

13. I have received adequate risk management training

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

Maturity of Risk Culture Survey

4.

14. Adequate risk management training is provided by the Department

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

15. The risk management training I received allows me to perform my role in risk management

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

16. The risk management training I received allows me to perform my role in risk management better than before the training

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

17. Employees of the Department have a common perception on what the term 'risk' means

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

18. In my divisional/ sectional management meetings Risk Specialists are adequately encouraged to share information on new risk trends

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

Maturity of Risk Culture Survey

5.

19. Risk management forms an integral part of my normal work tasks

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

5

20. I evaluate risks when I make important business decision (e.g. develop operational plans, projects, budget allocation, etc.)

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

21. All lines of defence (line functions/business, risk, and audit) support effective risk management

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

22. The Department rewards staff for proactively communicating and escalating issues or risks

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

23. I feel comfortable to escalate risks/issues to management

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

Maturity of Risk Culture Survey

6.

24. Management follows up on escalated issues/risks

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

25. The Department encourages the reporting of unethical behaviour

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

26. Reported unethical behaviour is followed up on

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

27. Unethical behaviour is dealt with through appropriate disciplinary action

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

28. Risk events are adequately recorded in the Department

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

Maturity of Risk Culture Survey

7.

29. Risks are identified for divisional annual performance plans

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

30. The Department's risks are monitored and reported at EXCO/ MANCO meetings

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

31. In my division/ section we have modified the operation plan because of high risks identified

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

32. In my division/section resources (e.g. human, financial, time, etc.) are allocated based on identified risks

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

33. I participate in regular monitoring of the divisional/ sectional identified risks

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

Maturity of Risk Culture Survey

8.

34. Risks in the risk profile/registers are progressively managed by risk owners

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

35. The divisional/ sectional monthly reports reflect risks occurred and prevented

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

36. The identified key risks are disclosed in the annual report of the Department

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

37. The standard operating procedures (SOPs) are updated as a result of the risk management process

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

38. The Department has embedded risk appetite into all activities

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

Maturity of Risk Culture Survey

9.

39. Risk assessments are conducted in my section at least once in a financial year

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

40. Risk management activities are built into employees' performance agreements

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

41. During performance reviews I am evaluated on risk management activities

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

42. Management ensures that project risks are adequately managed

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

43. I participate in managing the divisional/ sectional identified risks

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

Maturity of Risk Culture Survey

10.

44. Risk management information (past or possible future risk events) is shared in the Department by management

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

45. Risk management is visibly supported in the Department

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

46. The Department has allocated adequate resources to manage identified risks

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

47. The Department has clearly defined the consequences when risk appetite and related limits are breached

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

48. All employees are held accountable for risks in their own areas of work

Strongly disagree	Disagree	Agree	Strongly agree
○	○	○	○

Maturity of Risk Culture Survey

11. Thank you!

Your participation in this survey is much appreciated.

Should you have any questions or comments regarding the study, please contact the study supervisor:
Dr Sonja Gilliland, Sonja.Gilliland@nwu.ac.za

OR

Bheki Gutshwa, bheki.gutshwa@▬▬▬▬

Maturity of Risk Culture Survey

12. Goodbye

So sorry that you must go. Maybe next time!

Should you have any questions or comments regarding the study, please contact the study supervisor:
Dr Sonja Gilliland, Sonja.Gilliland@nwu.ac.za

OR

Bheki Gutshwa, bheki.gutshwa@████████████

Maturity of Risk Culture Survey

13. End of survey

APPENDIX B: RISK CULTURE QUESTIONNAIRE RESULTS

No.	Statement	Strongly disagree	Disagree	Agree	Strongly agree
9	Risk management contributes to achieving the Department's strategic goals	4%	8%	49%	39%
10	Risk identification is important in the pursuit of the Department's goals (service delivery)	3%	4%	40%	54%
11	I consider risks when making business decisions	1%	2%	54%	43%
12	I am familiar with the risk management process as applied in the Department (i.e. identify, evaluate, manage and report risks)	4%	28%	48%	21%
13	I have received adequate risk management training	13%	56%	19%	12%
14	Adequate risk management training is provided by the Department	15%	65%	17%	3%
15	The risk management training I received allows me to perform my role in risk management	14%	60%	17%	9%
16	The risk management training I received allows me to perform my role in risk management better than before the training	12%	60%	20%	8%
17	Employees of the Department have a common perception on what the term 'risk' means	15%	56%	26%	3%
18	In my divisional/ sectional management meetings Risk Specialists are adequately encouraged to share information on new risk trends	17%	58%	21%	4%
19	Risk management forms an integral part of my normal work tasks	3%	21%	61%	15%
20	I evaluate risks when I make important business decision (e.g. develop operational plans, projects, budget allocation, etc.)	2%	9%	69%	20%
21	All lines of defence (line functions/business, risk, and audit) support effective risk management	5%	35%	48%	12%
22	The Department rewards staff for proactively communicating and escalating issues or risks	24%	60%	14%	2%
23	I feel comfortable to escalate risks/issues to management	6%	25%	51%	17%
24	Management follows up on escalated issues/risks	10%	44%	40%	5%
25	The Department encourages the reporting of unethical behaviour	5%	14%	67%	15%
26	Reported unethical behaviour is followed up on	6%	30%	59%	5%
27	Unethical behaviour is dealt with through appropriate disciplinary action	7%	26%	59%	8%
28	Risk events are adequately recorded in the Department	6%	41%	49%	4%

No.	Statement	Strongly disagree	Disagree	Agree	Strongly agree
29	Risks are identified for divisional annual performance plans	4%	30%	58%	8%
30	The Department's risks are monitored and reported at EXCO/ MANCO meetings	4%	33%	58%	4%
31	In my division/ section we have modified the operation plan because of high risks identified	13%	44%	38%	5%
32	In my division/section resources (e.g. human, financial, time, etc.) are allocated based on identified risks	14%	48%	35%	3%
33	I participate in regular monitoring of the divisional/ sectional identified risks	17%	43%	34%	6%
34	Risks in the risk profile/registers are progressively managed by risk owners	6%	45%	46%	3%
35	The divisional/ sectional monthly reports reflect risks occurred and prevented	10%	62%	27%	1%
36	The identified key risks are disclosed in the annual report of the Department	3%	29%	64%	4%
37	The standard operating procedures (SOPs) are updated as a result of the risk management process	10%	46%	42%	2%
38	The Department has embedded risk appetite into all activities	10%	56%	32%	2%
39	Risk assessments are conducted in my section at least once in a financial year	11%	27%	48%	14%
40	Risk management activities are built into employees' performance agreements	23%	49%	25%	3%
41	During performance reviews I am evaluated on risk management activities	25%	55%	19%	1%
42	Management ensures that project risks are adequately managed	17%	39%	42%	3%
43	I participate in managing the divisional/ sectional identified risks	14%	40%	37%	9%
44	Risk management information (past or possible future risk events) is shared in the Department by management	16%	39%	41%	4%
45	Risk management is visibly supported in the Department	11%	36%	45%	8%
46	The Department has allocated adequate resources to manage identified risks	10%	42%	42%	5%
47	The Department has clearly defined the consequences when risk appetite and related limits are breached	15%	44%	35%	5%
48	All employees are held accountable for risks in their own areas of work	12%	34%	50%	4%

APPENDIX C: REGULATORY RISK ADHERENCE CHECKLIST

Completed by: Chief Audit Executive

This adherence checklist was completed by the Chief Audit Executive to assess the level of risk compliance in the organisation with regard to implementation of relevant legislation and best practices. Its goal was to establish the extent to which the organisation had adhered to the requirements of public sector risk management. The five categories from A to E represent different applicable requirements or guidelines from key documents as indicated.

A. Public Finance Management Act					
The purpose of the Public Finance Management Act No.1 of 1999 is to regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments; and to provide for matters connected therewith.					
No.	Section	Description	Action	Yes/ No/ or N/A	Comments
1	44(1)(a)	Delegations of Authority	Have the powers entrusted or delegated to the accounting officer been delegated to other officials within the department in writing?	Yes	Powers are delegated to Deputy Directors General (DDGs) and Chief Directors (CDs). Delegations of authority are kept and monitored by Finance Section.
2	38(1)(a)(i)		Does the department have an effective, efficient and transparent system of financial and risk management and internal control?	Yes	These systems are annually subjected to external audit review.
3	38(1)(a)(ii)	Internal Control	Is the system of internal audit, under the control and direction of an audit committee, complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77?	Yes	Internal Audit Unit reports to the audit committee.
4	77(a)		Does the audit committee consist of at least 3 persons?	Yes	There are six (6) committee members.
5	77(b)		Does the audit committee meet at least twice a year?	Yes	Meets six (6) times a year.

B. Treasury Regulations

Treasury Regulations (TR) were issued under the Public Finance Management Act (No. 1 of 1999)

6	TR 3.1.10(c)	Internal Control	Does the audit committee review the risk areas of the department's operations to be covered in the scope of internal audits?	Yes	Audit Committee approves the risk-based audit plan.
7	TR 3.2.1		Does the accounting officer ensure a risk assessment is conducted regularly to identify emerging risks of the department?	Yes	Risk assessments are done at least once a year.
8	TR 3.2.1		Is the risk management strategy used to direct internal audit efforts and priority?	Yes	Internal Audit uses risk profile to develop its plan.
9	TR 3.2.1		Is the risk management strategy clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the department?	Yes	Risk management is communicated through awareness programmes, induction and when doing risk assessments.

C. Public Sector Risk Management Framework

The Public Sector Risk Management Framework (PSRMF) was developed in response to the requirements of the PFMA for government institutions to implement and maintain effective, efficient and transparent systems of risk management.

1	Chapter 3 7(1)	Creating an enabling environment	Does the department operate within the terms of a risk management policy approved by the Accounting Officer / Authority?	Yes	Risk framework (including policy) and strategy are approved by the AO.
2	Chapter 3 7(3)		Has the risk management policy been communicated to all incumbents' officials and new recruits?	Yes	It is done through posters, brouchers, etc. New recruits are given induction and handed pamphlets.
3	Chapter 3 10(1)		Has the accounting officer allocated adequate human resources capacity to implement risk management strategy?	Yes	The structure is fully capacitated.

4	Chapter 9 20(2)	Monitoring	Has monitoring been effected through ongoing activities or separated evaluations to ascertain whether risk management is effectively practised at all levels and across the department in accordance with the risk management policy, strategy and plan?	Yes	- Risk Management Unit does regular risk monitoring through reviewing risk registers. - Internal Audit Unit conducts its reviews. - Divisions present risk reports at RMC meetings.
5	Chapter 11 22(2)(c)		Does the accounting officer hold management accountable for designing, implementing, monitoring and integrating risk management into their day-to- day activities?	No	More efforts could be made for DDGs to report at EXCO on divisional risk management issues.
6	Chapter 11 22(2)(d)	Risk management functions of accounting officers / authorities	Does the accounting officer hold internal structures (management and oversight committees) accountable for performance in terms of their responsibilities for risk management?	No	Some committees report i.e. OHS Committee tables its reports at RMC. Other reporting is done on a need basis. The work of various internal committees does not get reported to EXCO therefore there is isolation functioning.
7	Chapter 22 33(3)		Does the department periodically evaluate the value add of risk management by measuring outcomes against present key performance indicators aligned to the overall goals and objectives of the department?	Yes	Internal Audit Unit reviews the risk management processes.

| 8 | Chapter 22 34(4) | | Does the accounting officer evaluate the performance of the Risk Management Committee through the following and other relevant indicators:
a) the risk management maturity trend as measured in terms of an appropriate index such as the Financial Capability Maturity Model;
b) the Institution's performance against key indicators, including comparison of year-on-year performance. | Yes | RMC chairperson has regular meetings with the AO. The chairpersons of RMC and AC sit on both committees.

Minutes of RMC are shared with AC.

RMC self-evaluation is done yearly. |

D. The Governance of Risk

The department supports the principles and practices set out in the King Report on Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III) and has taken steps to ensure that it applies the recommendations and requirements of King III. This checklist focuses on chapter 4, which deals with governance of risk.

For the purposes of this checklist the 'accounting officer' will refer to 'board', since in government institutions s/he is entrusted with the powers to make executive decisions.

No.		King III Ref.	King III Principle	Applied/ Partially Applied/ Not Applied	Comments
1		Principle 4.1	The Accounting Officer (AO) is responsible for the governance of risk.	Applied	Through section 38 of PFMA.
2		Principle 4.2	The AO has determined the levels of risk tolerance.	Not Applied	Currently working on a process to develop risk appetite.
3		Principle 4.3	The risk committee and/or audit committee has assisted the AO in carrying out its risk responsibilities.	Applied	AO appointed AC and RMC. Both committees are functional.

4		Principle 4.4	The AO has delegated to management the responsibility to design, implement and monitor the risk management plan.	Applied	Risk Management Unit facilitates the implementation and monitoring of the process.
5		Principle 4.5	The AO has ensured that risk assessments are performed on a continual basis.	Applied	Risk assessments are done at least once a year.
6		Principle 4.6	The AO has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	Partially Applied	It is done at the strategic level (i.e. Fiscal Committee) but not at operational level.
7		Principle 4.7	The AO has ensured that management has considered and has implemented appropriate risk responses.	Partially Applied	Risk responses are developed but are not costed (costs vs benefits). Some responses (action plans) are static.
8		Principle 4.8	The AO has ensured continual risk monitoring by management.	Applied	Management regularly reports on risk issues to the RMC.
9		Principle 4.9	The AO has received assurance regarding the effectiveness of the risk management process.	Applied	Internal and external audits are conducted and reports are issued.
10		Principle 4.10	The AO has ensured that there are processes in place which enable complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Partially Applied	Annual reports do not give enough risk information.

E. Framework for Strategic Plans and Annual Performance Plans

The Framework for Strategic Plans and Annual Performance Plans set out a framework to align strategic and annual performance planning with emphasis on the outcomes oriented monitoring and evaluation approach.

No.	Section	Description	Action	Yes/ No/ or N/A	Comments
1	Part B 7.3	Risk Management	Has the department listed and discussed at least five key risks that may affect realisation of the strategic objectives stated for each programme. Also, for each item, has it included a paragraph describing the risk and a paragraph indicating how the department intends to mitigate its effects?	Yes	Risks have been identified per programme. These are contained in the annual performance plan.

APPENDIX D: JOURNAL GUIDELINES TO AUTHORS

The Clute Institute

Manuscript Guidelines

Please submit your paper in Microsoft Word or a compatible format. Text should be formatted for letter size paper (8.5 x 11 inches) single-spaced at 10 points, Times New Roman, with one inch margins, left justified, and single-column. We follow American Psychological Association (APA) guidelines.

Structure of the Paper

Title page (containing the title of the paper, author contact information, and a short auto-biography for each author)
Title
Abstract
Keywords
Introduction
Body of paper
Tables, figures, etc. placed where they belong
Conclusion
Acknowledgments (if applicable)
References (American Psychological Association style)
Appendices (if applicable)

Title Page

The title page should contain the paper title and each author name, affiliation, mailing address, and email address with the contact author indicated. The title page should also contain a short auto-biography of no more than 100 words for each author.

Title

The title should be concise, descriptive, and contain the keywords or key phrases. Search engines assume that the title contains all of the important words that describe the topic of the paper.

Acronyms

The use of acronyms should be avoided in the title and keywords unless widely recognized and understood.

Abstract

Abstracts should not exceed 250 words. The abstract should contain all the keywords and key phrases at least once and more than once if necessary. Search engines rank articles higher if the keyword or key phrase being searched appears more often in the abstract. However, pointless repetition may result in the page being rejected by a search engine. Since most researchers read an abstract before reading the paper, abstracts must be written very well.

Keywords

Select 3 or 4 keywords or key phrases that you would give a search engine if you were searching for your article. Avoid the use of general and plural terms, abbreviations, and non-descript words such as *and, of, or, the*, and so on.

When selecting keywords, please keep in mind how search engines operate. A search on the key phrase "*women's health*" does not yield the same result as separate searches on the words "*women's*" and "*health*". The ordering of keywords within a key phase is also important if quotation marks are used because you are searching for words in a particular order. For example, a search for "*women's health*" is not the same as "*health women's*".

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Four levels of headings are allowed. The first level should be **BOLD ALL CAPS**, second level **Bold**, third level *Italics*, and fourth Underlined.

Tables & Figures

Use the Microsoft Word table function to create tables, not spreadsheets. Tables and figures should be located in the text and numbered sequentially using Arabic numerals, i.e., Table 1 and Figure 1. We print our journals in black and white; please take this into consideration when using color.

Abbreviations

Abbreviations should be defined at first mention and used consistently thereafter.

Footnotes

Bottom of the page footnotes are preferred to end of the article endnotes.

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References should be arranged alphabetically and follow American Psychological Association (APA) style. References should not be inserted as footnotes. References in the text should include name and year. For example: "According to Bangs (2012)..."

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> Bangs, J. (2012). Transforming a business statistics course with just-in-time teaching. *American Journal of Business Education, 5*(1), 87-94.

Online journal article citation:

> Salazar, R. J., & Wang, J. (2013). The evolution of strategies: multinational subsidiaries operating in China. *Journal of Applied Business Research, 29*(5), 1261-1280. Retrieved from http://journals.cluteonline.com/index.php/JABR/article/view/8012/8066

Book citation:

> Calfee, R. C., & Valencia, R. R. (1991). *APA guide to preparing manuscripts for journal publication.* Washington, DC: American Psychological Association.

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