

# STATE OF RISK MANAGEMENT IN SOUTH AFRICA

## RISK MANAGEMENT SURVEY

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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# BACKGROUND OF THE SURVEY

- In 1999, the South African Government introduced the Public Finance Management Act (PFMA) to promote accountability and good governance in the public service.
- As PFMA, in 2010, the National Treasury introduced the Public Sector Risk Management Framework (PSRMF) to make risk management an integral part of financial management.
- Both the PFMA and the PSRMF requires accounting officers to ensure that their institutions have an effective, efficient and transparent system of internal control through the risk management process. At this point we thought it was important to:
  - understand the state of risk management in the country
  - gauge maturity of risk management function
  - as well as perceived effectiveness of risk management

# METHOD USED

- Questionnaire – completed by the Heads of Risk Management functions
- Descriptive method to interpretation the results
- Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way

# FINDINGS – EMPLOYEES IN RM FUNCTION

<b>CURRENT: Type of Institution</b>	<b>Mean</b>	<b>Median</b>	<b>Minimum</b>	<b>Maximum</b>
<b>National Government Departments</b>	2.27	2.00	1	5
<b>Public Entities</b>	2.94	2.00	1	15
<b>Provincial Departments</b>	3.12	2.00	1	20
<b>Municipalities</b>	1.67	1.00	1	5
<b>Total</b>	<b>2.69</b>	<b>2.00</b>	<b>1</b>	<b>20</b>

<b>IDEAL: Type of Institution</b>	<b>Mean</b>	<b>Median</b>	<b>Minimum</b>	<b>Maximum</b>
<b>National government departments</b>	8.00	5.50	2.00	24.00
<b>Public entities</b>	5.40	4.00	1.00	16.00
<b>Provincial departments</b>	6.22	5.00	2.00	25.00
<b>Municipalities</b>	3.17	2.00	1.00	9.00
<b>Total</b>	<b>5.67</b>	<b>4.00</b>	<b>1.00</b>	<b>25.00</b>

# FINDINGS – ACADEMIC QUALIFICATIONS OF CROs

Qualification type	National government departments	Public entities	Provincial departments	Municipalities	Total
No qualification	1	0	0	0	1
Grade 12/ Matric	1	1	2	4	8
Diploma	0	1	1	2	4
National diploma	1	3	6	5	15
Bachelor's degree / B Tech	6	12	21	8	47
Honours degree	4	19	14	2	39
Master's degree/ MBA	4	16	3	0	23
Doctoral degree/ PhD	0	0	1	0	1

# FINDINGS – PROFESSIONAL MEMBERSHIPS OF CROs

Institute	National government departments	Public entities	Provincial departments	Municipalities	Total
No membership	3	1	5	5	14
Institute of Internal Auditors	3	14	11	3	31
Association of Certified Fraud Examiners	1	7	8	5	21
Institute of Business Continuity Management	0	5	1	0	6
Institute of Risk Management South Africa	5	28	14	5	52
South African Institute of Government Auditors	0	1	0	0	1
South African Institute of Professional Accountants	1	3	0	0	4
South African Institute of Chartered Accountants	1	11	1	0	13

# FINDINGS – FUNCTIONAL LINE OF REPORTING

Line of reporting	National government departments	Public entities	Provincial departments	Municipalities	Total
Audit Committee	5	22	5	4	36
Risk Management Committee	5	19	19	12	55
Director General/City Manager/ Municipal Manager	3	3	7	5	18
Deputy Director General/ Deputy Municipal Managers/ Executive Director	0	4	4	3	11
Chief Director/.Divisional Heads/ General Manager	4	3	1	0	8
Director/ Senior Manager	0	1	0	0	1

# FINDINGS – STRATEGIC RISK ASSESSMENT

Has the organisation conducted a strategic risk assessment for the year?	Option	National government departments	Public entities	Provincial departments	Municipalities	Total
	Yes		11	40	30	14
No		1	2	0	1	4



# FINDINGS – MOVEMENT OF RISKS

Comparison of risks between the current cycle and the previous one, has the organisational risks moved?	Option	National government departments	Public entities	Provincial departments	Municipalities	Total
	Increased		6	15	10	5
Decreased		2	14	13	7	36
Remained the same		4	13	7	3	27

# FINDINGS – STRATEGIC PLANNING

Timing of strategic planning	Timing	National government departments	Public entities	Provincial departments	Municipalities	Total
	First quarter	1	4	5	1	11
	Second quarter	1	3	1	7	12
	Third quarter	2	7	4	1	14
	Fourth quarter	5	5	6	2	18

# FINDINGS – DISCUSSIONS AND REVIEWS OF RISK REPORTS BY EXECUTIVE MANAGEMENT

Frequency of executive management reviews	Timing	National government departments	Public entities	Provincial departments	Municipalities	Total
	Once per year	1	4	0	0	5
	Two times a year	0	2	1	0	3
	More than three times a year	8	32	24	12	76

# FINDINGS – VIEWS ON THE ADEQUACY OF SUPPORT FROM TREASURY

<b>Public Entities</b>	<b>Frequency</b>
<b>Yes</b>	29
<b>No</b>	10
<b>Total</b>	39

<b>Municipalities</b>	<b>Frequency</b>
<b>Yes</b>	9
<b>No</b>	5
<b>Total</b>	14

# FINDINGS – EFFECTIVENESS/ INEFFECTIVENESS OF THE ACCOUNTING OFFICERS IN SUPPORTING THE ERM PROCESS

	National government departments	Public entities	Provincial departments	Municipalities	Total
Effective	8	30	25	12	75
Ineffective	4	10	5	3	22
Total	12	40	30	15	97

# FINDINGS – EFFECTIVENESS/ INEFFECTIVENESS OF LINE MANAGEMENT WITH REGARD TO FULL OWNERSHIP OF RISK

	National government departments	Public entities	Provincial departments	Municipalities	Total
Effective	4	21	21	9	55
Ineffective	8	19	9	6	42
Total	12	40	30	15	97

# FINDINGS – EFFECTIVENESS/ INEFFECTIVENESS OF ORGANISATION’S RISK CULTURE

	National government departments	Public entities	Provincial departments	Municipalities	Total
Effective	3	15	16	4	38
Ineffective	9	26	13	11	59
Total	12	41	29	15	97

# FINDINGS – EFFECTIVENESS/ INEFFECTIVENESS OF THE PROCESS OF LINKING PLANNING AND STRATEGY TO RISK MANAGEMENT

	National government departments	Public entities	Provincial departments	Municipalities	Total
Effective	6	30	25	9	70
Ineffective	6	10	5	6	27
Total	12	40	30	15	97



# FINDINGS – EFFECTIVENESS/ INEFFECTIVENESS OF THE DEFINED RISK APPETITE AND TOLERANCE LEVELS

	National government departments	Public entities	Provincial departments	Municipalities	Total
Effective	4	22	21	6	53
Ineffective	8	17	9	9	43
Total	12	39	30	15	96

# FINDINGS – EFFECTIVENESS/ INEFFECTIVENESS OF THE LINKING RISK MANAGEMENT AND PERFORMANCE MANAGEMENT FOR ALL EMPLOYEES

	National government departments	Public entities	Provincial departments	Municipalities	Total
Effective	2	19	13	4	38
Ineffective	10	21	15	11	57
Total	12	40	28	15	95

# CONCLUSION

- ❑ Need more human resources
- ❑ Largely have formal qualifications – not sure of risk specific
- ❑ Issues around functional reporting – should be RMC/ AC
- ❑ Maturity:
  - movements of risk shows progressive maturity
  - AO support shows good progress (75 vs 22)
  - management shows (55 vs 42)
  - risk culture (38 vs 59) – can be improved
  - risk Thresholds (53 vs 43) – progressive
  - performance management (38 vs 57)

# THANK YOU