



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**

**A STUDY ON RISK MANAGEMENT  
COMMITTEE CHAIRPERSONSHIP  
(PHASE 1)**

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## **1. INTRODUCTION**

### **1.1. Introduction**

The Public Sector Risk Management Framework that was published in 2010 (Framework) introduced best practice regarding the establishment and functioning of Risk Management Committees (RMC) in public sector institutions. The accompanying guideline to the Framework provides guidance on the composition, structure and functionality of Risk Management Committees to assist in the proper discharge of the committee's responsibilities.

The Office of the Accountant-General (OAG), a division of the National Treasury, is the mandated custodian of the Framework. The OAG's responsibilities include monitoring and evaluation of risk management across the public sector. In the execution of this responsibility the OAG has observed that the actual implementation and functioning of Risk Management Committees in some institutions are not yielding the desired outcomes. In some institutions Risk Management Committees were more effective as an oversight structure chaired by an independent chairperson, while in others they were more effective as a management structure chaired by an official in the employ of the particular institution. Even within the preferred structures, i.e. whether an oversight structure or management structure, some institutions still experienced fundamental problems. In oversight structures, for example, institutions face difficulty in attracting suitable independent chairpersons and the unavailability of chairpersons at critical times due to their many competing commitments. Regarding the management structure, the availability and dedication of senior management for committee duties are of concern.

Through the Public Sector Risk Management Forum, risk practitioners from various public sector institutions have requested the OAG to assess what Risk Management Committee structure works best, and update the guidelines where necessary. This study responds to that request as well as the previously mentioned observation of the OAG.

The complete study will be done in phases:

- i. The first phase, this phase, will gather, analyse and present data on the institutional officials' experiences regarding the chairpersonship of the Risk Management Committee.
- ii. The next phase(s) will be informed by the abovementioned part of the study.
- iii. A final consolidated report is expected in the third quarter of the 2022/23 financial year.

### **1.2. Research Problem**

Risk management committees were introduced as a mechanism to improve risk management, and by extension, the overall performance of public sector institutions. It has now been just over a decade since the introduction of this initiative. Notwithstanding that risk management committees is not a legislated requirement, but a best practice recommendation, the

enthusiasm and considerable efforts of public sector institutions to implement risk committees is laudable. The concern is that risk management committees seem not to produce the expected value to institutional performance. Various reasons are espoused for this, one of the main ones being the lack of certainty regarding the optimal risk committee structure and its organisational fit. There is a need for a deep analysis of risk committees, to determine understand the reasons underlying their good or poor contribution, as the case may be, to institutional performance.

### **1.3. Research Objective**

The research is the first phase of a much wider exercise. It aims to determine whether an independent chairperson of the Risk Management Committee, or a chairperson from within the institution's senior management ranks, best serves the Accounting Officer in discharging his or her risk management duties.

### **1.4. Limitation of Study**

The focus of the questions is specifically on the chairpersonship of the Risk Management Committee and not the wider concerns about the committee. The study focuses only national departments, of which only 50% have participated in the study. At this point the study concentrates on the collection and interpretation of data only from risk practitioners based on their perceptions. A deeper interrogation of the results against independent data, such as the performance of the institutions against pre-determined objectives, is not performed at this stage. Coming phase(s) of the research will address these limitations.

## **2. LITERATURE REVIEW**

### **2.1. Previous Research**

The Public Sector Risk Management Framework sets out guidance on risk management committees, covering its composition, structure and functionality. The Framework is a culmination of research of best practice locally and internationally. There are a number of supplementary guidelines, templates and implementation tools that serve to enhance the users' understanding and implementation of these aspects. The Framework, guidelines, templates and implementation tools were developed with reference to various local and international best practices.

## **3. RESEARCH METHODOLOGY**

### **3.1. Introduction**

The research investigates the most effective chairpersonship of a Risk Management Committee between an Independent Chairperson, the Accounting Officer or a member of the departmental executive. A questionnaire consisting of eighteen (18) questions (grouped into personal and professional question and technical questions) was sent to thirty eight (38)

National Departments (departments). These were sent via email using the OAG's client contact database. The clients were given a week to complete the questionnaire and a number of follow ups were made. About 90% of the Departments were successfully reached via email. The departments that were not reached were mostly due to outdated contact details as a result of recent resignations within the departments and email address changes caused by the merger of certain departments.

### **3.2. Theoretical Framework**

As per best practice, and advocated in the Public Sector Risk Management Framework, the most effective Risk Management Committee is an oversight structure chaired by an independent chairperson with the relevant experience and competencies, that can effectively assist the Accounting Officer in discharging his/her risk management duties.

### **3.3. Research Design**

The research design was filtered into the survey questions. A five-point Likert scale was employed as it is simple to understand, interpret and analyse. It is believed to have positive participation rate as it assists the participants to choose their responses without being overwhelmed, and faster to complete. The scales used are as follows:

1. Strongly Agree
2. Agree
3. Neither Agree nor Disagree
4. Disagree
5. Strongly Disagree

### **3.4. Data Collection Method**

The research method applied in the research study is a qualitative research method. The data was collected by sending interview questionnaires to risk management practitioners within the National Departments sphere via email. (See Annexure A – Interview Questionnaire).

### **3.5. Sampling Method**

The questionnaire was sent to 100% of national departments on the OAG contact database, which constitutes of 38 National Departments. The responses received were from 17 department (24 respondents), and all responses received were considered for data analysis.

## **4. DATA PRESENTATION AND ANALYSIS**

### **4.1. Data Presentation**

Data was analysed and interpreted using both quantitative and qualitative analysis techniques. Frequency distribution tables and graphs were used for easy interpretations.

The questions were divided into two segments; the first segment seeking classifications on the participants' gender, designations, work experience and current Risk Management Committee Chairperson status. A table (Table 1) is used for easy interpretation of the results.

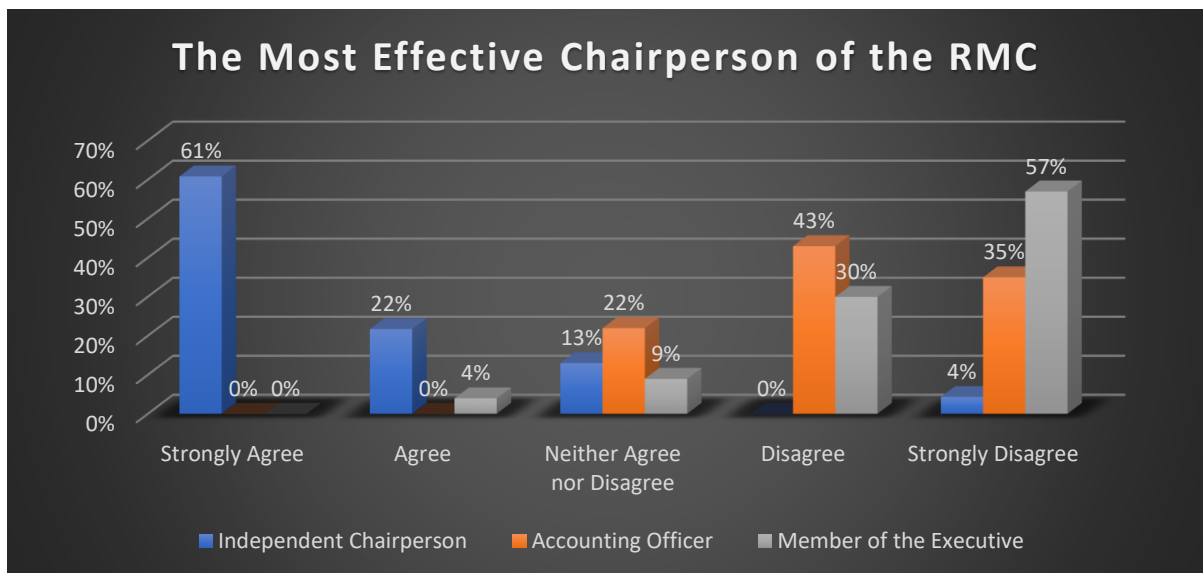
*Table 1 - Classification*

No.	CLASSIFICATION	RESPONSE					
1.	GENDER	Female		Male		Other	
		61%		30%		9%	
2.	DESIGNATION	Deputy Director-General	Chief Director	Director	Deputy Director	Assistant Director	Other
		0	17%	50%	25%	4%	4%
3.	GENERAL WORK EXPERIENCE	Less than 6 months	6 – 23 months	2 – 5 years	6 – 10 years	11 – 15 years	More than 15 years
		0	0	0	0	22%	78%
4.	RISK MANAGEMENT WORK EXPERIENCE	Less than 6 months	6 – 23 months	2 – 5 years	6 – 10 years	11 – 15 years	More than 15 years
		0	4%	4%	9%	61%	22%
5.	CURRENT RMC CHAIR	An independent chairperson		The Accounting Officer		A member of the department's executive	
		74%		0%		26%	

The majority of participants were female (61%), 30% of respondents were male and 9% had not stated their gender on the questionnaire responses. 67% of participants were senior management, 25% middle management and 8% constituted lower management and other. 100% of participants had more than 10 years of work experience, of which 73% had more than 10 years of risk management experience. All departments that responded had Risk Management Committees in place, of which 74% had independent chairpersons compared to 26% that had a chairperson from the department's executive rank. None of the participants had Accounting Officers chairing the Risk Management Committees.

The second segment seeks to test the most effective methods for the functioning of the Risk Management Committee, in particular, its chairpersonship. This is done by allowing participants to answer thirteen (13) questions on their views on the functioning of the Risk Management Committee. Graphs used were used for easy interpretation.

Graph 1 – The Most Effective Chairperson of the Risk Management Committee



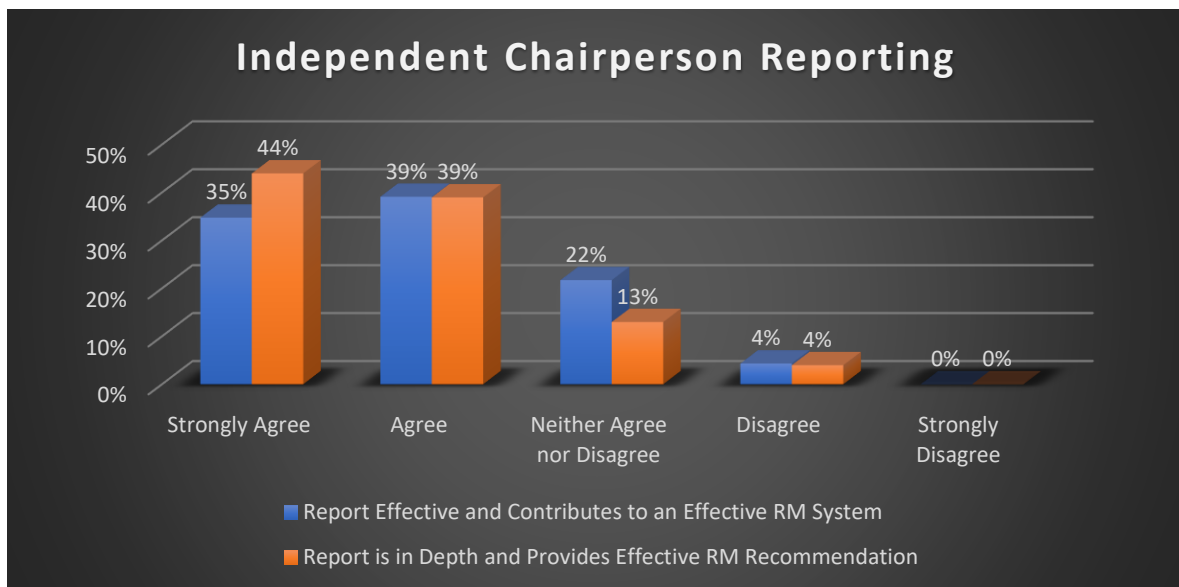
Graph 1 gives us an indication of the participants' view regarding the most effective chairperson of a Risk Management Committee. The participants favoured an independent member, over the Accounting Officer or a member of the Executive.

Graph 2 – The Most Effective Method of Risk Communication to the Accounting Officer



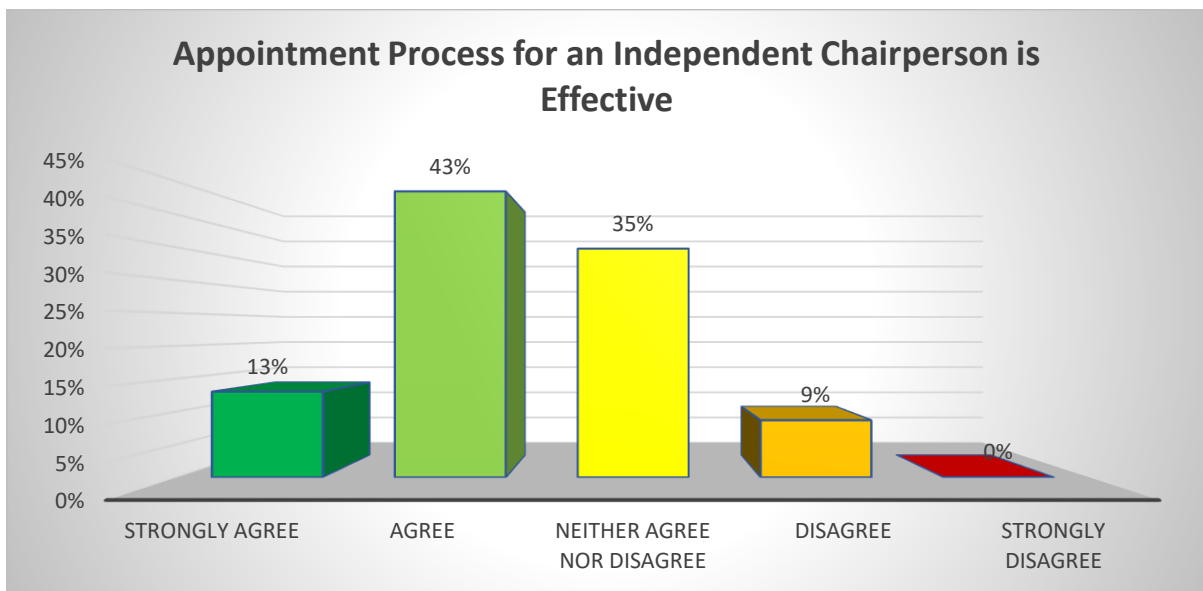
Graph 2 displays a view of the method of risk management communication to the Accounting Officer. The participants felt that the most effective method to communicate with the Accounting Officer is a written report and recommendation from an Independent Chairperson, rather than the Accounting Officer chairing the Risk Management Committee meetings herself/himself. The graph also shows that 39% of the participants strongly agree on the method of a written report by an Independent Chairperson, while 39% strongly disagree on the Accounting Officer chairing the Risk Management Committee meetings.

Graph 3 – Independent Chairperson Reporting



Respondents hold the view that reports from an independent chairperson have proven to be effective and has improved the risk management system within the department. The report from an independent chairperson normally provides in depth and effective recommendations to the Accounting Officer on the improvement of the risk management system.

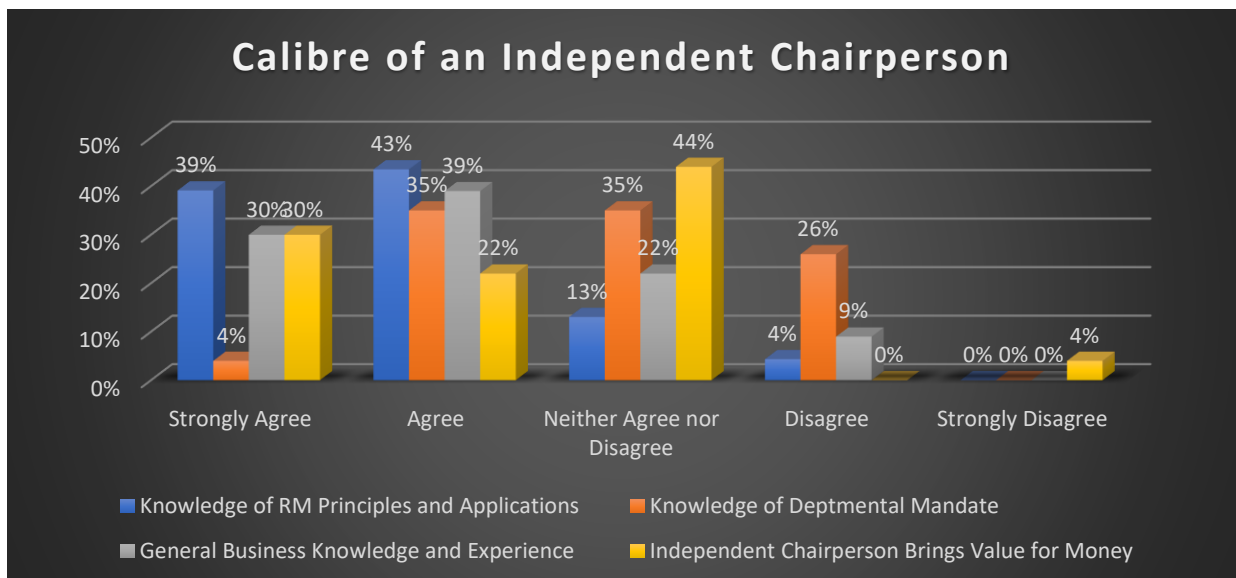
Graph 4 – Appointment Process for an Independent Chairperson is Effective



The survey portrays that the 56% of the participants agree that the processes for appointing an independent chairperson are effective, while 35% are unsure and 9% believe that there is room for improvement. This graph should reflect on or be validated by the next graph (Graph 5) which goes into detail on the performance of the appointed independent chairperson.



Graph 5 – Calibre of an Independent Chairperson

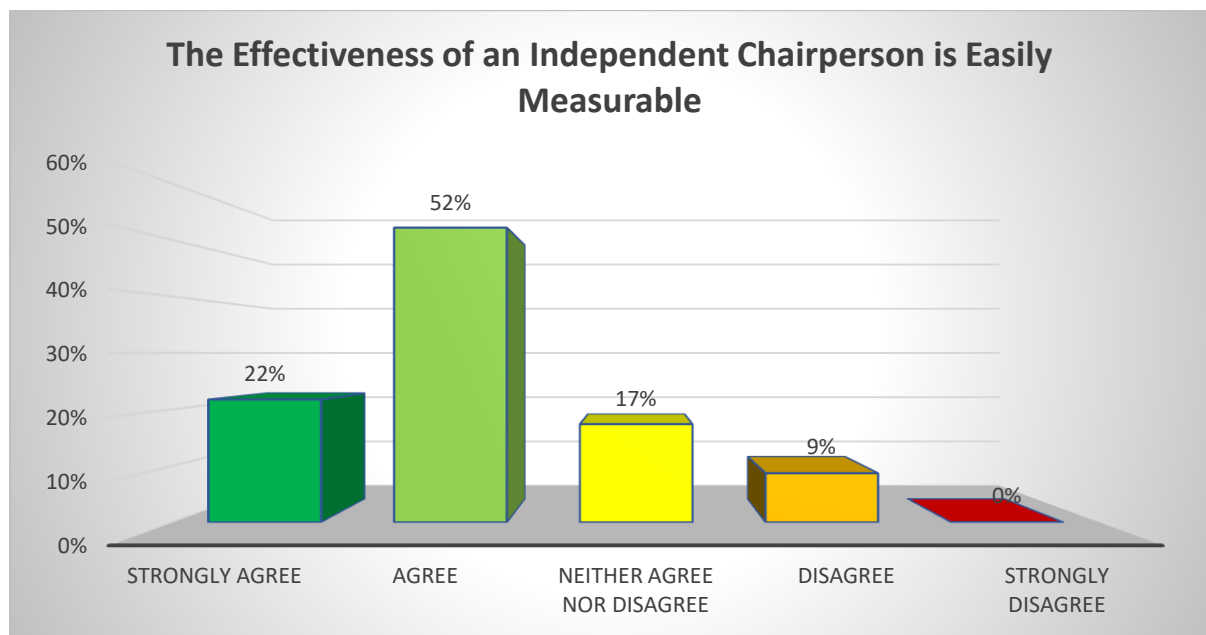


Graph 5 portrays the calibre of independent chairpersons within the public sector. It measures:

- The knowledge of risk management principles and applications
- The knowledge and/or understanding by the chairperson of the departmental mandate
- General business knowledge and experience the independent chairperson possesses
- Whether the independent chairperson brings value for money to the department

The results of the survey portray the calibre of independent chairperson beneficial to the departments that participated on the survey.

Graph 6 – Measuring the Effectiveness of an Independent Chairperson

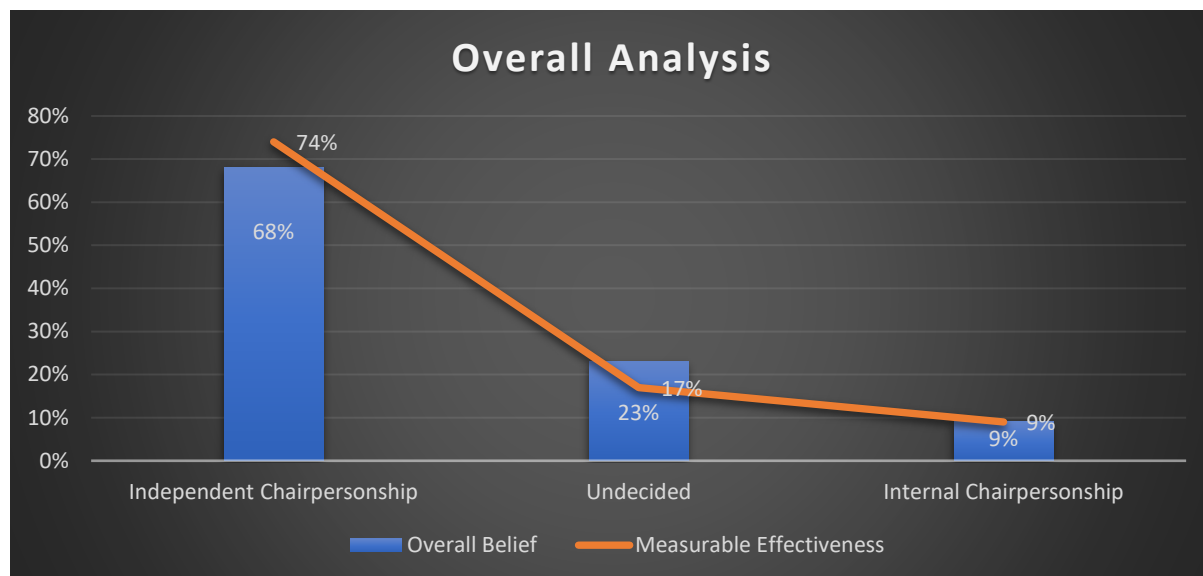


The graph portrays that the majority (77%) of participants believe that they can measure the effectiveness of an independent chairperson, 17% neither agree nor disagree and while 9% find it difficult to measure the effectiveness of an independent chairperson.

#### 4.2. Analysis

The majority of respondents believed that an independent chairperson is more effective than an internal chairperson. These results were also measured against participant's claimed ability to measure the effectiveness of an independent chairperson. This is displayed in graph 7 below.

Graph 7 – Overall Analysis Against the Ability to Measure Independent Chairperson Effectiveness



The study also shows that 67% of participants in the survey are senior management, with 25% completed by middle management, 4% by lower management and the remaining 4% by other. 100% of participants have more than 10 years of general work experience, of which 73% indicate risk management experience of more than 10 years. Furthermore, the study portrays that 100% of the participants' departments have Risk Management Committees in place, and currently, 74% of these Risk Management Committees are chaired by an independent chairperson, while 26% are chaired by a member of executive management. None of the Risk Management Committees are chaired by the Accounting Officer. The general consensus of not having the Accounting Officer as the chair of the Risk Management Committee could be an indicator that needs further exploring.

The overall sense of the survey was that having an independent body chairing the Risk Management Committee proved more significant. This is consistent with the Public Sector Risk Management Framework guidance.

The significance power of the analysis might be questionable given the relatively small sample compared to the number of public sector institutions that have risk management committees. Moreover, a significant number of participants were indifferent between having an accounting officer or an independent person as the chair of the Risk Management Committee.

## **5. CONCLUSION**

The analysis of the study confirms the need for further research and expansion into this topic. Further research will assist in the review of the Public Sector Risk Management Framework and guidelines. It is recommended that the following additional research phases should follow:

1. The research should be expanded to the National Departments that have not participated in the study.
2. The study should be extended to provincial departments.
3. Participants' perception-influenced responses must be compared to independent and objective information to obtain a better understanding of the status quo, e.g. Annual Reports, Auditor-General Reports.

## **6. PARTICIPATION**

The OAG is grateful to the following national departments for participating in the study:

1. Agriculture, Land Reform and Rural Development
2. Higher Education and Training
3. Home Affairs
4. International Relations
5. Justice and Constitutional Development
6. Mineral Resources and Energy
7. National Treasury
8. Public Service and Administration
9. South African Police Services
10. Science and Technology
11. Sports, Arts and Culture
12. Statistics South Africa
13. Telecommunications and Postal Services
14. The Presidency
15. Trade, Industry and Competition
16. Water and Sanitation
17. Women, Youth and Persons with Disabilities