



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

**EVALUATING THE PERCEPTION ON THE RISK CULTURE
WITHIN
LOCAL GOVERNMENT**

| CONTENTS | PAGE |
|---|-------------|
| 1. Executive summary..... | 3 |
| 2. Introduction and background..... | 4 |
| 3. Scope of the study..... | 5 |
| 4. Problem statement..... | 5 |
| 5. Objectives of the study..... | 5 |
| 6. Limitations of the study..... | 5 |
| 7. Literature review..... | 5 |
| 7.1 Risk culture and perception..... | 5 |
| 8. Research methodology..... | 8 |
| 9. Presentation of research results..... | 9 |
| 8.1 Results presentation by position..... | 9 |
| 8.2 Results presentation by categories of municipalities..... | 14 |
| 10. Discussion of research findings..... | 18 |
| 11. Recommendations and conclusion..... | 20 |
| List of references..... | 22 |

Figures

| | |
|---|----|
| Figure 1: Tone at the top results by position..... | 9 |
| Figure 2: Accountability results by position..... | 10 |
| Figure 3: Competence results by position..... | 11 |
| Figure 4: Governance results by position..... | 12 |
| Figure 5: The effectiveness of the risk management function by position..... | 13 |
| Figure 6: Tone at the top results by municipal category..... | 14 |
| Figure 7: Accountability results by municipal category..... | 15 |
| Figure 8: Competence results by municipal category..... | 16 |
| Figure 9: Governance results by municipal category..... | 17 |
| Figure 10: The risk management effectiveness based on municipal category..... | 18 |

Tables

| | |
|---|----|
| Table A: Annexure A (Analysis based on employee position)..... | 23 |
| Table B: Annexure B (Analysis based on category of municipalities)..... | 30 |

1. Executive summary

The objective of the research study was to evaluate the perception on the risk culture within local government. The survey questionnaire was developed informed by the reviewed literature from scholarly articles and relevant reports within the public sector. The survey questionnaire was posted on the National Treasury's platform for surveys and the prospective respondents were sent the survey link. Forty-six responses were received, comprising of thirteen Chief Directors, six Directors, seven Deputy Directors and twenty "others". Seven respondents were from the District municipalities, thirty-two from local and seven from metropolitan.

Responses were analysed based on the position (chief risk officer, director, deputy director and others) of the respondents and municipal category (local, district and metropolitan). The outcomes of the analysis by position indicate that overall, the respondents seem to be of a view that their organizations have a risk sensitive culture. This is based on the positive responses on each sub-risk culture indicator being more than the negative responses for each sub-risk culture indicator, thereby resulting in the overall positive outcome for a particular risk culture indicator.

The overall outcome of the analysis of the results based on the categories of municipalities reflect that employees from metros seem to be of a view that the culture in metros is risk sensitive whereas the local and district municipalities seem to have a view that is contrary to that of metros, being that in these municipalities (district and local) the culture is risk insensitive.

Purposive and snowball sampling, relying on certain individuals to send the survey link to other prospective participants may introduce a sample bias especially if the survey link was not snowballed to other participants.

This study is at a preliminary stage. The research will be expanded to all municipalities based on the learnings from this study. The future study will seek to establish the relationship between the risk culture and the predetermined objectives

2. Introduction and background

Local government is the face of government as it is the sphere of government that communities first come in contact with. It (local government) plays an important role in delivering basic services to the communities. The important role that the local government plays necessitate that its affairs are in order. However, this is not the case as evidenced by,

among others, misuse of public funds and consequently failure to meet service delivery objectives (Auditor General South Africa [AGSA], 2017/18). Year in and year out, the AGSA raises fundamental issues in respect of leadership, financial and performance management and governance and makes recommendations on how these could be addressed. Most of the municipalities do not implement AGSA's recommendations and as such the situation remains unchanged (AGSA, 2017/18, 2018/19, 2019/20).

Mulyono and Wahyun (2020) and IRM (2012) indicate that the leadership has the responsibility to set a risk culture tone. The leadership of most municipalities seem to have failed to set a risk sensitive tone. This is evidenced by AGSA's recurring findings in respect of, among others, slow or no response to improving internal controls, lack of consequences for accountability failures and failure to implement consequences for poor performance. Furthermore, in most municipalities; the political and administrative leadership lacked the will to take steps to improve municipal performance. The absence of a strong leadership derail, among others, risk culture development (Wood and Lewis, 2018).

Risk management enhances the risk culture (Wood and Lewis, 2018). Every activity that an organization embarks on gives rise to a risk and thus management of risks should be the responsibility of all employees. Effective risk management is a function of, among others, the common understanding of risk. At times, this becomes a challenge since employees have their own perception of risk influenced by their personal nature and backgrounds. Grima, Hamarat, Ozen, Girlando and Dalii-Gonzi (2021) are of a view that one's social and individual characteristics influence the way one thinks and react towards risks and consequently shapes one's risk perception and risk culture. This individualistic risk perception and consequently risk culture perception necessitate an objective evaluation of the employees' perceptions so as to establish the convergence of the employees' perception of risk and consequently the convergence of the employees' risk culture perception.

Furthermore, in an organization setting; mutualism is preferred over individualism since employees work as a unit towards the achievement of common organizational objectives. This is all the more reason to establish the convergence of risk perception and consequently risk culture perception. AGSA allude to poor risk assessments and governance at most municipalities. This contributed to, among others, risk culture failings.

3. Scope of the study

The study focuses on the three categories of municipalities (local, metro and district) in South Africa and seeks to evaluate the perception on the risk culture within the local government.

4. Problem statement

The recurring findings raised by AGSA for the three years (2017/18, 2018/19, 2019/20) under review point to, among others, the risk culture failings. Such findings are, among others, lack/inadequate accountability, lack or slow response by top management and lack of consequences for poorly performing employees. Risk culture influences decisions and drives risk management and as such is important for the implementation of successful risk management. It is imperative for employees to align with the organizational risk culture and be aware of their contribution to developing the risk culture. Grima, Hamarat, Ozen, Girlando and Dalii-Gonzi (2021) delineate risk culture as a perception informed by individual employees' social experiences, backgrounds and personal nature. This individualistic view of a risk culture necessitates the evaluation of the convergence of the employees' perception of risk and consequently of risk culture. It is against this backdrop that this study is conducted.

5. Objective of the study

To evaluate the perception on risk culture within the local government.

6. Limitations of the study

The methodology around respondent targeting and selection may not be the most appropriate for this study. Time constraint may have limited the number of responses received hence the low response rate. These limitations will be addressed in the coming phases of the study limitations.

7. Literature review

7.1 Risk Culture and perception

According to the Oxford dictionary, perception has to do with the way in which something is understood or interpreted, a picture formed about something. Grima, Hamarat, Ozen, Girlando and Dalii-Gonzi (2021) in their study defined risk perception as "a phenomenon in search of an explanation". They further allude to the fact that risk perception is a subjective judgement people form about risk. Other views are that a risk perception is a mental construction of a risk. Botterill and Mazur (2004) are of a view that risk perception is socially constructed i.e. personal experiences, memory and other factors influences risk perception. The former

authors further allude to the fact that people may have a level of risk with which they feel comfortable; which may not necessarily be a true reflection of the actual risk level. This could influence their perception of risk.

Using the fore discussion informed by scholarly view point, for the purpose and the context of this study, a risk culture perception is defined as the employees' construction of their attitude/behaviour/values/norms towards risk as informed by their experiences of the functioning of their organizations. Based on Botterill and Mazur's (2004) notion that people may have a level of risk with which they feel comfortable, it follows that employees may construct a favourable risk culture perception (depicting that the organization has a risk sensitive culture) or unfavourable risk culture perception (depicting that an organization has a risk insensitive culture) informed by the level of risk they feel comfortable with.

There is not a specific, single definition of risk culture and as such risk culture is considered by many as a perception. In defining risk culture, various authors elevate common themes such as beliefs, values, behaviour and attitude (Wood and Lewis, 2018; Kpodo and Agyekum, 2015; Marsh and McLennan Companies [MMC], 2015). Thus, broadly defined; risk culture has to do with the organization's beliefs, values and behaviours of employees which translate into the collective ability and attitude of employees to manage risks and is a perception. Since risk culture is defined and perceived differently by various authors, the same is true with risk culture indicators.

According to Mulyono and Wahyun (2020) the indicators of risk culture are the tone at the top, governance, competency and decision making. Deloitte (2016) allude that indicators of risk culture are defining risk, risk appetite, risk governance, risk management process and risk management competence. Risk awareness, leadership, risk integration and risk behaviour are considered by Gutshwa (2016) as risk culture indicators. Tone at the top, governance, competency and decision making are considered as risk culture indicators by Gorzen-Mitka (2018). Wood and Lewis, (2018) found that accountability, awareness, communication and leadership are strong indicators of risk culture. Kpodo and Agyekum (2015) highlight tone at the top, accountability, effective challenge and compensation as indicators of risk culture. Banks (2010) cite ten indicators of risk culture as leadership tone, governance process, transparency on risk strategy and appetite, resources devoted to risk management, technical risk skills, decision making processes, business and risk management relationship, communications frequency and clarity, incentive mechanism for risk-taking and risk-related surprises.

For the purpose of this study; the tone at the top, governance, accountability, competency and risk management will be focused on as the risk culture indicators since municipalities

seem to have challenges in these areas as alluded by the Auditor-General South Africa (AGSA, 2017/18, 2018/19, 2019/20). For the three years under study, AGSA identified leadership, financial management and performance, staff competency and governance as areas of concern. These areas link with the risk culture indicators and as such it seems municipalities have a challenge with the risk culture.

The tone at the top mirrors the leadership since it is the leadership that sets the tone at the top. Leaders are drivers of the risk culture. This is attested to by the finding of the study conducted by Kpodo and Agyekum (2015), who found that leadership dimension came out as the highest determinant of the risk culture. The leadership has the responsibility to communicate risk culture to lower level employees, who in turn influence the risk culture and act as its (risk culture) indicator (Mulyono and Wahyun, 2020; Wood and Lewis, 2018). The responsibility of the leadership in respect to the risk culture, requires it (leadership) to have the will to set and develop the risk culture (IRM, 2012). AGSA (2017/18, 2018/19, 2019/20) found that in most municipalities, the leadership sets a poor tone. Consequently, the issues identified by (Mulyono and Wahyun, 2020) could be present, among others, no clarity of direction, employees not working in unison, no support from leadership and no built spirit. This points to, among others, the failure of leadership to create a risk-aware culture.

According to AGSA (2017/18, 2018/19, 2019/20) accountability means that municipal leaders are answerable to local communities and take responsibility for their (municipal leadership) actions, decisions and policies. Furthermore, accountability entails four aspects, namely: plan, do, check and act. AGSA found that for the years 2017/18, 2018/19 and 2019/20, accountability continued to decline in most municipalities as evidenced by, among others, regression in audit outcomes, lack of consequences and increasingly difficult environment for auditors and other role players. Furthermore, in most instances, there was no political and administrative will to address the decline in accountability and consequently a risk insensitive culture.

Governance is based on the three pillars namely risk management, internal audit and audit committees as well as municipal public accounts committees (AGSA, 2017/18, 2018/19, 2019/20). According to Mulyono and Wahyun (2020) risk management depends on a culture of risk awareness and as such risk culture sustains risk management. The two authors further posit that risk culture enhances good governance and create a corrupt free environment. Ching Ching, Mohd-Rahim, Chuing, Zainon and Aziz (2020) are of a view that inadequate risk management and a lack of risk culture threatens the organization's viability. Wood and Lewis (2018) found that a positive risk culture is fostered through, among others, risk committee reviews and other relevant governance structures. The AGSA (2017/18, 2018/19, 2019/20)

found that internal audit units and audit committees were rendered ineffective by Municipal Managers and as such could not effectively perform their governance responsibilities, hence governance failures and consequently collapse of finances and control environment in some municipalities. This effectively means, among others, that the negative risk culture impacted negatively on the overall functioning of most municipalities.

The competency of employees in building a positive, risk aware culture cannot be overemphasized. This is attested to by Wood and Lewis (2018) who found that employee competence and risk awareness training fostered a positive risk culture. Competency concerns the ability of employees to do their work, enabled by the skills they have acquired in their areas of responsibilities. This (competence) can be demonstrated through, among others, empowerment of employees, risk skills and a work culture that give meaning to work. AGSA (2017/18, 2018/19 and 2019/20) found that in some municipalities, employees lacked the required qualifications, skills and competencies in the areas they are employed for. This resulted in, among others, municipalities excessively using consultants even to do the job for which employees are hired and paid for. Furthermore, AGSA found that in other municipalities, committee members, such as members of the Municipal Public Accounts Committee (MPAC), which is critical in providing oversight; were not adequately capacitated and thus not performing as expected.

Effective risk management is critical in enhancing the risk culture (Kpodo and Agyekum, 2015). This is attested to by Mulyono and Wahyun (2020) and Gutshwa (2016) who found that the effectiveness of risk management is imperative in building a culture of risk awareness and consequently a positive risk culture. Inadequate risk management threatens an organization's ability to continue as a going concern (Ching Ching, Mohd-Rahim, Chuing, Zainon and Aziz, 2020). Internal audit, compliance, contingency planning, risk management infrastructure and Enterprise Risk Management (ERM) are among the requirements for embedding effective risk management (Gorzen-Mitka, 2018). Failure to embed the relevance of risk management thwart the efforts to develop a positive risk culture (Wood and Lewis, 2018). AGSA found that though there are municipalities that incorporated robust risk analysis, the municipal managers and senior managers of most municipalities failed to devote time to risk management and hence a myriad of problems in respect of the control environment and subsequently the poor audit outcomes. Furthermore, AGSA found that risk assessments in municipalities were poor, response to addressing risk areas was slow and internal audit units and consequently audit committees and other oversight structures performed poorly.

8. Research methodology

For the purpose of this study, a quantitative research strategy was employed. Kpodo and Agyekum (2015) conducted a similar study in the Ghanaian context and used both quantitative and qualitative strategies. The target population comprised of the various categories of municipalities (local, metropolitan and district). The targeted respondents were risk officials and other municipal employees at management level. A survey questionnaire, informed by an existing tool developed by the National Treasury, as well as literature review and secondary data was developed. Purposive and snowball sampling were used. Participants were treated with full confidentiality and anonymity since they were not required to disclose their names and the municipalities at which they were employed.

The survey questionnaire was posted on the National Treasury's platform for surveys and the link as well as the survey closure deadline were communicated to the prospective participants through email. A total of 46 responses were received and the majority were within the category of "other" in terms of the position. Furthermore, the majority of respondents worked for local municipalities. The results of the analysis tabled as Tables A and B, in Annexures A and B were interpreted and inferences were drawn.

9. Presentation of research results

8.1 Results presentation by position (Annexure A)

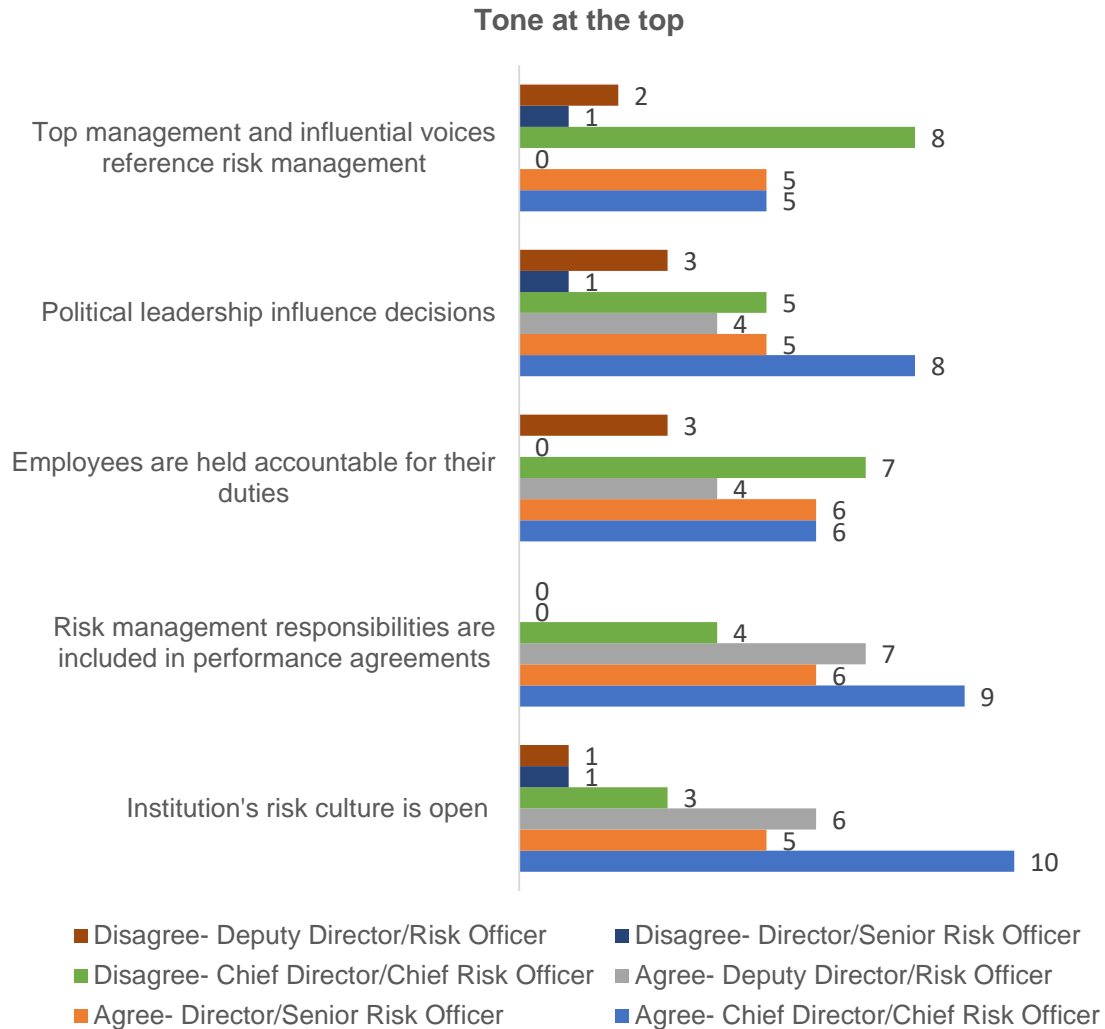


Figure 1: Tone at the top results by position

Based on the results depicted in Figure 1, despite the fact that the majority of employees affirm that political leadership influence decision making, overall; senior management seem to set a good example of ethical conduct. Chief Risk Officers seem to be in the majority in asserting the existence of a good tone at the top.

Accountability

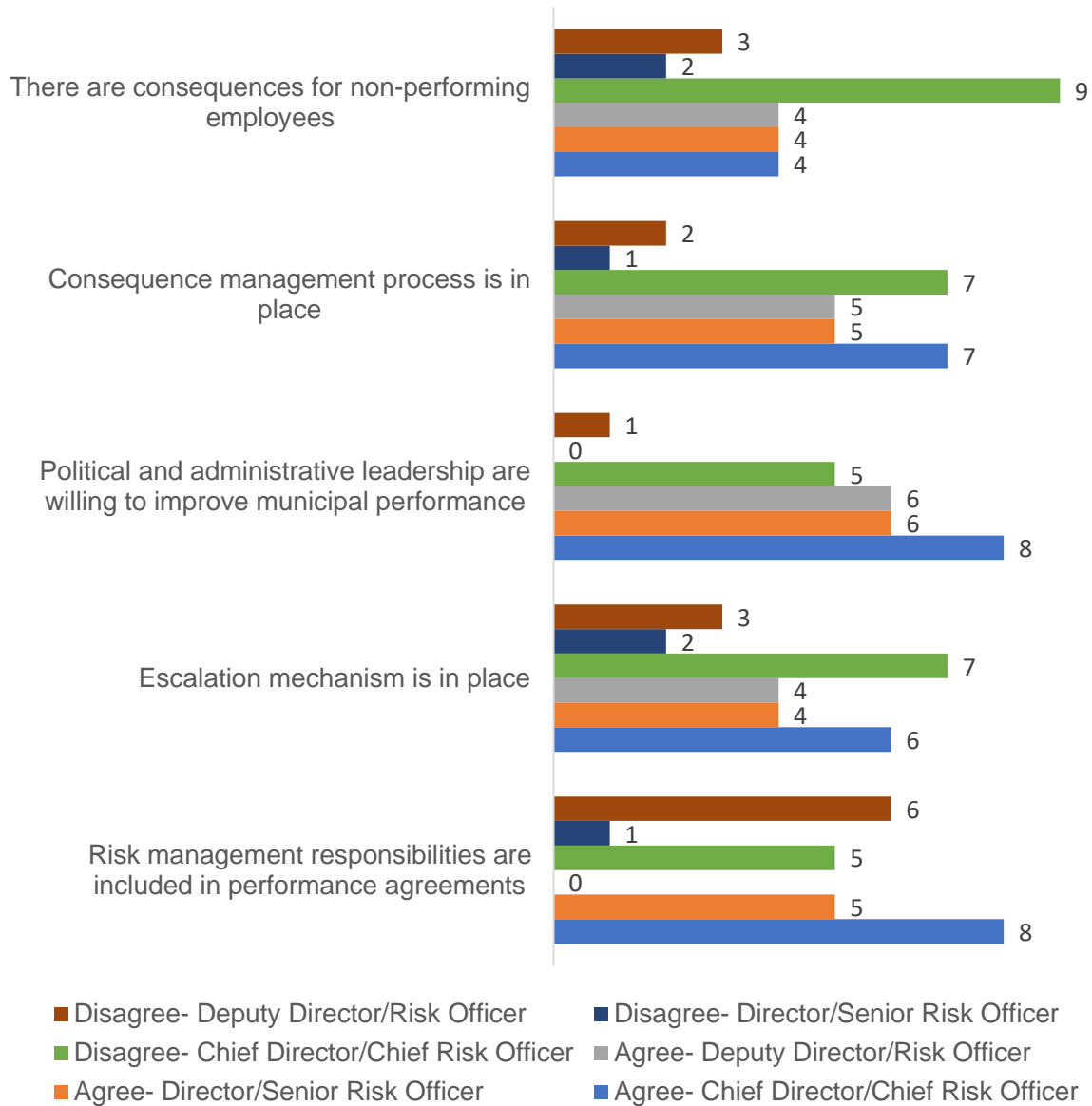


Figure 2: Accountability results by position

The overall results depicted in Figure 2 seem to reflect that the majority of employees vouch for accountability in their municipalities. However, when zooming into the categories of employees, the Chief Directors seem not to vouch for their municipalities' accountability.

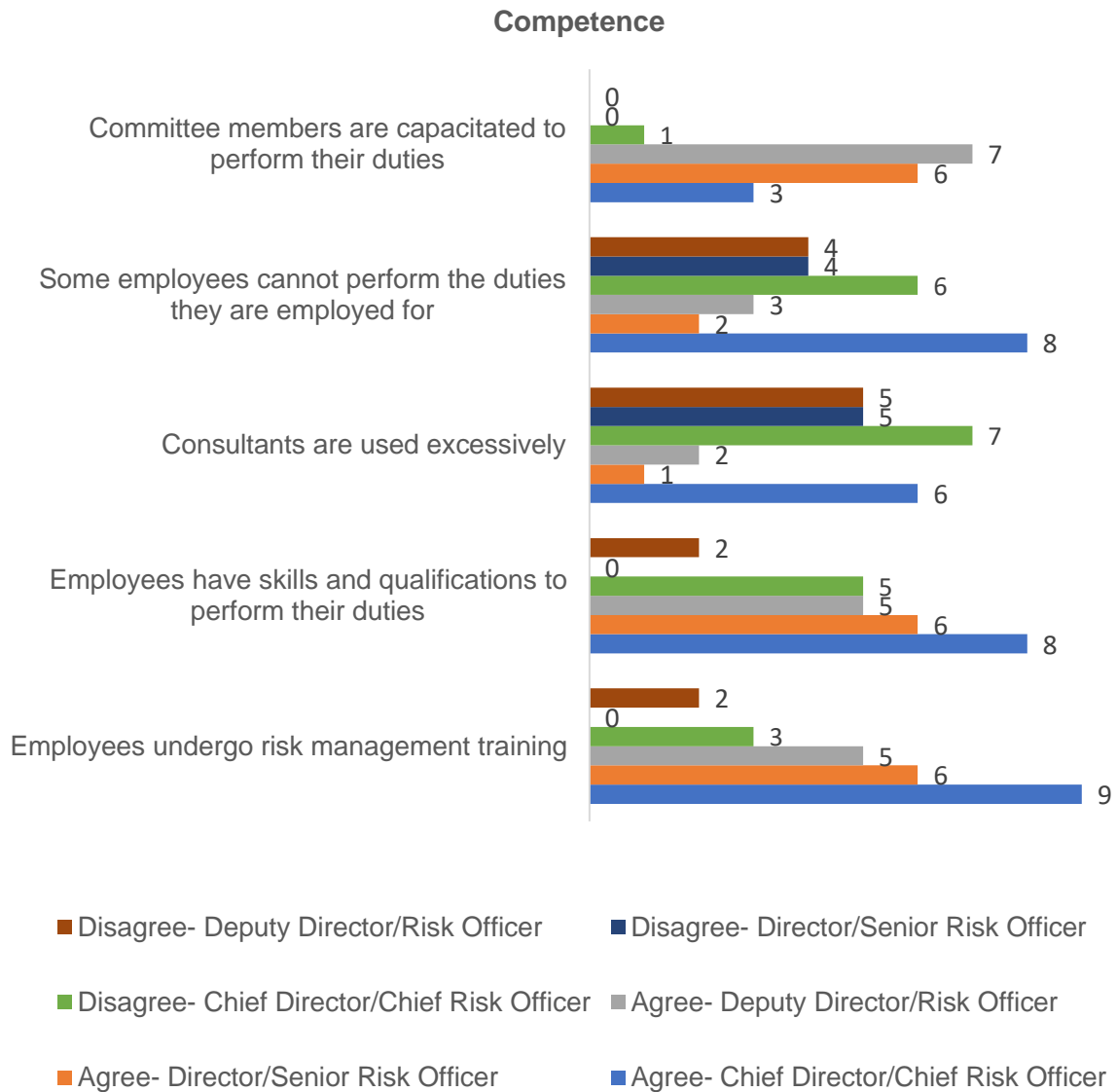


Figure 3: Competence results by position

According to Figure 3, there seems to be a consensus that the municipal employees and the committee members demonstrate competence.

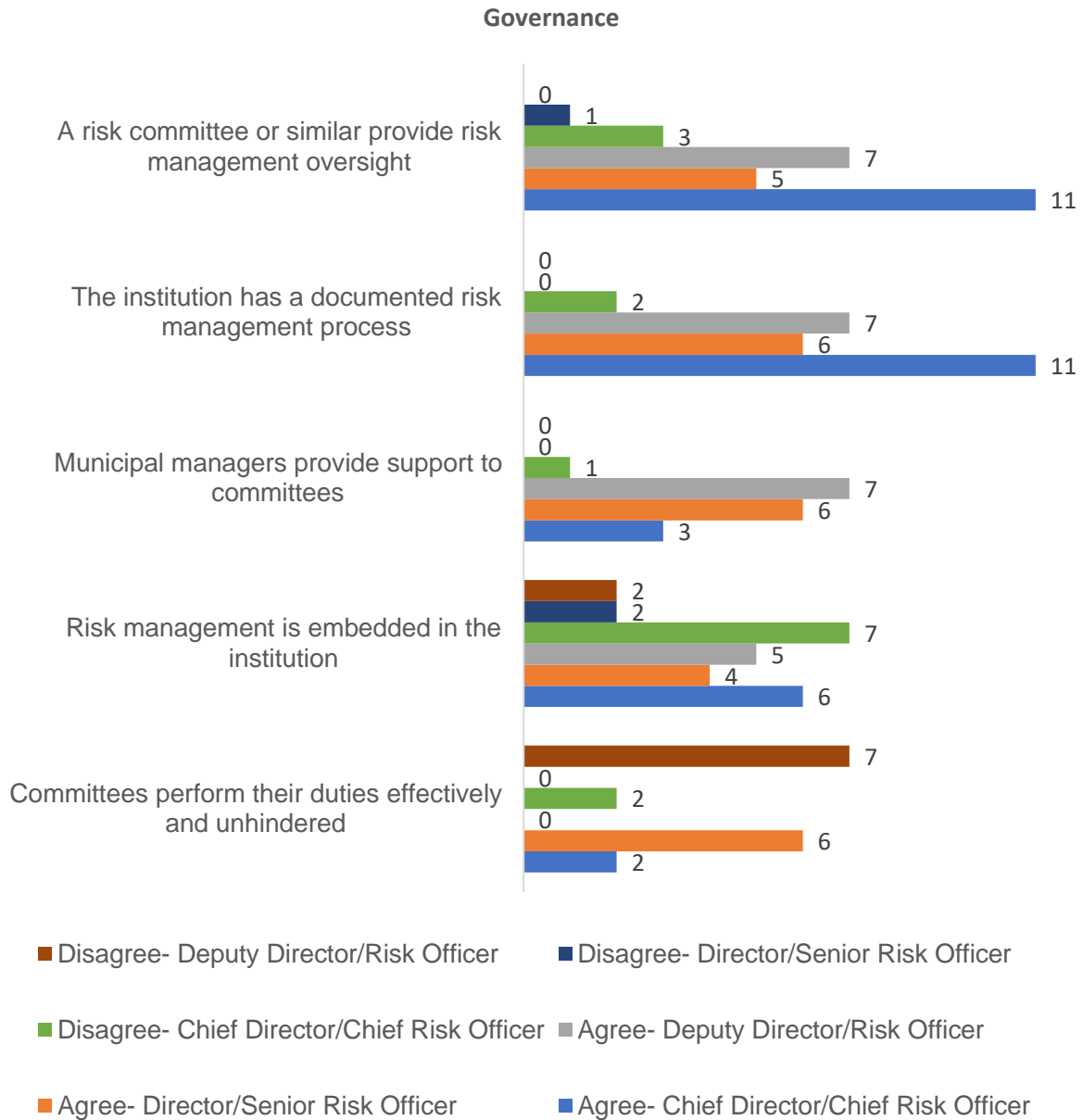


Figure 4: Governance results by position

Overall, based on Figure 4; it seems the respondents collectively concur that the status of governance in their municipalities is good.

The effectiveness of the risk management function

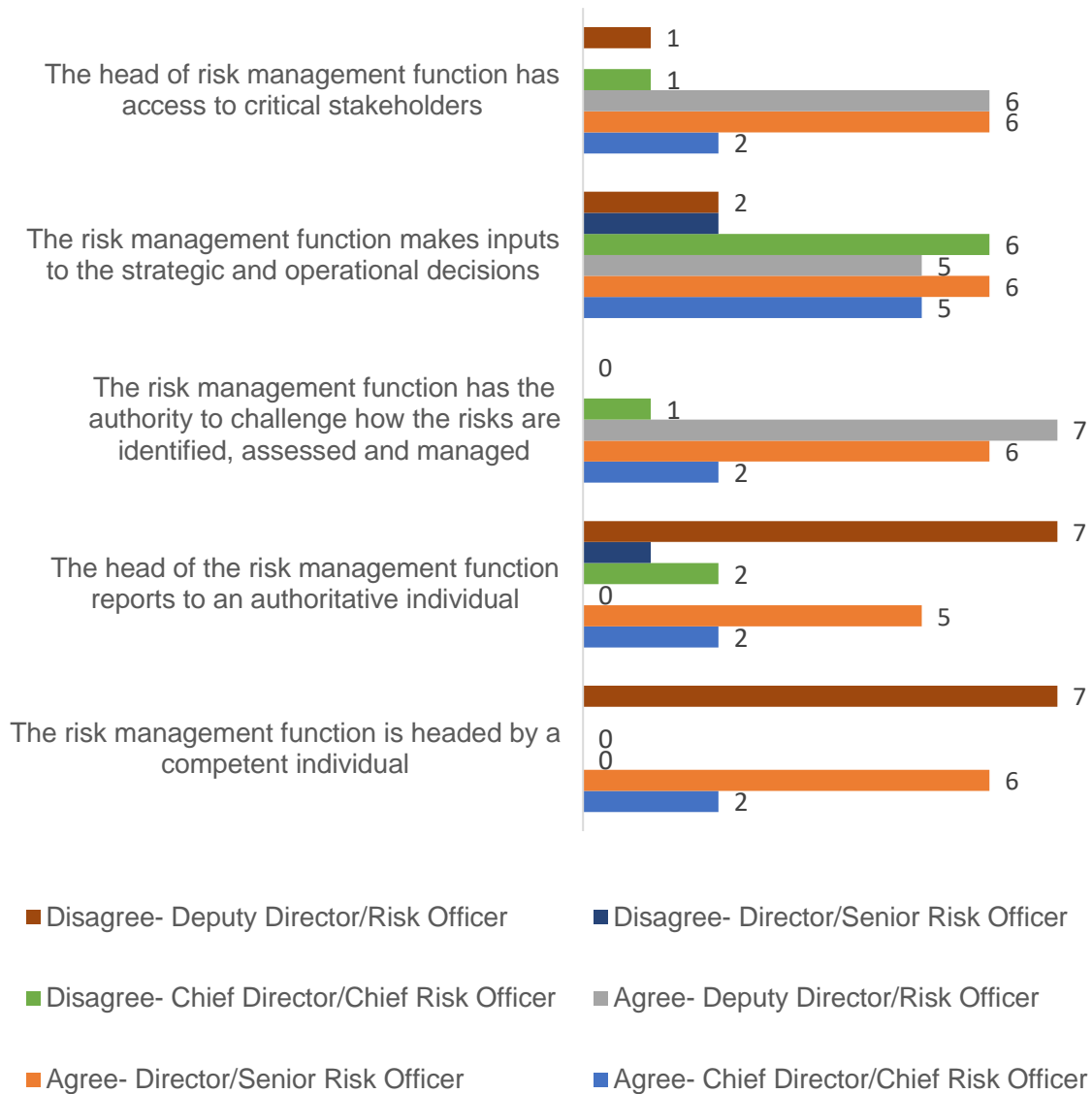


Figure 5: The effectiveness of the risk management function results by position

The respondents seem to be in consensus that their institutions’ risk management functions are effective. However, it is interesting that the majority of the Deputy Directors disagree that the head of the risk management function reports to an authoritative individual and that the risk management function is headed by a competent individual whereas very few Chief Risk Officers agree with the two statements.

Overall, the results of the analysis by position of employees, depicted in Figures 1 to 5, indicate that respondents seem to be of the view that their organizations have a risk sensitive culture.

8.2 Results presentation by category of municipality (Annexure B)

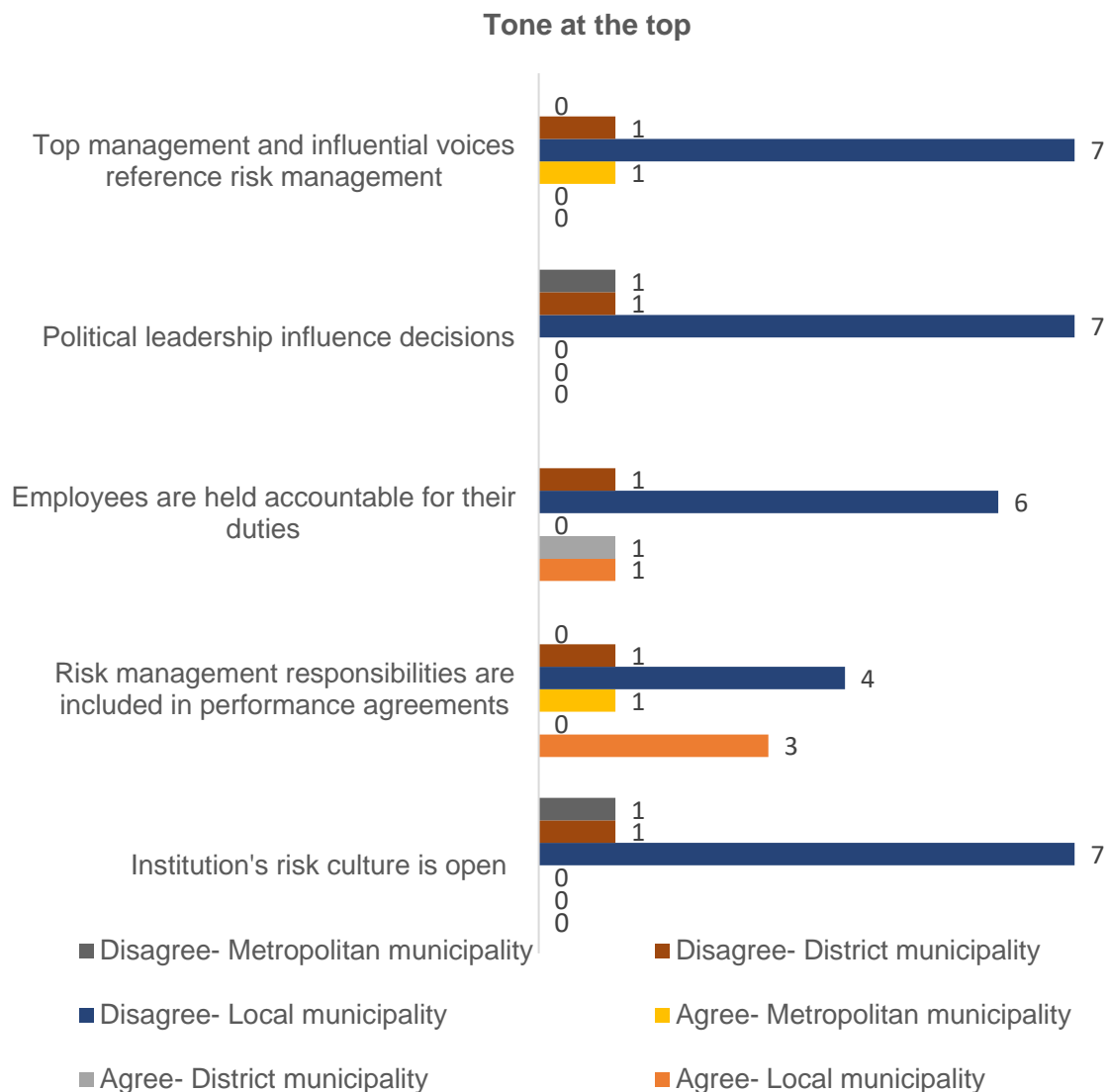


Figure 6: Tone at the top results by municipal category.

Overall, based on Figure 6; there seems to be a consensus between the local and district municipalities that senior management does not seem to be setting a tone that is indicative of risk culture sensitive. The local and district municipalities seem to be leaning more to poor tone at the top whereas the metropolitan seem to lean more to expressing good tone at the top.

Accountability

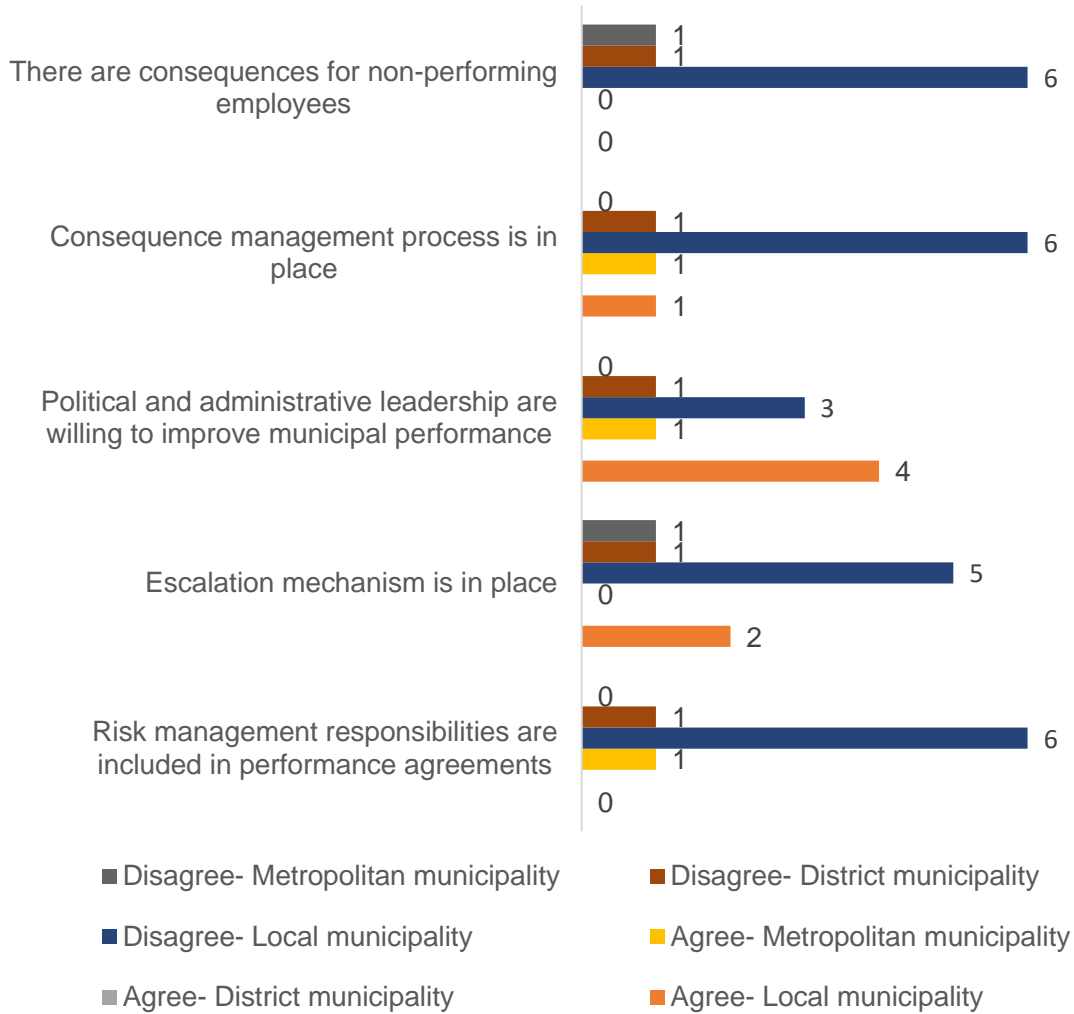


Figure 7: Accountability results by municipal category

Overall, employees from the local and district municipalities seem to be of a view that there is lack/failure of accountability in district and local municipalities whereas those of the metros seem to believe that in metros there is accountability

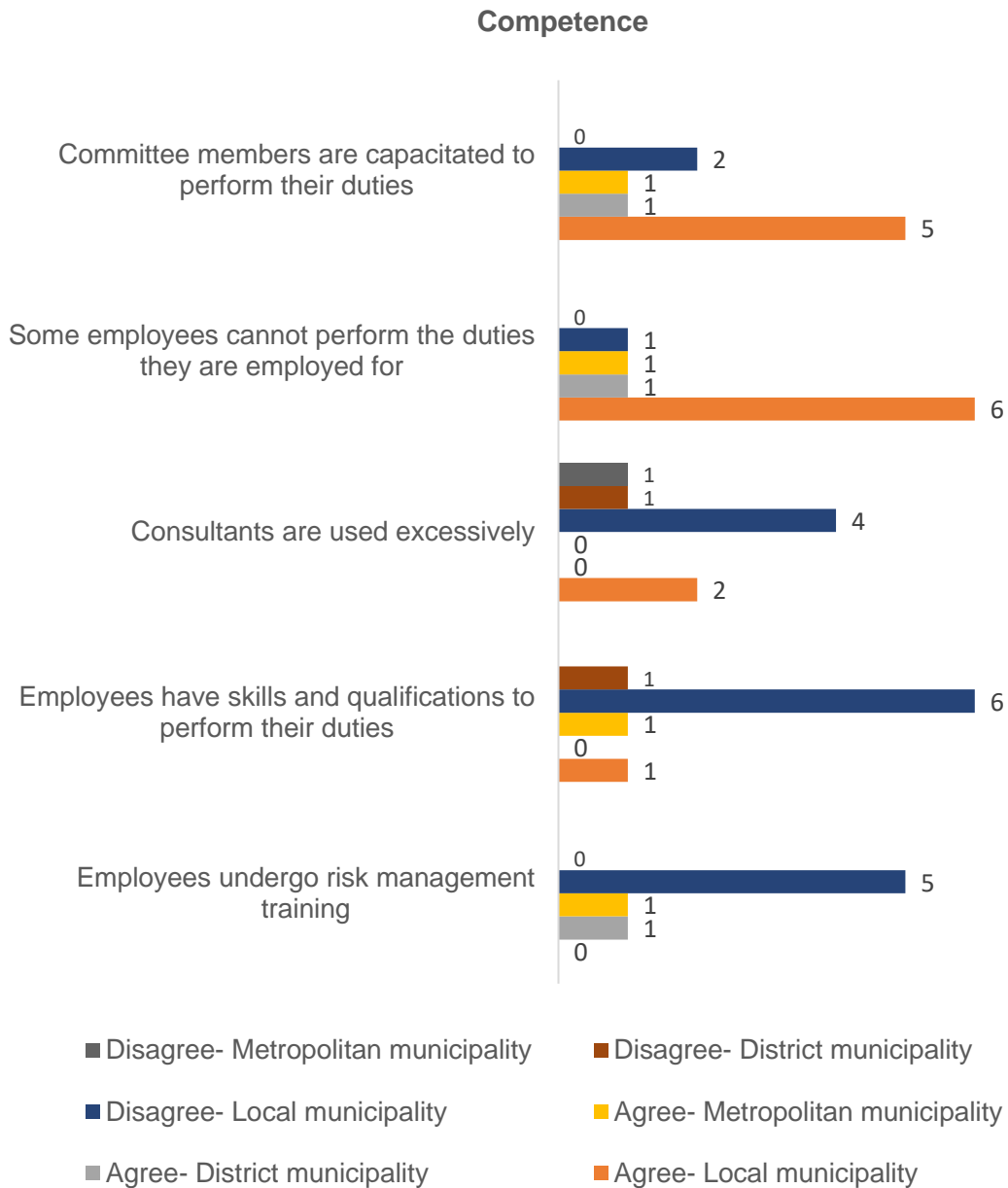


Figure 8: Competence results by municipal category

Overall, the results in Figure 8 seem to reflect a balanced view of competence by the three municipal categories, with the Metropolitan municipalities being more positive about the status of competence

Governance

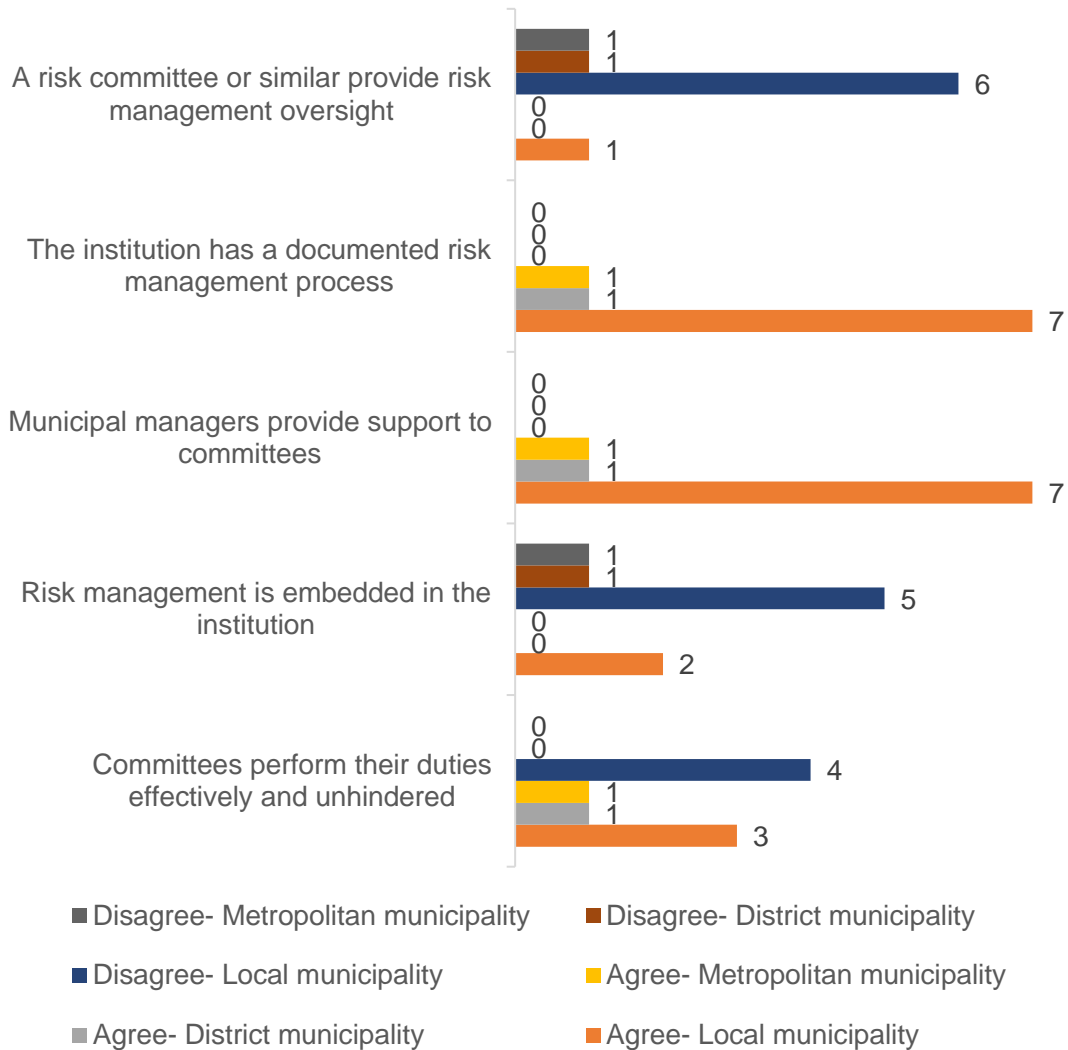


Figure 9: Governance results by municipal category

There seems to be a balanced view of governance by the three categories of municipalities, equally expressing good and poor state of governance. It is interesting that all the three categories of municipalities express that risk management is not embedded in an institution.

The effectiveness of the Risk Management Function

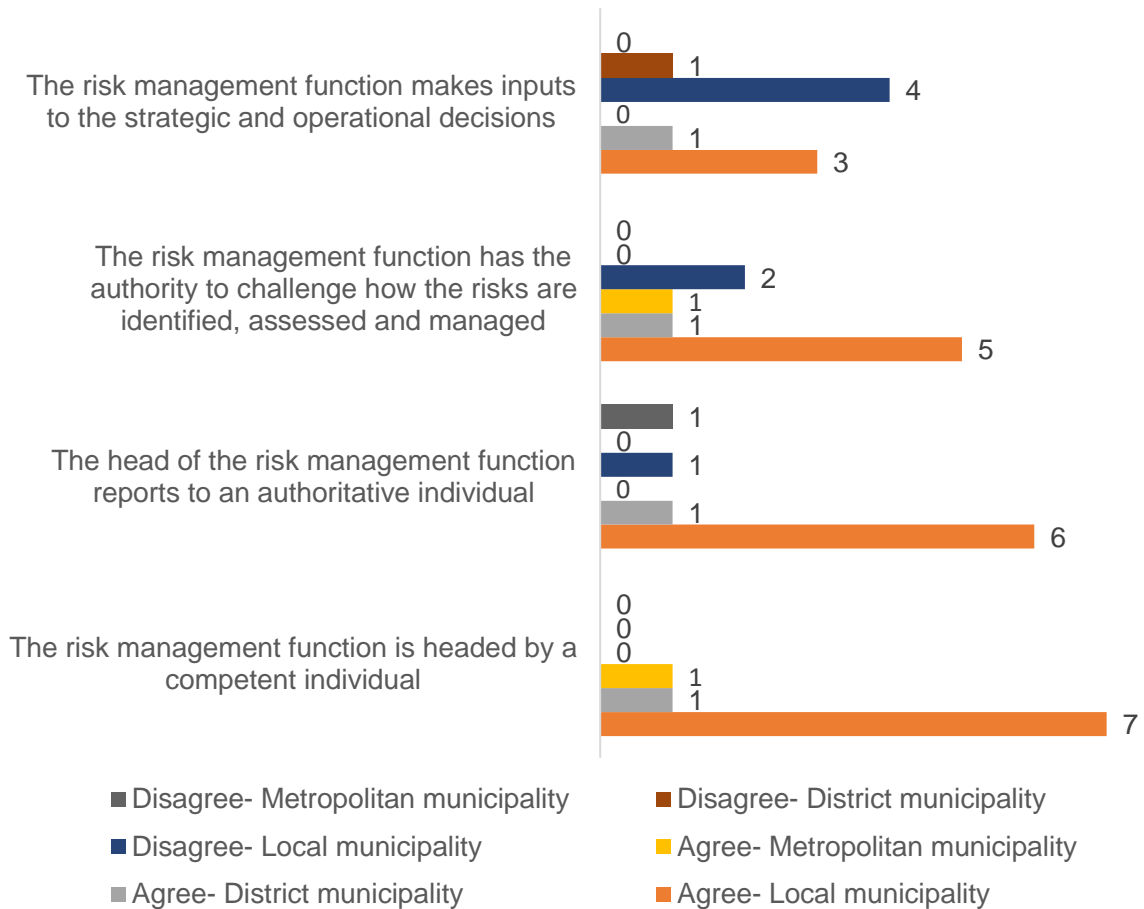


Figure 10: The risk management effectiveness results based on municipal category

Figure 10 indicate that the three categories of municipalities seem to be in consensus that the risk management function is effective.

10. Discussion of research findings

When the results are analysed based on the position of employees, the overall outcome seem to reflect that the municipalities at which the employees who responded work have a risk sensitive culture.

The extent of the use of consultants is one of the sub-risk culture indicators for competence. The perception collectively created by the respondents is that municipal employees and committees demonstrate competence. This is in contrast to AGSA’s finding that the use of consultants has become a permanent feature in the financial reporting processes of municipalities. In some municipalities it was found that officials were too dependent on consultants such that they (officials) could not provide basic financial information without the help of the consultants (AGSA, 2018/19). AGSA further allude to the fact that 74% of

municipalities who used consultants in 2018/19, again used them in 2019/2020. Furthermore, most municipalities appoint consultants for financial reporting as their own financial employees lack the skills required to prepare financial statements (AGSA, 2018/19). A further concern raised by AGSA is that the use of consultants was not necessarily effective as the audit outcomes of some municipalities did not necessarily improve. In the 2017/18 financial year AGSA reported that municipalities continued to use consultants for financial reporting however the use of consultants did not yield positive audit outcomes.

In the 2017/18 report AGSA allude to the fact that audit committees did not direct the scope of internal audits and the municipal public accounts committees did not exercise oversight over issues raised in terms of section 131 of Municipal Finance Management Act. This is in contrast with the respondents' view that the risk committees or similar committees provide oversight. Furthermore, AGSA indicate that these committees could not fulfil their responsibilities effectively due to senior managers and municipal managers not providing credible information. This is not in line with the view of the majority of the respondents that committees perform their duties effectively and unhindered. In the 2019/20 report, the AGSA highlight the general breakdown in the accountability chain due to low levels of assurance. This is due to the various assurance providers not being effective

In the 2019/20 financial year, AGSA reported that mechanisms to deal with accountability failures did not exist. These would be, among others, the existence of consequence management process, the willingness of the political and administrative leadership to improve municipal performance and the implementation of consequences for non-performing employees. Furthermore, slow response by municipal leadership and lack of consequences were the order of the day. The majority of the employees are in consensus that at their municipalities accountability exist. This is in contrast with the AGSA finding. In the 2017/18 and 2018/19 financial years, AGSA raised a concern in respect of lack of accountability, lack of consequences for non-performing officials and inadequate consequence management processes across all the provinces.

In the 2019/20 financial year, the overall state of financial and performance management of local government did not seem good hence the AGSA called for a change in leadership transversally with consequent setting of exemplary tone by the top management (AGSA, 2019/20). Poor tone at the top was exacerbated by the instability in both political and administrative leadership. Generally, transversally there was a slow or no response to addressing risk areas (AGSA, 2017/18). This does not seem to be in support of the

overwhelming response by the majority respondents that senior management demonstrate responsibility for risk management and that influential voices reference risk management.

In the 2019/20 report AGSA called for the institutionalization of robust-risk assessment process as these are generally lacking across provinces. In the 2017/18 report AGSA noted that generally there are poor risk management practices in municipalities as well as laxity in addressing risk areas. This seem to suggest that the status of risk management in local government requires a lot of improvement.

The overall outcome of the results analysis based on the categories of municipalities reflect that employees from metros seem to be of a view that the culture in metros is risk sensitive whereas the local and district municipalities seem to have a view that is contrary to that of metros, being that in these municipalities (district and local) the culture is risk insensitive.

11. Recommendations and conclusion

The outcome of the municipal employees' evaluation of their organization's risk culture is significantly different from that of the AGSA. This is understandable since AGSA's evaluation is not a perception as is informed and supported by evidence. Overall, for the three years reviewed, the AGSA seem to paint a picture of a culture that is insensitive to risks across local government, this is not withstanding the fact that there are municipalities with pockets of excellence. On the other hand, municipal employees paint a picture of a culture that is sensitive to risks. However, this does not seem to be based on any evidence but instead seem to be based on their (employees') experiences of what an ideal risk sensitive culture entail.

Municipalities can establish the true status of their organizations' risk culture if they get to a habit of conducting an objective risk culture assessment. The National Treasury has developed a risk culture tool and recommend that municipalities make use of it to objectively evaluate the status of organizational risk culture. Otherwise in the absence of an objective risk culture evaluation, it could be that municipalities are constructing the status of a risk culture based on the level of risk at which they are comfortable as a suggested by Grima, Hamarat, Ozen, Girlando and Dalii-Gonzi (2021). This borders on subjectivity (experience, personal nature and background) which does not provide objectivity and the true reflection of the risk culture status.

The three categories of municipalities should consider interacting with each other so as to benchmark good practices that elevate the risk culture and adopt them. Furthermore,

employing competent, well qualified employees could greatly benefit municipalities as it will reduce, among others, excessive use of consultants thereby bringing stability needed within the organization.

This study is at a preliminary stage. The study will be expanded to all municipalities based on the learnings from this study. The future study will seek to establish the relationship between the risk culture and the predetermined objectives.

List of references

- Abuzarqa, R. (2019). The relationship between organizational culture, risk management and organizational performance. *Cross-Cultural Management Journal*, XX1 (1), pp 12-20.
- Auditor General South Africa [AGSA]. 2017/18, 2018/19, 2019/20). Consolidated general report on the local government audit outcomes. Pretoria: Government Printers.
- Braig, S., Gebre, B. & A. Sellgren. (2011). Strengthening risk management in the US public sector. *McKinsey Working Papers on Risk*, Number 28
- Ching Ching, W., Mohd-Rahim, F.A., Chuing, L.S., Zainon, N. & Aziz, N.M. (2020). Conceptualising risk culture on enterprise risk management (ERM) implementation in construction companies. *Built Environment Journal*, 17(1), 59-70
- Deloitte. (2016). Risk Management: The way to risk culture
- Development Bank. *International Journal of Business and Economic Development*, 6(1), 18-37.
- Gorzen-Mitka, I. (2018). Leading markers of risk culture in organization. *European Journal of Sustainable Development*, 7(1), 425-434.
- Grima, s., Hamarat, B., Ozen, E., Girlando, A. & Dalii-Gonzi, R. (2021). The relationship between risk perception and risk definition and risk-addressing behaviour during the early COVID-19 stages. *Journal of Risk and Financial Management*, 4, 1-26
- Gutshwa, B.H. (2016). Risk culture in a South African government institution. *Thesis*. North West University
- Marsh & McLennan Companies [MMC]. 2015. Risk Culture: Think of the consequences. New York. Oliva Wyman.
- Mulyono, R.D.A.P. & Wahyun, S.N.I (2020). Developing positive risk management culture in public sector: Case study in Sunrise of Java. *Advances in Social Science, Education and Humanities Research*, 436, 1077-1082
- Kpodo, B & Agyekum, K. (2015). The effects of risk culture on organizational performance- The case of some selected financial institutions in Ghana. *International Journal of Science and Research*, 4(15), 681-689.
- Wood, A. & Lewis, A. (2018). Risk culture development and its impact: The case of the Caribbean
- The Institute of Risk Management [IRM]. 2012. Risk culture resources, Protiviti.

TABLE A

ANNEXURE A (Analysis based on employee position)

| Question # | Statement | Chief Director/Chief Risk Officer | | | | Director/Senior Risk Officer | | | | Deputy Director/Risk Officer | | | | Other | | | |
|------------------------|---|-----------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| Tone at the top | | | | | | | | | | | | | | | | | |
| 1 | The institution has a culture of open, honest and dynamic engagement on risks and risk management | 0 | 3 | 8 | 2 | 0 | 1 | 1 | 4 | 0 | 1 | 6 | 0 | 0 | 4 | 11 | 5 |
| 2 | The Accounting Officer/Executive Authority demonstrate accountability and responsibility for risk management through appropriate behaviour and actions | 1 | 3 | 6 | 3 | 0 | 0 | 3 | 3 | 0 | 0 | 7 | 0 | 0 | 4 | 9 | 7 |
| 3 | Accounting Officer/Executive Authority, top management and influential voices in the Institution continuously reference risk and risk management in their communications, both verbal and written | 4 | 3 | 5 | 1 | 0 | 0 | 3 | 3 | 1 | 2 | 4 | 0 | 1 | 7 | 8 | 5 |

| Question # | Statement | Chief Director/Chief Risk Officer | | | | Director/Senior Risk Officer | | | | Deputy Director/Risk Officer | | | | Other | | | |
|-----------------------|--|-----------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| 4 | Top management communicates clearly on expectations related to matters of risk management and hold people to account for their related accountability, responsibility and duties | 0 | 8 | 3 | 2 | 0 | 1 | 2 | 3 | 0 | 2 | 5 | 0 | 1 | 5 | 13 | 1 |
| 5 | Political leadership highly influence decision making at the administrative level | 0 | 5 | 6 | 2 | 1 | 0 | 5 | 0 | 1 | 2 | 4 | 0 | 1 | 5 | 8 | 5 |
| Accountability | | | | | | | | | | | | | | | | | |
| 5 | Accountabilities, responsibilities and duties for risk management are captured in the job descriptions and performance agreements of affected staff and assessed accordingly | 3 | 2 | 6 | 2 | 0 | 1 | 2 | 3 | 0 | 6 | 0 | 0 | 0 | 8 | 9 | 3 |
| 6 | The institution has a well-understood escalation mechanism in place for critical and unresolved risk management issues | 1 | 6 | 5 | 1 | 1 | 1 | 1 | 3 | 0 | 3 | 4 | 0 | 5 | 4 | 7 | 4 |
| 7 | Political and administrative leadership demonstrate the will to improve the municipal performance | 2 | 3 | 5 | 3 | 0 | 0 | 4 | 2 | 0 | 1 | 6 | 0 | 1 | 4 | 9 | 6 |

| Question # | Statement | Chief Director/Chief Risk Officer | | | | Director/Senior Risk Officer | | | | Deputy Director/Risk Officer | | | | Other | | | |
|-------------------|---|-----------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| 8 | The municipality has put in place consequence management process | 5 | 2 | 5 | 2 | 0 | 1 | 2 | 3 | 0 | 2 | 5 | 0 | 2 | 5 | 9 | 4 |
| 9 | Municipality implement consequences for employees who perform poorly. | 6 | 3 | 4 | 0 | 1 | 1 | 3 | 1 | 1 | 2 | 4 | 0 | 4 | 9 | 5 | 1 |
| Competence | | | | | | | | | | | | | | | | | |
| 10 | Employees undergo risk management training and risk awareness sessions from time to time to develop risk management competencies | 1 | 2 | 7 | 2 | 0 | 0 | 2 | 4 | 0 | 2 | 5 | 0 | 3 | 7 | 8 | 2 |
| 11 | Employees have the qualifications and skills relevant to perform their duties | 1 | 4 | 7 | 1 | 0 | 0 | 4 | 2 | 0 | 2 | 5 | 0 | 2 | 4 | 12 | 2 |
| 12 | The municipality excessively use the services of consultants for financial reporting | 2 | 5 | 3 | 3 | 1 | 4 | 1 | 0 | 0 | 5 | 2 | 0 | 6 | 7 | 5 | 2 |
| 13 | Some municipal employees cannot perform the functions they are employed and paid for and as such consultants perform them (duties) on their behalf. | 3 | 3 | 5 | 3 | 1 | 3 | 1 | 1 | 0 | 4 | 3 | 0 | 2 | 10 | 4 | 4 |

| Question # | Statement | Chief Director/Chief Risk Officer | | | | Director/Senior Risk Officer | | | | Deputy Director/Risk Officer | | | | Other | | | |
|-------------------|--|-----------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| 14 | The committee members (audit, risk, municipal public accounts) are adequately capacitated so as to perform as expected. | 0 | 1 | 1 | 2 | 0 | 0 | 2 | 4 | 0 | 0 | 6 | 1 | 0 | 6 | 7 | 7 |
| Governance | | | | | | | | | | | | | | | | | |
| 15 | The committees (internal audit, risk and municipal public accounts) perform their duties effectively and unhindered | 0 | 2 | 1 | 1 | 0 | 0 | 2 | 4 | 0 | 7 | 0 | 0 | 1 | 7 | 4 | 8 |
| 16 | Risk management is embedded in the Institution (some indicators of risk embeddedness: top and senior management champion risk management, all staff in the municipality are considered to be managers of risk in their areas of responsibility, managers and staff are encouraged to develop knowledge and skills to manage risks, staff are trained and supported to incorporate risk management into their day-to-day activities, the actions taken to manage risk are almost indistinguishable from normal work routines) | 1 | 6 | 6 | 0 | 0 | 2 | 1 | 3 | 0 | 2 | 5 | 0 | 1 | 10 | 9 | 0 |

| Question # | Statement | Chief Director/Chief Risk Officer | | | | Director/Senior Risk Officer | | | | Deputy Director/Risk Officer | | | | Other | | | |
|---------------------------------|--|-----------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| 17 | The Municipal Manager provide the necessary support to the committees (internal audit, risk and municipal public accounts) | 0 | 1 | 1 | 2 | 0 | 0 | 3 | 3 | 0 | 0 | 6 | 1 | 0 | 1 | 13 | 6 |
| 18 | The institution has a documented risk management process (processes for identifying assessing, evaluating, communicating, monitoring and reporting on risks) | 0 | 2 | 6 | 5 | 0 | 0 | 2 | 4 | 0 | 0 | 4 | 3 | 0 | 1 | 9 | 10 |
| 19 | A risk committee, or similar, provides oversight over risk management and advises the Accounting Officer/Executive Authority on matters concerning risks and overall risk management | 0 | 3 | 5 | 5 | 0 | 1 | 0 | 5 | 0 | 0 | 5 | 2 | 0 | 0 | 13 | 7 |
| Risk Management Function | | | | | | | | | | | | | | | | | |
| 20 | The risk management function is headed by a competent, skilled senior individual, with the relevant qualifications | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 7 | 0 | 0 | 0 | 3 | 11 | 6 |
| 21 | The head of the risk management function reports to an authoritative and influential figure | 0 | 2 | 1 | 1 | 0 | 1 | 0 | 5 | 0 | 7 | 0 | 0 | 0 | 2 | 13 | 5 |

| Question # | Statement | Chief Director/Chief Risk Officer | | | | Director/Senior Risk Officer | | | | Deputy Director/Risk Officer | | | | Other | | | |
|------------------------------|---|-----------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| | with the gravitas to advance risk management in the Institution | | | | | | | | | | | | | | | | |
| 22 | The risk management function has the authority to challenge how risks are identified, assessed, managed and reported | 0 | 1 | 1 | 1 | 0 | 0 | 1 | 5 | 0 | 0 | 6 | 1 | 0 | 3 | 12 | 5 |
| 23 | The head of the risk management function has direct access to its critical stakeholders (Audit & Risk Committee, Council, Municipal Manager, etc) | 1 | 0 | 1 | 1 | 0 | 0 | 0 | 6 | 0 | 1 | 4 | 2 | 0 | 1 | 13 | 6 |
| 24 | The risk management function makes input to strategic and operational decisions | 2 | 4 | 4 | 1 | 0 | 0 | 2 | 4 | 0 | 2 | 4 | 1 | 2 | 0 | 16 | 1 |
| Municipal Performance | | | | | | | | | | | | | | | | | |
| 25 | The municipality achieved its service delivery objectives, indicators and targets for the financial years 2017/18, 2018/19, 2019/2020 | 1 | 7 | 3 | 2 | 0 | 2 | 4 | 0 | 0 | 4 | 3 | 0 | 0 | 6 | 8 | 5 |
| 26 | The municipality used the allocated budget and grants for the budgeted and intended purpose for the financial years 2017/18, 2018/19, 2019/2020 | 0 | 2 | 9 | 2 | 0 | 1 | 5 | 0 | 0 | 2 | 5 | 0 | 2 | 5 | 7 | 6 |

| Question # | Statement | Chief Director/Chief Risk Officer | | | | Director/Senior Risk Officer | | | | Deputy Director/Risk Officer | | | | Other | | | |
|------------|---|-----------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|------------------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| 27 | The municipality set SMART (specific, measurable, achievable, realistic and timeframe) performance indicators and targets. | 0 | 3 | 8 | 2 | 0 | 1 | 2 | 3 | 0 | 2 | 5 | 0 | 0 | 4 | 12 | 4 |
| 28 | The municipality's audit outcomes for the financial years 2017/18, 2018/19, 2019/2020 were poor (qualified, adverse, disclaimed) | 6 | 2 | 4 | 2 | 1 | 2 | 3 | 0 | 1 | 4 | 1 | 1 | 11 | 4 | 2 | 3 |
| 29 | The municipality's audit outcomes for the financial years 2017/18, 2018/19, 2019/2020 were satisfactory (unqualifies with no findings, unqualified with findings) | 2 | 2 | 5 | 4 | 0 | 3 | 2 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 6 | 9 |
| 30 | The municipality's audit outcomes declined (from satisfactory to poor) for the financial years 2017/18, 2018/19, 2019/2020 | 4 | 5 | 4 | 0 | 2 | 2 | 2 | 0 | 1 | 5 | 1 | 0 | 10 | 5 | 2 | 2 |
| 31 | The municipality's audit outcomes improved (from poor to satisfactory) for the financial years 2017/18, 2018/19, 2019/2020 | 1 | 6 | 3 | 3 | 0 | 4 | 1 | 1 | 0 | 2 | 5 | 0 | 3 | 6 | 3 | 8 |

TABLE B

ANNEXURE B (Analysis based on category of municipalities)

| Question number | Statement | Local | | | | District | | | | Metropolitan | | | |
|-----------------|---|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| Tone at the top | | | | | | | | | | | | | |
| 1 | The institution has a culture of open, honest and dynamic engagement on risks and risk management | 0 | 7 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| 2 | The Accounting Officer/Executive Authority demonstrate accountability and responsibility for risk management through appropriate behaviour and actions | 1 | 3 | 3 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| 3 | Accounting Officer/Executive Authority, top management and influential voices in the Institution continuously reference risk and risk management in their communications, both verbal and written | 4 | 3 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| 4 | Top management communicates clearly on expectations related to matters of risk management and hold people to account for their related accountability, responsibility and duties | 1 | 5 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| 5 | Political leadership highly influence decision making at the administrative level | 0 | 0 | 3 | 4 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |

| Question number | Statement | Local | | | | District | | | | Metropolitan | | | |
|-----------------------|--|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| Accountability | | | | | | | | | | | | | |
| 5 | Accountabilities, responsibilities and duties for risk management are captured in the job descriptions and performance agreements of affected staff and assessed accordingly | 2 | 4 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| 6 | The institution has a well-understood escalation mechanism in place for critical and unresolved risk management issues | 2 | 3 | 2 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 |
| 7 | Political and administrative leadership demonstrate the will to improve the municipal performance | 2 | 1 | 4 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| 8 | The municipality has put in place consequence management process | 3 | 3 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 9 | Municipality implement consequences for employees who perform poorly. | 5 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Competence | | | | | | | | | | | | | |

| Question number | Statement | Local | | | | District | | | | Metropolitan | | | |
|-------------------|---|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| 10 | Employees undergo risk management training and risk awareness sessions from time to time to develop risk management competencies | 2 | 3 | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 11 | Employees have the qualifications and skills relevant to perform their duties | 2 | 4 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 12 | The municipality excessively use the services of consultants for financial reporting | 2 | 0 | 3 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 |
| 13 | Some municipal employees cannot perform the functions they are employed and paid for and as such consultants perform them (duties) on their behalf. | 0 | 1 | 3 | 3 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| 14 | The committee members (audit, risk, municipal public accounts) are adequately capacitated so as to perform as expected. | 0 | 2 | 4 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Governance | | | | | | | | | | | | | |
| 15 | The committees (internal audit, risk and municipal public accounts) perform their duties effectively and unhindered | 1 | 3 | 3 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |

| Question number | Statement | Local | | | | District | | | | Metropolitan | | | |
|-----------------|--|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| 16 | Risk management is embedded in the Institution (some indicators of risk embeddedness: top and senior management champion risk management, all staff in the municipality are considered to be managers of risk in their areas of responsibility, managers and staff are encouraged to develop knowledge and skills to manage risks, staff are trained and supported to incorporate risk management into their day-to-day activities, the actions taken to manage risk are almost indistinguishable from normal work routines) | 1 | 4 | 2 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| 17 | The Municipal Manager provide the necessary support to the committees (internal audit, risk and municipal public accounts) | 0 | 0 | 7 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 18 | The institution has a documented risk management process (processes for identifying assessing, evaluating, communicating, monitoring and reporting on risks) | 0 | 0 | 4 | 3 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 19 | A risk committee, or similar, provides oversight over risk management and advises the Accounting | 0 | 1 | 5 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |

| Question number | Statement | Local | | | | District | | | | Metropolitan | | | |
|---------------------------------|---|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| | Officer/Executive Authority on matters concerning risks and overall risk management | | | | | | | | | | | | |
| Risk Management Function | | | | | | | | | | | | | |
| 20 | The risk management function is headed by a competent, skilled senior individual, with the relevant qualifications | 0 | 0 | 6 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 21 | The head of the risk management function reports to an authoritative and influential figure with the gravitas to advance risk management in the Institution | 0 | 1 | 5 | 1 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 |
| 22 | The risk management function has the authority to challenge how risks are identified, assessed, managed and reported | 0 | 2 | 5 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 23 | The head of the risk management function has direct access to its critical stakeholders (Audit & Risk Committee, Council, Municipal Manager, etc) | 0 | 0 | 7 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 24 | The risk management function makes input to strategic and operational decisions | 3 | 1 | 3 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Municipal Performance | | | | | | | | | | | | | |

| Question number | Statement | Local | | | | District | | | | Metropolitan | | | |
|-----------------|---|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| 25 | The municipality achieved its service delivery objectives, indicators and targets for the financial years 2017/18, 2018/19, 2019/2020 | 1 | 5 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| 26 | The municipality used the allocated budget and grants for the budgeted and intended purpose for the financial years 2017/18, 2018/19, 2019/2020 | 1 | 2 | 4 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 |
| 27 | The municipality set SMART (specific, measurable, achievable, realistic and timeframe) performance indicators and targets. | 0 | 2 | 5 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| 28 | The municipality's audit outcomes for for the financial years 2017/18, 2018/19, 2019/2020 were poor (qualified, adverse, disclaimed) | 1 | 1 | 4 | 1 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 |
| 29 | The municipality's audit outcomes for for the financial years 2017/18, 2018/19, 2019/2020 were satisfactory (unqualifies with no findings, unqualified with findings) | 2 | 2 | 2 | 2 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 |
| 30 | The municipality's audit outcomes declined (from satisfactory to poor) for the financial years 2017/18, 2018/19, 2019/2020 | 1 | 2 | 2 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |

| Question number | Statement | Local | | | | District | | | | Metropolitan | | | |
|-----------------|--|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|-------------------|----------|-------|----------------|
| | | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree | Strongly disagree | Disagree | Agree | Strongly agree |
| 31 | The municipality's audit outcomes improved (from poor to satisfactory) for the financial years 2017/18, 2018/19, 2019/2020 | 1 | 5 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 |