

THE EFFECTIVENESS OF RISK MANAGEMENT IN LOCAL GOVERNMENT WITH
REFERENCE TO THE NELSON MANDELA BAY MUNICIPALITY

BY

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DECLARATION

I, student number, hereby declare that the treatise for the degree of is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification

Siphosihle Sihlali

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LIST OF ABBREVIATIONS

PFMA - Public Finance Management Act

IRMSA - Institute of Risk Management

NMBM - Nelson Mandela Bay Municipality

IRCA - International Risk Control Africa

COSO - Committee of Sponsoring Organisations

SCM - Supply Chain Management

PWC - PriceWaterhouse Coopers

CMC - Crime and Misconduct Commission

SOPs - Standard Operating Procedures

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CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION AND BACKGROUND

In the 1960s, risk management primarily took the form of purchased insurance against force majeure events. Today, many corporate executives are worried about not only these types of events but also many others (Mair and Cendrowski, 2009:3). “People risks” versus environmental risks, financial risks and technical risks are examples of risks that are often overlooked. People risks include, succession planning (this refers to identifying and developing key talent) and competency and skills building (dealing with employees that do not have requisite skills for success), (William & Paul, 2007:4). Massingham (2010:464) mentions that corporate disasters, such as the collapse of Enron, have increased the need for effective corporate governance, while catastrophic natural disasters, man-made tragedies such as the September 11 terrorist attacks and tsunami of 2004, have increased risk awareness as well as its consequences.

According to Massingham (2010:464), a recent survey found that “81 percent of organisations feel they are vulnerable to a serious operational incident. The consequences of poor risk management – such as financial loss, safety violations, unethical behaviour – are significant”. Researchers blame inadequate government regulations, poor internal controls, and incorrect arrangement of firm incentives (Marshall et al., 1996).

The effectiveness of risk management in local governments depends on whether they are able to identify risk areas as well as have proper control measures in place to address them. The inability to identify risks is a recipe for disaster in any organisation. The Department of National Treasury has instigated a Risk Management Framework for the Public Sector, including local governments and municipalities in order to mitigate and effectively manage risks (National Treasury, 2013).

This study sought to show that, calculated risks need to be taken and effectively managed in order for local governments to achieve their objectives. It is important to note that risk is an integral part of any organisation. According to Reiss and Young (2006:11), employees are responsible for managing risks and be accountable for risk management within their scope of work. A risk manager or a risk management, however, may provide oversight of the department.

1.2 PROBLEM STATEMENT

1.2.1 Statement of the problem

The research aimed at determining the effectiveness of risk management in local government, with reference to the Nelson Mandela Bay Municipality (NMBM). The primary aim of the research study was to investigate the issues that may lead to the ineffectiveness of risk management and how this can be addressed.

1.2.2 Sub-problems

- To determine the goals that the NMBM tries to achieve within the risk management framework;
- To assess how the risk management framework is applied within the NMBM;
- To establish how effective the existing risk management framework is, within the NMBM;
- To determine whether the employees responsible for risk management share a common understanding about the concept of risk management;
- To analyse the causes of poor risk management within the organisation;
- To analyse good risk management practices within the municipality;

- To investigate whether the risk management process is adhered to in order to identify, quantify, manage and monitor risks

1.3 RESEARCH OBJECTIVES

The study objectives were as follows:

- To explore the extent to which risks are being categorised in order for it to be effectively managed;
- To determine the approach for managing risks within the municipality;
- To establish whether there is a strong corporate governance that oversees the risk management framework;
- To make recommendations based on the findings of the research study.

1.4 PURPOSE OF THE STUDY

The purpose of the research study was to develop, present, and analyse the framework that determines the success of the Nelson Mandela Metropolitan Municipality in terms of managing risks. The researcher sought to determine whether those responsible for risk management have the same understanding regarding the said phenomenon, as well as to understand their experiences and perceptions about the effectiveness of risk management. The researcher sought to demonstrate the study's potential to improve the management of risks at the municipality. The Nelson Mandela Bay Municipality, as well as other local municipalities, might gain insights on how they can effectively manage their risks based on the results and recommendations of this investigation. This information might provide a broader picture on what needs to be improved in order to effectively manage risks that face local municipalities.

1.5 RESEARCH DESIGN

This study will investigate the effectiveness of risk management by way of a literature study. Various articles, books and journals will be consulted in an attempt to address the effectiveness of risk management at the Nelson Mandela Bay Municipality. The study will be of a quantitative nature. Dawson (2002:15) defines the quantitative paradigm as “the research that generates statistics through the use of large-scale survey, using methods such as questionnaires or structured interviews”. Quantitative research is good at providing information in breadth, from a large number of units, but when we want to explore a problem or concept in depth, quantitative methods can be too shallow (Muijs 2011:7).

The researcher will make use of a survey research design in order to address the research problem. In this procedure, the survey researcher will collect quantitative data, using an online questionnaire. According to Saunders, Lewis and Thornhill (2007:138), “a survey strategy is a popular and common strategy in business and management research”. The authors highlight that surveys are popular as they allow the collection of a large amount of data from a sizeable population in a highly economical way. “Using a survey strategy gives you more control over the process, and when sampling is used, it is possible to generate findings that are representative of the whole population at a lower cost than collecting for the whole population” (Saunders et al, 2007:138).

1.5.1 Ethical considerations

Bless, Higson-Smith and Kagee (2006:143) are of the opinion that confidentiality is an ethical requirement in most research. The researcher ensured that respondents are not identified in the process of gathering data in order to maintain anonymity. According to Walter (2009:93), confidentiality is ensuring that the information provided by the research participants cannot be linked to them whereas anonymity is concerned with the non-identification of the individual participants. The researcher, therefore, maintained the confidentiality of participants by not including their identities on the biographic data questionnaire and on the research findings. The researcher maintained the confidentiality of participants in order to ethically uphold integrity and social standing

as a researcher. The researcher also took the necessary steps to seek permission to conduct the study within the municipality. Participation was voluntary and an informed consent was provided to the participants.

1.5.2 Sample

The sample of respondents comprised of employees of the Nelson Mandela Bay Municipality, in the Eastern Cape. The researcher made use of non-probability sampling in general, and purposive sampling in particular. The researcher focused on stakeholder sampling as this method identifies major stakeholders involved in the administering of the process of risk management. Another reason for this kind of sampling method is that only those respondents who deal with and are accountable for risk management participated in the study. The researcher focused on fifty to seventy participants for the study. Details on how these ethical considerations were actualised are found in Chapter Three.

1.5.3 Data collection

Survey questionnaires were used to gather data from the respondents, in order to solicit their views on the effectiveness of risk management. Authur, Waring, Coe and Hedges (2012:235) mention that questionnaires can be given out by hand or sent by post. For the purpose of the study, the researcher conveniently used an on-line questionnaire as opposed to a posted or handed-in questionnaire. The researcher made use of both open-ended and closed-ended questions. The data collected was evaluated, interpreted and then illustrated graphically and narrated by the researcher. Thereafter, interpretations were drawn from the findings followed by the recommendations.

1.5.4 Data analysis

According to Zikmund (2003:73), analysis is defined as “the application of reasoning to understand and interpret the data that has been collected”. The quantitative data was analysed using descriptive statistics (frequencies and percentages).

1.5.5 Demarcation

The study was conducted in Port Elizabeth, at the Nelson Mandela Bay Municipality which is situated in the Eastern Cape.

1.5.6 Validity

The researcher made use of the face validity method in the study at hand. According to Greaner (2008:37), face validity means that another person other than the researcher can mostly see that the method of researching a particular question is a valid method which is being used. Greaner (2008) argues that face validity encourages possible participants to take part in surveys or interviews, as well as other research designs the researcher may be using.

1.6 DELIMITATION

The researcher sought to exclusively determine the effectiveness of risk management at the Nelson Mandela Bay Municipality. The online questionnaire was designed and piloted. A letter to the participants was written, consisting of a link that directs the respondent to the electronic questionnaire. Participants were employees of the NMBM, management in particular participated in the study. Both men and women of all races participated in the process of gathering data.

1.7 RESEARCH METHODOLOGY

In an attempt to address the objectives of this study, a quantitative research method was employed. According to Creswell (2005:597) quantitative research is defined as “an inquiry approach useful for describing trends and explaining the relationship among variables found in the literature”. The researcher made use of a survey design. Creswell (2005:354) defines a survey design as “a procedure in quantitative research in which investigators administer a survey to a sample or to the entire population in order to describe the attitudes, opinions, behaviours, or characteristics of the population”.

The researcher sought to determine, amongst other things, whether the NMBM is achieving its set objectives with the implementation of risk management. For the purposes of evaluating the effectiveness of risk management at the Nelson Mandela Bay Municipality, the researcher made use of electronic questionnaires. The survey tool comprised of open and closed questions. Smith (2002:64) refers to Welman and Kruger (1999) to support the use of an electronic questionnaire. The authors explain that the use of electronic mail (e-mail) provides the opportunity to develop an on-line (computer-based) questionnaire. This type of a questionnaire is user-friendly and respondents spend less time when completing such a questionnaire. One other convenient factor is that the entire population has access to electronic mail. The collected data was analysed and conclusions drawn, from which recommendations were made in order to improve the effectiveness of risk management.

1.8 DEFINITION OF TERMS

The following definitions of concepts related to the research study are provided:

1.8.1 Risk

National Treasury (2013) defines risk as “a risk is an unwanted outcome, actual or potential, to the institution’s service delivery and other performance objectives, caused by the presence of risk factor(s). Some risk factor(s) also present upside potential, which management must be aware of and be prepared to exploit. This definition of “risk” also encompasses such opportunities”.

1.8.2 Risk identification

According to Holmes (2002:8) risk identification entails identifying areas that may expose an organisation to risks. Some risks are more obvious and manageable than others. It is important to identify those risks that can be managed.

1.8.3 Risk management

Holmes (2002:6) defines risk management as taking deliberate action that will yield a positive outcome while reducing the chance of a bad outcome.

1.8.4 Force majeure

An act of God (Mair and Cendrowski 2009:3).

1.9 SIGNIFICANCE OF THE STUDY

As mentioned in the problem statement, the main objective of the study is to investigate the effectiveness of risk management within local governments, with reference to the Nelson Mandela Bay Municipality. It is important to note that for any organisation to succeed, risks must be taken and effectively managed. The researcher sought to determine the current status of the risk management framework at the NMBM.

According to National Treasury (2013) “The public sector risk management framework has been developed in response to the requirements of the Public Finance Management Act and Municipal Finance Management Act for institutions to implement and maintain effective, efficient and transparent systems of risk management and control”. This has sparked an interest within the researcher to investigate how effective this tool is at the local government level in particular. The results of this research would assist local municipalities to ascertain how effective this framework is in their organisations.

1.10 CHAPTER OUTLINE

The structure of the research is as follows:

Chapter One: Introduction – The researcher introduces the research topic as well as provides the background of the study. The definition of terms is also included in this chapter.

Chapter Two: Literature Review – This chapter shows the debates from various sources of information, which were consulted by the researcher.

Chapter Three: Research Design and Methodology – This chapter outlines the research methods utilised in the study, data collection method and analysis, validity and reliability of data, as well as the ethical considerations.

Chapter Four: Research Results and Findings – The findings of the study are illustrated, analysed and interpreted in this chapter.

Chapter Five: Conclusion and Recommendations – This chapter focuses on recommendations and provides areas for further research studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

According to David and Sutton (2004:7), a literature review is a method which involves the selection of all available sources of information on a given subject which contains information, ideas, data and evidence written from a specific opinion to achieve certain aims or express certain views on the nature of the documents in relation to the proposed subject. The literature review discussed below is related to the effectiveness of risk management in local government. Since the mid-1990s, risk management has dramatically expanded in its reach and significance, being changed from an aspect of management control to become a benchmark of good governance for many various organisations. Many risk management practice standards have been produced by a variety of transactional organisations (Ideas, 2013).

Ene and Dobrea (2006:126) provide a broader picture on the dramatic expansion of risk management in their study of adapting risk management to the public sector reforms. Industries experience unique challenges and the way of managing risks for the public sector is no different. According to Ene and Dobrea (2006:126), public organisations, such as municipalities or public utilities, are generally large and slow moving, which makes it hard to implement any risk management plan. Given their nature, public entities are especially open to critical observation from the media and the public. This enables people to perform their duties with integrity, the authors mention that, public entities are more inclined to defamation lawsuits, reputation risks and claims of unfair trade practices.

Geldenhuis (2006:26) defines risk management as a managerial function that involves processes and functions that are essential to determine and accomplish the objectives of the organisation. Similarly, the King III report (2009) indicates that “the board should ensure that the company maintains an effective ongoing risk assessment process, consisting of risk identification, risk quantification and risk evaluation. The risk

assessment (using a generally recognised methodology) should identify risks and opportunities, and measure their potential impact and likelihood”.

This relates to the study at hand as the researcher will be optimistic in finding out if, amongst other things, there is strong governance in the implementation of risk management at the NMBM. This is one of the objectives that the researcher seeks to achieve by the end of the research. The King III report states that “the board should exercise leadership to prevent risk management from becoming a series of activities that are detached from the realities of the company’s business”. The King III report further states that “the board’s scope should be expressed in its board charter and subsequently supported by induction and training processes for all board members. Where the board has delegated its responsibility for risk management to a board committee, such board committee’s terms of reference should reflect this responsibility and should be approved by the board”. This information provides advice on how the board can play a role in effectively managing risks, which resonates with a study undertaken by Bakken (2011:18).

Bakken (2011:18) argues that a good risk management process can increase the chance of achieving the objectives of the organisation. Geldenhuys (2006:26) is of the opinion that risk management encompasses managerial activities such as risk analysis to identify and rate the effect that hazards, uncertainties and opportunities might have on the achievement of the objectives. On the contrary, the Condensed Risk Management Framework (2010) states that “everyone in the institution has a part to play in achieving and sustaining a vibrant system of risk management”.

2.2 RISK MANAGEMENT DEFINED

In this research, an attempt was made to define risk management, particularly within the context of the study at hand. Various findings from related studies as well as recent arguments were also consulted in the formulation of this research.

Risk management is a way of identifying, evaluating, quantifying and measuring risks as well as developing and managing various ways of handling these risks. According to

Moeller (2011:32), all possible risks that may impact negatively upon the success of the business should be identified by management, these could range from the larger or more significant risks to the overall business down to less major risks related with individual projects or smaller business units. This is a crucial step in effectively managing risks that face organisations, therefore proper implementation by management is of utmost importance.

Coetzee et al (2010:19) agree with the above and refer to the Committee of Sponsoring Organisations (2004) for the definition of enterprise risk management. "It is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives".

2.2.1 Risk management continuous stages

Holmes (2002:8) examines the basic form of risk management and indicates that it involves four continuous stages:

- *Identification.* This stage involves identifying risks which the organisation is likely to be exposed to. Certain risks are more obvious and controllable than others. The important thing is to prioritise those that are manageable. Identifying risks that are way outside of your control means that little can be done to manage, resulting in time and effort being spent to no avail. In such instances, it would be better to develop contingency and business continuity plans to address the risk once it has materialised.
- *Quantification.* This stage involves determining the impact of the risk (this is normally a financial loss) and likelihood of its occurrence. Because it can be very difficult to make precise assessments of probability and impact, most organisations rate each dimension using high, medium, and low, where each represents a range rather than a precise figure. It is therefore easier to rank the risk when selecting which risk to manage.

- *Managing or responding.* This stage involves establishing a responsive action that will mitigate the risk. There are five possible ways an organisation may do this. Transfer: the risk may be *transferred* to a third party. For example, one of the reasons why so many organisations have outsourced their information technology is to pass the technological risk to those who are better positioned to manage it. Avoid: risk may be *avoided* by taking a different course of action. Taking action that minimises the risk by reducing its impact or probability. Contingency: some *contingency* can be put in place which will enable the organisation to cope with the impact of risk should it occur. They can put some *contingency* in place that allows the organisation to cope with the impact of the risk should it materialise. This was an essential component in preparing for the year 2000, for example. Accept: the risk can be *accepted* as well as its consequences. Before this strategy is *accepted*, the impact of the risk as well what it will cost the organisation in terms of money and the resources needed to manage it must be understood.
- *Monitoring and controlling.* The impact of risks varies with time as risks are time-based events. This is common within banking, but less so in the other areas of risk, such as strategic and operational risk.

These continuous stages of risk management fundamentally boil down to whether or not this process is followed within the local government. If so, what measures are in place in order to determine the effectiveness of this process? For instance, are the identified risks managed and periodically reviewed? If so, how often? The underlying factor in the above mentioned information is the fact that there should be an effective approach in the identification of key risk areas. In order to treat or tolerate the risks, they should be identified in the first instance. Once captured on the risk register, they should be compared with the latest audit report, in order to ascertain whether the risks have been properly dealt with. One other key aspect in effectively managing risks is the evaluation of the risks, as well as assigning relative importance to each one, with a view to determining when and what management attention is required in order to manage the risk.

2.2.2 The importance of risk management

Van der Molen (2012:21) highlights some of the important aspects in the implementation of risk management at municipalities. These include:

- Integration into municipal operations
- Efficient and effective service delivery
- Informed strategic and operational planning
- Enhanced governance and accountability in decision-making
- Limitation of the number of operational surprises

2.3 AN EFFECTIVE RISK MANAGER

The following literature review attempts to demonstrate the attributes of an effective risk manager. An effective risk-manager according to International Risk Control Africa (hereafter referred to as IRCA) (1994:14) and Marsh (2004:7-11), as quoted by Geldenhuys (2006:16), should be able to:

- Identify and understand the public management functions to obtain optimum results;
- Identify, clarify and specify what is expected from officials for optimum results;
- Understand and apply the performance standards for risk management;
- Effectively communicate to officials the performance standards for risk management;
- Use performance management to gauge and guide performance;
- Measure as objectively as possible the performance of officials;
- Evaluate what must be done to reach and/or maintain the performance standards for each; and
- Determine what officials should do to reach and/or maintain the performance standards for their work to mitigate the risk that performance is not properly measured.

Holmes (2006:6) argues that risk management involves following a set of actions which has been created to identify, quantify, manage and monitor events and actions which may lead to financial loss. This implies that risk management is an active process requiring commitment and focus. In many instances, risk management involves a large degree of judgment and requires an organisation to make certain assumptions about the future. To elaborate on this, Holmes (2006:6) provides the following example “whereas assessing the likelihood of a road accident is quite easy, assessing the risk of a nuclear meltdown is very difficult. This is because in the case of road accidents, there is plenty of information available against which the risk can be assessed, but in the nuclear meltdown case there is very little”. This sets apart risk (which can be managed) from uncertainty (Holmes, 2006:6). Therefore, in order to manage risks effectively it is necessary to categorise the types of risks that organisations are exposed to, and then manage them accordingly.

2.4 RISK CATEGORIES

Categorising risks makes it relatively easier for management to manage risks and deal with them head on, in a more focused fashion, as opposed to not categorising them. This in turn assists in the achievement of set objectives and minimises the impact of the risks on the organisation. There is nothing wrong with risk. According to Holmes (2002:2), “It is the lifeblood of the business and the test of entrepreneurs and managers”. What matters is how you handle it and the culture in which you operate (Holmes 2002:2). For risks to be effectively managed, risk categorisation should take place. Based on the premises of a study undertaken by Geldenhuys (2006), the author examines integrated risk management as a mechanism to minimise risks for local government. Geldenhuys (2006:24) discusses some of the more commonly referred to categories of risk as follows:

- Strategic risk – This refers to risks encountered in a competitive environment and includes elements such as new competitors on the market place, strategic opportunities, optimisation of capacity and efficiency.

- Financial risk – This refers to changes in value as a result of changes in external financial markets, for example, foreign exchange, interest rate and liquidity.
- Operational risk - This refers to the risk of loss as a result in insufficient internal processes, people, and technology or from external events. Operational risk is shaped by factors such as sales practices, criminal activities, information technology, human resources and disasters.

The above mentioned categories are key to any organisation in terms of risk management. Well defined and documented objectives make motives for operating clearer to all stakeholders and form a sound basis for measuring and reporting on the achievement of organisational goals. Categorisation of risks reduces the chances of management missing the identified risks and monitoring them.

According to Gupta (2011:122), in order to proactively help in overcoming possible business failures, management can align effective risk management with business assumptions. Despite the fact that risk management is not compulsory in the public sector, it is clear that it enhances the achievement of set objectives. In like manner, Merna and Al-Thani (2005:36) define risk management as “a continuous loop rather than a linear process so that, as an investment or project progresses, a cycle of identification, control and reporting of risks is continuously undertaken”. On the other hand, Mair and Cendrowski (2009:6) are of the opinion that the tenets of risk management must be ingrained within a corporate culture in order for such practices to be effective. They continue to highlight that the tone demonstrated by the company’s board of directors and senior managers sets the example for the organisation. These authors reflect on a recent survey that has shown that many board members felt radical organisational change is unnecessary; even if systems perceive that the status quo has shifted.

Based on the various literature that has been reviewed, the researcher came to the conclusion that risk management can also be defined as a tool that is used by management in order to control risk that adversely affects the organisation. According to Mair and Cendrowski (2009:6), board members are often accustomed to operating

within established patterns of behavior, favoring smooth meetings over confrontation incited by fundamental business issues. The authors continue to argue that the board members generally fail to critically examine and evaluate the organisation's modus operandi, instead believing that 'outdated' operating procedures will properly mitigate a crisis. This may not always be the case, as Coetzee, Du Bruyn, Fourie and Plant (2010:23) indicated that risk management does not create a risk free environment. Risk management will, however, assist management to perform more effectively in environments filled with risk thereby minimising the risks the organisation faces. Similarly, the PFMA states that "an accounting authority for a public entity must ensure that the public entity has and maintains effective, efficient and transparent systems of financial risk management and internal control".

2.5 RISK MANAGEMENT REVIEWS AND CORRECTIVE ACTION PRACTICES

According to Van der Molen (2012:28) in order to form an opinion on the adequacy of the risk management process, sufficient evidence should be obtained by internal auditors in order to satisfy that the key objectives of the risk management process are being met. A municipality can achieve its objectives with greater certainty through the implementation of risk management as it is proactive and anticipatory (Van der Molen, 2012:18). Moeller (2011:108) explains that an enterprises risk management group identifies significant areas in the enterprise where high levels of risk could occur. These are the risks to the enterprise where there is a high likelihood of the event occurring. Moeller makes an assertion that the risk management function should be proactive and not wait for the risks to materialise. Moeller (2011:108) suggests that this is the right time to review the risk area, make some recommendations to lessen the risk and improve surrounding internal controls.

2.6 INTERNAL CONTROLS AND THE INTERNAL AUDIT FUNCTION

Internal controls and the internal audit function play a crucial role in the management of risks within any organisation. Derrocks (2010:19) refers to Wixley and Everington (2002) for the definition of internal control (established from the Committee of Sponsoring

Organisations of the Treadway Commission). Internal control is defined as “a process affected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting;
- Compliance with applicable laws and regulations”.

To sum up the concept of internal controls, they can be described as a compass for the business on course to profitability and efficiency. Furthermore, effective internal controls can instil a sense of agility with management to have a pro-active rather than a reactive approach (COSO).

The National Treasury (2001) of the Republic of South Africa discusses treasury regulations for departments, constitutional institutions and public entities issued in terms of the Public Finance Management Act of 1999. These regulations are of paramount importance as they assist in the effective management and the evaluation of risks and strategies to mitigate or avoid identified risks.

2.7 THE LEGISLATIVE BACKGROUND

2.7.1 The PFMA and treasury regulations

The importance of risk management is highlighted in the PFMA (1999). According to section (38) (a) of the PFMA,” the accounting officer must ensure that the department, trading entity or constitutional institution has and maintains-

- (i) Effective, efficient, and transparent systems of financial and risk management and internal control”.

The Treasury Regulations (2001) of the National Treasury in section (9.1) also states “that the accounting officer of a department must exercise reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure, and must for this

purpose implement effective, efficient and transparent processes of financial and risk management”.

The Eastern Cape’s Auditor General’s report of the (2009-10:44) financial year reveals the following interesting findings, which relate to the importance of exercising reasonable care to preventing irregular, fruitless and wasteful expenditure. According to the audit report, “irregular expenditure increased by a staggering 64% (R565 million) from the 2009 to 2010 financial year. If the amount of actual irregular expenditure detected during the audit is extrapolated to the province as a whole, the increase is an even more alarming 80% (R688 million). The audit report continues to reveal that irregular expenditure arising from breaches of Supply Chain Management (SCM) legislation accounts for 97% of all irregular expenditure incurred by the province. This is the result of weak to non-existent internal controls to SCM legislation”. Weak controls, together with a lack of consequences for SCM breaches, create an environment that is conducive to fraud and corrupt practices.

2.7.2 Risk management policy

The Condensed Risk Management Framework (2010) exposes some of the vital aspects to consider in the implementation of a risk management policy.

The policy should function within the conditions of the risk management policy endorsed by the Accounting officer/ Authority.

The policy should:

- Convey the Institution’s risk management philosophy on how risk management is expected to support the institution in accomplishing its objectives;
- Form a statement committing the institution to executing and maintaining an effective, efficient and transparent system of risk management;
- Explain the risk and risk management as they apply within the institutions particular context;
- Outline the objectives of risk management;

- Outline the risk management approach; and
- Identify the key role players and their responsibilities.

2.7.3 The constitution of the Republic of South Africa

According to section 152 of the Constitution of the Republic of South Africa (1996), as stated in the PWC (2010) local government and King III public sector group working paper, the objectives of local government are described as follows:

- “To provide democratic and accountable government for local communities;
- To ensure the provision of services to the communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in the matters of local government”.

Borghesi and Gaudenzi (2012:12) suggest that the corporate governance system should put in place non-mandatory rules (codes of conducts and self-regulations, resulting from the internal control system) or a methodical approach to monitoring compliance with rules.

The aim is to ensure:

- “Compliance” with binding regulations
- “Communication” to and with stakeholders
- “Assurance” regarding risk tolerance
- “Decision-making, efficacy of the strategy and efficiency of operations”.

According to the Crime and Misconduct Commission (CMC) (2005), leadership has many faces. Among the important roles of any public sector agency is the maintenance of high standards of ethics, conduct and fiduciary responsibility. The CMC stresses that having a clear policy will demonstrate how an agency resolves to combat fraud and corruption wherever it is found. It will communicate the agency’s commitment to best

practice and create a holistic-framework that minimises the risks of fraud and corruption and strengthens organisational integrity.

2.8 RISK BASED APPROACH

The Crime and Misconduct Commission (2005:12) argues that to establish an effective fraud and corruption program requires a thorough understanding of an agency's vulnerabilities. One of the major tasks to be undertaken under risk-based management principles is identifying an agency's key fraud and corruption risks.

Risk management in organisations according to Gupta (2011:122) has undergone a paradigm shift. It has shifted from being "hazard type" to "strategic type"; risks are not perceived as threats (adverse financial affects) but as potential opportunities. Gupta (2011:122) is of the opinion that "effective risk management can align with the business assumptions and proactively help in overcoming the possibilities of the business failures". Risk management should become part of an organisation's culture and the responsibility of everyone in the public sector. This can be achieved by integrating risk management into the organisation's philosophy and practices, rather than viewing or practicing it as a separate programme (Geldenhuys, 2006:10).

In the same vein, Bourne (2006) explains five key aspects of risk management as stated by Ene and Dobrea (2006:128) which, if applied more widely, could contribute to better public services and increased efficiency.

These aspects are:

- Adequate time, resources, and top level commitment need to be dedicated to handling risks;
- Responsibility and accountability for risks need to be clearly defined and subject to scrutiny and robust challenge;
- Risks need to be judged based on reliable, timely and up to date information;
- Management of risks need to be applied throughout the department;

- There should be continuous development on the knowledge of common risks amongst the departments and manage it together.

2.9 ENHANCING PERFORMANCE

According to the National Treasury (2013), institutions should achieve through the risk management process, among other things, the following outcomes which are needed to underpin and enhance performance:

- “More sustainable and reliable delivery of services
- Informed decisions underpinned by appropriate rigor and analysis
- Innovation
- Reduced waste
- Prevention of fraud and corruption
- Better value for money through more efficient use of resources and
- Better outputs and outcomes through improved project and programme management”

Research findings on a study conducted by Derrocks (2011:75) on risk management revealed that 95% of respondents believe that effective risk management increases innovation and ultimately leads to enhanced business planning, which concurs with one of the above mentioned outcomes which is achieved through the risk management process.

2.10 DETERMINING THE OBJECTIVES FOR RISK MANAGEMENT

The risk manager has the important duty of aligning risk management goals and objectives with the mission of the organisation. This identifies the relationship between risk management and the mission of the organisation. It is of utmost importance to establish goals and objectives for risk management as it serves as the foundation for all risk management activities. Failure or success of the program is measured against the goals and objectives set by management of the organisation.

The objectives are formalised in a risk management policy which states the aims and describes the policy measures for their attainment (Valsamakis, Vivian & Du Toit 2004:14). Geldenhuys (2006:56) supports the views of Valsamakis et al by adding that risk management objectives should be clear, practical, achievable and specific to motivate officials and to monitor the degree to which the objectives of the organisation were achieved. He continues to say that if the objectives of risk management are not met, the focus of the officials will be influenced negatively, which could in turn result in the non-achievement of organisational goals in an efficient and effective way.

Geldenhuys (2006:36) explains that the success of risk management depends on management's commitment to the establishment and development of the risk management process in the public sector. The ignorance of management about the approaches creates the risk that objectives of risk management will not be achieved. Geldenhuys continues to reflect on a point that appeared in IRMSA (2004), which is that management should ensure that approaches are embedded in the organisation to enhance the effectiveness of risk management in the public sector and secure the achievement of its objectives.

2.11 BENEFITS FOR EFFECTIVE RISK MANAGEMENT

Effective risk management is relatively essential in local government in that it improves service delivery and many other factors that are expected from municipalities. The Alfred Nzo District Municipality (2009:5) highlights benefits for successful implementation of the risk management process.

The benefits include:

- **Effective Operational Performance:** is enhanced, has less disaster and surprises, and increases the amount of positive feedback from communities and other interested stakeholders, for example, the Auditor General
- **Improved Financial Performance:** the percentage of objectives achieved is increased, the level of fraud is reduced, and the impact of critical risks is decreased

- Improved Corporate Governance and Compliance System: decline in legal challenges, improvement in corporate governance statement which is better substantiated, increased public satisfaction and enhanced organisational image
- Avoidance: being proactive in order to avoid certain adverse outcomes (fraud risk prevention)
- Helps organisations survive when actual incidents occur (business continuity plans, insurance etc.)
- Increased Probability of Achieving Objectives: risk management helps management to achieve the institution's financial targets and helps with the prevention of loss of resources
- Identifying and Managing Multiple "cross-enterprise risks": institutions face countless number of risks affecting multiple sections of the institution. Enterprise risk management promotes integrated responses to the interrelated impacts and enhances an integrated response to multiple risks

Effective risk management according to Frame (2003:32) does not happen automatically: it is important to note that leaders who aspire to enable their organisations to be good at managing risk must be aware that effective risk management is a long journey with challenges. Beginning the journey is not difficult; it may be sparked by a one-page instruction issued by the chief operating officer after a small disaster, urging the organisation to implement good risk management systems.

2.12 LEADERSHIP AND COMPETENCY

It is clear that the board of directors as well as management have the responsibility for the effective implementation of risk management. According to Fox et al (1991) as cited in Geldenhuys (2006:15), it is expected that leaders should be competent in their functional area and they should possess personality traits that will motivate subordinates to respect and follow instructions from their leaders. It is expected of leaders that they will guide subordinates to such an extent that they will perform

optimally to mitigate the risk that the objectives of the organisation will not be achieved effectively and efficiently.

The King III report (2009) describes effective leadership based on an ethical foundation. The report clearly defines responsible leadership by mentioning the following key aspects:

- “Good corporate governance is essentially about effective, responsible leadership. Responsible leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency;
- Responsible leaders build sustainable businesses by having regard for the company’s economic, social and environmental impact on the community in which it operates. They do this through effective strategy and operations;
- Responsible leaders reflect on the role of business in society. They consider both the short-term and long-term impact of their personal and institutional decisions on the economy, society and the environment;
- Responsible leaders do business ethically rather than merely being satisfied with legal or regulatory compliance, uncritically aligning with peer standards, or limiting themselves to current social expectations. They value personal and institutional ethical fitness and practice corporate statesmanship;
- Responsible leaders do not compromise the natural and the livelihood of future generations”.

The Eastern Cape’s Auditor General’s (2009-10:48) report notes that it is imperative that the leadership of the municipalities and their entities take ownership of the implementation of key controls. The Audit Report continues to note that compliance with laws and regulations, and specifically SCM compliance, has an impact on all spheres of service delivery in the province. Non-compliance has an impact on local governments’ ability to render quality services to its citizens in the province.

According to McPhee (2011:3) management needs to strongly support the implementation of risk management in order for an organisation to be effective. When

this is done well, it will generally not be visible. However, McPhee (2011:3) continues by stating that only risk management failures attract attention and make headlines. Therefore, the positive outcomes of risk management action needs to be reinforced in order to compensate for this imbalance.

Frame (2003:208) emphasizes the importance of having well-trained staff: it enables the organisation to achieve its goals. This would then result in an effective implementation of risk management. As much as investing in training courses may be a useful strategy, some people according to Frame (2003:208) balk at paying the price for competent training for their employees. Frame (2003:208) describes the reasons for this as being:

- Training is viewed as an expensive overhead item: it does not often lead to immediate results that contribute to profitability;
- While employees are being trained, they are not working. Training usually disrupts ongoing operations;
- There is often a lag between the time when an individual undergoes training and then applies the new skills;
- The efficacy of training is not always obvious. Certainly, training employees on the proper use of equipment has evident payoffs; however, the benefits of soft skills training (for example, management training, and effective communications training) is often not clear;
- Training employees that are likely to leave the organisation in a matter of months is hardly worth-while.

In addition to effective risk management, Moeller (2011:28) states that it is vital for organisations to adopt strong governance and compliance processes. Moeller (2011:28) continues to emphasize that strong risk and governance processes are important for the achievement of effective risk management. Risk management is one element of robust corporate governance; therefore, the leadership needs to have a solid understanding regarding the phenomenon (Booker 2005:30).

2.13 CORPORATE GOVERNANCE AND RISK MANAGEMENT

Coetzee, Du Bruyn, Fourie and Plant (2010:2) refer to the International Capital Markets Group for the broad definition of corporate governance:

“The process used to direct and manage the business and affairs of the organisation with the objective of balancing:

- The attainment of corporate objective;
- The alignment of corporate behavior with the expectations of society; and
- The accountability to recognized shareholders”.

According to Kamala (2010:205), it is the responsibility of all stakeholders to identify key drivers of risks that can make an entity not to achieve its core strategic initiatives. Kamala continues to highlight that for risk management to be effective, timely and robust information regarding risks arising across the organisation should be provided. From the above, one can draw a conclusion that all stakeholders need to be proactive when dealing with risks in order to assure a positive result in the end.

Although Derrocks (2010:38) notes that the risk management processes should be integrated with corporate and business planning as this is an element of sound corporate governance. The author also points out that good corporate governance makes good business service and it has been proven that countries with strong corporate governance attract capital. Governance according to Deminko and McNutt (2010) as stated by Derrocks (2010:14) is concerned with effective achievement of national or organisational goals by being responsible, ethical, transparent and taking into account the legal aspects. The authors mention that “Governance deals with the formation and stewardship of the formal and informal rules, laws, regulations and policies that regulate delivery of services in the public and private sectors. Boards (e.g. directors, governors) appointed or elected according to specified conditions usually exercise governance”.

It is with this in mind that Geldenhuys (2006:56) concludes that for the public sector culture to be more effective, good risk management should be an integral part of management practice. To facilitate this practice, Geldenhuys asserts that risk management should be integrated into the organisation's philosophy and practices rather than be viewed or practiced as a separate programme. Tchankova (2002:290) concurs that embedding risk management to the organisation's activities enables it to reach its aims directly and efficiently.

2.14 RISK MANAGEMENT IN THE CONTEXT OF STRATEGIC PLANNING

It is of utmost importance that risk management is embedded in the organisation's objectives as this enhances the effectiveness of operations and also improves decision making. McPhee (2011:6) supports this by stating that "the ultimate goal for all organisations is to build risk management into the organisation's culture so that we have better performing and more resilient organisations."

Additionally, McPhee (2011:5) discusses the basics of good management, of which risk management is an important part:

- Having insight about the goal and what success would look like
- Know how to delegate responsibilities and ensure accountability among those assigned with responsibilities
- A scorekeeping arrangement should be determined; with an accent on unexpected variations; and
- Establish a sound approach to risk management, including an understanding of risk tolerance

According to Altman and Cooper (2004) as stated by Derrocks (2011:38), effective enterprise risk management requires skills in strategic planning. The South African public sector, as indicated by Coetzee et al (2010:72) is required by legislation to compile rolling five-year strategic plans that specify the objectives of the entity over the medium-term. The authors continue to prescribe that a public sector institution needs to identify the main services it plans to deliver to the general public, in line with the policy

priorities of government. Strategic planning enhances the sustainability of services and also identifies risks that need to be proactively managed. They explain that the financial impact of the services is estimated to assess the burden that will be placed on public resources and whether the services could be funded from government's revenue funds, or in the case of municipality, to what extent the expense can be covered by generating its own revenue. However, Frame (2003:17) poses an interesting question, "Do you think that if people had employed best-practice risk management tools, they would have been able to predict that on September 11, 2001, nineteen terrorists would hijack four aircraft and crash two of them into the World Trade Center and one into the Pentagon?". This question indicates that risk management does not perform miracles and wonders; there are certain challenges or rather limitations that go with it, in as much as it has its benefits.

According to Van der Molen (2012:31), these limitations entail the following:

- Poor management processes
- Changes in policy, programmes, economic conditions etc
- Collusion between managers and employees to override the risk management process
- Insufficient capacity to meet risk management requirements

2.15 CONCLUSION

This chapter defined the concept of risk management and provided the reader with a broader understanding about the process. Primary and secondary sources were consulted by the researcher, in order to elaborate on the implementation, limitations of risk management and other factors regarding risk management. Based on the literature, the effectiveness of risk management can be determined by the measure in which the set objectives are achieved. The researcher investigated risk management in the context of strategic planning and discovered that the process should be embedded in the organisation's objectives in order to effectively manage the possible risks that it

faces. The researcher also provides the link between corporate governance and risk management.

Chapter Three discusses the research methodology implemented by the researcher.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

A brief overview of the research design and methodology utilised in the study is provided in Chapter One. In order for the researcher to assess the effectiveness of risk management in local government, the preferred research methodology critical for the accomplishment of the research objectives will be thoroughly explained in this section.

According to Leedy and Ormrod (2005) as stated by Derrocks (2010:44), research is defined as “a systematic process of collecting, analysing and interpreting information (data) in order to increase understanding of a phenomenon”. The School of Management at the Bradford University defines research as “a process of enquiry and investigation; it is systematic, methodical and ethical. Research can help resolve practical problems and increase knowledge”.

This chapter explains the process of the research in a comprehensive manner, which comprises the methods of data collection, data analysis, the structure of the questionnaire, reliability and validity of data and ethical consideration. The purpose of this chapter is to present the methodology employed to explore the primary and specific aims of this research study.

3.2 QUANTITATIVE RESEARCH DESIGN

According to Blanche, Durrheim and Painter (2006:34), research design is described as a strategic framework for action that serves as a bridge between the research question and the implementation of the research. Relevant quantitative research methods are outlined by the researcher, based on the various sources that were consulted.

Johnson and Christensen (2008:33) refer to quantitative research “as research that relies primarily on the collection of quantitative (numerical) data.” Similarly, Neuman (2000:7) states that quantitative research method relates to expressing data

numerically, qualitative research method however studies data in terms of words, pictures and objectives.

3.3 STRUCTURE OF THE QUESTIONNAIRE

The researcher constructed questions based on the literature review from Chapter Two, with the aim of addressing the research objectives. An online questionnaire was then developed as it is more convenient and less time consuming for the respondents to complete. Another advantage is that all the respondents have access to the e-mail system. The questionnaire consists of two sections, Section A and Section B.

Section A comprises of questions that are general in nature. In this section, the researcher attempts to capture the profile of the participants as well as trying to make participants feel comfortable and relaxed for the subsequent questions. The questions were developed with the objective of finding out the biographical data of the respondents.

Section B consists of questions pertaining to risk management. The questions were developed with the aim of addressing the study objectives that are detailed in Chapter One. The researcher made use of closed and open ended questions in the survey (questionnaire) for the purposes of collecting data. The questions were constructed based on the literature review in Chapter Two. The respondents were asked the same set of questions and, by this, the researcher aimed to determine whether they share a common understanding about risk management or not. Hennink, Hutter and Bailey (2011) elucidate that some questioning approaches explore the processes behind behavior, to get an insight into perceptions, opinions, beliefs and feelings.

3.3.1 Type of questionnaire

The Likert scale was used in this research. According to Kumar (2005:151), ordinal scales can be defined as “the scale that ranks the data in order”. For this study, the researcher made use of a five-point rating scale. The scale had options to “agree” or “disagree” in varying degrees. An online questionnaire was developed on

SurveyMonkey. Saunders, Lewis and Thornhill (2007:360) define SurveyMonkey as “an online software tool for creating and administering web-based questionnaires”.

3.3.2 Completion of the questionnaire

The researcher sent a letter seeking permission to conduct the research study to the Nelson Mandela Bay Municipality. Written permission to conduct the study was obtained from the NMBM (Appendix 4). A letter consisting of a link (<http://forms.nmmu.ac.za/websurvey/q.asp?sid=1194&k=kmhzqbrijp>) which directed the respondents to the online-questionnaire was e-mailed to all participants (Appendix 3). The respondents completed the survey by choosing an answer that correlated with their views.

The population sample consisted of the NMBM management. Upon receipt of the completed questionnaires, a statistician was approached to facilitate the statistical analysis using Microsoft Excel-SS.

3.4 PILOT STUDY FOR THE QUESTIONNAIRE

The purpose of a pilot study according to Welman and Kruger (1999:146) as stated by Smith (2002:66) is described as follows:

- Finding possible shortcomings in the measurement procedures (such as unclear instructions and inadequate time limits which was indicated)
- Identifying unclear or ambiguously formulated items; and
- Identifying non-verbal behavior, it is possible that this is an indication of discomfort or embarrassment regarding the content or wording of the questions being asked

The researcher’s supervisor was also approached to give her input on whether the questionnaire was understandable or not. The pilot questionnaire was sent to the supervisor, who then distributed it to her colleagues at the Nelson Mandela Metropolitan

University. Thereafter, the responses were exported to an Excel spreadsheet and forwarded to the statistician who then confirmed that the captured data was acceptable.

3.5 ETHICAL CONSIDERATIONS

Permission to conduct this research was obtained from the Nelson Mandela Bay Municipality. Confidentiality is an ethical requirement in most research (Bless, Higson-Smith and Kagee, 2006:143). According to Hennink et al (2011:64), if information were disclosed to others, or if data was not anonymised, then the privacy and security of the participants could be compromised. The participants were assured they were free to discontinue their participation at any time, should they feel the need to do so. Hennink et al (2011:62) explain that when conducting a research study, the following ethical principles should include:

- Seeking permission
- Informed consent
- Voluntary participation
- Minimisation of harm
- Anonymity and confidentiality

The quality of the ethical considerations in carrying out this study is evaluated by answering the following questions as suggested by Hennink et al (2011:77).

3.5.1 Informed consent

Have you informed the participant about his/her right to refuse to take part in the study?

Have proper channels been approached for seeking permission to do the research?

Was there an oral or written consent form?

3.5.2 Anonymity

Have you assured the participant of anonymity?

Did you make sure that you have taken no personal information?

3.5.3 Confidentiality

Have you discussed the ways of confidential data management and archiving it?

3.5.4 Justice

Was selection of the participants done in a just manner?

Did paying or giving of incentives influence the participant?

3.5.5 Benefit

Has the research contributed to the benefit of the participants?

Did you discuss ways of translating the results or sharing the results with the community?

Creswell (2009:89) states “do not put participants at risk, and respect vulnerable populations.” The author further states that researcher’s plans need to be reviewed by the Institutional Review Board (IRB) at their respective college and university campuses. The researcher followed the necessary steps to seek ethical clearance for the research study from the NMMU Ethics Committee. Permission to conduct this research study was sought from the Nelson Mandela Bay Municipality. The letter of approval is attached (Appendix 4).

The participants were provided with an informed consent form, and assured that confidentiality and anonymity will be maintained. Codes will also be used in order to ensure confidentiality in the analysis of data. Participants were informed (Appendix 3) that participation was voluntary and they could withdraw from taking part in the research study at any time. The collected data will be kept in a safe place for a period of five years for validation purposes.

3.6 RESEARCH METHODOLOGY

The researcher conducted a quantitative research study in an attempt to address the stipulated objectives in Chapter One. To motivate this choice, Cooper and Schindler (2006:716) define quantitative research as “the precise count of some behaviour, knowledge, opinion or attitude, which is a frequency phenomenon”.

According to Hair, Babin, Money and Samouel (2003:74), quantitative data is recorded directly with numbers and they are in a form that lends itself to statistical analysis.

For this particular research, a survey design was employed. The survey is useful in the description of attitudes, opinions, behaviours or characteristics of a population (Cresswell, 2005:354). The author explains that a survey has the data to describe trends about responses to questions and to test research questions or hypotheses. In this study, the survey was used to determine the effectiveness of risk management at the NMBM, especially the frequency of use of Risk Management frameworks and good governance benchmarks. Quantitative data was collected through the use of an online questionnaire. Hair et al (2003:74) elaborate that quantitative data are measurements in which numbers that are used directly represent the properties of something. The Nelson Mandela Bay Municipality was the focal point of this study.

3.7 DATA SOURCE

According to Collis and Hussey (2003), cited in Derrocks (2010:46), authors identify two main sources of data. Primary data is collected at a source and obtained by asking questions or making observations, or obtained in a controlled situation by making experiments. Secondary data is data that already exists and is obtainable from books, documents and other media. A combination of this primary and secondary data was used for this study (Derrocks, 2010: 47).

A literature study was conducted. This included published and unpublished articles and internet sites. The researcher also consulted various books and journals for the investigation of the effectiveness of risk management. Various personnel in the risk

management departments were also consulted to obtain their views on the phenomenon.

3.8 SAMPLING

A sample can be described as a portion of the population which is studied by the researcher. The researcher can then make generalisations regarding the whole of the original population (Russell & Roberts, 2001). The researcher identified the non-probability sampling strategy as relevant for this study, particularly the purposive sampling method as it generated information directly from respondents who make up the study's pivotal group. This is because in non-probability sampling it is not guaranteed that each member of the organisation has a chance of being selected for this research study. The selected participants for this study include management, as they have more experience when it comes to the implementation of risk management.

3.9 DATA COLLECTION

The researcher made use of survey questionnaires, for the purpose of collecting data. The selection of the data collection method was influenced by the nature of the research. The researcher also made use of closed and open-ended questions, in an attempt to determine whether those responsible for risk management within the NMBM share a common understanding about the concept of risk management, as well as the objectives that the municipality seeks to achieve through the implementation of risk management. Hennink, et al (2011:118) defines open questions as "being phrased in such a way that they do not elicit to a simple yes/no answer, nor should they be leading questions, "directing" the interviewee's story into a certain direction".

The questionnaires distributed at the NMBM were aimed at finding out whether risk management is in actual fact effective within the municipality. Through these questionnaires, the researcher wanted to ascertain the understanding that the municipality has about the concept of risk management. Most importantly, the researcher sought to determine whether those who have a major role to play in the

implementation of risk management find it of assistance in the attainment of the municipality's objectives.

According to Authors, Waring and Hedges (2012:234), anyone who has designed and used a questionnaire knows that there is considerable scope for alternative interpretations of wordings and it is therefore really important to aim to keep statements and questions brief and direct so that they are readily understood.

3.10 DATA ANALYSIS

According to White (2005:168), in a quantitative research study, data analysis and presentation specifies the statistical technique to be used in data analysis as well as how the data was presented. The findings were analysed, evaluated and explained in such a manner that the findings provide the reader with a clear picture of the results of the study.

The quantitative data was presented through the use of graphs, and the findings were presented through narrations.

3.11 RELIABILITY AND VALIDITY OF DATA

Reliability and validity are the technical terms that refer to the objectivity and credibility of research (Silverman, 2011:366). According to Ritchie & Lewis (2003:285), reliability of information would be determined by achieving the same results and findings should the study be repeated again using the same method of research. The authors continue to explain that validity is generally understood to refer to the accuracy or precision of a research reading. Validity refers to appropriateness, meaningfulness, correctness, and usefulness of any inferences a researcher draws on data obtained through use of an instrument (Fraenkel and Wallen, 2006:165).

The researcher selected face validity for the study at hand. Newfields (2002:14) describes face validity as being "concerned with popularity or common acceptance rather than scientific truth". The management of the Nelson Mandela Bay Municipality was selected as the respondents for the research study. They were perceived to have

some information regarding the concept of risk management and will be able to use that “context” to interpret the questions and provide the desired answers to the questionnaires.

The respondents were also familiar with the type of information they were responding to, based on the knowledge that they have regarding the risk management phenomenon. To ensure validity, a pilot study was also conducted at the Nelson Mandela Metropolitan University.

3.12 CONCLUSION

The overview of this chapter on research methodology has focused on elaborating on how data was collected and the approach selected by the researcher. The researcher attempted to enlighten the reader about the survey method (questionnaire), which was used as a tool to collect the data. Due to the nature of the research, quantitative research method was selected. The definition of the quantitative research approach is explained from the perspectives of different authors.

Chapter Four will interpret and evaluate the findings obtained, as well as provide explanations for the graphically presented findings.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 INTRODUCTION

This chapter focused on the presentation and discussion of the results that were obtained from the online-questionnaire. The findings were presented graphically, followed by brief explanations. The data collected from the respondents addresses the objectives and sub-problems that are mentioned in Chapter One. In an attempt to present the collected data, the researcher made use of pie charts and bar graphs. The main purpose of this study was to determine the effectiveness of risk management in local government with reference to the NMBM.

The study also sought to determine the goals that the NMBM is trying to achieve with risk management, and to determine whether the employees responsible for the phenomenon share a common understanding about the concept of risk management.

For the purposes of this study, data was collected from the management of the Nelson Mandela Bay Municipality. Letters containing the link that directed the participants to the online-questionnaire were e-mailed to 70 possible participants. Of these 70 possible participants, 64 respondents took part in the survey.

The researcher employed a Likert scale for this study. A Likert scale is primarily used for determining options that best describe respondent's views or attitudes regarding a particular statement or question (Losby, 2012:4). According to the author, respondents indicate the extent to which they agree or disagree with statements or questions provided by the researcher relating to that attitude, belief or characteristic. Participants respond to each item on a five-point or seven-point scale, normally with answers from strongly agree, agree, neither agree nor disagree, disagree and strongly disagree.

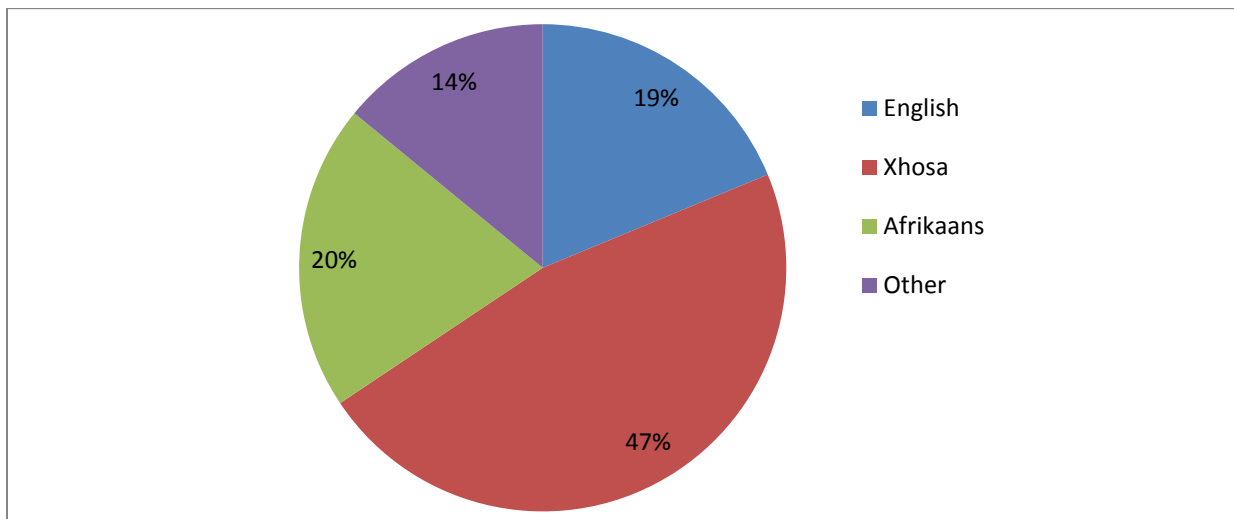
4.2 THE PROFILE OF THE RESEARCH RESPONDENTS

Section A of the questionnaire consisted of questions regarding the biographical data of the respondents.

4.2.1 Home language

Figure 4.1 indicates the home language of the respondents.

FIGURE 4.1 RESPONDENTS HOME LANGUAGE

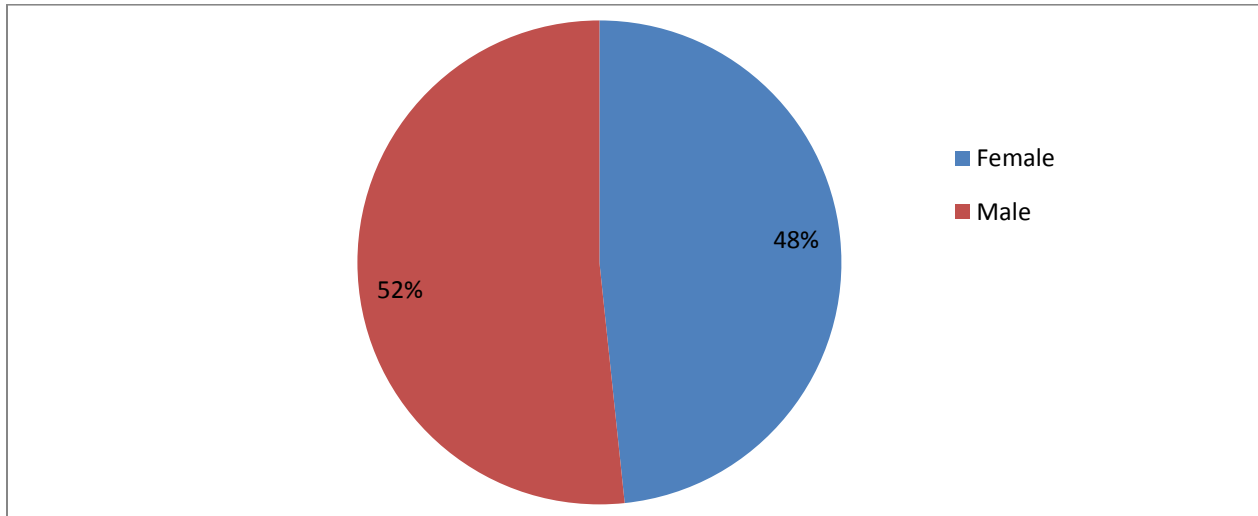


The majority of respondents, 47% (30) indicated Xhosa as being their home language. This was followed by Afrikaans, 20% (13), while English constituted 19% (12). The remaining respondents, that is, 14% (9) indicated that they spoke other languages at home.

4.2.2 Gender

Figure 4.2 illustrates the gender profile of the respondents.

FIGURE 4.2 GENDER PROFILE

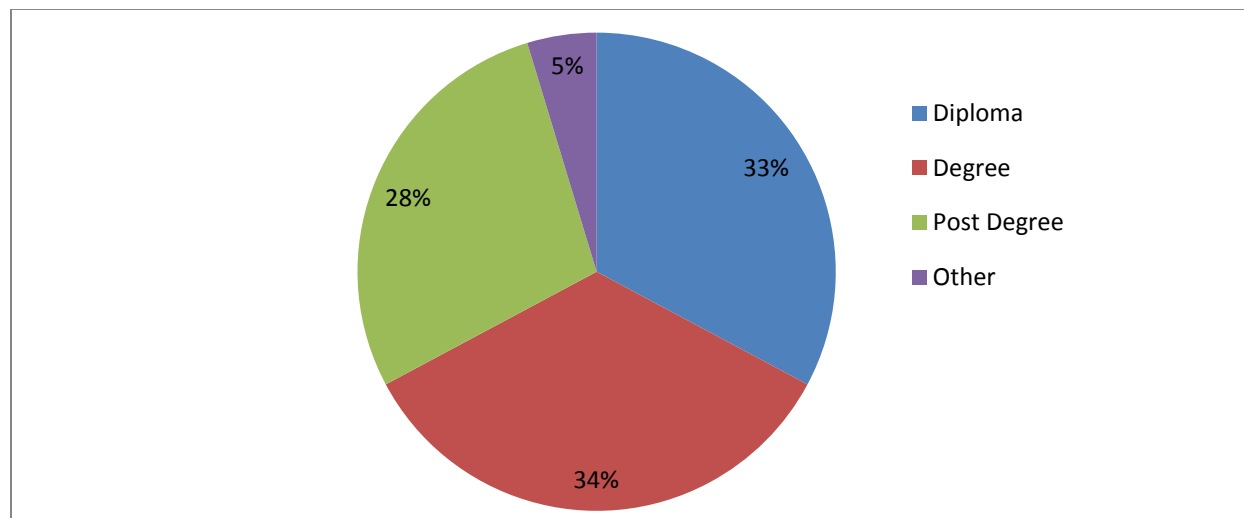


The majority of the research respondents were males who constituted 52% (31) whereas females were only 48% (29).

4.2.3 Highest qualification

Figure 4.3 illustrates the highest qualification obtained by respondents.

FIGURE 4.3 HIGHEST TERTIARY QUALIFICATION

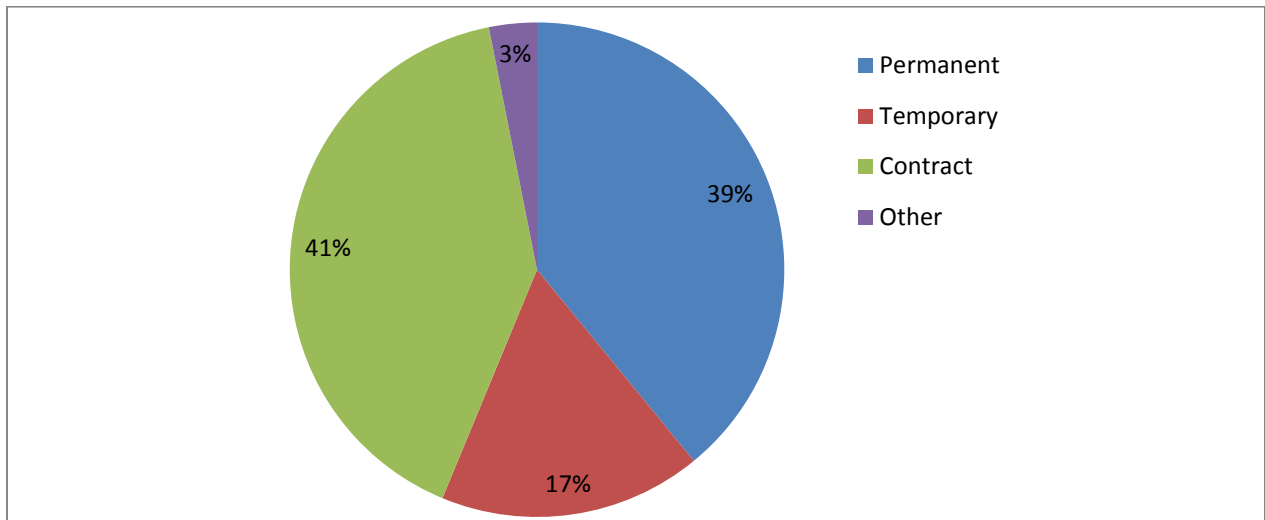


The above figure illustrates the frequency distribution of the highest qualification obtained by respondents. The largest cohort of 34% (22) responded that they hold a Degree. This is followed by 33% (21) of the respondents having a National Diploma. Postgraduate Degrees are held by 28% (18) of the respondents with the remaining 5% (3) achieving other qualifications.

4.2.4 Employment status

Figure 4.4 illustrates the employment status of respondents.

FIGURE 4.4 EMPLOYMENT STATUS

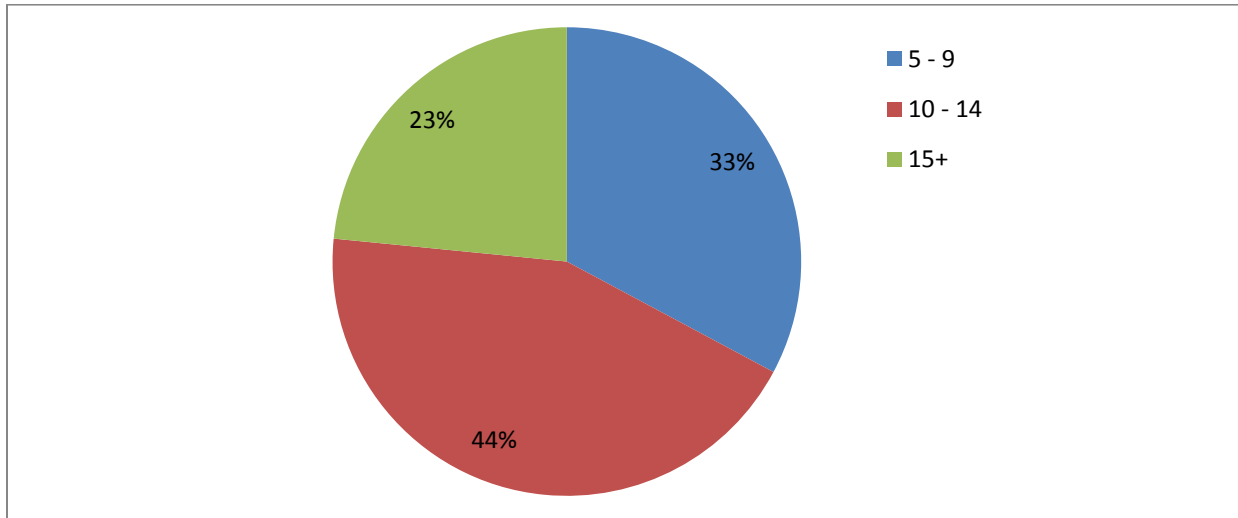


The results of the sampled respondents indicated that 41% (25) are employed on a contractual basis, while 39% (25) indicated that they are permanent employees. This is followed by 17% (11) being temporary staff with the remaining 3% (2) indicating “other”.

4.2.5 Years of experience

Figure 4.5 illustrates the number of years of work experience of respondents.

FIGURE 4.5 YEARS OF WORK EXPERIENCE



A total of 44% (28) of the sampled respondents indicated that they have 10-14 years of working experience, while a group of 33% (21) indicated that they have 5-9 years working experience. The remainder of the respondents have been employed for 15 years plus.

4.3 DESCRIPTIVE FINDINGS FROM THE QUESTIONNAIRE ITEMS

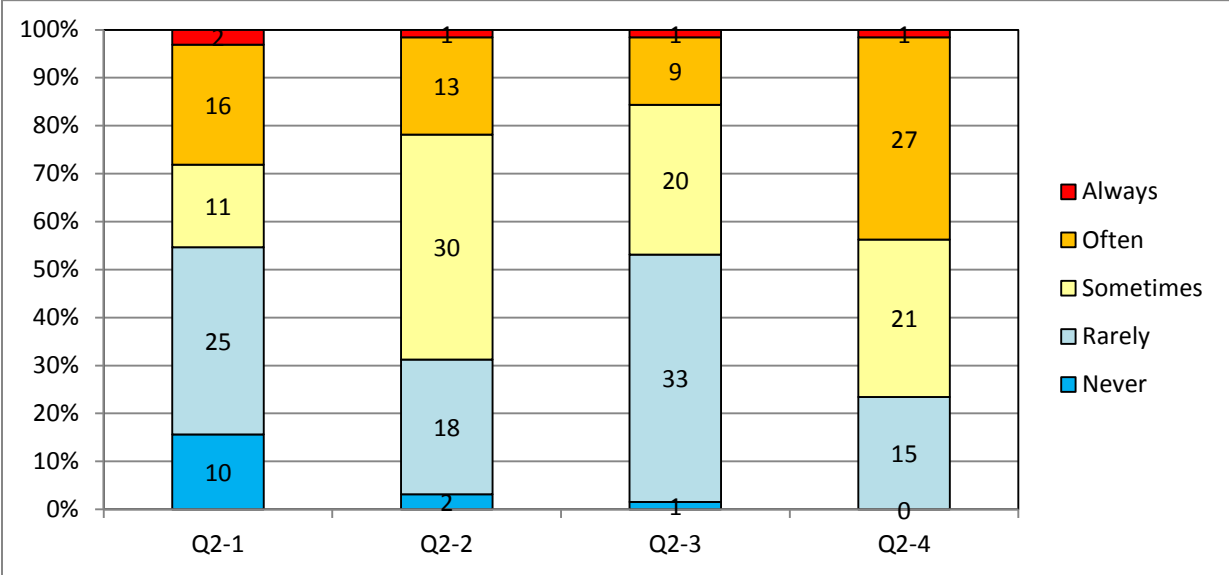
In Section B of the questionnaire respondents were asked a set of questions pertaining to risk management. This section presents the findings of the research as per item of the questionnaire. The distribution of responses as well as the general impression or overall tendencies as reflected in the modes of the frequencies for each question are also indicated.

4.3.1 Findings on the effectiveness of risk management (question 2)

The set of questions in this section were meant to solicit opinions on the extent to which on-going management efforts are helping the NMBM regarding effective risk management.

Figure 4.6 illustrates the distribution of scores regarding the question relating to the effectiveness of risk management. The respondents indicate their level of agreement with the following statements: risk management helps management in their approach to manage risks, the protection of assets and resources, the improvement of corporate governance, and ability to deliver services.

FIGURE 4.6 EFFECTIVENESS OF RISK MANAGEMENT



The responses to question 2.1 regarding the helpfulness of management in approaching and solving risk management problems shows that 39% (25) of the respondents selected “rarely”. The respondents that indicated “often” constituted 25% (16), while 17% (11) selected “sometimes”. However, 16% (10) were of the opinion that risk management never assisted. Only 3% (2) suggested that management always helps in solving risk management problems.

Figure 4.6 also illustrates responses to question 2.2 regarding the protection of assets and resources, a large number of the respondents, that is, 47% (30) suggested that risk management sometimes protects assets and resources. 28% (18) of the responses selected “rarely”, whereas 20% (13) selected “often”. 3% (2) of respondents were adamant that management never protects assets and resource. Only 2% (1) disagreed that management protects assets and resources.

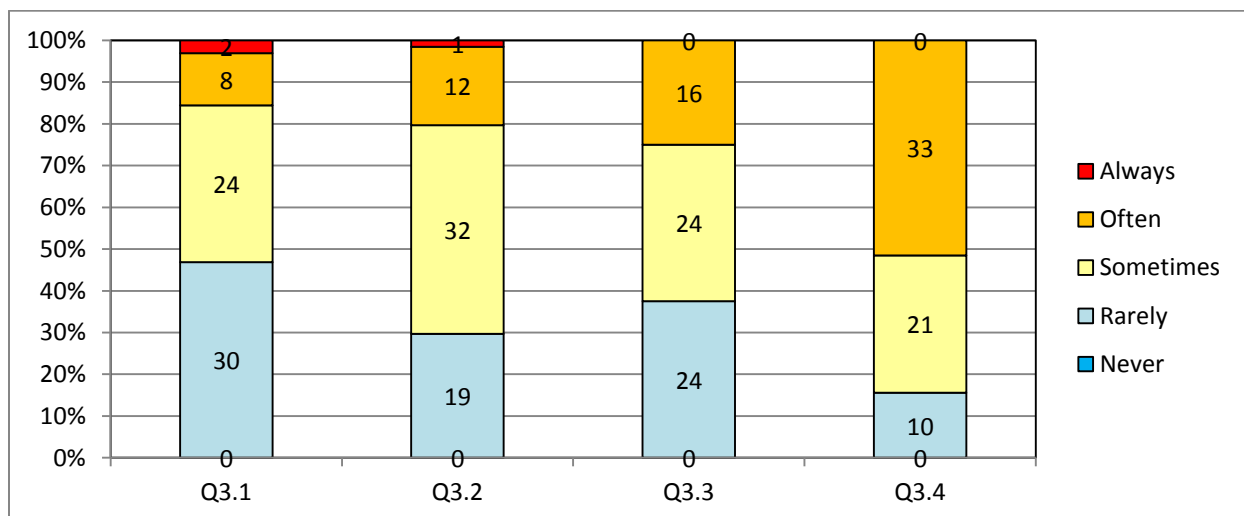
Question 2.3 from figure 4.6 illustrates that 52% (33) of the respondents selected “never” with regards to the contribution of risk management to improved corporate governance. 31% (20) of the respondents feel that risk management rarely improves corporate governance at the NMBM. This is followed by 14% (9) of the respondents, selecting often, with a remaining 2% (1) agreed that risk management improves corporate governance at the municipality.

The majority of the respondents, 42% (27) see risk management as a catalyst in the ability to deliver services in the NMBM, while 33% (21) of the research participants noted that risk management sometimes enhances service delivery within the municipality, another 23% (15) feel that risk management rarely contributes towards service delivery, with the remaining 2% (1) indicating that risk management always assists the municipality in meeting its objectives in order to deliver services.

4.3.2 Findings on risk management and management of the NMBM

Figure 4.7 illustrates the distribution scores on questions relating to risk management and management of the NMBM. The questionnaire items solicited opinions on the following aspects: affordability of the services rendered, supporting management policies, defining roles and responsibilities, compliance with relevant legislation, and compliance with the NMBM code of conduct and policies.

FIGURE 4.7 RISK MANAGEMENT AND MANAGEMENT OF THE NMBM



Question 3.1 indicated scores on ensuring that affordable services are rendered. As can be seen from the figure, the majority of 47% (30) of the respondents feel that risk management rarely ensures the delivery of services at the NMBM. Another 38% (24) of respondents selected “sometimes”, while 3% (2) feel that risk management always assists management in the delivery of services. The remaining 13% (8) were of the opinion that risk management never ensures that affordable services are rendered.

Question 3.2 illustrated results for supporting management policies and defining roles and responsibilities. A cohort of 50% (32) felt that risk management sometimes supports policies, while 30% (19) of the surveyed population responded with “rarely”. The remaining 19% (12) of the respondents indicated that risk management often supports management policies, defining roles and responsibilities. Only 2% (1) of respondents selected “always”.

Question 3.3 presented results for compliance with relevant legislation. An equal amount of respondents indicated by 38% (24) were of the opinion that risk management sometimes plays a role in ensuring that they comply with relevant legislation, while the other 38% (24) of respondents provided “rarely” as an answer to this statement. The remaining 25% (16) of the respondents indicated that risk management often helps management to comply with relevant legislation.

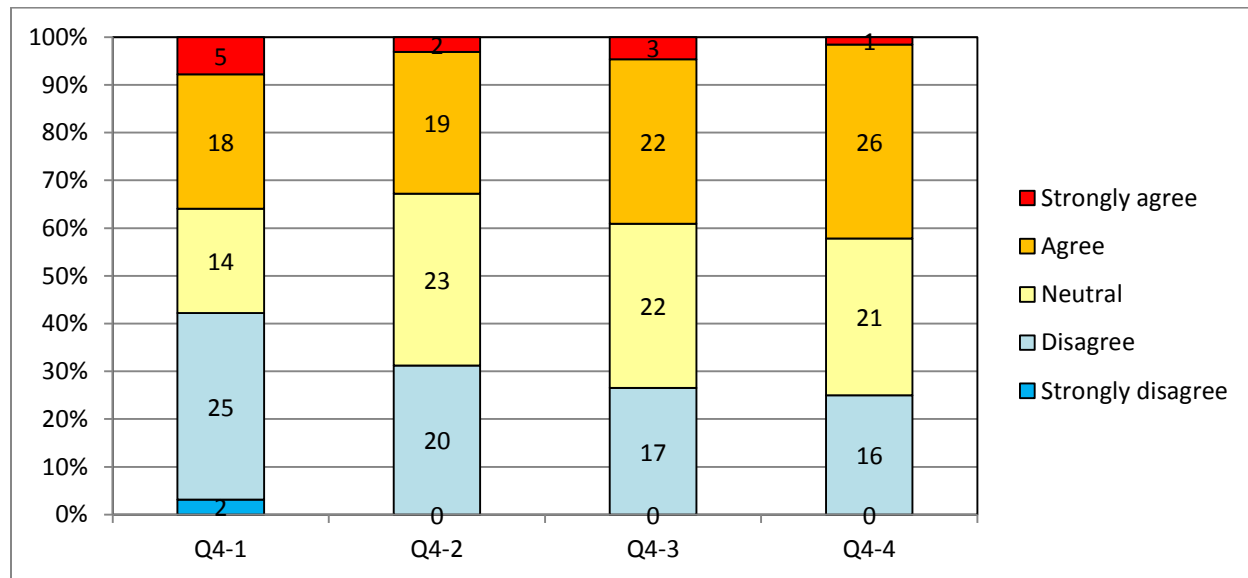
Question 3.4 was constructed in order to ascertain compliance with the NMBM code of conduct and policies. A majority being 52% (33) of the respondents selected “often” with regards to the compliance with the NMBM’s code of conduct. Another 33% (21) indicated that risk management sometimes supports the compliance with the NMBM policies, while 15% (10) of respondents are of the opinion that risk management rarely supports compliance with the code of conduct of the NMBM.

4.3.3 Findings on the purposes of risk management within the municipality

Figure 4.8 illustrates the distribution of scores for questions based on the purposes of risk management within the municipality. These questions addressed the following issues: enhancement of corporate governance within the municipality, evaluation of

risks that might impact on organisational goals, ensuring service delivery, and creating awareness of the nature and scope of risks facing the municipality.

FIGURE 4.8 PURPOSE OF RISK MANAGEMENT AT THE NMBM



The findings from question 4.1 showed that 39% (25) and 3% (2) of the respondents disagreed and strongly disagreed respectively. 22% (14) of the respondents were undecided about whether there is enhancement of corporate governance within the municipality. A cumulative 36% constituted by 28% (18) agree and 8% (5) strongly agree that there is enhancement of corporate governance within the municipality.

In question 4.2 the respondents were requested to indicate the purpose of risk management within the NMBM, whereby they had to rate the evaluation of risks that might have an impact on the organisational goals. The majority of the respondents 36% (23) selected “neutral” with regards to this statement. Of the respondents 31% (20) disagreed with the purpose of risk management as one of evaluating risks which might have an impact on organisational goals. Another 30% (19), however, agreed that this adds value to the efficiency of the municipality. Only 3% (2) of the respondents strongly agreed with the statement.

Question 4.3 illustrates that 34% (22) of respondents indicated that they agreed that the purpose of risk management is to ensure service delivery within the municipality.

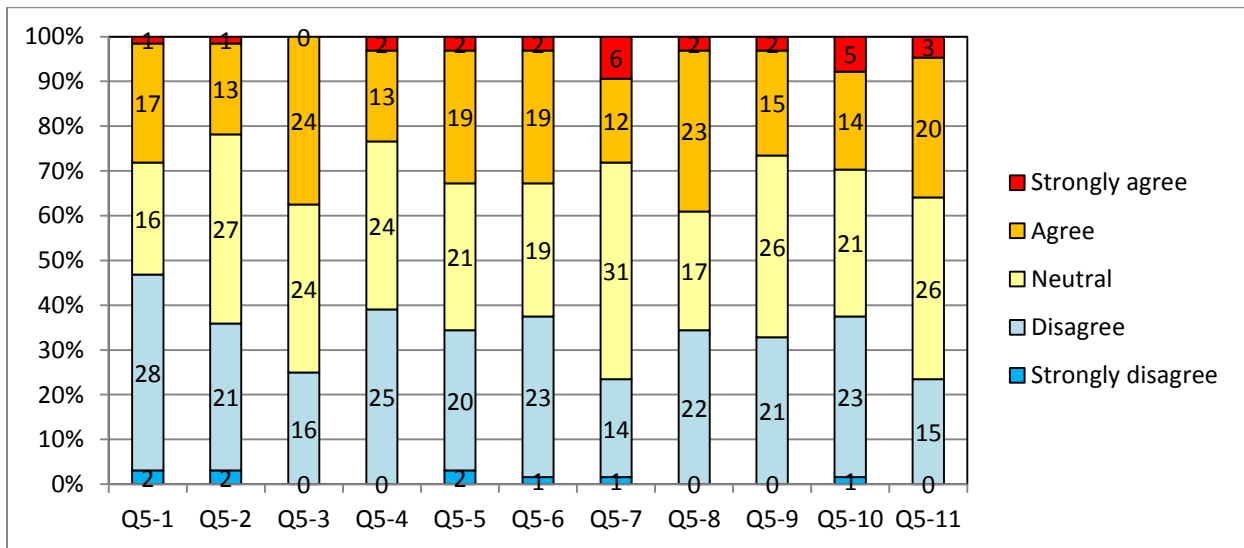
Another 34% (22) of respondents were undecided about whether risk management enhances service delivery within the municipality. 27% (17) of the respondents selected “disagree”. Of the respondents, only 5% (3) strongly agreed and none of the respondents strongly disagreed that the purpose of risk management is to ensure service delivery within the municipality.

Figure 4.8 illustrates the results for question 4.4, 41% (26) of the respondents agreed that the purpose of risk management is to create awareness of the risks that are facing the municipality, while 33% (21) of respondents were undecided on whether or not risk management serves as awareness for risks that are facing the municipality. However, 25% (16), disagreed with the statement that risk management creates awareness of risks at the NMBM, with the remaining 2% (1) strongly agreeing with the statement.

4.3.4 Findings on risk management

Figure 4.9 indicates the distribution of scores for questions on risk management. These items included the staff’s understanding of the goals that the municipality is trying to achieve with risk management, accountable for their risk management responsibilities, methodology and approach in addressing risks, a common approach in addressing risks, clear implementation plans for risk management , non-identification of risks at the NMBM, risk management is the responsibility of line management, respondents are acquainted with risk management policy, risk management as a compliance exercise and NMBM categorises identified risks.

FIGURE 4.9 RISK MANAGEMENT



Question 5.1 sought to establish whether NMBM staff share a common understanding regarding risk management in assisting the municipality to achieve its set objectives. A majority of 44% (28) disagree with the statement that staff understands the goals that the municipality is trying to achieve with risk management. A cumulative 52%, represented by 25% (16) respondents indicated a neutral response, as they were not sure about the goals that the municipality is trying to achieve with risk management, while 27% (17) indicated that they are aware of the municipality’s goals regarding risk management. However, 3% (2) of respondents indicated that they disagree that the municipality shares a common understanding regarding the goals the municipality is trying to achieve, with the remaining 2% (1) strongly agreeing with the statement.

The aim of question 5.2 was to ascertain whether the management of the NMBM is held accountable for their risk management responsibilities. Figure 4.9 indicates that, 42% (27) of the respondents were indecisive. Of the respondents 33% (21) disagreed and 3% (2) strongly disagreed with the statement. This indicates a gap in terms of ensuring accountability within the municipality. 20% (13) of the respondents agreed that the management of the NMBM is held accountable for risk management responsibilities. Only 2% (1) of the respondents selected “strongly disagree”. The majority of the respondents that selected “disagree” indicated that the NMBM needs to ensure that management is held liable for risk management responsibilities assigned to them.

Question 5.3 established whether there is a common methodology and approach in addressing risks at the municipality. According to figure 4.9, 38% (24) of respondents indicated neutral, whilst an equal 38% (24) agreed that the NMBM shares a common methodology and approach in addressing risks. Another 25% (16) of the respondents disagreed. This indicated that this opinion is not commonly shared within the municipality.

Question 5.4 illustrated findings on whether risks are anticipated in advance and mitigated by having appropriate controls in place. A large cohort of 39% (25) indicated that they disagree with the statement, while 38% (24) of the respondents indicated a neutral response. Of the respondents 20% (13) agreed and 3% (2) strongly agreed. This is an indication that there is no common approach in addressing risks and is a gap that requires attention.

The aim of question 5.5 sought to ascertain whether the municipality lacks clear implementation plans for risk management. A majority of 33% (21) indicated neither agreed nor disagreed with the statement, while 31% (20) disagreed that the municipality lacks clear implementation plans for risk management, another 30% (19) agreed with the statement. Equally 3% (2) of the respondents selected “strongly disagree” and “strongly agree”.

Question 5.6 aimed to establish whether non-identification of risks is an issue that the municipality is facing. The findings show that 36% (23) of respondents disagreed that the municipality is facing a non-identification of risks; only 3% (2) strongly disagreed with this statement. Another 30% (19) of respondents seem to agree that some risks are not identified at the municipality. While an equal number of respondents of 30% (19) selected “neutral” and only 1% (1) selected “strongly disagree”.

The aim of question 5.7 was to ascertain whether risk management is the responsibility of line management. A cohort of 48% (31) provided a neutral response to this statement. A majority of 22% (14) disagreed with this statement, and another 19% (12) agreed. The neutral response appears to have a stronger sentiment as there seems to be a difference in opinions, the municipality might attempt to address this with

management. The other 9% (6) of respondents strongly agree that risk management is the responsibility of line management while the remaining 2% (1) strongly disagreed.

Question 5.8 in figure 4.9 established whether risk management is integrated in the municipal operations. The figure above indicated that 36% (23) of the respondents disagreed with this statement, while the other 34% (22) agreed. The remaining 3% (2), however, strongly disagreed that risk management is integrated in the municipal operations.

The findings for determining whether the respondents are acquainted with the risk management policy in question 5.9 are illustrated in figure 4.9. It is noteworthy that 41% (26) selected “neutral” as they neither agreed nor disagreed with being acquainted with the risk management policy. 33% (21) of respondents disagreed that they are well acquainted with the risk management policy, while the other 23% (15) agreed. Only 3% (2) strongly disagreed that they are familiar with the policy. The municipality could attempt to make Standard Operating Procedures (SOPs) available for all the employees of the NMBM.

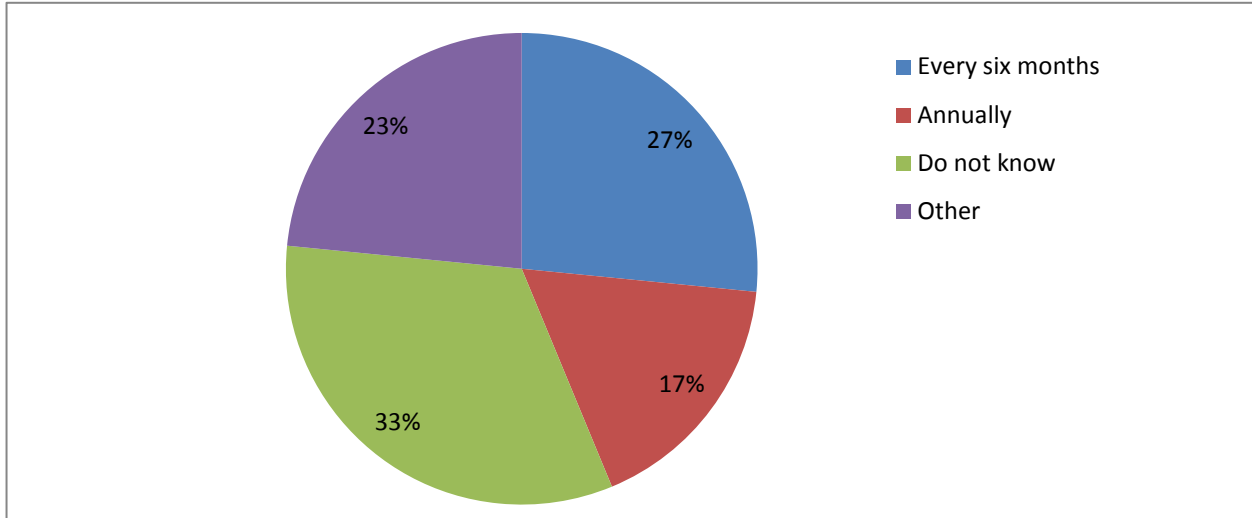
Question 5.10 addressed results pertaining to risk management being treated as compliance exercise. The majority of respondents, 36% (23) disagreed that risk management is treated as a compliance exercise at the NMBM, while 33% (21) were undecided. Another 22% (14) agreed that risk management is treated as a compliance exercise at the NMBM, while 8% (5) strongly agreed. The remaining 2% (1), however, strongly disagreed with this statement.

Question 5.11 addressed one of the research objectives, regarding the categorisation of risks within the NMBM. A majority of 41% (26) neither agreed nor disagreed with this statement, while 31% (20) of respondents agreed that the NMBM categorises the identified risks. Another 23% (15) disagreed. While only 5% (5) of the respondents strongly agreed with this statement.

4.3.5 Findings on risk management policy

Figure 4.10 shows the distribution of scores regarding how often the risk management policy is reviewed.

FIGURE 4.10 RISK MANAGEMENT POLICY

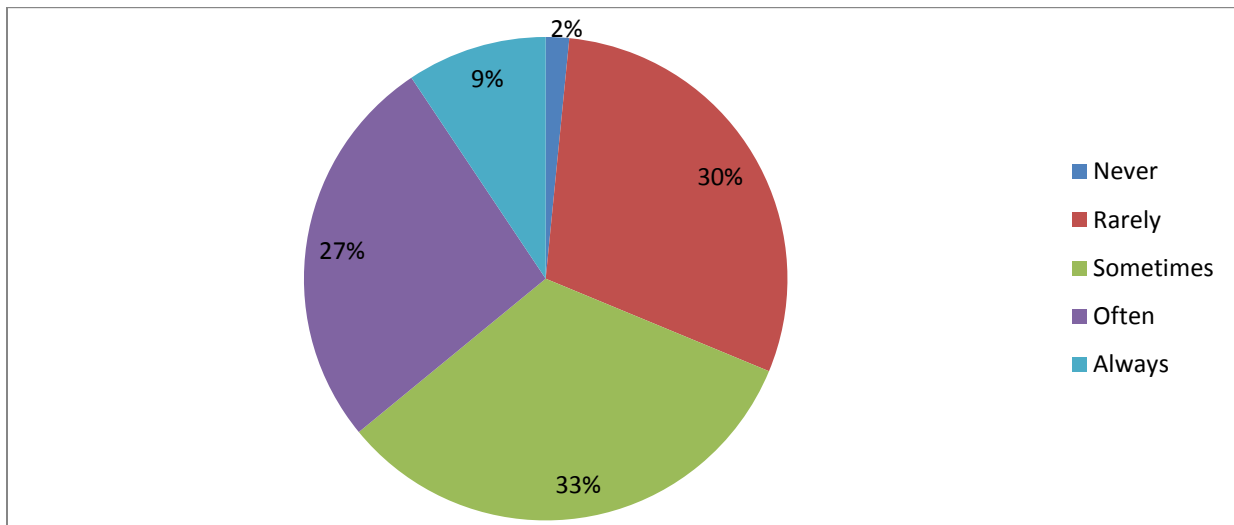


Based on the findings above, 27% (17) of respondents indicated that it is reviewed “every six months”, while the response “annually” was selected by 17% (11) of the respondents. A cohort of 33% (21) responded with “do not know” to the question of how often the risk management policy is reviewed. This shows lack of clarity as to when the risk management policy is reviewed as there appears to be differences of opinion.

4.3.6 Findings on the risk register

Figure 4.11 illustrates the spread of responses on how often the respondent’s record identified risks in a risk register.

FIGURE 4.11 UPDATING OF THE RISK REGISTER

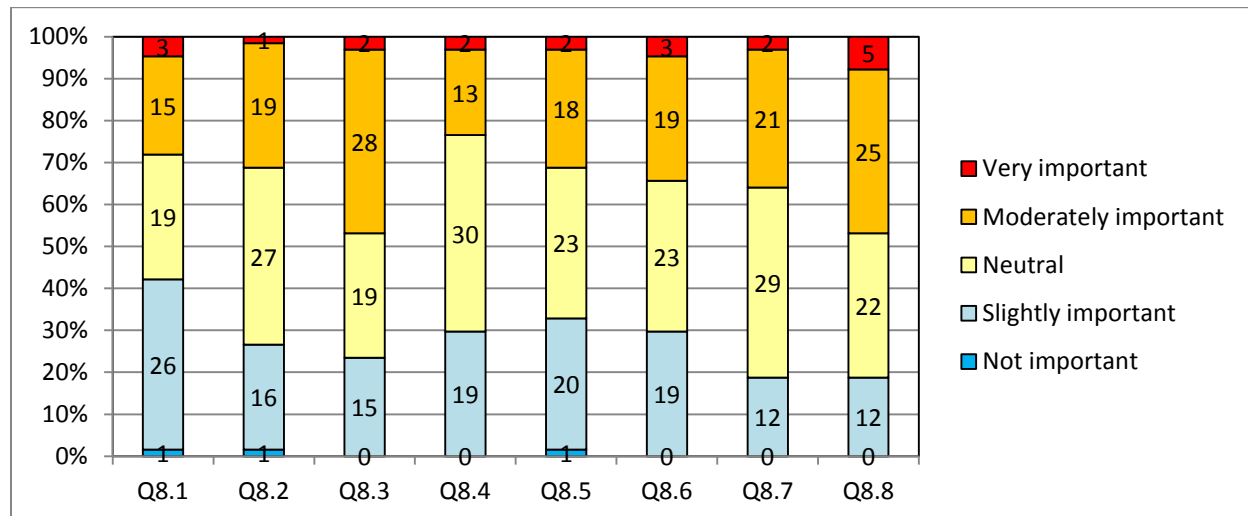


The intention of this question was to determine how often the respondents record the identified risks in the risk register within their departments. A cumulative 57% indicated by 30% (19) of the respondents who rarely record identified risks in the risk register, whilst 27% (17) feel that they record the risks frequently. 33% (21) of respondents highlighted that they do so sometimes. The remaining combined results shown by 9% (6) feel that they always update the risk register and the other 2% (1) indicated that they never complete the risk register.

4.3.7 Findings on the importance of risk management at NMBM

Figure 4.12 illustrates the distribution of responses regarding the questions on the awareness of risks. These questions included: increased awareness of risks, importance of risk management in respect of the mitigation of risks within the municipality, enhancing the achievement of set objectives through risk management, determining the promotion of effective and efficient resource allocation, identification of risks, prioritisation of the addressing of risks, risk management's contribution to good governance and the importance of risk management with regards to the limitation of operational surprises at the municipality.

FIGURE 4.12 THE IMPORTANCE OF RISK MANAGEMENT AT NMBM



The responses to question 8.1 illustrated that 41% (26) of respondents perceive risk awareness as something considered of slight importance at NMBM. Of the respondents, 23% (15) and 5% (3) were of the opinion that risk awareness is rarely important and moderately important, respectively. 30% (19) of the respondents were unsure and selected “neutral” regarding the importance of risk awareness.

Question 8.2 aimed at ascertaining the importance of risk management with regards to the mitigation of risks within the municipality. The results indicated that 42% (27) of the respondents responded with “neutral”, while a cumulative 55%, being 25% (16) selecting “often” and 30% (19) expressing that risk management is “moderately important” for the mitigation of risks. The remaining 2% (1) were of the opinion that risk management is very important for the mitigation of risks.

Question 8.3 presented the scores for enhancing the achievement of set objectives through risk management. Respondents indicated by 30% (19) selected “neutral”, while the other 23% (15) are of the opinion that risk management often helps the NMBM in the attainment of set objectives. A strong sentiment for this statement was indicated by 44% (28) of respondents, while only 3% (2) are of the opinion that risk management is very important for the attainment of set goals within the municipality.

Question 8.4 in figure 4.12 aimed at determining the promotion of effective and efficient resource allocation. The results showed 47% (30) responded with “neutral”, while 30% (19) see this item as one “slightly important” and 20% (13) of the respondents believe that this is “moderately important” at the municipality. It appears that “moderately important” has a much stronger sentiment as it has the highest percentage. However, 3% (2) of the respondents feel that risk management is very important to enhance the promotion of effective and efficient resource allocation.

Question 8.5 in figure 4.12 illustrated the findings pertaining to the identification of risks. 36% (23) of respondents selected “neutral” for the statement of the importance of risk management with regards to the identification of risks while another 31% (20) feel that risk identification is “slightly important”. 28%(18) of the respondents, however, are of the opinion that this statement is “moderately important”, with the remaining balance of 3% (2) of the respondents indicating that the identification of risks is very important and only 2% (1) indicating that it was “not important”.

Question 8.6 presented the findings for the prioritisation of addressing risks. An equal amount of respondents indicated by 30% (19) responded with “moderately important” and “slightly important” to the statement respectively. However, 36% (23) of the respondents selected “neutral” for this statement. The remaining 5% (3) strongly feel that the prioritisation of risks is very important in the approach for managing risks.

Question 8.7 presented the findings which pertain to the importance of risk management’s contribution to good governance. A cohort of 45% (29) indicated that this is “neutral”, followed by 33% (21) that responded with “moderately important”. 19% (12) of the respondents feel that this is “slightly important”, while 3% (2) are of the opinion that the contribution to good governance is “very important” in risk management.

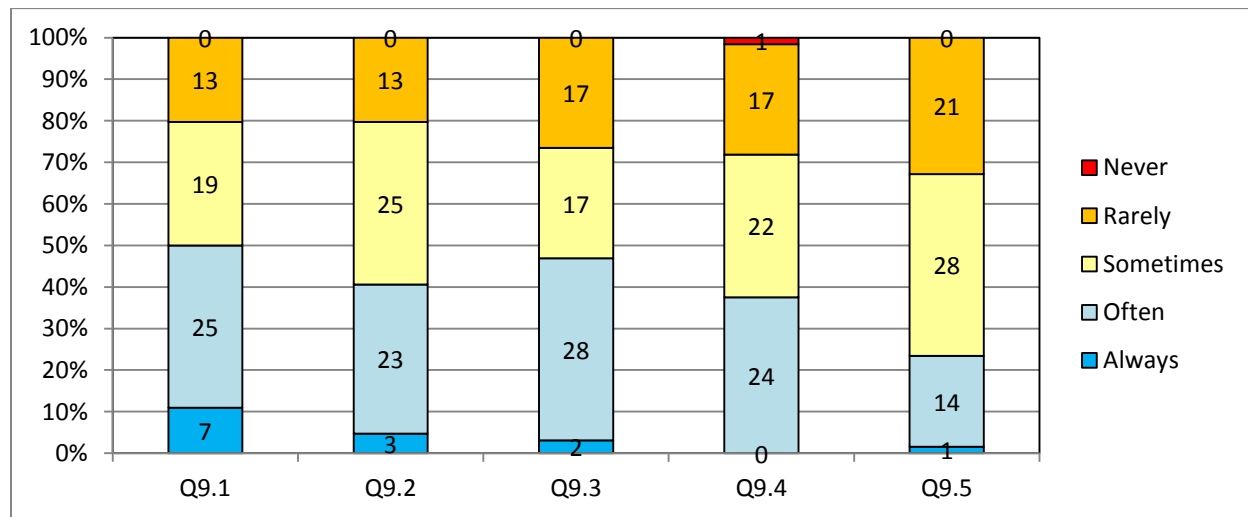
Question 8.8 illustrates the findings of the importance of risk management with regards to the limitation of operational surprises at the municipality. The majority of 39% (25) of the respondents feel that risk management is “moderately important” in this regard. The other 34% (22) believe that this statement is “neutral”, while 19% (12) of the

respondents are of the opinion that risk management is “slightly important” in the limitation of operational surprises. Only 8% (5) feel that it is “very important”.

4.3.8 Findings on the Implementation of risk management

Figure 4.13 illustrates the distribution of scores pertaining to the support of management policies and defining roles and responsibilities. The questionnaire included: supporting management policies, defining roles and responsibilities, identifying known and emerging risks through the implementation of risk management, alerting the relevant personnel about risk scenarios in the respondent’s area of responsibility, identifying shifts in the organisation’s implicit risk appetite, and the facilitation of effective risk management within the respondent’s area of responsibility.

FIGURE 4.13 IMPLEMENTATION OF RISK MANAGEMENT



Question 9.1 in figure 4.13 dealt with findings for the implementation of risk management with regards to supporting management policies, defining roles and responsibilities. The findings show that 39% (25) of respondents indicated that risk management often supports management policies while 20% (13) selected “never”. A cohort of 30% (19) feels that the implementation of risk management sometimes supports management policies, defining roles and responsibilities. The remaining 11% (7) indicated that the implementation of risk management always supports management policies and the defining of roles and responsibilities.

Question 9.2 dealt with identifying known and emerging risks through the implementation of risk management. 39% (25) of the respondents indicated that the implementation of risk management sometimes assists them in identifying known and emerging risks, while 36% (23) mentioned that it often assists them. Respondents constituting 20% (13) were of the opinion that the implementation of risk management rarely assists them with the identification of emerging risks. The remaining 5% (3) indicated that the implementation of risk management never assists them in the identification of known and emerging risks.

Question 9.3 shows responses for alerting the relevant personnel about risk scenarios in the respondent's area of responsibility. A cohort of 44% (28) indicated that they often alert the relevant personnel about risk scenarios in their areas of responsibilities, while 27% (17) indicated that they sometimes do so. Another 27% (17) rarely informs the relevant personnel about emerging risks in their sections. The remaining balance indicated that they never alert the relevant personnel about risk scenarios in their areas of responsibilities.

Question 9.4 in figure 4.13 indicates scores for identifying shifts in the organisation's implicit risk appetite. A majority of 38% (24) selected "often", while 34% (22) of the respondents feel that the implementation of risk management sometimes assists them in identifying shifts in the organisation's implicit risk appetite. 27% (17) of the respondents feel that risk management rarely enables them to identify shifts in the organisation's implicit risk appetite and the remaining balance of 2% (1) selected "never".

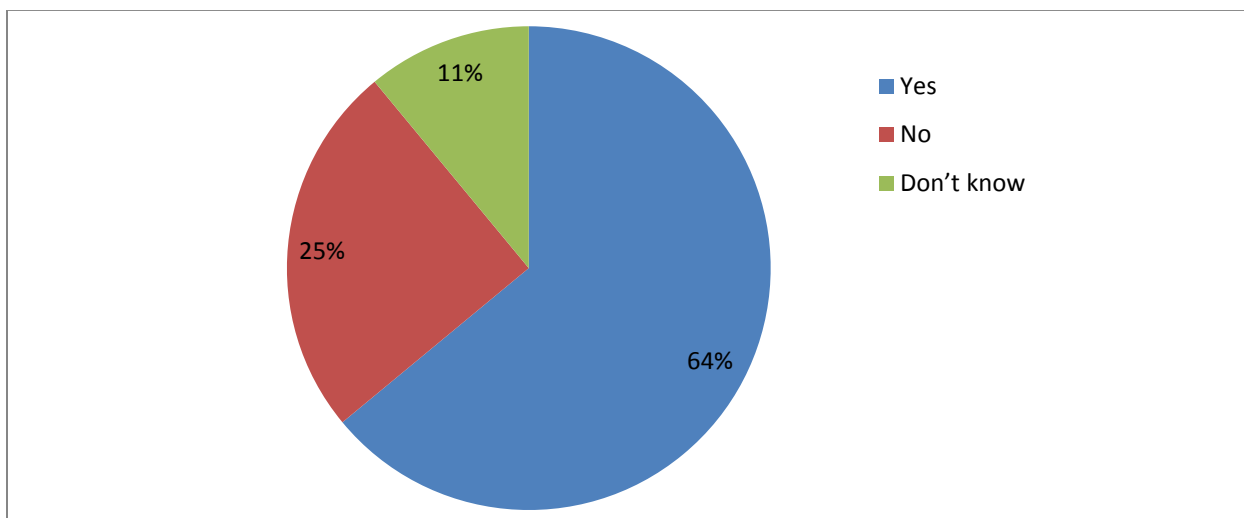
Question 9.5 in figure 4.13 dealt with the facilitation of effective risk management within the respondent's area of responsibility. The majority of 44% (28) of the respondents indicated that they sometimes facilitate the implementation of effective risk management within their area of responsibility. Another cohort of 33% (21) indicated that they rarely facilitate the implementation of risk management, while 22% (14) selected "often" to this statement. Facilitating the implementation of risk management helps with avoiding some risks and also with becoming better prepared for them. It also helps with understanding

one's role and keeping one's mind refreshed in the knowledge of risk management. The NMBM might want to improve on the facilitation of risk management as this will add value to the organisation as a whole. Only 2% (1) of the respondents responded with "never" to this statement.

4.3.9 Findings on the definition of risk management at NMBM

Figure 4.14 illustrates the responses to the question on risk management as a compliance activity at the NMBM. The question solicited opinions on the how the NMBM defines risk management through the use of the following statement: a compliance activity designed for management.

FIGURE 4.14 COMPLIANCE ACTIVITY DESIGNED FOR MANAGEMENT



The majority of 64% (41) of respondents indicated that they agree with the statement that risk management is a compliance activity at the NMBM. 25% (16) selected "no" which suggests disagreement with this notion of risk management. The other 11% (7) selected "don't know".

4.3.10 Findings on enhancing health and safety at the NMBM

Figure 4.15 illustrates the responses for risk management as a process that enhances health and safety at the NMBM.

FIGURE 4.15 ENHANCES HEALTH AND SAFETY AT THE NMBM

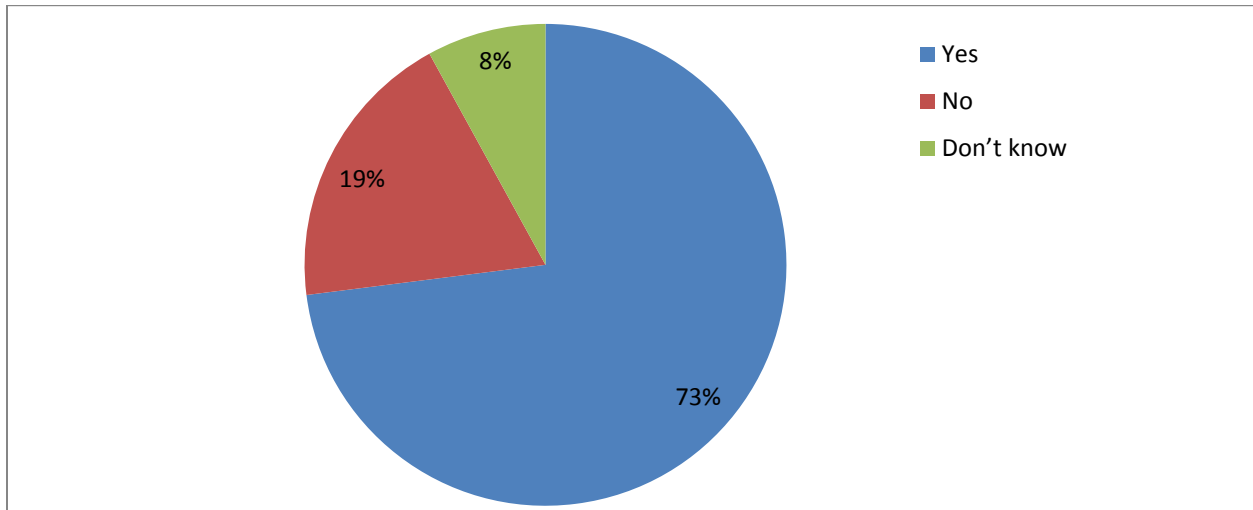
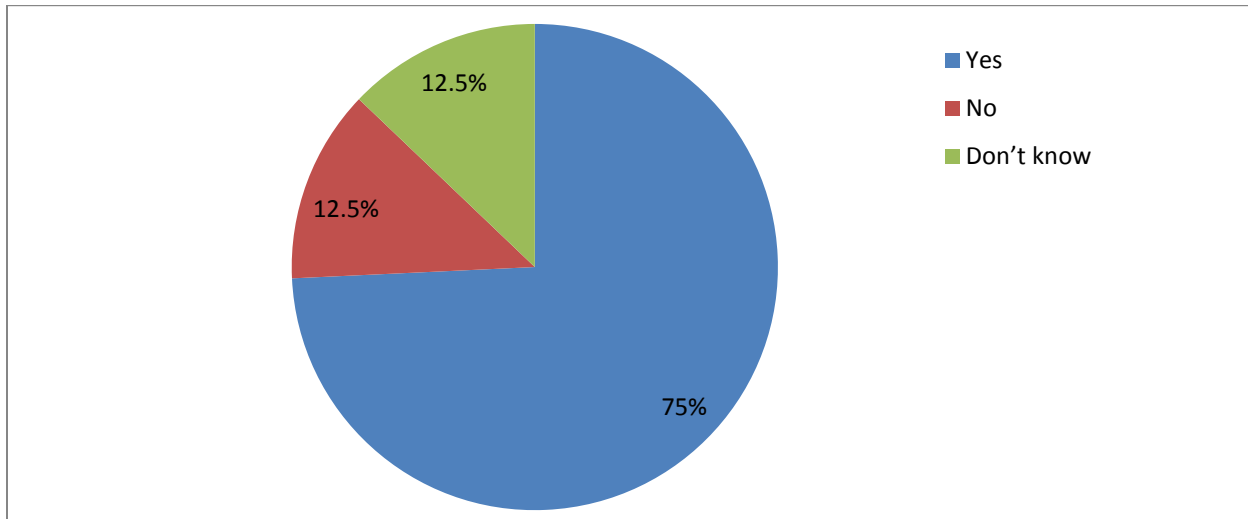


Figure 4.15 provides results for the question regarding risk management as a process that enables the municipality to enhance health and safety performance as well as environmental exercise. A large number of respondents indicated by 73% (47) feel that risk management is a process that enhances health and safety performance. This high percentage indicates that this is a commonly shared opinion. While 19% (12) responded with “no”, the remaining 8% (5) responded with “do not know” to this statement.

4.3.11 Findings on the definition of risk management

Figure 4.16 shows the responses for risk management as a way of identifying, evaluating, measuring and developing various methods for handling risks.

FIGURE 4.16 DEFINITION OF RISK MANAGEMENT



The responses show the perceptions of respondents on risk management as a way of identifying, evaluating, measuring and developing various methods for handling risks. The majority of 74% (48) responded with “yes” to this statement, while an equal amount of 12.5% (8) selected “no” and “don’t know”. The majority of responses indicate that the NMBM has effectively integrated the concept of risk management within the municipality. This also enhances the efficiency of operations. This high percentage is an indication that the majority of NMBM employees share the same sentiments regarding the definition of risk management.

4.4 ANALYSIS OF THE RESULTS

This section addressed the sub-problems as indicated in Chapter One. The researcher accounted for the trends that were indicated in the findings through the use of various literatures. Sub-problems were addressed by linking them with the responses from the online-questionnaire. The researcher achieved this by providing insight from the literature review and attempt to address the identified gaps. The following areas of discussions were identified by the researcher.

4.4.1 To determine the goals that the municipality tries to achieve with the risk management process

Question 5.1 addressed this sub-problem, and the outcomes indicated a high percentage of 44%. This indicated that the majority of the respondents disagreed on the question of whether staff understands the goals that the NMBM is trying to achieve with risk management. Therefore, the NMBM staff according to the findings does not have a clear understanding of the municipality's goal with risk management. Goals should be explained to all the staff in order for them to know what the municipality is aiming to achieve. This will also assist the municipality in terms of promoting effective and efficient resource utilisation. Valsakamis, Vivian & du Toit (2005:14) explain that goals and objectives provide the yardsticks against which the success or failure of the programme is measured, and also determine the philosophy underlying risk management activities.

4.4.2 To determine how the framework is applied within the NMBM

Question 5.8 explores the application of risk management within the municipality. Distribution scores for ascertaining whether risk management is integrated in the municipal operations are discussed in this section. The findings indicated that the majority of respondents agreed that the framework should be integrated in the municipal operations. The integration of risk management to municipal operations within the NMBM also means an improved corporate governance and risk management process for the municipality. Another cohort responded by disagreeing, which indicated a difference in the opinions of the respondents. The Public Service Commission (2003:7) contends that the Risk Management Framework must be integrated to other management processes and must be done comprehensively across all levels of the organisation.

4.4.3 To determine whether the employees responsible for risk management share a common understanding about the concept of risk management

Question 5.3 indicated the findings on distribution scores for establishing whether NMBM shares a common methodology and approach in addressing risks. An equal amount of respondents 38% responded with “neutral” while the other indicated by selecting “agreed”. There is a difference in opinions regarding this sub-problem. According to the analysis of the findings, there is no common understanding regarding the definition of risk management. This may lead to poor outcomes on the efficiency and effectiveness of service delivery. Opportunities for managing risks could be missed as a result of this.

4.4.4 To analyse the causes of poor risk management within the organisation

Questionnaire 5.6 shows distribution scores for whether the non-identification of risks is an issue that the municipality is facing. An equal amount of respondents shown by 30% agreed with this statement, while the other provided a neutral response. Respondents who did not agree with this statement were represented by 36%, thus indicating disagreement as a stronger sentiment. The first step in the risk management process is to identify the risks. The importance of risk identification is determined by the necessity of knowing risks facing the organisation (Tschankova, 2002:297).

From question 5.2 the distribution scores for the accountability of officials regarding their risk management responsibilities were indicated. The findings indicated that 42% of respondents were indecisive regarding this statement. This indecisiveness may negatively impact the municipality with regards to protecting the public interests and putting in place acceptable mitigation strategies. Moeller (2007:115) states that a key component of effective enterprise risk management is having some level of enterprise leadership responsible for the overall risk management process. King (2006:15) maintains that good governance involves fairness, accountability, responsibility and transparency on a foundation of intellectual honesty.

4.4.5 Risk management is the responsibility of line management

The above statement provided insight on who is perceived to be responsible for risk management within the municipality. The findings were analysed in question 5.7. The findings indicated a cohort of 48% of respondents were indecisive regarding this statement. This indicates a gap in terms of appropriately communicating the roles and responsibilities with the management. Risk management The King II report (2002:77) recommends that risk management should be practiced throughout the company by all staff in their day-to-day activities. Holmes (2002:6) adds that risk management is an active process requiring commitment and focus.

4.5 CHAPTER SUMMARY

The chapter presented an overview of the findings obtained from respondents. An email link was sent to 70 respondents and 64 responded to the survey. The study shows that respondents were undecided whether risk management was the responsibility of management. The questionnaire also sought to ascertain whether risk management is a compliance activity designed for management at the NMBM. More than half of the respondents (64%) selected “yes” as their response to the question regarding whether risk management is a compliance activity designed for management at the NMBM.

According to the literature review in Chapter Two, risk management can be summarised as a process for identifying, assessing and monitoring risks for an organisation to achieve its set objectives. This is contrary to the majority who believe that it is a compliance activity designed for management. The research attempted to establish whether those responsible for risk management share a common understanding. The findings for this show an equal number of respondents among those who were neutral and agreeing with the statement. Lack of common understanding regarding this phenomenon may lead to miscommunication and ineffective risk management.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

Chapter Five provides a summary based on the findings from Chapter Four, drawn from the online-questionnaire sent to management at the Nelson Mandela Bay Municipality (NMBM). The summary of the research, recommendations and conclusions are also discussed in this chapter. The recommendations made might assist risk management interventions and ensure an effective implementation of risk management at the NMBM. The conclusion discusses the identified gaps and highlights positive risk management factors indicated by the respondents within the municipality. The achievement of the research objectives are also reflected on, in the conclusion.

5.2 RESEARCH SUMMARY

The main objective of this research was to determine the effectiveness of risk management at the NMBM. The literature was reviewed with the aim of soliciting the views of other researchers on risk management and to address the research objectives.

The research findings were presented graphically, with explanations that provided clarity for the reader. The findings showed that 73% of respondents felt that risk management can be defined as a way of identifying, evaluating, measuring and developing various methods for handling risks at the NMBM. The majority of respondents appeared to have almost the same understanding regarding this phenomenon, although the remaining respondents provided different responses. More than a quarter of the respondents indicated that risk identification is “of little importance”, this shows that risk management is approached differently within the municipality. The municipality could employ the following ways and methods for identifying key risks as mentioned by Young (2006:55).

- Workshops and interviews
- Brainstorming sessions

- Questionnaires
- Risk processes flow analysis, which involves mapping the processes of the business and determining the risk exposures that exist in these processes
- Comparisons with other organisations
- Discussions with peers
- Checklists
- Losses history

It appears that the NMBM regards risk management as a compliance activity. This process is not to be treated as a separate activity, but rather embedded in the municipal operations as explained in Chapter Two.

5.3 RECOMMENDATIONS

The main aim of the study was to assess the effectiveness of risk management at the Nelson Mandela Bay Municipality. The recommendations on how the municipality can be empowered in the improvement of the implementation of risk management are through the following:

- The NMBM may conduct continuous risk management training, in order for the majority to share a common understanding regarding the goals that the municipality is trying to achieve through risk management. A broad statement of objectives should articulate the value proposition of risk management (Valsakamis, 2004:84).
- The NMBM employees may also be encouraged to take responsibility for risk management in their respective fields, this makes the identification of the sources of risks much easier to address. This collective responsibility for the identification of risks should ensure effective risk management.
- The findings revealed that quite a significant number of respondents are not acquainted with the risk management policy. In order to address this, the NMBM may implement Standard Operating Procedures (SOPs). These are explanations that detail how a policy should be implemented.

- The municipality may also attempt to improve or ensure effective communication channels to enhance awareness of risks. This can be achieved through the use of emails, notice boards, et cetera.
- Monitoring of the risk management process is also important for ensuring effectiveness on the side of the management, they should set the tone as the top of management as stated in the King report.

5.4 AREAS OF RESEARCH

Further research needs to be conducted to find out about the implementation of the Standard Operating Procedures (SOPs) for risk management at the NMBM. A study on establishing a risk reporting process or risk monitoring system could also be conducted for further research.

5.5 CONCLUSION

Based on the analysis and interpretation of the findings of the study, it was observed that most of the management across differentials of gender, employment status, highest qualification, et cetera share the same understanding regarding the definition of risk management. This is evident as it is shown by a high percentage of the respondents 73% who shared a common understanding of what risk management entails. However, different opinions arose from the respondents around the issue of understanding the goals that the NMBM is trying to achieve with regards to risk management.

A significant number of respondents indicated that risk management is treated as a compliance activity within the NMBM. This is evident in figure 4.14. Most respondents were unsure whether the NMBM categorises the identified risks within the municipality. This could lead to ineffectiveness of risk management since grouping common risks makes the approach for the management of risks more effective.

The categorisation of risks also makes it easier to prioritise which ones need to be treated, transferred, tolerated, accepted, et cetera. The categorisation of risks enables those responsible for managing it to be able to respond to the risks accordingly and to

monitor them. The findings of the data analysis also revealed that a high percentage of respondents were undecided about whether risk management is the responsibility of management. There also appears to be confusion with regards to the reviewing of the risk management policy.

It appears that there is no common view from respondents regarding the review of the policy. The risk management policy assigns responsibility for performing key tasks, establishes accountability with the appropriate managers, defines boundaries and limits, and formalises reporting channels (Valsakamis, 2004:85). This indicates that the risk management communication structures need to be improved. Valsakamis et al (2004:152) argue that it is not sufficient simply to implement a system. There should be provision for the system to be reviewed regularly by the internal and external auditors.

The findings highlight that the respondents feel that risk management is a process that enables management to enhance health and safety procedures. The majority of the respondents share a stronger sentiment regarding the enhancement of health and safety. This is evident in figure 4.15 in Chapter Four.

Corporate governance and strong controls can be regarded as enablers for effective risk management. The findings indicated that the contribution made by risk management towards corporate governance is moderately important. Management has to set the tone from the top. Management might attempt to identify and monitor risks within their departments, thus embedding risk management in their day-to-day activities.

5.6 REFLECTIONS ON THE STUDY

The questionnaire had a broad scale with five response categories. As a result, respondents mostly selected “neutral” as a response. The quantitative survey limited the respondents from elaborating on their selection regarding risk management. Thus, the limitation of this study can be described as “surface level analysis” since it did not look at risk management issues in-depth. However, the research objectives and sub-objectives detailed in Chapter One were addressed in the findings. This study provided

overall impressions of management at NMBM regarding selected aspects of risk management within the municipality.

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APPENDICES

APPENDIX 1

P.O. Box 6171
Msobomvu
Butterworth
4961
16 August 2013
Tel: 084 497 4045

The Chief Operations Officer

Nelson Mandela Bay Municipality

Dear Sir/Madam

REQUEST TO CONDUCT A RESEARCH STUDY FOR THE PURPOSE OF INVESTIGATING THE EFFECTIVENESS OF RISK MANAGEMENT AT THE NELSON MANDELA BAY MUNICIPALITY.

I am a final year student, pursuing an MTech (Cost and Management Accounting) at Nelson Mandela Metropolitan University and I wish to be granted permission to gather information using research questionnaires in attempt to gather information on the effectiveness of risk management at NMBM. I would like the management of the municipality to form part of the respondents for this study. I also wish to highlight that the study is a partial fulfillment of completing my MTech degree.

Participation of your members will be voluntary and a consent form will also be provided to the participants. Confidentiality will be maintained throughout the whole research study and the data gathered will not be kept or filed for the purposes of strict confidentiality. On completion of the study, the findings of the research will then be shared with your organisation.

Your cooperation will be highly appreciated.

Yours sincerely

Miss Siphosihle Sihlali

APPENDIX 2

NELSON MANDELA METROPOLITAN UNIVERSITY

<u>RESEARCHER'S DETAILS</u>	
Title of the research project	THE EFFECTIVENESS OF RISK MANAGEMENT IN LOCAL GOVERNMENT WITH REFERENCE TO NELSON MANDELA BAY MUNICIPALITY
Reference number	208011201
Principal investigator	MISS S. SIHLALI
Address	18 CALDER CLOSE, HUMEWOOD EXTENSION, PE
Postal Code	6001
Contact telephone number (private numbers not advisable)	N/A

A. <u>DECLARATION BY OR ON BEHALF OF PARTICIPANT</u>		<u>Initial</u>
I, the participant and the undersigned	(full names)	
ID number		
<u>OR</u>		
I, in my capacity as	(parent or guardian)	
of the participant	(full names)	
ID number		
Address (of participant)		

I, the participant, was invited to participate in the above-mentioned research project			
that is being undertaken by	MISS S. SIHLALI		
From			
of the Nelson Mandela Metropolitan University.			
THE FOLLOWING ASPECTS HAVE BEEN EXPLAINED TO ME, THE PARTICIPANT:			<u>Initial</u>
2. 1	Aim:	The research is for a treatise that forms part of the requirements for the MTech (Cost and Management Accounting) Degree. The information will be used to determine the effectiveness of risk management in the NMBM.	
2. 2	Procedures:	I understand the purpose of the research and that my participation therein is voluntary and that I may withdraw at any point.	
2. 3	Risks:	None.	
2. 4	Possible benefits:	None.	
2. 5	Confidentiality:	My identity will not be revealed in any discussion, description or scientific publications by the investigators.	
2. 6	Access to findings:	Any new information or benefit that develops during the course of the study will be shared with the Municipal Manager of the Nelson Mandela Bay Municipality.	
2.	Voluntary	My participation is voluntary	YES

6	participation / refusal / discontinuation:	My decision whether or not to participate will in no way affect my present or future care / employment / lifestyle	TRUE		
3. THE INFORMATION ABOVE WAS EXPLAINED TO ME/THE PARTICIPANT BY:					<u>Initial</u>
MISS S. SIHLALI					
in	Afrikaans		English		Xhosa
				X	Other
and I am in command of this language, or it was satisfactorily translated to me by					
(name of translator)					
I was given the opportunity to ask questions and all these questions were answered satisfactorily.					
4.	No pressure was exerted on me to consent to participation and I understand that I may withdraw at any stage without penalisation.				
5.	Participation in this study will not result in any additional cost to myself.				
A.2 I HEREBY VOLUNTARILY CONSENT TO PARTICIPATE IN THE ABOVE-MENTIONED PROJECT:					
Signed/confirmed		on		20	
at					
Signature or right thumb print of participant		Signature of witness:			
		Full name of witness:			

B. STATEMENT BY OR ON BEHALF OF INVESTIGATOR(S)									
I,	MISS S. SIHLALI			declare that:					
1.	I have explained the information given in this document to			(name of participant)					
	and / or his / her representative			(name of representative)					
2.	He / she was encouraged and given ample time to ask me any questions;								
3.	This conversation was conducted in	Afrikaans	<input type="checkbox"/>	English	<input type="checkbox"/>	Xhosa	X	Other	<input type="checkbox"/>
	And no translator was used <u>OR</u> this conversation was translated into								
	(language)			by		(name of translator)			
4.	I have detached Section D and handed it to the participant				YES				
Signed/confirmed at		on				20			
Signature of interviewer			Signature of witness:						
			Full name of witness:						

C. DECLARATION BY TRANSLATOR (WHEN APPLICABLE)	
I,	(full names)
ID number	
Qualifications and/or	

Current employment			
confirm that I:			
1.	Translated the contents of this document from English into	(language)	
2.	Also translated questions posed by	(name of participant)	as well as the answers given by the investigator/representative;
3.	Conveyed a factually correct version of what was related to me.		
Signed/confirmed at _____ on _____ 20____			
I hereby declare that all information acquired by me for the purposes of this study will be kept confidential.			
Signature of translator		Signature of witness:	
		Full name of witness:	

APPENDIX 3

18 Calder Close
Humewood Extension
Port Elizabeth
6001
23 October 2013

Dear Sir/Madam

MTECH TREATISE: SIPHOSIHLE SIHLALI

I would like you to complete the attached questionnaire, provided by Siphosihle Sihlali, for the purpose of her MTech (Cost and Management Accounting) degree at the Nelson Mandela Metropolitan University. It would be greatly appreciated if you could complete a questionnaire by clicking on the following link <http://forms.nmmu.ac.za/websurvey/q.asp?sid=1194&k=kmhzqbrijp> . The questionnaire is comprised of two sections A and B; please complete both sections and answer all questions. It would further be appreciated if you could complete the questionnaire before the 8th November 2013.

I would like you two attempt to complete the questionnaire within two weeks from the date of receipt of the questionnaire. A collective report will be compiled based on your responses. It will then be submitted to the NMBM as contribution of the research study to the municipality.

To ensure anonymity and confidentiality, pseudo names or codes will be used to substitute the names of the respondents. Respondents may withdraw from taking part in the research at any stage and please be advised that participation is voluntary. Your participation in this research study is highly valued.

Yours sincerely

Siphosihle Sihlali

Contact number: 073 941 9603

E-mail: siphosihle.sihlali@live.nmmu.ac.za

APPENDIX 4



C O R P O R A T E S E R V I C E S

Your reference:

Our reference:

Date: 3 September 2013

Deals with this matter: **MS A MOKUENA/LDIM**
Tel: **+27(41) 506 7323**, Fax: **+27(41) 506 3224**
PO Box 116, Port Elizabeth, 6000
Republic of South Africa
website: www.nelsonmandelabay.gov.za

Miss S Sihlali
P O Box 6171
Msobomvu
BUTTERWORTH
4961

Dear Miss Sihlali

REQUEST TO CONDUCT A RESEARCH STUDY WITH EFFECT FROM 1 OCTOBER 2013 FOR THE PURPOSE OF INVESTIGATION THE EFFECTIVENES OF RISK MANAGEMENT AT THE NELSON MANDELA BAY MUNICIPALITY

Kindly be advised that your request to conduct a research study for the purpose of investigating the effectiveness of risk management at the Nelson Mandela Bay Municipality has been approved, provided:

1. That your research will not interfere with the municipal operations.
2. That the participation of your participants will be voluntary and will not, in any way, create pressure of some kind.
3. That all ethical considerations in conducting a research will be taken into account.
4. That a copy of your research would be made available to the Nelson Mandela Bay Municipality after your research study is complete.
5. That you will indemnify the Nelson Mandela Bay Municipality and hold it harmless against any loss, damages, claims and costs made against the Nelson Mandela Bay Municipality of which the Nelson Mandela Bay Municipality incurs arising out of or in connection with any act or omission on your part, except to the extent to which such damages, claims and costs arise out of any unlawful act or omission on the part of the Nelson Mandela Bay Municipality.

obo 
M NDOYANA
ACTING EXECUTIVE DIRECTOR:
CORPORATE SERVICES

APPENDIX 5

1. BIOGRAPHICAL DATA

Please indicate your

1.1 HOME LANGUAGE

- a. English
- b. Xhosa
- c. Afrikaans
- d. Other, Please specify.....

1.2 GENDER

- a. Female
- b. Male

1.3 * HIGHEST TERTIARY QUALIFICATION

- a. Certificate
- b. Diploma
- c. Degree
- d. Post Degree
- e. Other, please specify.....

1.4 * EMPLOYMENT STATUS

- a. Permanent post
- b. Temporary post
- c. Contract post
- d. Other, please specify.....

1.5 * YEARS OF EXPERIENCE

- a. Less than 5
- b. 5 - 9
- c. 10 - 14
- d. 15+

2. EFFECTIVENESS OF RISK MANAGEMENT

To what extent does risk management help the NMBM with regard to the following?

2.1 It helps management to
* approach and solve risk
management problems

Never	<input type="radio"/>	1	<input type="radio"/>	2	<input type="radio"/>	3	<input type="radio"/>	4	<input type="radio"/>	5	Always
-------	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	--------

2.2 Protection of assets and
* resources

Never	<input type="radio"/>	1	<input type="radio"/>	2	<input type="radio"/>	3	<input type="radio"/>	4	<input type="radio"/>	5	Always
-------	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	--------

2.3 Improvement of corporate
* governance

Never	<input type="radio"/>	1	<input type="radio"/>	2	<input type="radio"/>	3	<input type="radio"/>	4	<input type="radio"/>	5	Always
-------	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	--------

2.4 Ability to deliver services
*

Never	<input type="radio"/>	1	<input type="radio"/>	2	<input type="radio"/>	3	<input type="radio"/>	4	<input type="radio"/>	5	Always
-------	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	--------

2.5 Other, please mention

3. RISK MANAGEMENT AND THE MANAGEMENT OF THE NMBM

To what extent does the NMBM Risk management process help you as a manager to :

3.1 Ensure that affordable
* services are rendered within
the municipality

Never	<input type="radio"/>	1	<input type="radio"/>	2	<input type="radio"/>	3	<input type="radio"/>	4	<input type="radio"/>	5	Always
-------	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	--------

3.2 Enhance the reputation of
* the municipality

Never	<input type="radio"/>	1	<input type="radio"/>	2	<input type="radio"/>	3	<input type="radio"/>	4	<input type="radio"/>	5	Always
-------	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	--------

3.3 Comply with relevant
* legislation

Never	<input type="radio"/>	1	<input type="radio"/>	2	<input type="radio"/>	3	<input type="radio"/>	4	<input type="radio"/>	5	Always
-------	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	-----------------------	---	--------

3.4 Comply with the NMBM

* policies and code of conduct

Never 1 2 3 4 5 Always

3.5 Other, please mention

4. PURPOSE OF RISK MANAGEMENT WITHIN THE NMBM

Would you agree that the purpose of the risk management function at the NMBM is:

4.1 To enhance the

* level of corporate governance within the municipality

strongly disagree 1 2 3 4 5 strongly agree

4.2 To evaluate risks

* that might have an impact on the organisational goals

strongly disagree 1 2 3 4 5 strongly agree

4.3 To ensure service

* delivery

strongly disagree 1 2 3 4 5 strongly agree

4.4 To create

* awareness of risks
facing the
municipality

strongly disagree 1 2 3 4 5 strongly agree

4.5 Other, please
specify

5. RISK MANAGEMENT

To what extent do you agree with the following statements about risk management at the NMBM?

5.1 The staff

* understands the
goals that the
municipality is
trying to achieve
with risk
management

strongly disagree 1 2 3 4 5 strongly agree

5.2 Officials are held

* accountable for
their specific risk
management
responsibilities

strongly disagree 1 2 3 4 5 strongly agree

5.3 The NMBM has a

* common
methodology and

strongly disagree 1 2 3 4 5 strongly agree

approach to
address risks at all
levels

5.4 Risks are

* anticipated in
advance and
mitigated as soon
as possible by
getting appropriate
controls in place

strongly disagree 1 2 3 4 5 strongly agree

5.5 The municipality

* lacks clear
implementation
plans for risk
management

strongly disagree 1 2 3 4 5 strongly agree

5.6 Non-identification

* of risks is an issue
that the
municipality is
facing

strongly disagree 1 2 3 4 5 strongly agree

5.7 Risk management

* is the responsibility
of line
management

strongly disagree 1 2 3 4 5 strongly agree

5.8 Risk management

* is integrated into
the municipal
operations

strongly disagree 1 2 3 4 5 strongly agree

5.9 I am acquainted
 * with the content of
the risk
management
policy

strongly disagree 1 2 3 4 5 strongly agree

5.10 Risk management
 * is treated as a
compliance
exercise

strongly disagree 1 2 3 4 5 strongly agree

5.11 NMBM categorises
 * the identified risks

strongly disagree 1 2 3 4 5 strongly agree

6. RISK MANAGEMENT POLICY

How often is the risks management policy reviewed?

6.1 It is reviewed
 * Annually Do not know Every six months Other, please specify.....

7. RISK REGISTER

Do you make use of a risk register?

7.1 How often do you record
 * identified risks in a risk
register?

Never 1 2 3 4 5 Always

7.2 If recorded in a risk register, what happens to the identified risks?

8. IMPORTANCE OF RISK MANAGEMENT AT THE NMBM

How important is risk management at the NMBM in the following aspects?

8.1 *	<u>To increase awareness of risks</u>	<div style="display: flex; justify-content: space-between; align-items: center;"> Not important <div style="display: flex; align-items: center;"> <input type="radio"/> 1 <input type="radio"/> 2 <input type="radio"/> 3 <input type="radio"/> 4 <input type="radio"/> 5 </div> Very important </div>
8.2 *	<u>To mitigate risks</u>	<div style="display: flex; justify-content: space-between; align-items: center;"> Not important <div style="display: flex; align-items: center;"> <input type="radio"/> 1 <input type="radio"/> 2 <input type="radio"/> 3 <input type="radio"/> 4 <input type="radio"/> 5 </div> Very important </div>
8.3 *	<u>To enhance the achievement of set objectives</u>	<div style="display: flex; justify-content: space-between; align-items: center;"> Not important <div style="display: flex; align-items: center;"> <input type="radio"/> 1 <input type="radio"/> 2 <input type="radio"/> 3 <input type="radio"/> 4 <input type="radio"/> 5 </div> Very important </div>
8.4 *	<u>To promote effective and efficient resource utilisation</u>	<div style="display: flex; justify-content: space-between; align-items: center;"> Not important <div style="display: flex; align-items: center;"> <input type="radio"/> 1 <input type="radio"/> 2 <input type="radio"/> 3 <input type="radio"/> 4 <input type="radio"/> 5 </div> Very important </div>
8.6 *	<u>To prioritise the addressing of risks</u>	<div style="display: flex; justify-content: space-between; align-items: center;"> Not important <div style="display: flex; align-items: center;"> <input type="radio"/> 1 <input type="radio"/> 2 <input type="radio"/> 3 <input type="radio"/> 4 <input type="radio"/> 5 </div> Very important </div>

8.7 * To contribute to good governance

Not important 1 2 3 4 5 Very important

8.8 * To limit the number of operational surprises

Not important 1 2 3 4 5 Very important

9. IMPLEMENTATION OF RISK MANAGEMENT

What role do you play in the implementation of Risk management within the NMBM?

9.1 * Support management policies and defining roles and responsibilities

always 1 2 3 4 5 never

9.2 * Identifying known and emerging risks

always 1 2 3 4 5 never

9.3 * Alerting the relevant personnel about risk scenarios in your area of responsibilities

always 1 2 3 4 5 never

9.4 * Identifying shifts in the organisation's implicit risk appetite

always 1 2 3 4 5 never

9.5 * Facilitating the implementation of effective risk management within your area of responsibility

always 1 2 3 4 5 never

9.6 Other, please specify

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10. DEFINITION OF RISK MANAGEMENT AT THE NMBM

Are the following part of the NMBM's definition of risk management?

10.1 A compliance activity
* designed for management Yes No Don't know

10.2 A process that enables the
* municipality to enhance
health and safety Yes No Don't know
performance as well as
environmental exercise

10.3 A way of identifying,
* evaluating, measuring and
developing various methods Yes No Don't know
for handling risks.

10.4 Other, please mention

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11. COMMENTS ON RISK MANAGEMENT

Please answer the following questions:

11.1 What do you regard as the most positive contribution of risk management at the NMBM?

11.2 Finally, what do you regard as the main objective of risk management at the NMBM?

THANK YOU FOR COMPLETING THIS QUESTIONNAIRE...