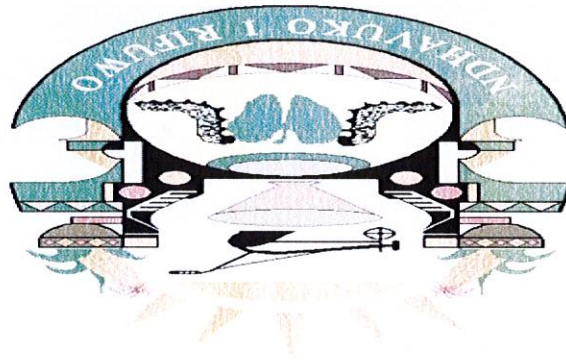


**RISK APPETITE AND TOLERANCE
FRAMEWORK
2023/2024
Council Resolutions : CR 98-30/05/23**



GREATER GIYANI MUNICIPALITY

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This document will include the following:

2. SCOPE OF THE DOCUMENT

- I) Risk Management Policy
- II) Risk Management Strategy
- III) Risk Management Implementation plan
- IV) Risk Management, Anti-Fraud and Anti-Corruption Committee Charter
- V) Fraud Prevention Policy
- VI) Fraud Prevention Plan and Strategy
- VII) Whistle Blowing Policy
- VIII) Risk Management Key Performance Indicators
- IX) Risk Management Assurance Plan

This document is part of the Risk Management Framework of the municipality and must be read in conjunction with the following documentations:

The instrument that can be utilized to minimize subjective opinion is to establish the risk appetite, with regard to every strategic objectives of the municipality.

minimized?

- I) How can the amount of subjective opinion in the rating of risk be minimized?
- II) How can the amount of subjective opinion in the establishment of tolerance level be minimized?

The above challenge leads to the following questions:

To rate all risks, the risk rating table as well as the risk tolerance table are being utilized. The challenge is that the rating tables allows for a huge amount of subjective opinion.

destruction of the municipality operations.

III. Allow the municipality to identify those risk that if not mitigated, may result in the

municipality not reaching one or more of its strategic objectives.

II. Allow the municipality to identify those risk that if not mitigated, may result in the

rated risk

I. Allow the municipality to use its scarce resources to focus on mitigating the high

The reasons why risks are rated, is to:

tolerable, unacceptable level.

After all risks for the 2020/2021 financial year have been identified as well as root causes and possible consequences established, all risks should be rated to identify the acceptable ,

1. PURPOSE OF THE RISK APPETITE FRAMEWORK:

5. RISK APPETITE AND TOLERANCE OVERVIEW:

- Goal 06: Good Governance and Public Participation
- Goal 05: Financial Viability
- Goal 04: Local Economic Development
- Goal 03: Infrastructure Development and Basic Service Delivery
- Goal 02: Institutional Development and Transformation
- Goal 01: Spatial Rational

The municipality has the following strategic goals per Key Performance Area:

4. STRATEGIC GOALS OF THE MUNICIPALITY

It is the maximum level of risk in which a firm can operate, while remaining within the constraints implied by capital and funding need and its obligations to stakeholders.

3.4 Risk Capacity:

amount of risk it willing to bear).

Risk tolerance is the amount of risk the institution is capable of bearing (as opposed to the

3.3 Risk Tolerance:

immediate escalation and corrective actions.

The level of risk which if breach by the municipality's risk profile, would necessitate

3.2 Risk Appetite Limit:

the institution to start mitigating and managing the risk.

This terms refers to the amount of residual risk that the institution is willing to accept. The purpose of risk appetite is to indicate the point at which a risk becomes serious enough for

3.1 Risk Appetite:

3. DEFINITION OF KEY CONCEPTS

- I. Definition of key concepts.
- II. Strategic goals of the municipality.
- III. Risk appetite and tolerance overview
- IV. Greater Giyani risk appetite and tolerance statements
- V. Risk appetite and tolerance per strategic objective per categories:
- VI. Risk rating and ranking methodology
- VII. 2018/2019 Strategic Risks:
- VIII. Profiling of 2019/20 Strategic risks:

- Greater Giyani Municipality's risk appetite is directly linked to its strategic objectives and addresses material risks, setting clear boundaries and expectations by establishing quantitative limits and qualitative statements.
- It also establishes quantitative measures of loss or negative outcomes that can be aggregated and disaggregated.
- Qualitative statements complement quantitative measures, set the overall tone for the District approach to risk taking and articulate clearly the motivations for taking on, or avoiding certain types of risks.
- The risk appetite statements can be articulated in the following summary statement that is easy for all stakeholders to understand and addresses the levels and types of risk the District is willing to accept to achieve its objectives.

6. GREATER GIYANI RISK APPETITE AND TOLERANCE STATEMENTS:

Strategic Objectives	Risk Appetite and Tolerance Statements
<p>Competent, Innovative and Accountable Team</p>	<ul style="list-style-type: none"> - All Employees and Councilors who represent the municipality will act according to the highest ethical standards at all times. - The District invests in knowledge and intellectual property to achieve strategic objective in line with its mandate. - The District has no appetite for risk that might damage its reputation. - The District has low appetite for poor performance.
<p>Sound Electronic Governance</p>	<ul style="list-style-type: none"> - The District is committed to sound governance practices and adherence to good governance principles. - Zero tolerance to fraud and corruption. - Greater Giyani exists for the purpose of its stakeholders, and as such strives to meet stakeholder expectations. It does so however, with full recognition that certain stakeholder group expectations may be conflicting. Stakeholder expectations will be met on an impact analysis (vs cost) basis.

Risk Appetite and Tolerance Statements	Strategic Objectives	
<ul style="list-style-type: none"> - Zero tolerance to non-compliance with all applicable laws and regulations. 		
<ul style="list-style-type: none"> - The District has low appetite for the Economic growth rate of lower than the 2.3% of the Country. - Investment returns (for economic growth within the District) are recognized as the pillar for stimulating economic growth within the District to attract and retain investment which will lead to job creation and business opportunities. - Has low to zero appetite, when more than 30% of labour force in the District are without jobs. 		<p>Inclusive Economic Growth with Sustainable Development:</p>
<ul style="list-style-type: none"> - GGM strives to balance financial management and operational continuity effectively and efficiently. Some risks are acceptable (if only temporary) for investment gain, but a long term unfavorable position should be avoided. An acceptable level of liquidity should be maintained to meet foreseeable cash flow requirements. (Liquidity ratio of 1:1). - Material misstatements in financial reports and other reports are not acceptable. - Zero tolerance to lack of security and insurance for safe guarding of its assets. 		<p>Sound Financial Management:</p>

Risk Appetite and Tolerance Statements	Strategic Objectives	
<ul style="list-style-type: none"> - Has a low to zero tolerance when it comes to employee and broader stakeholder occupational health and safety risk. - There is further a low appetite for risk exposure relating to non-delivery of basic services, health & safety (including public safety), infrastructure delivery, environmental and regulatory compliance. 	<p>Healthy Social Environment:</p>	<ul style="list-style-type: none"> - Low tolerance when it comes to poor maintenance of infrastructure and delays in infrastructure projects. - Zero tolerance when it comes to poor service delivery of basic service to its citizens. - Low tolerance to the rollover of 10 projects per financial year. - No appetite for poor performance by service provider
<ul style="list-style-type: none"> - Low tolerance when it comes to poor provision of infrastructure and service 	<p>Sustainable infrastructure and service provisioning:</p>	<ul style="list-style-type: none"> - Low appetite for Land inventions and Mushrooming of informal settlements therefore the District invest in land development with the objective of providing land for human settlement and business.
	<p>Integrated Regionalized Planning</p>	

7. RISK APPETITE PER STRATEGIC OBJECTIVE PER CATEGORIES:

In line with the Risk Management Methodology of the District, risk appetite is expressed by means of the impact and likelihood categories and resulting overall Risk Matrix Heat map with its Escalation Categories.

Goal 01: Competent, Innovative and Accountable Team:

Severity Description	TYPES OF CONSEQUENCES					
	FINANCIAL	OPERATIONAL	HUMAN RESOURCE	HEALTH AND SAFETY	PUBLIC	REPUTATION
5	Critical > R500 000	> 3 Month Business Interruption	> 4/5 Top Management positions is vacant	Multiple death on duty	Distraction of properties	International Press/ TV/ Radio
4	Major R300 000 – R500 000	> 2 Month Business Interruption	3 / 5 Top Management position is vacant	One death/permanent disability	Long term impact on public memory and major political implication (total service delivery shut down)	National Press/ TV/ Radio
3	Moderate R200 000 – R300 000	> 1 Month Business Interruption	2 / 5 Top Mana3gement position is vacant	Multiple Injury on duty	10 community uprising within the district	Reginal Press/TV/Radio
2	Minor R100 000 – R200 000	<60 minutes of Business Interruption	1 / 5 Top Management position is vacant	Incident Report, No loss of time	No environmental impact/ damage	Local Press
1	Insignificant < 10 000	Unnoticed Interruption	No treatment required	First Aid, No loss of time	No environmental impact/ damage	Customer Complaint

Goal 02: Sound Electronic Governance:

Severity Description		TYPES OF CONSEQUENCES				
Score	Impact	FINANCIAL	OPERATIONAL	LEGAL AND COMPLIANCE	INFORMATIONAL TECHNOLOGY	GOOD GOVERNANCE
5	Critical	> R500 000	Leads to project termination and loss of ability to sustain ongoing operations	Catastrophic legal regulatory consequences that could result in significant penalties /fines	Over 5 days without ICT Services Continuity.	> 50% of the Internal Audit and Auditor General finding not resolved
4	Major	R300 000 – R500 000	Significant impact on achievement of strategic and operative objective	Severe legal regulatory consequences that could result in significant penalties /fines	> 5 Days without ICT Service Continuity	> 20% of the Internal Audit and Auditor General finding not resolved
3	Moderate	R200 000 – R300 000	Disruption of normal operations for 1 day.	Significant legal regulatory consequences that could result in significant penalties / fines	> 3 Days without ICT Service Continuity	> 10% of the Internal Audit and Auditor General finding not resolved
2	Minor	R100 000 – R200 000	No material impact on achievement of the objective	Minor legal/ regulatory consequences that could result in penalties	> 1 Days without ICT Service Continuity	<10 % of the Internal Audit and Auditor General finding not resolved
1	Insignificant	< 10 000	Unnoticed Interruption	Insignificant Legal Impact	<60 minutes of or without ICT services	No Action required

Goal 03: Inclusive Economic Growth with Sustainable Development:

		TYPES OF CONSEQUENCES				
Severity Description						
Score	Impact	FINANCIAL	OPERATIONAL	LEGAL AND COMPLIANCE	ENVIRONMENTAL	REPUTATION
5	Critical	> R500 000	Closing of existing mines and big business	Catastrophic legal regulatory consequences that could result in significant penalties /fines	Permanent damage to environment by mines and firms	Long term impact on public memory and major political implication (total service delivery shut down)
4	Major	R300 000 – R500 000	Significant impact to mines and Big Business	Severe legal regulatory consequences that could result in significant penalties /fines	Damage to environment by Mines and Firms	Medium term public with minor political implications
3	Moderate	R200 000 – R300 000	Disruption of normal operations of Mines and Big Business	Significant legal regulatory consequences that could result in significant penalties / fines	Significant Impact to environment by Mines and Firms	Regulator inquiry with medium term impact on public memory
2	Minor	R100 000 – R200 000	No material impact to operation of Mines and Big Business	Minor legal/ regulatory consequences that could result in penalties	Minor impact to environment	Affects significant number of the service areas but with likely Short-term impact on public memory
1	Insignificant	< 10 000	Negligible impact	Insignificant Legal Impact	Insignificant Impact to environment	Contained within the individual services area.

Goal 04: Sound Financial Management:

Severity Description	Score	Impact	TYPES OF CONSEQUENCES					
			FINANCIAL	OPERATIONAL	LEGAL AND COMPLIANCE	SUPPLIERS	STAKEHOLDERS	EXPENDITURE
	5	Critical	> R500 000	Current ratio is 0.5:1	Withdrawal of funds	> 90 days to pay creditors	> 150 days to adjudicate tenders	> 50 % Actual Expenditure
	4	Major	R300 000 – R500 000	Current ratio is 1:1	> 2 % irregular, Fruitless and Unauthorized Expenditure	> 60 days to pay creditors	> 100 days to adjudicate tenders	> 70 % Actual Expenditure
	3	Moderate	R200 000 – R300 000	Current ratio is 1.5:1	> 1 % irregular, Fruitless and Wasteful and Unauthorized Expenditure	> 30 days to pay creditors	> 90 days to adjudicate tenders	≥ 95 % Actual Expenditure
	2	Minor	R100 000 – R200 000	Current ratio is 2:1	0 % irregular, Fruitless and Wasteful and Unauthorized Expenditure	≤ 30 days creditors payment period	≤ 60 days adjudicate tenders	100% expenditure
	1	Insignificant	< 10 000	Current ratio is < 2:1	No treatment required	No treatment required	≤ 30 days adjudicate tenders	No treatment required

Goal 05: Healthy Social Environment:

Severity Description		TYPES OF CONSEQUENCES					
Score	Impact	FINANCIAL	OPERATIONAL COMPLIANCE	LEGAL AND COMPLIANCE	HEALTH AND SAFETY	ENVIRONMENTAL REPUTATION	
5	Critical	> R500 000	Inability to render fire and rescue service >24hrs	Catastrophic legal regulatory consequences that could result in significant penalties /fines	Increase in HIV/Aids rate	Air/ water pollution	International Press/ TV/ Radio
4	Major	R300 000 – R500 000	When it takes 3hrs and More to respond to an emergency call	Severe legal regulatory consequences that could result in significant penalties /fines	Increase in cases of substances and alcohol Abuse	Hazmat Spillage	National Press/ TV/ Radio
3	Moderate	R200 000 – R300 000	Failure to respond to one emergency call	Significant legal regulatory consequences that could result in significant penalties / fines	Abuse of Human and Children	Illegal Dumping	Reginal Press/TV/Radio
2	Minor	R100 000 – R200 000	Minor impact to the operations of Health and Safety	Minor legal/ regulatory consequences that could result in penalties	No treatment required	Sewerage/ drainage failure	Customer Complaint
1	Insignificant	< 10 000	Insignificant Legal Impact	Insignificant Legal Impact	No treatment required	No environmental impact	Positive publicity

Goal 06: Sustainable Infrastructure and Service Provisioning:

Severity	Description	TYPES OF CONSEQUENCES						
		FINANCIAL	OPERATIONAL	LEGAL AND COMPLIANCE	HEALTH AND SAFETY	STAKE HOLDERS	ENVIRONMENTAL	INFRASTRUCTURE
5	Critical	> R500 000	> 15 projects completed after the initial completion date	Catastrophic legal regulatory consequences that could result in significant penalties /fines	Death on duty on site	> 50% of the population are without Water	Catastrophic damage to water/Roads and Electricity Infrastructures Maintenance	International Press/ TV/ Radio
4	Major	R300 000 – R500 000	10 – 15 projects completed after the initial completion date	Severe legal regulatory consequences that could result in significant penalties /fines	Multiple fatalities and significant disabilities on site	> 30% of the population are without Water due to High Water	Extensive damage to water/Roads and Electricity Infrastructures Maintenance and poor quality	National Press/ TV/ Radio
3	Moderate	R200 000 – R300 000	4 – 8 projects completed after the initial completion date	Significant legal regulatory consequences that could result in significant penalties / fines	Multiple Injury on duty on site	> 25% of the population are without Water	Significant damage to water/Roads and Electricity Infrastructures due to Lack of Maintenance and poor quality	Reginal Press/TV/Radio
2	Minor	R100 000 – R200 000	2 – 4 projects completed after the initial completion date	Minor legal/regulatory consequences that could result in penalties	Incident Report, No loss of time	> 10% of the population are without Water	Minor disruption to supply of water and Electricity / Accessibility of the Road.	Customer Complaint
1	Insignificant	< 10 000	< 2 project completed after the initial completion date	Insignificant Legal Impact	First Aid, No loss of time	< 2% of the population are without Water	No environmental impact	Positive publicity

Goal 07: Integrated Regionalized Planning:

		TYPES OF CONSEQUENCES				
Description						
Score	Impact	FINANCIAL	OPERATIONAL	LEGAL AND COMPLIANCE	ENVIRONMENTAL	REPUTATION
5	Critical	>R200 000	>2 years without Developing new land for settlement and business	Catastrophic legal regulatory consequences that could result in significant penalties /fines	Lack of land of human settlement	International Press/ TV/ Radio
4	Major	R100 000 – R200 000	> 18 months without developing new land for settlement and business	Severe legal regulatory consequences that could result in significant penalties /fines	Expanding informal human Settlements.	National Press/ TV/ Radio
3	Moderate	R40 000 – R100 000	> 12 months without developing new land for settlement and business	Significant legal regulatory consequences that could result in penalties / fines	Significant expansion of informal settlements	Reginal Press/TV/Radio
2	Minor	R10 000 - R40 000	< 6 month without developing new land for settlement and business	Minor legal/ regulatory consequences that could result in penalties	No environmental impact	Customer Complaint
1	Insignificant	< R 10 000	No impact	Insignificant Legal Impact	No environmental impact	Positive publicity

8. RISK RATING AND RANKING METHODOLOGY

For every risk it is important that you consider the nature and the scope of the risk and then rate the risk accordingly. Risks will be individually ranked by each participant.

Rating on Impact:

When rating a risk on the impact of the risk on the business, should it occur, you need to consider what the extent of the impact of that risk will be on the area of the business, which it affects. Some risks may have a major impact one objective, yet a fairly low impact on the organization as a whole.

“Impact can be defined as the material loss to the organization, should that risk materialize”

Impact will be rated on a scale of 1 to 5 as follows:

Example: Impact on service delivery		
Score	Impact	Consequence
5	Critical	Negative outcomes or missed opportunities that are of critical importance to the achievements of the objectives
4	Major	Negative outcome or missed opportunities that are likely to have a relatively substantial impact on the ability to meet objectives.
3	Moderate	Negative outcome or missed opportunities that are likely to have a relatively moderate impact on the ability to meet objectives.
2	Minor	Negative outcomes or missed opportunities that are likely to have a relatively low impact on the ability to meet objectives.
1	Insignificant	Negative outcomes or missed opportunities that are likely to have a negligible impact on the ability to meet objectives

Rating on Likelihood (probability)

“Likelihood can be defined as the probability of an adverse event, which could cause materialization of the risk, may occur.”

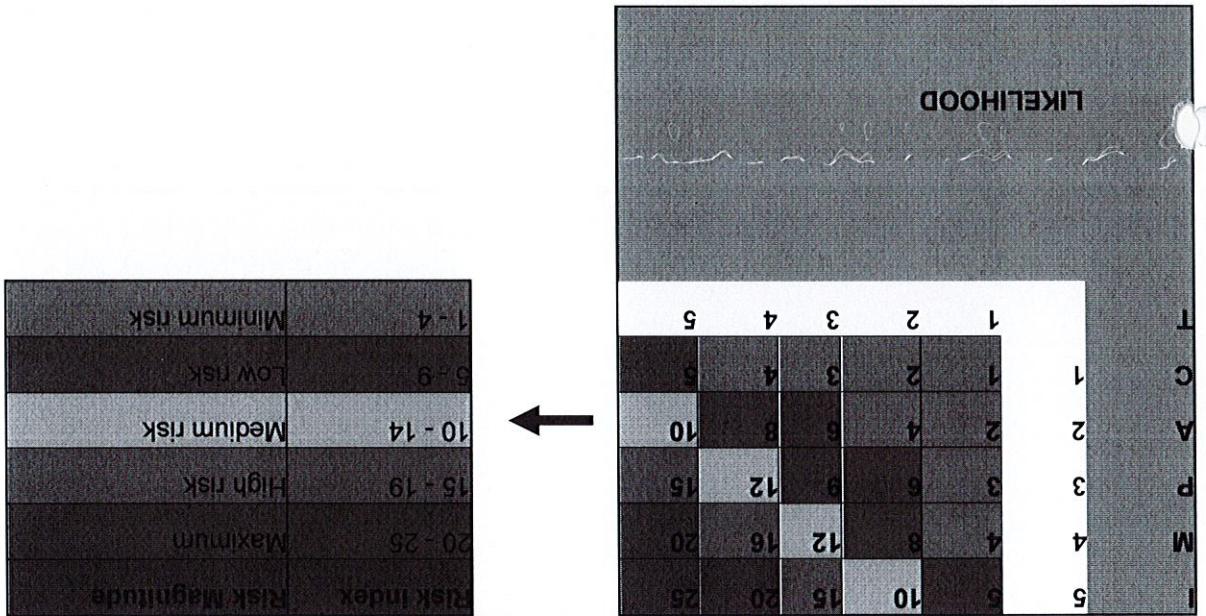
Likelihood will be rated on a scale of 1 to 5:

Example: Certainty of occurrence		
Score	Likelihood	Occurrence
5	Common	The risk is already occurring, or is likely to occur more than once within the next 12 months.

1	Rare	The risk is conceivable but is only likely to occur in extreme circumstance
2	Unlikely	The risk occurs infrequently and is likely to occur within the next 3 years
3	Moderate	There is an above average chance that the risk will occur at least once in the next 3 years
4	Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months.

Applying the parameters to the risk matrix to indicate what areas of the risk matrix would be regarded as high, medium or low risk (see the example below);

$$\text{Risk Index} = \text{Impact} \times \text{Likelihood}$$



9. RISK ACCEPTANCE LEVEL AND ACTIONS TO BE TAKEN:

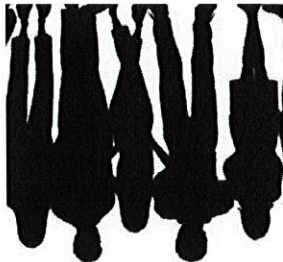
Below is the municipality's risk acceptability level and proposed Actions per Risk Magnitude:

Risk Index	Risk Magnitude	Risk Acceptability	Proposed mitigating steps
15 - 19	High risk	Unacceptable risk	Take action to reduce risk with highest priority
20 - 25	Maximum risk	Unacceptable risk	Take action to reduce risk with highest priority

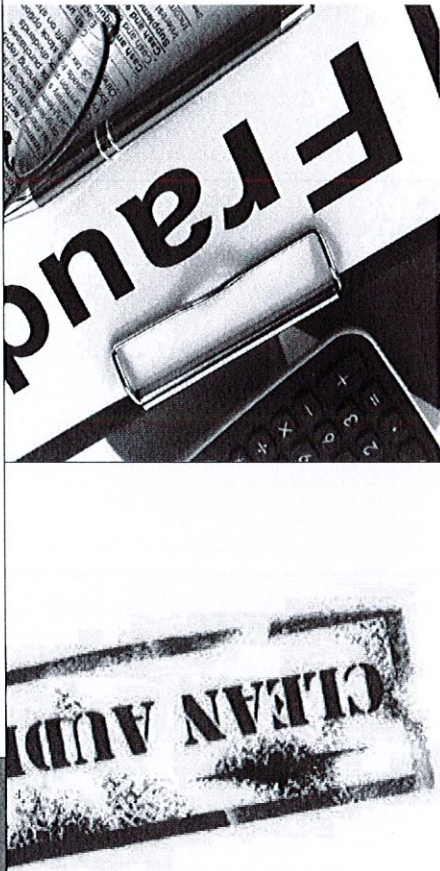
10 - 14	Medium risk	Unacceptable risk	Take action to reduce risk, inform management
5 - 9	Low risk	Accept Risk	No risk reduction – control, monitor, inform management
1 - 4	Minimum risk	Accept Risk	No risk reduction – control, monitor, inform management

10. 2020/2021 STRATEGIC RISKS:

1. KPA 1: Institutional Development and Transformation:

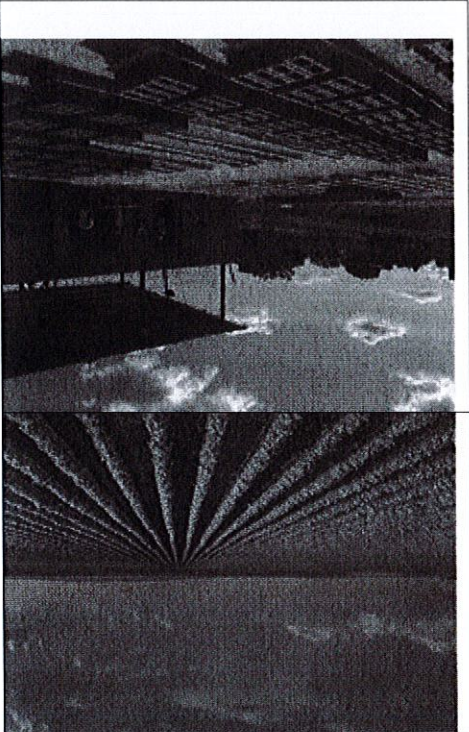
	<p>Strategic Objective Competent, Innovative and Accountable Team</p>	<p>Risks/Threats Inadequate organizational performance</p>	<p>Root causes 1. Low staff morale due to the low grading of the municipality 2. The non-standardization of benefits and the application of the policy (Travel allowance and PMS) 3. Non-compliance with the PMS policy (1-3)</p>	<p>Impact Likelihood 5</p>	<p>Residual Risk 4</p>
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2. KPA 2: Good Governance and Public Participation:

	<p>Strategic Objective Sound Electronic Governance</p>	<p>Risks/Threats Failure to retain clean governance document (audit)</p>	<p>Root causes 1. Nonadherence to sound document Management controls 2. Lack of understanding of records management 3. Non-implementation of internal Audit, Audit Committee and Ag recommendations 4. The non-review of AFS 5. Changes in Regulations 6. Misstatements in the AFS and APR(Lack</p>	<p>Impact Likelihood 3</p>	<p>Residual Risk 9</p>
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KPA 4: Financial Viability and Financial Management:

	<p>Sound Financial Management</p>	<p>Inability to achieve financial sustainability</p>	<p>1. Dependency on grants (GGM) 2. Other functions not generating enough revenue (Fire Services,</p>	<p>4</p>	<p>4</p>	<p>16</p>
<p>Strategic Objective</p>	<p>Risks/Threats</p>	<p>Root causes</p>	<p>Impact</p>	<p>Likelihood</p>	<p>Residual Risk</p>	

	<p>Inclusive Economic Growth with Sustainable Development</p>	<p>1. Non support to SME's, Cooperative forums 2. Inability to access funding and non-financial support 3. Inability to access private sector market 4. Low skills base of local entrepreneurs</p>	<p>5</p>	<p>4</p>	<p>20</p>
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6. KPA 5: Basic Service Delivery and Infrastructure:

Residual Risk	Likelihood	Impact	Root causes	Risks/Threats	Strategic Objectives
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			<p>3. Inability to collect revenue (Local Municipal Health)</p> <p>4. Inability to pay Bulk purchases (Local Municipalities)</p> <p>5. Non-payment of services (Local Municipalities)</p> <p>6. Non cost effective tariffs (Local Municipalities)</p>		
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Residual Risk	Likelihood	Impact	Root causes	Risks/Threats	Strategic Objectives					

8. KPA 6: Spatial Rationale:

Residual Risk	Likelihood	Impact	Root causes	Risks/Threats	Strategic Objectives					

7. KPA 5: Basic Service Delivery and Infrastructure:

Residual Risk	Likelihood	Impact	Root causes	Risks/Threats	Strategic Objectives					

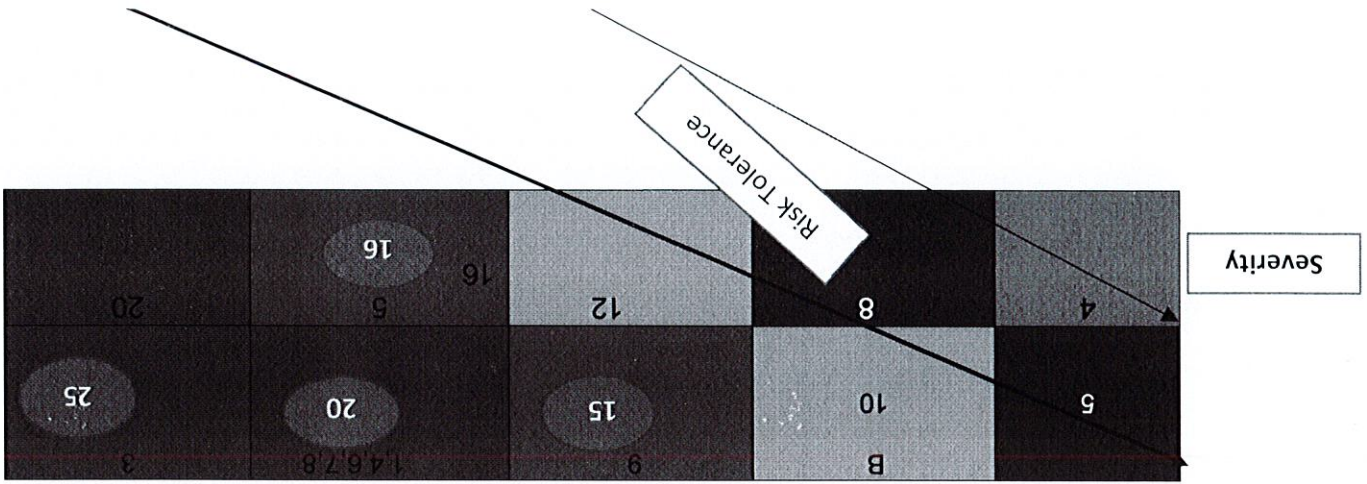
	Integrate Regionalized Planning and housing backlogs	1. Unavailability of Municipal owned land in urban areas for human settlement 2. Ineffective structures to coordinate human settlement initiatives	5 4 20
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9. KPA 5: Basic Service Delivery and Infrastructure:

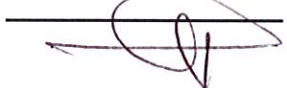
	Sustainable Infrastructure and Service Provisioning Inability to reduce service delivery backlogs	1. Decreased water resources 2. Limited Financial resources 3. Aging bulk water infrastructure leading to water loss at local municipalitie	5 3 15 Residual Risk Likelihood Impact
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11. PROFILING OF 2022/2023 STRATEGIC RISKS:

All the Strategic Risk of the Municipality are outside the Risk Appetite and Tolerance Levels. Below is the Hit Map profiling the Nine (9) Strategic Risks?



**The Mayor
Cllr ZITHA T**

Signature


Date
30/05/23

Signed by

The Risk Appetite Statement shall be reviewed annually to align it to strategic goals of the municipality

13. REVIEW

This will allow the municipality to focus on scarce resources to successful mitigate all risks that have become a reality and that might jeopardize municipal service delivery

- Acceptable Risks
- Tolerable Risks
- Unacceptable Risks
- Strategic Risks,

The risk appetite is a tool that must be used as part of the risk rating processes to identify risks on the Enterprise Risk Register which are:

12. CONCLUSION

Likelihoods

