



KWAZULU-NATAL PROVINCE

HUMAN SETTLEMENTS
REPUBLIC OF SOUTH AFRICA

RISK APPETITE STATEMENT 2025-2026

Risk appetite vs. risk tolerance



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1. Vision, Mission, and Strategic Outcomes

The Departments Vision and Mission are as follows:

VISION

“Together, Building Homes, Changing Lives”.

MISSION

“ To create inclusive, resilient and sustainable human settlements through the development of transformed human settlements”.

The strategic outcomes of the Department are:

- Improved Organisational Efficiency to promote an agile, capable, developmental and ethical department.
- Transformed human settlements in rural and urban environments.
- Increased access to adequate housing through various programmes.
- Strengthened economic transformation of the human settlements sector.

Introduction

The Department of Human Settlements faces a broad range of risks that may deter the achievement of its objectives and may result in poor service delivery, litigations emanating from non-compliance, community unrests and so forth if not well managed.

The strategic outcomes set out in the current Strategic Plan and summarised in section 1 above demand a risk appetite that embraces taking effective management of its inherent risks. The Department considers the most significant risks to which it is exposed and provides an outline of the approach to managing these risks, hence the development of this risk appetite statement, which is part of the risk management strategy, and which is aligned to the Department’s strategic and business plans operations.

The Department defines risk appetite as ‘the amount and type of risk that the Department is willing to pursue or retain’, while risk tolerance is defined as the Department’s readiness to bear the risk after risk treatment in order to achieve its objectives.

2. Legislative Mandate

This risk appetite statement is aligned to the Public Sector Risk Management Framework, KZN Provincial Risk Management Framework, Department's Risk Management Policy and other relevant prescripts, which are all aimed at identifying, assessing and evaluating all risks that may deter the Department from achieving its objectives. Risk management forms an integral part of all aspects of the Department and is the responsibility of all staff members. All employees of the Department have a responsibility to evaluate their risk environment in order to put appropriate controls and to monitor effectiveness of those controls as per the requirement of the Public Finance Management Act.

3. Risk Appetite Statement

The Department analyses and evaluates its risks in terms of the following categories at both inherent and residual risk level which is in line with the KZN Provincial Risk Management Framework, Departmental Risk Management Framework and Department's Risk Management Policy.

This Risk Appetite Statement considers the most significant types of risks to which the Department is exposed to and provides an outline of the approach to managing these risks.

Table 1: Risk Appetite Table

Inherent / Residual Risk Exposure	Proposed Action	Risk Factor
Critical	Take action to reduce risk with highest priority, accounting officer and accounting authority attention.	$\geq 80 < 100$
Major	Take action to reduce risk with highest priority, accounting officer and accounting authority attention.	$\geq 60 < 80$
Moderate	Take action to reduce risk, inform senior management.	$\geq 40 < 60$
Minor	No risk reduction - control, monitor, inform management.	$\geq 20 < 40$

Inherent / Residual Risk Exposure	Proposed Action	Risk Factor
Insignificant	No risk reduction - control, monitor, inform management.	$\geq 0 < 20$

The above table is informed by table 2 and table 3 below.

Probability / Likelihood of Occurrence

Initially, risk analysis must be carried out on an inherent basis, considering the likelihood and impact of the risk without taking into account existing controls. Each identified risk must first be assessed for its inherent consequences/impact. The analysis involves determining the extent of the most probable impact of the risk event occurring if no controls were in place, using a ranking scale of 1 to 5, where 1 is equivalent to having “insignificant impact” and 5 being equivalent to having a “catastrophic/critical impact” along the 8 impact areas outlined in the consequence matrix table below.

In assessing likelihood, consideration of the nature of the risk, the probability of future occurrence; how likely is the risk consequences to occur; and how frequently has this occurred must be taken into account. In terms of the likelihood matrix table below, the assessment of a likelihood of a risk consequence occurring is assigned a number from 1-5, with 1 indicating the remote possibility of the risk consequence occurring and 5 indicating its almost certain occurrence.

Table 2: Likelihood Matrix Table

Likelihood Matrix Table					
Rank	Category	Factor	Category Definition	Frequency & Proximity (when is the risk expected to occur)	
5	Almost Certain	0.99	The risk event is expected to occur in most circumstances	Expected to occur at least monthly.	0 – 3 Months
4	Likely	0.80	The risk event will probably occur in most circumstances	Expected to occur at least quarterly.	3 – 6 Months
3	Moderate	0.60	The risk event should occur at some time	Expected to occur at least six monthly.	6 – 9 Months
2	Unlikely	0.40	The risk event could occur at some time	Expected to occur at least annually.	9 – 12 Months

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1	Rare	0.20	The risk event may not occur or may occur only in exceptional circumstances	Not expected to occur for years.	12 Months Plus
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Impact/ Consequences

The assessment of the potential impact of a particular risk may be complicated by the fact that a range of possible outcomes may exist or that the risk may occur a number of times in a given period of time. Such complications should be anticipated and a consistent approach adopted which, for example, may seek to estimate a worst case scenario over, say, a 12-month time period. The table below is used in an effort to define risk tolerance levels for this Department.

Table 3: Consequences Matrix Table

Consequence Matrix Table									
Rank and Category	Factor	Consequence/ Impact Areas							
		Health & Safety	Interruption to Services	Reputation & Image	Compliance	Operational Efficiency	Performance	Financial Impact	Project
1 Insignificant	20	No injuries	Less than 1 hour	Unsubstantiated, low impact – ‘no news’ item	Minor breach of policy/ legislation	Little impact	Up to 5% variation in KPI or objectives	< 2% of budget	Small variation to cost, timelines, & scope.
2 Minor	40	First aid treatment	1 hour to 1 day	Substantiated, low impact – ‘low news’ item	Breach of policy/legislation on needing attention	Inconvenient delays	5% to 10% variation in KPI or objectives	2 - 5% of budget	5-10% increase in time, scope or Cost.

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Consequence Matrix Table										
Rank	Category	Factor	Consequence/ Impact Areas							
			Health & Safety	Interruption to Services	Reputation & Image	Compliance	Operational Efficiency	Performance	Financial Impact	Project
3	Moderate	60	Hospitalization required	1 day to 1 week	Substantiated, moderate impact/public embarrassment/moderate news'	Breach requiring internal investigation	Significant delays to major deliverables	10% to 25% variation in KPI or objectives	5 - 10% of budget	10-20% increase in time, cost or scope
4	Major	80	Extensive injuries or disabilities	1 week to 1 month	Substantiated, public Embarrassment - 'high impact news'	Breach resulting in external investigation	Non-achievement of Major deliverables	25% to 50% variation in KPI or objectives	10 - 20% of budget	20-50% increase in time, cost or scope
5	Critical	100	Death or permanent disabilities	More than 1 month	Substantiated, public Embarrassment.	Breach resulting in external investigation	Non-achievement of major key objectives	More than 50% variation in KPI or objectives.	> 20% of budget	>50% increase in time, cost or scope

The Department makes resources available to mitigate / control its risk exposures to an acceptable level, whilst accepting and recognising that it is not possible to completely mitigate all risks to a desired residual level. The Department 's strategic themes and objectives/outcomes set out will necessitate that the Department accepts those risks that increase its chances of achieving its service delivery, but these should be done within the constraint of the limited budget and in compliance with applicable laws, without endangering the lives of its employees and communities.

The Department's maximum level of acceptable residual risk, or residual risks that the Department is willing to accept or operate within is at a minor level. All risks with a residual risk that is at a moderate, major and critical level must be mitigated through the development and implementation of mitigation plans. The Department uses a combination of both the risk category and risk impact rating focus area approach. These should be read in conjunction with the risk assessment matrices.

The Department's management and staff must have due regard to the Department's stated Risk Appetite in both strategic and operational decision making. The Department's risk appetite for each risk category is detailed below:

3.1. Strategic Risks

The Department has a low appetite for risks which has a potential to affect the effective and efficient delivery of its initiatives. It recognises that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as its reputation. This category is only acceptable at a minor and insignificant level.

3.2. Financial Risks

The Department has a low appetite for all risks that may expose its operations to financial losses. This category is only acceptable at a minor and insignificant level, depending on the type of risk and based on cost benefit analysis.

3.3. Reputational, Ethical, Health and Safety Risks

Code of conduct – The Department expects all its staff members to conduct themselves with a high degree of integrity, to strive for excellence in the work they perform and to promote the public interest. The Department has no appetite for behaviour which brings the

Department into disrepute. Any possible breach of the code of conduct must be addressed in line with the consequence management protocol/framework.

Health and safety risks – The Department is committed to creating a safe working environment for all its employees, where people are protected from physical or psychological harm. The Department has no appetite for behaviour or practices which endangers the health of staff members while at work.

3.4. Operational Risks

The Department has a low appetite for risks which may cause operational inefficiencies to Department's service delivery initiatives. This category is only acceptable at a minor and insignificant level, depending on the type of risk and based on cost benefit analysis.

3.5. Information Technology Risks

The Department has a low appetite for information technology (IT) risks. IT risks above a minor level will be mitigated. No cyber-attacks on IT systems are tolerated.

3.6. Fraud and Corruption Risks

In line with the national government's stance, the Department has no appetite **[zero tolerance]** for any fraud and corruption related activities, either committed by internal staff or external parties. All allegations of fraud and corruption are taken seriously and are dealt with according, as articulated in the Department's Fraud Prevention & Response Plan and any other fraud and corruption prevention & combatting policies, prescripts.

3.7. Security Risk

The Department has a low appetite for security measures in its events and its premises. The Department only accepts a minor and insignificant residual risk level for this category.

3.8. Compliance Risks

The Department has no appetite **[zero tolerance]** for deliberate or purposeful violations of legislative or regulatory requirements. Any deliberate or purposeful non-compliance must be remedied and dealt with in line with the Department's consequence management process.

3.9. Information Management Risks

The Department is committed to ensuring that its information is authentic, appropriately classified, properly conserved and managed in accordance with legislative and business requirements. The Department has a no appetite for the compromise of processes (either Records Management, Information Technology, Public Relations and so forth) governing the use of information, its management, its disposal and publication. The Department wishes to state that it will take drastic actions against those who may deliberately misuse its information.

3.10. Human Capital Risks

The Department has a low appetite for all human resource risks which may cause operational inefficiencies to Department's service delivery initiatives. This category is only acceptable at minor and insignificant level, depending on the type of risk (e.g. vacancy rate, employment equity requirement etc.) and based on cost-benefit analysis.

3.11. Project Risks

The Department has a low appetite for all risks which may affect project implementation, completion and handover processes towards department's service delivery initiatives, and hence accepts a minor and insignificant residual risk level for this category

4. Implementation of the Risk Appetite Statement

All managers and other officials of the Department are responsible for the implementation and compliance with this appetite statement.

4.1. Communication

This statement will be communicated to officials of the Department through the Department's intranet, risk management workshops and induction workshops.

4.2. Reporting and Monitoring

The statement will be implemented and monitored on a quarterly basis during the reviews and updating of the risk register. The reporting thereof will be made to the risk management committee.

5. Review and Effective Date

This risk appetite statement must be reviewed annually, or as and when a need arises. The review must be coordinated by the Risk Management unit, presented to the Departmental Risk Management Committee [DRMC] and/or Executive Committee [EXCO] for adoption and approval by the Accounting Officer.

6. Approval of the Risk Appetite Statement

The risk appetite statement and its amendments thereto are effective on the date signed / approved by the Accounting Officer.

APPROVAL	
NAME	: MR S.M. MBILI
DESIGNATION	: HEAD OF DEPARTMENT
DEPARTMENT OF HUMAN SETTLEMENTS KZN	
SIGNATURE: 	DATE: 10/4/2025