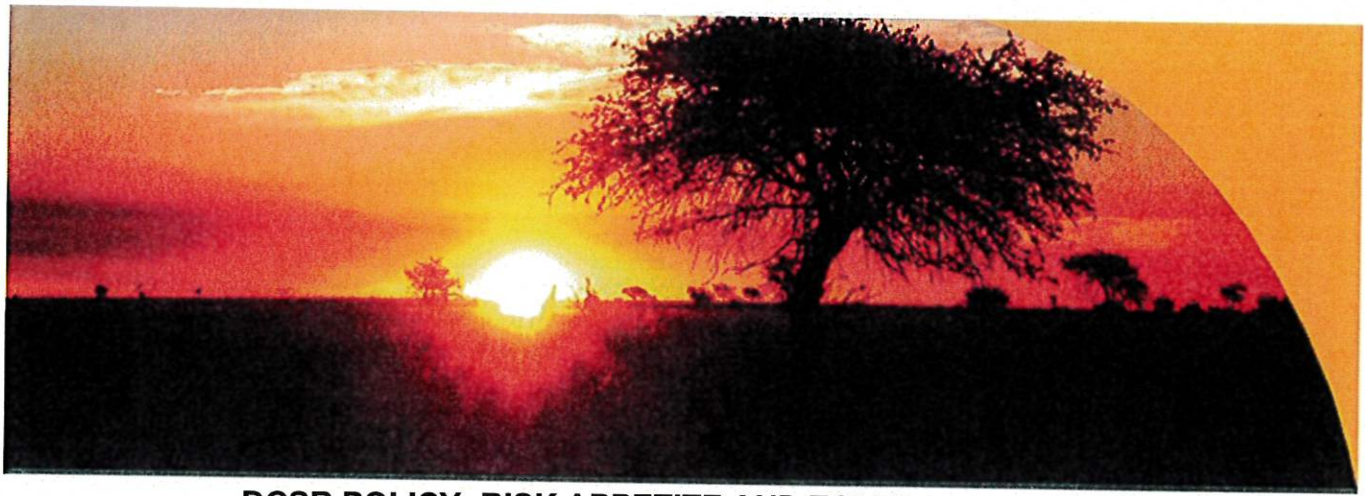

DCSR POLICY: RISK APPETITE AND TOLERANCE FRAMEWORK

DOCUMENT INFORMATION AND LOG

File Name	Risk Appetite and Tolerance Framework
Original Author	Department of Culture, Sport and Recreation
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1. INTRODUCTION

The Department of Culture, Sport and Recreation (DCSR) operates within a complex socio-economic environment characterised by high unemployment, inequality, infrastructure backlogs, and increasing demand for inclusive service delivery. In fulfilling its mandate of promoting social cohesion, cultural preservation, and sport development, the Department must adopt a structured approach to managing uncertainty and risk.

This Risk Appetite and Tolerance Framework provides a comprehensive mechanism for defining the level of risk the Department is willing to accept in pursuit of its strategic objectives while ensuring compliance with applicable legislation and safeguarding public resources.

2. PURPOSE

The purpose of this framework is to:

Define acceptable levels of risk exposure across the Department; Guide strategic and operational decision-making; Support optimal allocation of limited financial resources; Enhance governance, accountability, and oversight; Align risk-taking with the Public Finance Management Act (PFMA) and National Treasury frameworks.

3. STRATEGIC CONTEXT AND ALIGNMENT

The framework is aligned to the Department's strategic outcomes, including promoting social cohesion, increasing access to cultural and sport services, strengthening governance, and investing in infrastructure development.

Given the constrained MTEF budget of R721,373,000, the Department must balance service delivery expansion with financial sustainability and compliance obligations.

4. DEFINITIONS

Risk Appetite

Risk Appetite is the amount and type of risk that the Department is willing to pursue, accept or retain in pursuit of its strategic objectives. It reflects management's willingness to take calculated risks where the expected benefits outweigh potential adverse consequences while ensuring compliance with legislation and maintaining public confidence.

The Department acknowledges that innovation and improved service delivery require an appropriate degree of risk-taking. However, no risk may compromise good governance, financial integrity, ethical conduct or compliance with legislation

Risk Tolerance

Risk Tolerance refers to the acceptable level of variation from the approved risk appetite before management intervention becomes necessary. Risk tolerance establishes measurable thresholds against which current risk exposure is monitored.

Where tolerance levels are exceeded, management must implement corrective action, strengthen controls and escalate risks through the appropriate governance structures.

Risk Capacity

Risk Capacity refers to the maximum level of risk the Department is capable of absorbing before its ability to deliver services, comply with legislation or remain financially sustainable becomes compromised

5. RISK APPETITE STATEMENT

The Department adopts a moderate risk appetite in pursuing its strategic objectives, recognising the need for innovation, transformation, and infrastructure investment.

However, the Department maintains:

Low tolerance for financial mismanagement and reputational damage; Zero tolerance for fraud, corruption, and non-compliance with legislation; Controlled tolerance for service delivery and infrastructure risks where these enable long-term impact.

6. RISK APPETITE PRINCIPLES

The Department's risk appetite is guided by the following principles:

- Risk management supports achievement of strategic objectives.
- Risk-taking must improve service delivery outcomes.
- Public resources must be protected.
- Compliance with legislation is mandatory.
- Fraud and corruption will not be tolerated.
- Risk ownership rests with management.
- Risks exceeding tolerance levels must be escalated.
- Risk decisions must be evidence-based.
- Risk appetite will be reviewed annually.

7. RISK APPETITE BY STRATEGIC OUTCOMES OF THE ANNUAL PERFORMANCE PLAN

Strategic Outcome	Risk Appetite	Rationale
Governance, Institutional Capacity and Financial Sustainability	**Very Low**	Governance failures threaten the sustainability of the Department and therefore only minimal risk is acceptable.
Cultural Affairs	**Moderate**	Innovation is encouraged to expand cultural participation while maintaining effective controls.
Library and Archive Services	**Moderate**	Moderate operational risk is accepted to improve access and digitisation.
Sport and Recreation	**Moderate to High**	Greater implementation risk is accepted to improve infrastructure and participation.

Strategic Outcome	Risk Appetite	Rationale
Infrastructure Development	**Moderate to High**	Capital projects inherently carry higher delivery risks but remain subject to governance controls.
Digital Transformation	**Moderate**	Innovation is encouraged while maintaining strong cybersecurity and ICT governance.
Ethical Governance	**Zero Tolerance**	Fraud, corruption and unethical conduct are not acceptable.
Legislative Compliance	**Zero Tolerance**	Legislative compliance is mandatory.

8. RISK APPETITE AND TOLERANCE BY CATEGORY (ALIGNED TO STRATEGIC RISK REGISTER)

8.1 Governance and Oversight Risk

Linked Strategic Risk: SR1 – Governance and Oversight Failure

Risk Appetite

The Department maintains a **Very Low Risk Appetite** for governance failures because effective governance underpins accountability, service delivery, ethical leadership and public confidence.

Risk Capacity

Low.

Risk Tolerance

Indicator	Tolerance
Audit Committee Meetings	100% held
Risk Management Committee Meetings	100% held
Internal Audit Plan	100% implementation
Repeat AGSA Findings	Zero
Governance Reports	100% submitted

Key Risk Indicators

- Audit findings
- Governance maturity
- Outstanding audit actions
- Internal control deficiencies

Escalation Trigger

Any governance weakness that threatens the achievement of strategic objectives or results in repeat audit findings shall be escalated immediately to the Management Committee and Audit Committee.

Risk Owner

Accounting Officer

8.2 Financial Sustainability Risk

Linked Strategic Risk: SR2 – Inadequate Financial and Business Sustainability

Risk Appetite

The Department has a **Low Risk Appetite** for financial risks due to the stringent requirements of the PFMA, Treasury Regulations and limited fiscal resources.

Risk Capacity

Low.

Risk Tolerance

Indicator	Tolerance
Budget Variance	≤2%
Irregular Expenditure	Zero
Fruitless and Wasteful Expenditure	Zero
Unauthorised Expenditure	Zero
Supplier Payments within 30 Days	≥95%
Revenue Collection Variance	≤5%

Key Risk Indicators

- Budget expenditure
- Cash flow
- Cost overruns
- AGSA findings
- Accruals

Escalation Trigger

Material deviations from the approved budget, unauthorised expenditure, or adverse audit findings shall be reported immediately to Executive Management.

Risk Owner

Chief Financial Officer

8.3 ICT Governance and Cybersecurity Risk

Linked Strategic Risk: SR3 – ICT Governance and Cybersecurity Failure

Risk Appetite

The Department has a **Moderate Risk Appetite** for digital innovation while maintaining a **Very Low Appetite** for cybersecurity failures, information loss and unauthorised access to information.

Risk Capacity

Moderate.

Risk Tolerance

Indicator	Tolerance
ICT System Availability	≥99%
Critical System Downtime	Less than 8 hours
Cybersecurity Breaches	Zero negligence
Backup Success Rate	100%
Disaster Recovery Testing	Annually

Key Risk Indicators

- Cyber incidents
- System downtime
- Failed backups
- ICT audit findings
- Security vulnerabilities

Risk Owner

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8.4 Human Capital Risk

Linked Strategic Risk: SR4 – Human Capital Capacity Constraints

Risk Appetite

The Department has a **Moderate Risk Appetite** for workforce-related risks associated with recruitment, retention and organisational restructuring.

Risk Capacity

Moderate.

Risk Tolerance

Indicator	Tolerance
Vacancy Rate	≤10%
Critical Vacancies	≤5%
Performance Agreements	100%
Training Plan Implementation	≥90%
Staff Turnover	≤10%

Key Risk Indicators

- Vacancy rate
- Staff turnover
- Training implementation
- Employee wellness

Risk Owner

Deputy Director: Human Resource Management

8.5 Fraud, Corruption and Ethical Governance Risk

Linked Strategic Risk: SR5 – Fraud, Corruption and Unethical Conduct

Risk Appetite

The Department has **Zero Risk Appetite** for fraud, corruption, bribery, theft, conflicts of interest or unethical behaviour.

Risk Capacity

None.

Risk Tolerance

Indicator	Tolerance
Fraud Cases	Zero
Undeclared Interests	Zero
Gifts Contrary to Policy	Zero
Ethics Disclosures	100%

Key Risk Indicators

- Hotline reports
- Ethics declarations

- Lifestyle audits
- Disciplinary cases

Escalation Trigger

Immediate reporting to the Accounting Officer and law enforcement agencies where applicable.

Risk Owner

Accounting Officer

8.6 Cultural Affairs Risk

Linked Strategic Risk: SR6 – Cultural Affairs Programme Underperformance

Risk Appetite

Moderate.

The Department accepts measured operational risks associated with expanding cultural programmes and promoting social cohesion.

Risk Tolerance

Indicator	Tolerance
APP Achievement	≥85%
Programme Delays	≤10%
Beneficiary Reach	≥85%

Risk Owner

Chief Director: Cultural Affairs

8.7 Library and Archive Services Risk

Linked Strategic Risk: SR7 – Inadequate Provision of Library and Archive Services

Risk Appetite

Moderate.

Risk Tolerance

Indicator	Tolerance
Digitisation Targets	≥85%
Archive Compliance	100%

Indicator	Tolerance
Library Usage Targets	≥90%

Risk Owner

Chief Director: Library and Archive Services

8.8 Sport and Recreation Risk

Linked Strategic Risk: SR8 – Inability to Provide Adequate Sport and Recreation Services

Risk Appetite

Moderate to High.

Risk Tolerance

Indicator	Tolerance
Infrastructure Completion	≥90%
Project Delays	≤15%
Beneficiaries Reached	≥85%
Facility Availability	≥90%

Risk Owner

Director: Sport and Recreation

7.9 Compliance and Legal Risk

Risk Appetite

The Department maintains **Zero Risk Appetite** for legislative and regulatory non-compliance.

Risk Tolerance

Indicator	Tolerance
Legislative Compliance	100%
Statutory Reporting	100%
Regulatory Sanctions	Zero
Repeat Audit Findings	Zero

Risk Owner

Compliance Function

10. RISK APPETITE DECISION MATRIX

Risk Position	Description	Management Response	Escalation
Within Appetite	Risk remains within approved tolerance levels	Continue monitoring and implement routine controls	Programme Manager
Approaching Tolerance	Risk exposure is increasing but remains manageable	Strengthen controls and increase monitoring frequency	Chief Director / Programme Manager
At Tolerance Limit	Risk has reached the approved tolerance threshold	Immediate management intervention and review of mitigation plans	Chief Risk Officer and Executive Management
Above Appetite	Risk exceeds approved tolerance and threatens strategic objectives	Immediate corrective action, additional resources and Executive intervention	Executive Committee and Ethics & Risk Management Committee
Extreme / Unacceptable	Risk significantly exceeds the Department's appetite and threatens financial sustainability, governance or service delivery	Immediate escalation to the Accounting Officer and Audit Committee. Continuous monitoring until exposure returns within approved limits	Accounting Officer and Audit Committee

11. GOVERNANCE, MONITORING AND REPORTING

The implementation of this Framework shall be monitored through quarterly strategic risk assessments, operational risk registers, Key Risk Indicators (KRIs), compliance reports and executive dashboards. The Chief Risk Officer shall provide quarterly reports to the Ethics and Risk Management Committee, Executive Committee and Audit Committee on the Department's risk exposure against approved appetite and tolerance levels. Risks that exceed approved tolerance shall be escalated immediately, together with management's proposed corrective actions.

12. ROLES AND RESPONSIBILITIES

Role	Responsibilities
Executive Authority (MEC)	Provides strategic oversight and promotes good governance.
Accounting Officer	Approves the Framework, determines the Department's overall risk appetite, ensures implementation and takes executive decisions where risk exposure exceeds approved tolerance.
Executive Committee	Reviews strategic risks, monitors exposure against approved appetite, allocates resources and ensures risk-informed decision-making.
Ethics and Risk Management Committee	Monitors implementation of the Framework, reviews quarterly risk exposure and recommends improvements to the Accounting Officer.
Audit Committee	Provides independent oversight and assurance on the adequacy and effectiveness of risk management and governance processes.

Role	Responsibilities
Chief Risk Officer	Coordinates implementation of the Framework, facilitates annual reviews of risk appetite, monitors tolerance levels, prepares quarterly reports and advises management on emerging risks requiring escalation.
Programme Managers / Risk Owners	Identify, assess, manage and monitor risks within their areas of responsibility, implement mitigation measures, ensure risks remain within approved tolerance levels and report deviations to Executive Management.
Compliance Function	Monitors legislative compliance, identifies compliance risks, advises management on regulatory changes and reports significant compliance deviations.
Internal Audit	Provides independent assurance on the effectiveness of the Framework, evaluates internal controls and verifies that management actions reduce risks to acceptable levels.
All Employees	Understand and manage risks within their areas of responsibility, comply with departmental policies and procedures, report emerging risks promptly and contribute to a culture of ethical conduct and sound risk management.

13. REVIEW AND CONTINUOUS IMPROVEMENT

The framework will be reviewed annually or when significant changes occur in the Department's operating environment, budget, or strategic priorities.

14. APPROVAL

This comprehensive Risk Appetite and Tolerance Framework enables the Department to take informed and controlled risks while maintaining strong governance and accountability. It ensures that risk-taking supports service delivery outcomes without compromising financial integrity, compliance, or public trust.

MR EM MAHLANGU

HEAD: CULTURE, SPORT AND RECREATION

DATE 30 / 04 /**2026**

ANNEXURE A: RISK VS TOLERANCE DASHBOARD

The following dashboard provides a consolidated view of current strategic risks against defined tolerance levels, using a traffic light system for executive monitoring.

Strategic Risk	Risk Category	Appetite	Current Exposure	Tolerance	Status	Required Action
SR1: Governance & Oversight Failure	Compliance / Governance	Very Low	High	Zero	🔴 Red	Immediate intervention and EXCO oversight
SR2: Financial Sustainability Constraints	Financial	Low	Moderate	Very Low	🟠 Amber	Strengthen budget controls and cost containment
SR3: ICT Governance & Cybersecurity Failure	ICT	Moderate	Moderate	Medium	🟡 Yellow	Enhance cybersecurity controls and monitoring
SR4: Human Capital Capacity Constraints	Human Capital	Moderate	High	Medium	🟠 Amber	Accelerate recruitment and skills development
SR5: Fraud & Corruption	Governance / Ethics	Very Low	Low–Moderate	Zero	🔴 Red	Strengthen internal controls and consequence management
SR6: Cultural Affairs Underperformance	Service Delivery	Moderate	Moderate	Medium	🟡 Yellow	Improve programme planning and monitoring
SR7: Library & Archive Service Gaps	Service Delivery	Moderate	Moderate	Medium	🟡 Yellow	Increase access and resource allocation
SR8: Sport & Recreation Delivery Constraints	Service Delivery	Moderate	Moderate	Medium	🟡 Yellow	Strengthen partnerships and programme rollout