



provincial treasury

MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

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PROVINCIAL TREASURY CIRCULAR NO. 19 OF 2017

TO:

THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MR C LISA)
THE MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY (MR MD NGWENYA)
THE MUNICIPAL MANAGER: CITY OF MBOMBELA (MR N SEANEGO)
THE ACTING MUNICIPAL MANAGER: THABA CHWEU LOCAL MUNICIPALITY (MR LM MOKWENA)
THE MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY (MR F S SIBOZA)
THE ACTING MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY (MR M MNGUNI)
THE MUNICIPAL MANAGER: THEMBISILE HANI LOCAL MUNICIPALITY (MR O NKOSI)
THE MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY (MR MJ MAHLANGU)
THE MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY (MS EK TSHABALALA)
THE MUNICIPAL MANAGER: EMALAHLENI LOCAL MUNICIPALITY (MR T VAN VUUREN)
THE MUNICIPAL MANAGER: DR JS MOROKA LOCAL MUNICIPALITY (MR BS MAHLANGU)
THE MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY (MS MM SKOSANA)
THE ACTING MUNICIPAL MANAGER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY (MR M DLAMINI)
THE MUNICIPAL MANAGER: DIPALESENG LOCAL MUNICIPALITY (MR SL NETSHIVALE)
THE MUNICIPAL MANAGER: DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY (MR PB MALEBYE)
THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY (MR MF MAHLANGU)
THE MUNICIPAL MANAGER: LEKWA LOCAL MUNICIPALITY (MR L TSHABALALA)
THE MUNICIPAL MANAGER: MKHONDO LOCAL MUNICIPALITY (MR MJS MABUZA)
THE MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY (MR ZT SHONGWE)
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY (MR CA HABILE)

HEAD: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS: (MR TP NYONI)
THE PROVINCIAL EXECUTIVE OFFICER: SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION (MS G LANGA)
THE CHIEF DIRECTORATE: FINANCIAL GOVERNANCE: PROVINCIAL TREASURY
THE CHIEF DIRECTORATE: ASSETS AND LIABILITIES MANAGEMENT: PROVINCIAL TREASURY
THE CHIEF DIRECTORATE: SUSTAINABLE RESOURCE MANAGEMENT: PROVINCIAL TREASURY

ALIGNMENT OF RISK MANAGEMENT PROCESSES WITH PLANNING CYCLE AND ANNUAL SUBMISSION OF STRATEGIC RISK ASSESSMENT REPORTS FOR EVALUATION AND CONSOLIDATION

This Circular is issued to request all Municipalities to align their Risk Management processes with the planning cycle, particularly the Strategic Planning sessions. The alignment of these processes aims to ensure that risks identified are in line with the strategic objectives and Integrated Development plans and that risks identified are catered for financially.

This process will also enable Municipalities to have the Draft Strategic Risk Assessment reports together with the Draft Integrated Development Plans for submission to Provincial Treasury by 30 April annually and an approved version before 30 June annually for evaluation and consolidation respectively. The evaluation is aimed to monitor the implementation of the Provincial Risk Management Framework and the adequacy and effectiveness of the Risk Assessment processes. The consolidation is for formulation of a single Provincial Risk Register which will comprise of significant high priority Risk Areas for Mpumalanga Local Government with the intention of presenting it to the Provincial Management Committee.

Provincial Treasury is mandated as per Section 5 of the Municipal Finance Management Act, No. 56 of 2003, to monitor and assess the implementation of Risk Management within the Province to improve and enhance the establishment and sustainability of corporate governance.

1. LEGAL MANDATES AND THE RESPONSIBILITIES AND EXPECTATIONS OF ACCOUNTING OFFICERS WITH REGARD TO RISK MANAGEMENT

The general responsibilities of the Accounting Officer with regard to the risk management process is clearly stipulated in Section 62 of the Municipal Finance Management Act, No. 56 of 2003 that requires that the Accounting Authority must ensure that the Municipality has and maintains effective, efficient and transparent systems of financial, internal control and risk management.

The aforesaid pieces of legislation are supported by the Public Sector Risk Management Framework which serves as a source of reference with regard to Risk Management processes in the Public Sector, be it the Municipalities including the application of King IV Report and the framework on Committee of Sponsoring Organizations of the Treadway Commission (COSO), both of which are aimed at enhancing good corporate governance.

2. THE PROCEDURE FOR EVALUATION OF THE STRATEGIC RISK ASSESSMENT REPORTS AND CONSOLIDATION OF THE TOP TEN HIGH PRIORITY RISK AREAS

Provincial Treasury in consultation with the Auditor-General South Africa, developed a checklist for monitoring of the implementation of the Provincial Risk Management Framework and the adequacy of the Risk Assessment processes. The Risk Assessment reports will be evaluated using the checklist and feedback reports will be issued to Accounting Officers with recommendations to improve the Risk Identification and Assessment process for implementation prior to approval of the reports.

The consolidation process will be informed by the magnitude of residual ratings which are the ratings that remain after the controls or strategies were applied to mitigate the risks, and the level and extent of intervention expected.

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It will be aimed at enabling and ensuring a common approach to the consolidated significant high priority risk areas that may hamper the operations and possibly lead to the deviation from the intended objectives of the Province. This exercise is not therefore aimed at taking over or replacing the responsibilities of the Municipalities on risk management matters, but aimed at strengthening and adding value to service delivery.

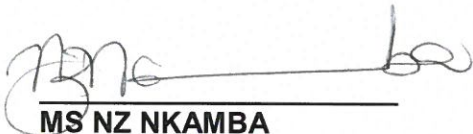
NB**This circular should be brought to the attention of all the Chief Risk Officers and Chief Audit Executives where there is no Chief Risk Officers as a matter of urgency and the submissions should be made to FMShitlh@mpg.gov.za on or before **30 April** (Draft Report) and **30 June** (Approved version) annually to enable the Internal Auditors ample time to compile a risk-based audit plan.

Municipalities are further advised to also perform the following Risk Identification and Assessment processes:

- a) Operational Risk Identification and Risk Assessment
- b) mSCOA Risk Identification and Assessment
- c) Fraud Risk Identification and Assessment
- d) Information Communication Technology Risk Identification and Assessment
- e) Occupational Health and Safety Risk Identification and Assessment
- f) Project Risk Identification and Assessment
- g) Business Continuity Risk Identification and Assessment
- h) Ethics Risk Identification and Assessment

Your co-operation is appreciated.

Kind Regards,



MS' NZ NKAMBA
HEAD: PROVINCIAL TREASURY
DATE: 27/03/2017