



PROVINCIAL TREASURY CIRCULAR NO. 21 OF 2022

TO:

**DIRECTOR-GENERAL: OFFICE OF THE PREMIER OF MPUMALANGA: VOTE 1:
(MR MN MAMPURU)**

**HEADS OF DEPARTMENTS
CEO's OF THE PUBLIC ENTITIES**

**THE CHIEF DIRECTORATE: SUSTAINABLE RESOURCE MANAGEMENT
THE CHIEF DIRECTORATE: ASSETS AND LIABILITIES MANAGEMENT
THE CHIEF DIRECTORATE: FINANCIAL GOVERNANCE**

SUBJECT: ALIGNMENT OF RISK MANAGEMENT PROCESSES WITH PLANNING CYCLE, ANNUAL AND QUARTERLY SUBMISSION OF STRATEGIC RISK ASSESSMENT REPORTS FOR EVALUATION, CONSOLIDATION, MONITORING AND REPORTING ON THE PROGRESS MADE ON THE IMPLEMENTATION OF THE MITIGATING STRATEGIES

Provincial Treasury is mandated as per section 18 (2) (b) of the Public Finance Management Act, No. 1 of 1999, to monitor and assess the implementation of Risk Management within the Province to improve and enhance the establishment and sustainability of corporate governance.

This Circular is issued to request all Provincial Departments and Public Entities to align their Risk Management Processes with the Planning Cycle particularly the Strategic Planning sessions. This to ensure submission of the quarterly reporting progress on implementation of the mitigating strategies to address identified risks. The alignment of these processes aims to ensure that risks identified are in line with the Institutional outcomes/impact statements and Annual Performance Plans of the Institutions and that risks identified are catered for financially and allocated other resources.

This process will also enable Provincial Departments and Public Entities to have the draft Strategic Risk Identification and Assessment reports together with the draft Annual Performance Plans for submission to Provincial Treasury by 15 April 2022. The approved version to be submitted to Provincial Treasury before 30 April 2022 for evaluation, analysis, consolidation and to enable Provincial Treasury to provide Feedback reports respectively. **The evaluation is aimed to monitor the implementation of the Provincial Risk Management Framework to ensure adequacy and effectiveness of the Risk Identification and Assessment Processes in the Province.** The consolidation is for formulation of a single Provincial Risk Register which will comprise of significant high Risk Areas for Mpumalanga Provincial Government with the intention of presenting it to the Provincial Management Committee.

The above mentioned Section (18(2)(b) further includes the responsibility by Provincial Treasury to assist the Provincial Departments and Public Entities in building capacity for efficient,

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effective and transparent financial management hence the **evaluation of the effectiveness and functionality of the Risk Management Committee, which include monitoring progress on implementation of the mitigating strategies to address the identified risks.** However, due to capacity constraints the Provincial Treasury is unable to attend to all the Risk Management Committee meetings to ensure effectively monitoring.

Therefore, Provincial Treasury is hereby requesting Departments and Public Entities to provide us with the **quarterly progress reports on implementation of mitigating strategies for both Strategic and Operational risks** to monitor and satisfy itself with the progress made by the Provincial Departments and Public Entities and for the purpose of updating the significant risks profile of the Province.

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

1.1 The general responsibilities of the Accounting Officer with regard to the risk management processes is clearly stipulated in section 38 (1) (a) (i) and section 51 (1) (a) (i) of Public Finance Management Act (PFMA), No.1 of 1999 whereas Treasury Regulation 3.2.1 stipulates that the Accounting Officer must ensure that a Risk Identification and Assessment is conducted regularly. 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 Provincial Departments and Public Entities including the application of King IV Report and the Framework on Committee of Sponsoring Organisations of the Treadway Commission (COSO), both of which are aimed at enhancing good corporate governance.

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

2.1 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 Identification and Assessment Processes. The Risk Assessment reports will be evaluated using the checklist and feedback reports will be issued to Accounting Officers with recommendations and interventions in order to improve the Risk Identification and Assessment Processes for implementation prior to approval of the reports.

2.2 The consolidation process will be informed by the magnitude of residual risk 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.

2.3 It will be aimed at enabling and ensuring a common approach to the consolidated top 10 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 Provincial Departments and Public Entities on risk management matters, but aimed at strengthening and adding value to service delivery effectively, efficiently and economically.

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3. THE PROCEDURE FOR MONITORING AND ANALYZING PROGRESS MADE ON IMPLEMENTATION OF MITIGATING STRATEGIES TO ADDRESS THE IDENTIFIED RISKS

- 3.1 The submitted progress reports will be analysed to identify improvement made, short comings and compile a report on gaps identified.
- 3.2 The report will be then issued to the relevant Accounting Officer with recommendations for implementation to improve governance.

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 and Cc mngunimm@mpg.gov.za on or before 15 April 2022 (draft Report) and 30 April 2022 (Approved version) annually in order to enable the Chief Audit Executives (Internal Audit Function) sufficient time to compile a risk-based audit plans.

Your co-operation is appreciated.

Kind Regards,

MS GUGU MASHITENG
HEAD: PROVINCIAL TREASURY
DATE 05/04/2022