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Ref : MPT 13/5/6/3

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## PROVINCIAL TREASURY CIRCULAR NO.24 OF 2016

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**TO:**

**THE MUNICIPAL MANAGER (ACTING): EHLANZENI DISTRICT MUNICIPALITY (MR MH SHABANGU)**  
**THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MR C LISA)**  
**THE MUNICIPAL MANAGER: UMJINDI LOCAL MUNICIPALITY (MR DP MSIBI)**  
**THE MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY (MR MD NGWENYA)**  
**THE MUNICIPAL MANAGER: MBOMBELA LOCAL MUNICIPALITY (MR N SEANEGO)**  
**THE MUNICIPAL MANAGER (ACTING): THABA CHWEU LOCAL MUNICIPALITY (MR L MOKOENA)**  
**THE MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY (MS M SKOSANA)**  
**THE MUNICIPAL MANAGER (ACTING): STEVE TSHWETE LOCAL MUNICIPALITY (MR M MNGUNI)**  
**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: THEMBISILE HANI LOCAL MUNICIPALITY (MR O NKOSI)**  
**THE MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY (MR MJ MAHLANGU)**  
**THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY (MR CA HABILE)**  
**THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY (MR TS SHONGWE)**  
**THE MUNICIPAL MANAGER: DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY (MR P MALEBYE)**  
**THE MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY (MR MF MAHLANGU)**  
**THE MUNICIPAL MANAGER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY (MR VN MPILA)**  
**THE MUNICIPAL MANAGER: LEKWA LOCAL MUNICIPALITY (MR LB TSHABALALA)**  
**THE MUNICIPAL MANAGER: MKHONDO LOCAL MUNICIPALITY (MR MJS MABUZA)**  
**THE MUNICIPAL MANAGER (ACTING): DIPALESENG LOCAL MUNICIPALITY (MR SL NETSHIVHALE)**

**THE ACCOUNTING OFFICER: OFFICE OF THE PREMIER (MR T MDAKANE)**  
**THE ACCOUNTING OFFICER (ACTING): COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR GS NTOMBELA)**

**THE CHIEF DIRECTORATE: FINANCIAL GOVERNANCE: PROVINCIAL TREASURY (MS J BEZUIDENHOUT)**  
**THE CHIEF DIRECTORATE: ASSETS AND LIABILITIES MANAGEMENT: PROVINCIAL TREASURY (MS E VISSER)**  
**THE CHIEF DIRECTORATE: SUSTAINABLE RESOURCE MANAGEMENT: PROVINCIAL TREASURY (MR NM MADIKE)**

**SUBMISSION OF STRATEGIC RISK ASSESSMENT REPORTS AND INTERNAL AUDIT PLANS FOR THE 2016/17 FINANCIAL YEAR**

This circular is issued to request all Municipalities to submit their Draft Risk Assessment reports as well as their draft Three Year Rolling Strategic and Annual Operational Internal Audit Plans to the Provincial Treasury on or before **31 May 2016** for evaluation and the approved versions of the documents on or before **30 June 2016**. The evaluation and consolidation of the Risk assessment reports is aimed to monitor the implementation of the Provincial Risk Management Framework and the adequacy of the Risk Assessment processes including the formulation of a single Provincial Risk Register which will comprise of 10 top high priority Risk areas for Mpumalanga Local Government.

Standard 2010 of the Standard for the Professional Practice of Internal Auditing (SPPIA) states that the Internal Audit Activity must establish risk-based plans to determine the priorities of the internal audit activity consistent with the organization's goals, hence the efforts of Internal Audit plans will be directed by the completion of risk assessments before the start of the 2016/17 Financial year. The evaluation of the submitted Internal Audit plans are performed to enhance the quality of the Internal Audit Plans in order to ensure that the Internal Audit Function adds value in the achievement of management's objectives. The outcome of the evaluation will provide recommendations working towards a standardised internal audit methodology in the Province.

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

- 1.1. The general responsibilities of the Accounting Officer with regard to the risk management process are stipulated in section 62(1)(c)(i) of the Municipal Finance Management Act, No.56 of 2003 (MFMA). 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 aimed at enhancing good corporate governance.
- 1.2. Section 165 of the MFMA requires that:-
  - Each municipality and each municipality entity must have an internal audit unit; and
  - The internal audit unit of a municipality or a municipal entity must prepare a risk-based audit plan and internal audit program for each financial year.
- 1.3. Provincial Treasury is mandated as per section 5 of the MFMA to monitor and assess the implementation of Risk Management and Internal Audit processes within the Local government to improve and enhance the establishment and sustainability of corporate governance.

**2. PROCEDURE FOR EVALUATION OF THE STRATEGIC RISK ASSESSMENT REPORTS AND CONSOLIDATION OF THE TOP TEN HIGH PRIORITY RISKS AREAS AS WELL AS THE EVALUATION OF THE INTERNAL AUDIT PLANS**

- 2.1 The Risk assessment reports will be evaluated using the checklist for monitoring the implementation of the Provincial Risk Management Framework and the adequacy of the Risk assessment processes followed by issuing feedback reports to Accounting Officers with recommendations for implementation prior to approval.
- 2.2 The consolidation process of the top ten high priority risk areas will be informed by the magnitude of residual ratings which are the ratings that remain after the controls or strategies applied to mitigate the risks, and the level and extent of intervention

supposed 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.

- 2.3 The evaluation of submitted Internal Audit plans will be based on the developed checklist to monitor the alignment of municipal objectives and identification of all auditable areas in the Audit plans taking into account the results of the Risk assessment exercise as well as the efforts of management on the optimum allocation of resources on the achievement of the said plans. Feedback reports will then be issued to Accounting Officers with recommendations for implementation prior to approval.


**NB\*\*This circular should be brought to the attention of all the Chief Risk Officers and Chief Audit Executives as a matter of urgency with submissions as follows:**

**Risk assessment reports to FMShitlh@mpg.gov.za on or before 31 May 2016 for the draft and 30 June 2016 for the approved version.**

**Draft Internal Audit plans to kbletsoalo@mpg.gov.za and mdseale@mpg.gov.za on or before 31 May 2016 and 30 June 2016 for the approved version**

Your co-operation is appreciated.

Regards,

  
MS NZ NKAMBA  
HEAD OFFICIAL  
DATE: 21/4 /2016