

MPUMALANGA PROVINCIAL GOVERNMENT

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PROVINCIAL TREASURY CIRCULAR NO 40 OF 2011

TO: EXECUTIVE MAYORS

THE EXECUTIVE MAYOR: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MR R KHUMALO)
THE EXECUTIVE MAYOR: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY (MS B SHIBA)
THE EXECUTIVE MAYOR: DIPALESENG LOCAL MUNICIPALITY (MS S NHLAPHO)
THE EXECUTIVE MAYOR: DR JS MOROKA LOCAL MUNICIPALITY (MS GT MTHIMUNYE)
THE EXECUTIVE MAYOR: DR PIXLEY KA SEME LOCAL MUNICIPALITY (MR PV MALATSI)
THE EXECUTIVE MAYOR: EHLANZENI DISTRICT MUNICIPALITY (MS L SHONGWE)
THE EXECUTIVE MAYOR: EMAKHAZENI LOCAL MUNICIPALITY (MR XS NGWENYA)
THE EXECUTIVE MAYOR: EMALAHLENI LOCAL MUNICIPALITY (MS S SITHOLE)
THE EXECUTIVE MAYOR: GERT SIBANDE DISTRICT MUNICIPALITY (MR KW MOTLOUNG)
THE EXECUTIVE MAYOR: GOVAN MBEKI LOCAL MUNICIPALITY (MS L MASINA)
THE EXECUTIVE MAYOR: LEKWA LOCAL MUNICIPALITY (MS M MORAJANE)
THE EXECUTIVE MAYOR: MBOMBELA LOCAL MUNICIPALITY (MS C DLAMINI)
THE EXECUTIVE MAYOR: MKHONDO LOCAL MUNICIPALITY (MR BH MTSHALI)
THE EXECUTIVE MAYOR: MSUKALIGWA LOCAL MUNICIPALITY (MS JS BONGWE)
THE EXECUTIVE MAYOR: NKANGALA DISTRICT MUNICIPALITY (MR S MASHILO)
THE EXECUTIVE MAYOR: NKOMAZI LOCAL MUNICIPALITY (MS T KHOZA)
THE EXECUTIVE MAYOR: STEVE TSHWETE LOCAL MUNICIPALITY (MR M MASINA)
THE EXECUTIVE MAYOR: THABA CHWEU LOCAL MUNICIPALITY (MR M MOROBELA)
THE EXECUTIVE MAYOR: THEMBISILE HANI LOCAL MUNICIPALITY (MR N MAHLANGU)
THE EXECUTIVE MAYOR: VICTOR KHANYE LOCAL MUNICIPALITY (MS E MAKHABANE)

FOLLOW-UP ON THE ESTABLISHMENT OF RISK MANAGEMENT

Mpumalanga Provincial Treasury in conjunction with South African Local Government Association (SALGA) had issued letters to all Municipalities on the establishment of systems of Risk Management during the month of April 2010 and February 2011 respectively. One (1) of five (5) key Local Government Priorities is Good Governance including Public Participation as systems of Internal Audit and Risk Management falls within the good governance category.

The establishment of systems of risk management will assist municipalities to identify and mitigate risks that threaten the attainment of service delivery targets, enabling municipalities to have effective early warning systems for service delivery backlogs and optimizing opportunities that enhance municipal performance. Municipalities experience unique challenges, amongst others lack of capacity, limited resources, lengthy decision lead time, competing objectives and infrastructure backlogs.

Risk Management forms part of management's core responsibilities and is an integral part of internal processes of a municipality. Risk Management, like any business activity, should be continuously monitored and improved. This means that municipalities should strive to move improve the current level of risk management maturity.

This maturity could include improvement in governance of risk, risk identification, risk assessment, risk monitoring and risk optimization.

Like in the past, municipalities are still encouraged to make provisioning on their 2011/12 budget for the appointment of Chief Risk Officers (CRO's)/Risk Managers and to establish an oversight structure, which is Risk Management Committee. This committee will assist management by providing oversight on issues which are related to risk and risk management, while the Risk Management Unit will deal with all administrative matters.

Since the issuing of the two (2) above letters, it has come to the attention of Provincial Treasury that only a few municipalities have implemented the resolution of establishing the system of risk management as a statutory requirement by the Municipal Finance Management Act (MFMA), No. 56 of 2003.

It would be highly appreciated if municipalities could respond to this letter as the matter of urgency to address challenges which hamper them from implementing the system of risk management.

Regards,



MRS YN PHOSA (MPL)
MEC FOR FINANCE
DATE: 19.10.2011