



Department of Finance

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UmNyango weZeemali

Departement van Finansies

Kgoro ya Matlotlo

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PROVINCIAL TREASURY CIRCULAR NO 42 OF 2011

TO: THE MUNICIPAL MANAGERS

THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MR D MAPAILE)
THE MUNICIPAL MANAGER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY (MR V MPILA)
THE MUNICIPAL MANAGER: DIPALESENG LOCAL MUNICIPALITY (MR P MALEBYE)
THE MUNICIPAL MANAGER: DR JS MOROKA LOCAL MUNICIPALITY (MR BT MABENA)
THE MUNICIPAL MANAGER: DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY (MR M MNGOMEZULU)
THE MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY (ADV H MBATHA)
THE MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY (MR ON NKOSI)
THE MUNICIPAL MANAGER: EMALAHLENI LOCAL MUNICIPALITY (MR DR MUKONDELENI)
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY (MR M NGCOBO)
THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY (DR DL MATHUNYANE)
THE MUNICIPAL MANAGER: LEKWA LOCAL MUNICIPALITY (MR JI SINDANE)
THE MUNICIPAL MANAGER: MBOMBELA LOCAL MUNICIPALITY (MS N MTHEMBU)
THE MUNICIPAL MANAGER: MKHONDO LOCAL MUNICIPALITY (MR AN MAHLANGU)
THE MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY (MR TPW DLAMINI)
THE MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY (MR TC MAKOLA)
THE MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY (MR MR MKHATSHWA)
THE MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY (MR WD FOUCHE)
THE MUNICIPAL MANAGER: THABA CHWEU LOCAL MUNICIPALITY (MR DT PHEEHA)
THE MUNICIPAL MANAGER: UMJINDI LOCAL MUNICIPALITY (MS SF MNISI)
THE MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY (MR BSS RIBA)

TO: THE CHIEF FINANCIAL OFFICERS

THE CHIEF FINANCIAL OFFICER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MR E NYALUNGU)
THE CHIEF FINANCIAL OFFICER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY (MR MJ NHLABATHI)
THE CHIEF FINANCIAL OFFICER: DIPALESENG LOCAL MUNICIPALITY (MS J LUUS)
THE CHIEF FINANCIAL OFFICER: DR JS MOROKA LOCAL MUNICIPALITY (MR J BURGER)
THE CHIEF FINANCIAL OFFICER: DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY (MR J LINDE)
THE CHIEF FINANCIAL OFFICER: EHLANZENI DISTRICT MUNICIPALITY (MR W KHUMALO)
THE CHIEF FINANCIAL OFFICER: EMAKHAZENI LOCAL MUNICIPALITY (MR G GROENEWALD)
THE CHIEF FINANCIAL OFFICER: EMALAHLENI LOCAL MUNICIPALITY (MR J MOKGATSI)
THE CHIEF FINANCIAL OFFICER: GERT SIBANDE DISTRICT MUNICIPALITY (MR AY SINGH)
THE CHIEF FINANCIAL OFFICER: GOVAN MBEKI LOCAL MUNICIPALITY (MR J MOKGATSI)
THE CHIEF FINANCIAL OFFICER: LEKWA LOCAL MUNICIPALITY (MR L MULAUDZI)
THE CHIEF FINANCIAL OFFICER: MBOMBELA LOCAL MUNICIPALITY (MR O MOKOENA)
THE CHIEF FINANCIAL OFFICER: MKHONDO LOCAL MUNICIPALITY (MR M MPHELA)
THE CHIEF FINANCIAL OFFICER: MSUKALIGWA LOCAL MUNICIPALITY (MS V SITHOLE)
THE CHIEF FINANCIAL OFFICER: NKANGALA DISTRICT MUNICIPALITY (MR MJ STRYDOM)
THE CHIEF FINANCIAL OFFICER: NKOMAZI LOCAL MUNICIPALITY (MR J NKUNA)
THE CHIEF FINANCIAL OFFICER: STEVE TSHWETE LOCAL MUNICIPALITY (MS E WASSERMANN)
THE CHIEF FINANCIAL OFFICER: THABA CHWEU LOCAL MUNICIPALITY (MR F VAN ECK)
THE CHIEF FINANCIAL OFFICER: UMJINDI LOCAL MUNICIPALITY (MR C VAN DER WESTHUIZEN)
THE CHIEF FINANCIAL OFFICER: VICTOR KHANYE LOCAL MUNICIPALITY (MS H BOTES)

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,



MR JB MBATHA
ACTING HEAD OF DEPARTMENT
DATE: 19/10/2011