



provincial treasury

MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

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PROVINCIAL TREASURY CIRCULAR NO. 63 OF 2018

TO:

THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MS CN NKUNA)
THE MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY (MR MD NGWENYA)
THE MUNICIPAL MANAGER: MBOMBELA LOCAL MUNICIPALITY (MR N DIAMOND)
THE ACTING MUNICIPAL MANAGER: THABA CHWEU LOCAL MUNICIPALITY (MS S MATSI)
THE MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY (MR FS SIBOZA)
THE MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY (MR B KHENISA)
THE MUNICIPAL MANAGER: THEMBISILE HANI LOCAL MUNICIPALITY (MR O NKOSI)
THE ACTING MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY (MS TS MATLADI)
THE MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY (MS EK TSHABALALA)
THE MUNICIPAL MANAGER: EMALAHLENI LOCAL MUNICIPALITY (MR H MAISELA)
THE ACTING MUNICIPAL MANAGER: DR JS MOROKA LOCAL MUNICIPALITY (MR MF MONKOE)
THE MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY (MS MM SKOSANA)
THE MUNICIPAL MANAGER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY (MR MA DLAMINI)
THE MUNICIPAL MANAGER: DIPALESENG LOCAL MUNICIPALITY (MR IP MUTSHINYALI)
THE ACTING MUNICIPAL MANAGER: DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY (MR P THWALA)
THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY (MR SF MNDEBELE)
THE MUNICIPAL MANAGER: LEKWA LOCAL MUNICIPALITY (MR G MHLONGO NTSHANGASE)
THE MUNICIPAL MANAGER: MKHONDO LOCAL MUNICIPALITY (MR MM KUNENE)
THE ACTING MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY (MR SR MAGUDULELA)
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY (MR CA HABILE)

THE HEAD: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR P NYONI)
THE ACTING DIRECTOR-GENERAL: OFFICE OF THE PREMIER (MR KM MOHLASEDI)

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

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

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.

This Circular is issued to request all Municipalities to align their Risk Management Processes with the Planning Cycle particularly the Strategic Planning session and 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 strategic objectives and Integrated Development plans of the Institutions and that risks identified are catered for financially and allocated other resources.

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 31 April annually and an approved version before 30 June annually for evaluation, analysis and 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 Risk Register, which will comprise of 10 top high priority Risk Areas for Mpumalanga Local Government with the intention of presenting it to the Provincial Management Committee.

The above-mentioned Section also includes the responsibility by the Provincial Treasury to assist Municipalities in building capacity for efficient, effective and transparent financial management hence the **evaluation of the effectiveness and functionality of the Risk Management Committees, which includes 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 effectively fulfil its mandate.

Therefore, Provincial Treasury is hereby requesting Municipalities 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 Municipalities and for the purposes of updating the significant risks.

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 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.

1.2 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. 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 Municipalities on risk management matters, but aimed at strengthening and adding value to service delivery effectively, efficiently and economically.

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 analyzed to identify improvements made and any short comings, and compile a report on gaps identified,

3.2 The reports 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 on or before 30 April 2019 (Draft Report) and 30 June 2019 (Approved version) in order to enable the Chief Audit Executives (Internal Auditors) sufficient time to compile risk-based audit plans.

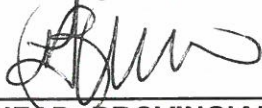
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Submission of the Quarterly reporting progress should be made as follows:

Reporting period	Due Date for submission
First Quarter Reporting (End September 2018)	14 December 2018
Second Quarter Reporting (End December 2018)	31 January 2019
Third Quarter Reporting (End March 2019)	30 April 2018
Fourth Quarter Reporting (End June 2019)	31 July 2018

Your co-operation is appreciated.

Kind Regards,



1 HEAD: PROVINCIAL TREASURY

DATE: 19/11/2018