



Harry Gwala District Municipality

DRAFT LOSS CONTROL POLICY HGDM 2026-2027

TABLE OF CONTENTS

INDEX	Page No.
1. PREAMBLE.....	3
2. OBJECTIVE.....	3
2. DEFINITIONS.....	3-5
3. LEGAL FRAMEWORK.....	6-8
4. FRAMEWORK FOR LOSS CONTROL.....	9-10
5. MANAGEMENT OF LOSSES.....	10-12
6. REPORTING OF LOSSES.....	13-14
7. ROLES AND RESPONSIBILITIES	14-15
8. RECORD KEEPING.....	15
9. RISK ASSURANCE.....	16
10. INVESTIGATING LOSSES.....	16-17
11.WRITE-OFF, DISPOSAL AND RECOVERY.....	17-19
12.CALCULATION OF LOSS.....	19
13. LOSS PREVENTION MEASURES.....	20
14. ETHICAL STANDARD.....	21
15. OBJECTIONS AND COMPLAINTS.....	21
16. APPROVAL AND IMPLEMENTATION OF POLICY	21

1. PREAMBLE

The policy is intended to ensure that funds and assets are managed within the prescribed framework and regulations as outlined in the Municipal Finance Management Act, 56 of 2003. The Loss Control Policy provides a framework within which the municipality will prevent, limit or reduce unnecessary losses. It also serves as a basis for the development of our loss control strategies and plans.

OBJECTIVE OF THIS POLICY

1. All officials including management are held accountable for losses in their respective area of responsibility.
2. Assist officials to create a climate that is conducive to internal control, risk management and prevention of losses.
3. Contribute towards creating respect for the resources entrusted to the Department for use in the best way possible.
4. Encourage officials to perform their duties in a responsible manner and to avoid unlawful conduct that may result in unnecessary losses in general of claims for compensation being instituted against the Department in particular.
5. Uniform reporting procedure will not only ensure that the record of losses is kept more efficiently and effectively, but will also contribute to the promotion of greater efficiency in the management of losses and the establishment of an effective risk prevention strategy.

DEFINITIONS

1.5.1 Loss Control

A risk management technique that aims to lower the likelihood and severity of a loss by either preventing /minimizing losses or recouping the loss from a responsible party.

1.5.2 Accidents

The involvement of a Municipality vehicle in a collision with another vehicle or object on a public road or place, municipal premises or on private property which results in damage to the Municipality's or other vehicles or property or injury or death to any person, and the incorrect or negligent use of any equipment, including any municipal asset or any asset for which the Municipality is responsible.

1.5.3 Asset

Any movable or immovable item, which has been acquired by the Municipality or to which the Municipality, reserves legal right of ownership or exercises control in respect thereof, and property has a similar meaning.

1.5.4 Claim

Any form of legal proceeding such as a lawsuit, action, interdict, arbitration, inquest or dispute, as well as situations where such proceedings are contemplated.

1.5.5 Complainant

Any municipal employee or other person, whether a municipal employee or not who lodges a complaint pertaining to any loss, damage, abuse or any form of misuse whatsoever, of any asset.

1.5.6 Financial Asset Loss

The reduction in municipal funds or revenue brought about by theft, fraud, corruption, non-collection of taxes/fees, unnecessary or unproductive spending, and fines or penalties that adversely affect the municipality's financial health.

1.5.7 Employee

Any person employed by the Municipality including permanent employees, temporary employees, contract workers, independent contractors and/or any legal category of employee.

1.5.8 Incident

Any act or omission, whether negligent or not, that may precipitate any damage or loss to the Municipality.

1.5.9 Incident Report

The report containing factual information, in respect of any incident, whether negligent or not, which indicates to the Municipality the financial implications of any such incident, as well as the proposed remedial action(s).

1.5.10 Investigation

An investigation to systematically determine the cause and the magnitude of the reported incident(s), by means of the necessary and required measures and resources, by any investigator, so appointed by the Municipality. The careful search or examination with an intention to discover facts. This may include questioning of witnesses, forensic examination and analysis of financial records and or other evidence or the process of collecting information in order to reach some goal.

1.5.11 Investigator

An employee of the Municipality that is qualified and equipped to investigate any incident reported pertaining to any municipal asset(s) and/or any other person so appointed, designated or contracted to investigate any incident reported pertaining to any municipal asset(s).

1.5.12 Loss

Any incident pertaining to a municipal asset, which results and/or may result in any financial burden to the Municipality and which includes the following, but does not exclude other variants of proximate causes to loss/damage whatsoever:

1. any loss or damage to the Municipality and/or other property as a result of an unlawful action, negligence and/or other unauthorized action/s, which may result in a loss to and/or claim(s) against the Municipality;
2. fruitless and wasteful expenditure;

3. the private property of employees or other persons which is lost, stolen or damaged on the Municipality's premises; and
4. any traffic related offence committed in terms of relevant legislation.

1.5.13 Member of the Loss Control Committee

Any designated Municipal official assigned to serve on the Loss Control Committee.

1.5.14 Municipal Manager

The person appointed as Municipal Manager by the Council, in terms of the provisions of section 82 of the Local Government: Municipal Structures Act, 1998, being the accounting officer for the Municipality.

1.5.15 Offence

1. Any act and/or action that is in contravention of any Act of South Africa;
2. Any by-law approved by the Municipality and accordingly promulgated in the relevant gazette; or
3. Any approved municipal policy, procedure, and/or prescription; and that is accordingly punishable.

1.5.16 Loss Control Contact Person

Any municipal official so designated to represent the respective department of the Municipality and to provide all necessary and required assistance during any investigation and/or enquiry and to provide all the relevant and available information to the designated investigator and/or the Loss Control Committee as and when required.

1.5.17 Debt recovery

Debt recovery means the repossession of an asset, item or money owned by the municipality in monetary value as compensation for the loss.

1.5.18 Write-off

Write-off means the withdrawal of an asset / item or an amount of money owned by the Municipality in monetary value. The write-off exercise is the end product of the loss control process. Write-off will be done in accordance with section 14 of the MFMA and its regulations.

1. ESTABLISHMENT AND IMPLEMENTATION OF LOSS CONTROL POLICY

LEGISLATIVE FRAMEWORK

Section 32 of the MFMA-Unauthorized, irregular or fruitless and wasteful expenditure, provides that:

(1) Without limiting liability in terms of the common law or other legislation—

a) a political office-bearer of a municipality is liable for unauthorized expenditure if that office bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in unauthorized expenditure, instructed an official of the municipality to incur the expenditure;

b) the accounting officer is liable for unauthorized expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3);

c) any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorized an irregular expenditure, is liable for that expenditure; or

d) any political office-bearer or official of a municipality who deliberately or negligently made or authorized a fruitless and wasteful expenditure is liable for that expenditure.

(2) A municipality must recover unauthorized, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure—

(a) in the case of unauthorized expenditure, is—

(i) Authorized in an adjustments budget; or

(ii) certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and

(b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

(3) If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

(4) The accounting officer must promptly inform them the mayor, the MEC for local government in the province and the Auditor-General, in writing, of

(a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;

(b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and

(c) the steps that have been taken-

(i) to recover or rectify such expenditure; and

(ii) to prevent a recurrence of such expenditure.

(5) The writing off in terms of subsection (2) of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

(6) The accounting officer must report to the South African Police Service all cases of alleged-

(a) irregular expenditure that constitute a criminal offence; and

(b) theft and fraud that occurred in the municipality.

- (7) The council of a municipality must take all reasonable steps to ensure that all cases referred to in subsection (6) are reported to the South African Police Service if-
- (a) the charge is against the accounting officer; or
 - (b) the accounting officer fails to comply with that subsection.
- (8) The Minister, acting with the concurrence of the Cabinet member responsible for local government, may regulate the application of this section by regulation in terms of section 168."

Section 62 of the MFMA-General financial management functions, provides that:

- (1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—
- a) that the resources of the municipality are used effectively, efficiently and economically;
 - b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;
 - c) that the municipality has and maintains effective, efficient and transparent systems—
 - (i) of financial and risk management and internal control; and
 - (ii) of internal audit operating in accordance with any prescribed norms and standards;
 - d) that unauthorized, irregular or fruitless and wasteful expenditure and other losses are prevented;
 - e) that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter.

Section 63 of the MFMA-Asset and liability management, provides that

- (1) The accounting officer of a municipality is responsible for the management of—
- (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and
 - (b) the liabilities of the municipality.
- (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—
- (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
 - (b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognized accounting practice; and
 - (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

Section 78 of the MFMA-Senior managers and other officials of municipalities, provides that:

- (1) Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure—
- b) that the system of financial management and internal control established for the municipality is carried out diligently;
 - c) that the financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;

d) that any unauthorized, irregular or fruitless and wasteful expenditure and any other losses are prevented;

e) that all revenue due to the municipality is collected,

f) that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;

6

g) that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and

h) that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.

(2) A senior manager or such official must perform the functions referred to in subsection (1) subject to the directions of the accounting officer of the municipality.

MFMA Circular 76: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings

This Circular inter-alia deals with the manner in which allegations of financial misconduct should be reported within municipalities including simultaneous reporting of all allegations to the South African Police Services for criminal investigation, the establishment and functioning of the disciplinary board, preliminary and full scale investigations of allegations of financial misconduct and the submission of the necessary reports.

Local Government Anti-Corruption Strategy: COGTA

The entire strategy applies to loss control.

Government Integrity Management Framework: 2015

The entire framework applies to loss control.

Prevention and Combatting of Corrupt Activities Act (12 of 2004)

The entire act applies to loss control

2. FRAMEWORK FOR LOSS CONTROL

TYPES OF LOSSES, DAMAGES AND FRAUD

1. Loss, theft and damage of immovable assets:

- Council buildings through whether elements and/or a negligence of maintaining official buildings.
- Rent paid for offices not in use.

2. Loss, theft and damage of moveable assets:

- Pool vehicles through thefts, high-jacks, accidents and other damage costs
- Fines (not speeding and parking) e.g. noisy un-roadworthy vehicles, storage charges for vehicles and penalties for late submission to Department of Transport.
- Official cell phones through thefts and negligence.
- Furniture in official houses, office furniture, computers, printers, faxes, photocopiers, air conditioners and other electronic equipment through thefts and other damage costs.
- Minor equipment such as tools and maintenance equipment through thefts and other damage costs.
- Use of municipal vehicles for private gain
- Theft of fuel

3. Loss, theft and damage of inventory stores items:

- Stationery, maintenance, electrical material, cleaning material through thefts and other damage costs.

4. Loss, theft and damage of Council monies and face value forms

- Cash – theft and shortages on petty cash, rental and bidding revenue collected.

5. Claims against the Council through acts or omissions against said person(s).

- Notices of intended civil action served on the Council.

6. Claims by the Council against other person (s)

- Overpaid salaries-after death or termination.
- Salaries paid for staff under suspension.
- Irrecoverable- fees for any other service.
- Ex-Gratia payments

7. Fraud cases with loss implications

- Criminal/negligence (Public Service Persons)
- Stolen cheque cashed

- Fraudulent credit transfers
- Unauthorized orders
- Ghosts in salary system

8. Fruitless and wasteful expenditure

- Late payment to a creditor for which interest is charge and for which we have been invoiced and obligated to pay.
- Any payment to a service provider for which the full value was not received, e.g. paying for training and not attend.
- Wasteful Expenditure made in vain and would have been avoided had reasonable care been taken. E.g. paying for 10 chairs when 5 is actually necessary and needed.
- Losses due to poor tender/bids allocation.

9. Other losses

- Poor management actions
- Attempted fraud (no actual loss)
- Departmental write-offs
- Wasting of council material such as chemicals to purify water
- Incorrect increase of salaries/ benefits
- Losses due to negligent/ weak supervision
- Employees with municipal car allowance but do not purchase vehicles
- Systems purchased by the municipality but not utilised

2.1 MANAGEMENT OF LOSSES

The Management of losses includes the following:-

- Losses to be reported within 24 hours after acknowledgement to the Loss Control Manager.
- The Loss Control Manager will investigate to determine accountability.
- In an event where the Loss Control Manager receives a report of an incident, he/she must consider all possible implications, including legal effect it might have on an individual and the Department.
- Recording such claims and/or losses in a loss register.
- Follow-up all claims and/losses.
- Ensuring that all registered loss cases are finalized within a prescribed period.
- To refer cases of negligence to Directorate Legal Support Services to investigate the matter.
- Report all cases to the Loss Control committee in writing, so that it can be investigated and reported to the Head of Department for inclusion in the Annual Financial Statements.

- By way of Municipal instructions, e.g. to periodically draw the attention of all persons to the fact that all possible efforts are continually made to prevent claims arising against the Department.

4. ROLES AND RESPONSIBILITIES

LOSS CONTROL MANAGER

In terms of section 62 of MFMA and Treasury Regulation, the Accounting Officer must appoint the Loss Control Manager in writing, with the duties attached to loss control which will include, amongst others the following:-

- a) Obtaining all details and statements regarding claims and losses and entering the same in loss register;
- b) Following up and settling such cases;
- c) Reporting all cases to the Auditor-General
- d) Liaise as far as possible with the office of Legal Directorate and;
- e) Conduct loss control awareness campaigns to the municipality.

Municipal Manager

As accounting officer, the municipal manager is liable for implementing the loss control policy and ensuring all heads of departments carry out their duties in safeguarding assets.

Chief Financial Officer

The CFO is the custodian of the loss control policy and responsible for central oversight, including maintaining loss registers and coordinating write-offs.

Heads of Departments

HODs are directly responsible for instituting loss control in their departments, adhering to directives, reporting losses, conducting investigations and taking disciplinary steps. They may delegate appropriate duties to managers.

Line Managers

Managers must implement procedures to prevent losses within their sections. They have a duty to report losses timeously and carry out instructions.

All Officials

Officials must comply with loss control measures, report losses/damage, provide statements, and exercise care in using municipal resources.

Loss Control Officer

The Loss Control Officer has the following key roles and responsibilities:

- Develop, implement and monitor the municipal loss control strategy and plans to proactively prevent losses across all departments. This must include conducting risk assessments to identify vulnerability areas.

- Ensure continuous awareness training and communication around loss control for all municipal officials. This includes issuing regular bulletins and notifications.
- Investigate all reported losses, damages or irregularities as per reporting procedures. This involves inspecting scenes, interviewing witnesses, gathering documentary evidence and determining accountabilities.
- Maintain updated loss registers and case files with all documentation and authorizations relating to losses. Provide relevant files timeously to Legal Services for further processing.
- Identify trends and analyse root causes leading to repeated losses. Provide recommendations on improving systems and security controls.
- Prepare and submit comprehensive loss reports to the Municipal Manager, Chief Financial Officer and Mayoral Committee detailing loss statistics, investigations, disciplinary outcomes and preventative measures.
- Coordinate recovery and write-off processes for losses in terms of legislated procedures and municipal policies, in consultation with relevant Heads of Department, Chief Financial Officer and Legal Services.

The Loss Control Officer may assign appropriate duties to departmental Loss Control Officers designated within municipal departments while retaining responsibility for loss control oversight. He must ensure these departmental LCOs are adequately trained and monitored. "Report all cases to the Loss Control committee in writing..." Expanding on the duties of the Loss Control Committee (LCC) is advisable.

Appointment and responsibility of the Loss Control Committee

The Accounting Officer will establish a Loss Control Committee tasked with overseeing the management of losses and claims. This committee will be responsible for among other duties: a) Resolving cases related to assets and inventory within the working environment, determining accountability and liability concerning any loss or damage resulting from criminal acts or omissions.

b) Conducting a thorough review of all evidence submitted by the Loss Control Officer in accordance with established guidelines.

c) Making recommendations for the recovery of losses whenever feasible.

d) Proposing write-off recommendations to the Accounting Officer or an appointed delegate.

e) Referring instances of negligence to the Directorate of Legal Support Services for investigation when necessary.

Appointment and Responsibility of the Chairperson of the Loss Control Committee

The Accounting Officer will designate a Chairperson for the Loss Control Committee, responsible for ensuring that the committee effectively fulfills its mandate in accordance with the loss control policy guidelines and other relevant regulations. Composition and appointment of the Loss Control Committee.

The Accounting Officer will assemble a Loss Control Committee comprising officials with diverse skill sets to manage losses and claims effectively. Officials from Asset Management, Supply Chain Management, Risk Management, and Legal Services may be nominated and appointed to ensure comprehensive stakeholder involvement in fulfilling the committee's mandate in alignment with the loss control policy guidelines and applicable regulations. It is crucial that the Head of Department be notified and be a

major player in the loss control process, even before engaging the Loss Control Officer or it can be a simultaneous engagement.

PREVENTION OF LOSSES

Inventory

The following measures should be undertaken to prevent theft and loss of inventory:

- Regular inventory checks and counts; at least monthly.
- Proper documentary control and strict inventory issue controls.
- All inventory shortages to be investigated and action taken when misconduct and negligence has been established.
- Inventory reconciliations must be performed on monthly basis

Cash

The following measures shall be undertaken to prevent theft and loss of cash

- The Cashier Supervisor should ensure that at all times cash on hand does not exceed the threshold set for cash to be kept on the premises.
- The Cashier station must always be locked and controlled in terms of the biometric system. The Cashier must also have easily accessible silent panic alarms.
- Cameras must be installed in each cashier cubicle
- Daily reconciliation must be performed between cash on hand and receipted cash.

Municipal Vehicles

The following measures must be undertaken to prevent losses with regards to municipal vehicles:

- All vehicles must be adequately insured.
- All trips must be authorised in advance and the Fleet manager must ensure that all trips undertaken were authorized.
- Petrol cards must be handed personally to the driver, who must sign for the card and these cards must not be left in the car.
- Drivers must ensure that unattended vehicles are locked, by physically checking that doors are locked to avoid remote jamming of the vehicles.
- Officials with known medical conditions that may cause driver to loose control should not drive. The official with a medical condition shall have the ultimate responsibility to report a condition to supervisor or manager and the responsible supervisor or manager shall arrange alternative driver where the official's duties require driving. Where the primary duty of the affected official requires constant driving and the alternative solution cannot be arranged, the responsible

manager shall consult the Human Resources department to determine the way forward.

Data

The following measures shall be undertaken to prevent loss or theft of municipal data:

- Least privileges to be given to officials, councillors and any other contractor or outside parties who are given access to municipal data for the purposes of municipal related work.
- Timeous deactivation of all ex-officials and Councillors from access to municipal data.
- The ICT department shall ensure installation of proper anti-virus, anti- spyware and firewalls for the municipal network.
- Back- ups must be done in line with an approved IT policy.
- Regular follow ups of access violation attempts

Lives of Employees and other Stakeholders

The following measures shall be undertaken to prevent loss of lives of the officials and the public within the premises of the municipality or when transported in the municipal vehicles:

- The Human Resources unit shall ensure that the municipality has a Health and Safety policy and that the policy is consistently applied.

3. REPORTING OF LOSSES

Step 1: Registration of damages and losses

- a) All departments must keep registers for all incidents reported.
- b) When notified of a loss, the department must register such case/loss within two (2) working days of receiving a report/notice of such case/loss to the Loss Control Manager.
- c) After notified of losses/damages/fruitless expenditure/claims, these are to be handled in accordance with Chapter 12 of the National Treasury Regulations.

Step 2: Gathering of information

- a) The Head of department reports the losses to the Loss Control Manager
- b) The Loss Control Manager must seek legal advice as widely as possible; consult parties broadly as possible consult experts; advice widely; follow and note (in writing) events systematically as swiftly as possible and compile final reports for future reference containing the following:
 - Detailed description of incidents and;
 - Investigator's observations and recommendations

Step 3: Collection of documents and evidence to determine liability

- a) Liability investigation is mainly to determine the circumstances under which a loss occurred and to determine whether any official could be held liable for such loss. This type of investigation is done completely apart from any criminal or misconduct investigator. It is self-evident that the investigator shall also communicate with the criminal and misconduct investigator for the purpose of obtaining information.
- b) There is nothing that prohibits that documents, which were used in a liability investigation, can also be used in a case of misconduct or neglect of duty for disciplinary steps.
- c) The Loss Control Manager shall acquaint himself/herself of specific instructions that might be applicable to the case, determine the official version of the occurrence by checking initial reports.
- d) Depending on the nature of the loss, it shall be ascertained who was responsible for Specific responsibilities or duties.
- e) The collection of job descriptions and the proof that a certain official/s was/were aware of his/her/their responsibility is of importance. Proof that a duty was performed or neglected, shall be obtained. If relevant copies of specific instructions should be made, it should be included in the investigation.
- f) If, for certain reasons, it is necessary to confiscate a certain register, the person giving the instruction (for investigation) should be consulted. Certified copies of a register of specific entry/entries are usually sufficient.
- g) If any problems were encountered with a reluctant witness or with the destruction or withholding of documentation or information, the investigator should not hesitate to make use of provisions of Disciplinary Regulations or appropriate provisions in the Public Service Act.
- h) Obtain certified copies of all the original documents and use only the copies relating to the investigation. Keep the original documents in a safe place. No inscription, deletions, changes or corrections should be made on original documents, as this would negatively influence its evidential value with a view to possible legal action.

Evaluate data integrity of gathered information. Should any uncertainty exist regarding the data integrity exist of such information, steps must be taken in consultation with the stakeholders concerned in order to rectify the situation and to ensure the said data is accurate and reliable.

Step 4: Identify possible causes and trends

- a) If shortages/losses/theft/damages/ misuse of Council property or Council money, or fruitless expenditure, especially with regard to accommodation, or wasted, unauthorized or irregular expenses are involved, or the right of recovery of the Council has become prescribed, which gave rise to a loss for the Council, a liability investigation shall be taken by the Loss Control Manager with the purpose of impartiality and transparency.
- b) It should however be noted that a liability investigation is mainly conducted to determine the circumstances under which the loss occurred. The circumstances of the loss and facts that came to light during the investigation, can eventually lead to a decision whether an official can be held legally liable for a loss in terms of the applicable Treasury Regulation. If any neglect of duty or other circumstances may have negative implications for the Accounting Officer of the institution, the investigator ought to complete his/her investigation.
- c) The Loss Control Manager shall display own initiative and shall be conversant with all the relevant instructions, which may be applicable to the loss in question.
- d) When a liability investigation is considered necessary, it is important that it be instituted immediately after the reporting of the loss, as evidence that might be of interest could be changed or simply disappear.

Step 5: Compilation of a report

- a) To compile a report regarding losses, which have to be referred to Loss Control Committee and Legal Services unit, one must determine liability and comply with certain provisions of the MFMA.
- b) The report includes all gathered statements, documentary proof and recommendations.

5. RECORD KEEPING

Heads of Departments must maintain a Loss Register recording all reported cases with the status and outcomes. An updated copy must be submitted to the Loss Control Officer monthly.

- All loss reports, investigation documents and authorisations relating to specific cases must be filed together for record purposes with copies provided as required.
- Relevant case numbers from SAPS must be included in loss reports as well as copies of police affidavits and statements.
- The Loss Control Officer is responsible for loss record management and reporting systems across the municipality.

Records of loss, damage, forms, files, registers etc. should include the following minimum info:

- Gross value of the loss

- Amount recovered
- Approved amount written off
- Authority/reference for adjustment
- Updating of assets register and inventory record.
- Date loss/damage detected
- Brief description
- Location
- Asset details
- Person who identified loss
- Preliminary cause

Central Loss Register

The Loss Control Officer maintains an umbrella Loss Register that consolidates all recorded municipal losses. This provides an overview of loss trends, frequencies, problem areas and financial impact across the municipality. The Central Loss Register facilitates detailed reporting and aids targeted interventions towards improved loss control. Copies should be provided quarterly to the Risk Committee and Internal Audit Unit. Case Files For each registered loss event, a corresponding file must be opened comprising evidence such as: • Original loss reports • Witness statements • Photographs • Details of investigation

6. RISK ASSURANCE

- a) In general the Council bears its own damages and accident risk and accepts responsibility for all claims and losses of Council property arising from Council activities by a person who is liable in law and who is or was employed by an Institution to which the loss control instructions applied or originated from or took place during the performance of Council activities.
- b) Treasury Regulation part 3, 3.2.1 is clear on the inclusion of such risks in a risk Management strategy and dovetailing to a fraud prevention strategy and the determination of the skills required of managers and staff to improve controls and to manage such risks.
- c) Officials causing unnecessary losses, or who abuse or exceed their powers or misuse Council property and/or resources, or neglect their duties resulting in unnecessary losses for the Department, should also be prepared to face disciplinary steps initiated against them.

7. INVESTIGATING LOSSES

The purpose of investigating losses is to identify the root cause of the loss and to take corrective action to prevent similar losses from occurring in the future. The investigation process should be conducted in a timely and efficient manner to minimise the impact of the loss on the municipality.

7.1 Appointing Investigators

When a loss, damage, misuse or theft of municipal assets is reported, the Head of Department must appoint an appropriate investigator to examine the circumstances and determine accountability. Investigators may be internal municipal officials with relevant expertise or external specialists appointed on a contract basis. The investigators should be independent and impartial and should have no personal interest in the outcome of the investigation. All investigators should have qualifications and experience related to the nature of the loss.

7.2 Investigation Process

The appointed investigator should follow a systematic process to determine the facts related to the loss. This includes:

- Inspecting the scene of the incident
- Interviewing witnesses
- Gathering documentary evidence such as CCTV footage, access logs, inventory records etc.
- Conducting forensic data analysis where required • Determining the sequence of events leading up to the loss
- Identifying points of control breakdown or policy violations
- Establishing whether employee negligence, misconduct or criminal activity contributed to the loss
- Assessing the adequacy of existing controls and

The findings, recommended remedial actions and recovery measures must be documented in an investigation report submitted to the Head of Department. The investigation should be conducted in a confidential manner to protect the privacy of the individuals involved. Throughout the investigation, the investigators should ensure that the rights of all individuals involved are respected. All interactions and interviews should be conducted professionally and in accordance with applicable labour laws and regulations.

7.3 Legal and Reputational Risk

The investigation should consider any legal and reputational risks associated with the loss. The investigators should consult with legal counsel to ensure that the investigation is conducted in compliance with all applicable laws and regulations. The investigators should also consider the potential impact of the loss on the municipality's reputation and take appropriate steps to mitigate any negative impact. If the loss investigation reveals breaches of law or circumstances presenting legal liability or reputational risks, the Head of Department must immediately inform the Municipal Manager and consult the Legal Services Department on appropriate mitigation steps.

7.4 Remedial Actions

Once the investigation is complete, the investigators must compile a comprehensive report and submit it to the Loss Control Officer, Chief Financial Officer, Internal Audit Unit, and the Head of Department. The report should include findings, analysis of contributing factors,

recommendations for remedial actions to prevent similar losses from occurring in the future, and any potential disciplinary actions or legal proceedings.

The recommendations should be practical and feasible. Based on the findings and recommendations of the investigator's report, the Head of Department must take reasonable measures to address control gaps and prevent recurrence of similar losses in future. This may require policy or procedure amendments, additional access controls, training interventions or disciplinary processes.

8. WRITE-OFF, DISPOSAL AND RECOVERY PROCESSES

8.1 WRITE-OFF

- a) Write-off means the withdrawal of an asset/item or an amount of money owned by the Council in monetary value as prescribed by the MFMA and the Treasury Regulations. Write-off exercise is the end product of the Loss Control process.
- b) Debt recovery means the repossession of an asset/item/money owned by the Council in monetary value as compensation for the Council loss.
- c) The Council may only write off debts owed to the Council if satisfied that-
 - All reasonable steps have been taken to recover the debt and the debt is irrecoverable or, he or she is convinced that recovery of the debt would be uneconomical;
 - Convinced that recovery of the debt would be uneconomical;
 - Recovery would cause undue hardship to the debtor or his/her dependents;
 - Or it would be to the advantage of the Council to effect a settlement of its claim or to waive the claim. (Treasury Instruction 11.4.1)
- d) The Council must ensure that all debts written off are done in accordance with the write off policy determined by the accounting officer. (Treasury Instruction 11.4.2)
- e) All debts written off must be disclosed in the Annual Financial Statements, indicating the policy in terms of which the debt was written off. (Treasury Instruction 11.4.3)
- f) When it appears that the Council has suffered losses or damages through criminal acts or possible criminal acts or omissions, the matter must be reported, in writing, to the accounting officer and the South African Police Service. If liability can be determined, the accounting officer must recover the value of the loss or damage from the person responsible. (Treasury Instruction 11.5.1)
- g) The Council may write off losses or damages arising from criminal acts or omission if, after thorough investigation, it is found that the loss or damage is irrecoverable. (Treasury Instruction 11.5.2)

8.2 DISPOSAL

Disposal refers to SCM policy part 4

- a) The Municipality is from time to time faced with material, which is either damaged by storm (nature) or through the negligence of an officer or officers or material or store, which had been bought but is not used anymore due to unforeseen circumstances.
- b) Disposal is the doing away of an asset/item owing to the redundancy or obsolescence condition. It involves the transfer, sale as a scrap or condemning the asset/item. The income that accrues from Disposal process depends on the economic residual value of the item/asset and the demand.

8.3 RECOVERY

- a) Recovery and claims are implemented in terms of the current value of the loss and payment thereof in terms may accrue interests in terms of the Treasury Regulations. Recovery can be made from the said person or the private party.

Recovery implementation procedures may involve a series of legal action between the affected private person and the affected private party.

PROCESS OF RECOVERY

It may happen depending on the outcome of investigation that the relevant officer involved is approached to compensate for the loss/damage, undertakes to pay the loss/damage suffered by the Council. Under such circumstances:-

- Should the person, personally offer to pay off the debt in a once-off payment, or to pay monthly installments so that the total loss is redeemed within 24 months, an undertaking must be obtained from him/her and submitted to the delegated official for his/her approval.
- Should a person make an offer as set out in sub-paragraph (a) above, and the recovery of the loss/damage exceeds 24 months, a statement of his/her assets and liabilities together with his/her undertaking must be submitted to the delegated official in order to obtain approval.
- The total amount of debt must not exceed the actual loss or damage to the employer and the total deductions from the employee's remuneration must not exceed 10% of his remuneration in money.
- The employee will only be liable for the excess amount in terms of any insurance claim

9. CALCULATION OF LOSSES

With the recovery of any damage or loss it is of vital importance that the total extent of the Council's loss be determined beforehand and substantiated by means of documentation.

For the purpose of calculating the recoverable amount when equipment, stock or other Council property are lost or become damaged by an official or other person, such equipment, stock and Council property shall be classified as such.

Items with a long life, where almost no depreciation occurs, against replacement value ie, the cost price of a new or similar item;

Items for which there is an accepted basis of depreciation against the depreciated value (e.g. a certain percentage per year).

In order to determine depreciation values loss/damaged items should be calculated as follows:

- a. Items described as "NEW", 75% of the replacement value.
- b. Items described as "GOOD", 50% of the replacement value.
- c. Items described as "REASONABLE" 30% of the replacement value.
- d. Items described as "POOR" 10% of the replacement value.

The basis of depreciation and percentage reduction does not apply in instances where the loss is written off as a loss against the Council. In such instances the loss is calculated against the replacement value at all times.

For the purpose of calculating the recoverable amount in instances where the loss in respect of lost/damaged personal equipment items must be recovered from responsible official, the amount of the Council's loss or damage must be obtained via three quotations.

As far as the damage/loss of Council equipment or items are concerned; the recoverable amount of the loss must be collected from the accountable official.

Only in exceptional cases where the accountable official does not have any funds to compensate for the full recoverable amount in a once-off amount, Salary Payments may be requested to recover the amount due from the salary of the official concerned, or in the event of leaving the service from the official's outstanding pension or other monies he/she is entitled to.

In instances of damage to Council or leased buildings and fences, Building Directorate must certify that any quotation that has been obtained, are in line with actual costs.

10. LOSS PREVENTION MEASURES

The municipality aims to proactively prevent and minimise losses through various controls and measures. These include:

10.1 Physical Security Controls

Physical security controls restrict physical access to municipal buildings, sites, assets and infrastructure to prevent theft, vandalism and other losses. This includes perimeter fencing, locks, alarm systems, guard patrols, CCTV systems, secured storage facilities and anti-theft devices on vehicles. Physical barriers and deterrents make unauthorised access difficult and increase the likelihood of detection.

10.2 Access Controls

Access controls regulate, restrict and monitor access to municipal sites, buildings, systems and information based on authority levels. This includes ID cards, biometrics, passwords, sign-in procedures and limitations on entry to restricted areas. Strict access controls prevent unauthorised parties from reaching assets.

10.3 Segregation of Duties

Segregation of duties entails separating roles, authorisation levels and access to systems and information. No single individual should have end-to-end responsibility over processes or assets. Appropriately segregating procurement, payment, reconciliation and oversight duties mitigates the risk of misappropriation of funds and assets.

11. ETHICAL STANDARDS

(1) A code of good practice is established for Loss Control Management and must be adhered to by all officials and other role players in the system in order to promote

- e. Mutual trust and respect; and
- f. A control environment where risks can be control and managed in a fair and reasonable manner.
- g. Must assist the accounting officer in combating fraud, corruption, favoritism and unfair and irregular practices; and
- d. Must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including-
 - Any alleged fraud, corruption, favoritism or unfair conduct;
 - Any alleged breach of this code of ethical standards

12. OBJECTIONS AND COMPLAINTS

Persons aggrieved by decisions or actions taken in the implementation of the loss control policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

13. APPROVAL AND IMPLEMENTATION OF POLICY

This Policy shall come into effect on 01 July 2026 once approved by the council.

Policy section:	ASSET MANAGEMENT
Approval by council:	