

MAKHADO LOCAL MUNICIPALITY

LOSS CONTROL POLICY, 2020/2021

(Approved by Council Resolution A.41.26.06.20)

Vision: A dynamic hub for socio-economic development by 2050

Mission: To ensure effective utilization of economic resources to address socio-economic imperatives through mining, agriculture and tourism

Values

1. Distinctiveness (Uniqueness, Excellence)
2. Progressiveness (Open Minded)
3. Dynamic (Energetic, Lively, Self-Motivated)
4. Culpability (Accountability and Responsibility)
5. Efficacy (Effectiveness and Efficiency)
6. Adeptness (Expertise and Proficiency)

Seven (7) Strategic Objectives

1. Promote Community Participation and Environmental Welfare
2. Invest In Local Economy
3. Advance Spatial Planning
4. Invest in Human Capital
5. Good Governance and Administrative Excellence
6. Sound Financial Management and Viability
7. Accessible Basic and Infrastructure Services

TABLE OF CONTENT

1. Foreword.....	3
2. Establishment and Implementation Of Loss Control Policy	3
2.1 Legislative Framework	3
3. Objective of This Policy	4
4. Policy Framework for Loss Control	4
4.1 TYPES OF LOSSES, DAMAGES AND FRAUD.....	4
4.1.1. Loss, Theft and Damage of Immovable Assets	4
4.1.2. Loss, Theft and Damage of Moveable Assets	4
4.1.3. Loss, Theft and Damage of Inventory Stores Items	4
4.1.4. Loss, Theft and Damage of State Monies and Face Value Forms.....	4
4.1.5. Claims against the State through Acts or Omissions against Said Person (S).....	4
4.1.6. Claims by the State against Other Person (S).....	4
4.1.7. Fraud Cases With Loss Implications.....	5
4.1.8. Fruitless and Wasteful Expenditure.....	5
4.1.9. Other Losses.....	5
5. Management of Losses.....	5
6. Reporting of Losses	5
Step 1: Registration of Damages and Losses	5
Step 2: Gathering of Information.....	6
Step 3: Collection Of Documents and Evidence To Determine Liability.....	6
Step 4: Identify Possible Causes and Trends.....	6
Step 5: Compilation of A Report.....	7
7. Responsibilities of the Loss Control Officer.....	7
8. Record Keeping.....	7
9. Risk Assurance	7
10. Recovery	8
11. Process of Recovery	8
12. Calculation of Losses	8
13. Objections and Complaints.....	9
14. Commencement	9

1. FOREWORD

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.

It also designed to help risk management and financial executives start and maintain a risk management program, it discusses the entire process from exposure identification through implementation and monitoring of the program.

It suggests risk management practices to implement and provides concise and understandable explanations of most types of insurance coverage along with tips on the best coverage options.

2. ESTABLISHMENT AND IMPLEMENTATION OF LOSS CONTROL POLICY

2.1 LEGISLATIVE FRAMEWORK

Section 62 (1) of the Municipal Finance Management Act states that "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 that 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

Section 78(1)(b-e) of the Municipal Finance Management Act places the onus on each official within the Department to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that official's area of responsibility. In particular, the official must take effective and appropriate steps to prevent, within that official's area of responsibility, any unauthorised, irregular, fruitless and wasteful expenditure and any under-collection of revenue due.

The extension of the general responsibilities, in terms of Section 78 of the MFMA, to all Top Management is a cornerstone in the institutionalization of risk management in Local Government. It establishes responsibility for risk management at all levels of management, extending it beyond the roles of the Accounting Officer, the internal audit units or the Audit Committee in this regard.

The Treasury Regulations also compels the Accounting Officer to conduct a risk assessment in order to identify emerging risks that may threaten the achievement of Departmental objectives. A risk management strategy must be clearly communicated to all officials to ensure that the said strategy is incorporated in the Department. The Accounting Officer must also exercise reasonable care in detecting and preventing losses and for this purpose effective and transparent processes of financial and risk management must be implemented.

3. 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 Municipality 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 Municipality 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.

4. POLICY FRAMEWORK FOR LOSS CONTROL

4.1 TYPES OF LOSSES, DAMAGES AND FRAUD

4.1.1 Loss, Theft and Damage of Immovable Assets:

- Municipal buildings through whether elements and/or a negligence of maintaining official buildings.
- Theft of Municipal land.
- Malicious damage of municipal properties due to strikes by the official(s) or public

4.1.2 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.

4.1.3 Loss, Theft and Damage of Inventory Stores Items:

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

4.1.4 Loss, Theft and Damage of Municipal Monies and Face Value Forms:

- Cash – theft and shortages on petty cash, rental and bidding document(s) revenue collected.

4.1.5 Claims against the Municipal through Acts Or Omissions Against Said Person (S).

- Notices of intended civil action served on the Mayor and/or Accounting Officer.
- Power outage e.g. Community and/or business people lost perishables that had been refrigerated
- Opened manhole and/or pothole
- Any Municipal property that can cause a damage to other person

4.1.6 Claims by the Municipal against Other Person (S)

- Overpaid salaries-after death or termination.
- Salaries paid for staff under suspension.
- Irrecoverable - rates and taxes; electricity
- Irrecoverable - rental
- Irrecoverable- fees for any other service.
- State guaranties
- Ex-Gratia payments

4.1.7 Fraud and Corruption Cases with Loss Implications

- Criminal/negligence (Public Service Persons)
- Stolen cheque cashed
- Fraudulent credit transfers
- Duplicate/fraudulent claims
- Unauthorized orders
- Ghosts in salary system
- Cancellation of incomplete written notice(s) without valid reason or referrals
- Incorrect Charges e.g. Description of offence is not in-line with the required amount

4.1.8 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 2 officials booked for training when only 1 actually attended.
- 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.
- Rent paid for offices not in use.

4.1.9 Other Losses

- Poor management actions
- Attempted fraud (no actual loss)
- Municipal write-offs

5. MANAGEMENT OF LOSSES

The Management of losses includes the following: -

- Losses to be reported within 24 hours after acknowledgement to the Chief Fleet Officer.
- **NB: All claims against the Municipality reported after 30 days of the incident(s) the Municipality is not liable the damage incurred.**
- The Chief Fleet Officer will investigate to determine accountability.
- In an event where the Chief Fleet Officer receives a report of an incident, he/she must consider all possible implications, including legal effect it might have on an individual and/or the Municipality.
- 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 the Accounting Officer and/or relevant process owner to investigate the matter.

- Report all cases to the Risk Management Committee in writing, so that it can be investigated and reported to the Accounting Officer for inclusion in the Annual Financial statements.

6. REPORTING OF LOSSES

Step 1: Registration of Damages And Losses

- a) All Regions and Directorates within the Municipality must keep registers for all incidents reported.
- b) When notified of a loss, the Regional Administrator and/or Director must register such case/loss within two (2) working days of receiving a report/notice of such case/loss to the Chief Fleet Officer
- 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 Regional Administrator and/or Director reports the losses to the Chief Fleet Officer
- b) The Chief Fleet Officer must seek legal advice as extensively as possible; consult parties as broadly as possible consult experts. Follow up and note (in writing) events systematically and as swiftly as possible.
- c) 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 has occurred and to determine whether any official could be held liable for such losses. 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 Chief Fleet Officer 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 Municipal Disciplinary code and procedures or appropriate provisions in the Municipal System 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.
- i) 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 Municipal property or Municipal money, or fruitless expenditure, especially with regard to accommodation, or wasted, unauthorized or irregular expenses are involved, or the right of recovery of the state has become prescribed, which gave rise to a loss for the Municipality, a liability investigation shall be taken by the Chief Fleet Officer 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 Municipality, the investigator ought to complete his/her investigation.
- c) The Chief Fleet Officer shall display his/her 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, Risk Management Committee and Legal Services and/or other compliance Structure, one must determine liability and comply with certain provisions of the MFMA.
- b) The report includes all gathered statements, documentary proof and recommendations.

7. RESPONSIBILITIES OF THE LOSS CONTROL OFFICER

In terms of Treasury Regulations and best governance practice, the Accounting Officer must appoint a loss control officer in writing, with the duties attached to loss control which will include, amongst others the following:-

- Obtaining all details and statements regarding claims and losses and entering the same in loss register;
- Following up and settling such cases;
- Reporting all cases to the Accounting Officer, Asset Manager and Risk Manager
- Liaise as far as possible with the investigator and Legal Directorate
- Update the loss control register continuously

8. RECORD KEEPING

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.

9. RISK ASSURANCE

- a) In general the Municipality bears its own damages, accident risk and accepts responsibility for all claims and losses of Municipal property arising from the Municipal activities by a person who is liable in law or 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 Municipal activities.
- b) Treasury Regulations part 3, 3.2.1 is clear on the inclusion of such risks in a risk management strategy and incorporating 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
- d) Municipal property and/or resources, or neglect their duties resulting in unnecessary losses for the Municipality, should also be prepared to face disciplinary steps initiated against them.

10. 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.
- b) Recovery can made from the said person or the private party.
- c) Recovery implementation procedures may involve a series of legal actions between the affected private person and the affected private party.

11. PROCESS OF RECOVERY

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

- Should the person, personally offer to pay off the debt as a once-off payment, or to pay monthly installments as to ensure that the total loss is redeemed within 18 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 18 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.

12. CALCULATION OF LOSSES

- I. With the recovery of any damage or loss it is of vital importance that the total extent of the Municipality's loss be determined beforehand and substantiated by means of documentation.
- II. For the purpose of calculating the recoverable amount when equipment, stock or other Municipal property are lost or become damaged by an official or any other person, such equipment, stock and Municipal property shall be classified as such.
- III. Items with a long life, where almost no depreciation occurs, against replacement value, i.e. the cost price of a new or similar item;
- IV. Items for which there is an accepted basis of depreciation against the depreciated value (e.g. a certain percentage per year), the depreciation values loss/damaged items should be calculated as follows:
 - a) Items described as "GOOD", 75% of the replacement value.
 - b) Items described as "FAIR" 50% of the replacement value.
 - c) Items described as "POOR" 20% of the replacement value.

The basis of depreciation and percentage reduction does not apply in instances where the loss is written off as fully by the state. 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 relates to lost/damaged personal equipment, items must be recovered from responsible official, of which the amount of the loss or damage must be obtained via three quotations.

Only in exceptional cases where the accountable official does not have any funds to compensate for the full or recoverable amount as a once off payment, salary deductions may be requested over a specified period in which to recover the amount due. In the event of termination of service, the outstanding monies must be recovered through a debt acknowledgment form. In instances of damage to Municipal property, the relevant process owner must certify that any quotations obtained, are in line with the deemed recoverable cost of such a property.

13. OBJECTIONS AND COMPLAINTS

Persons aggrieved by decisions or actions taken in the implantation of the loss control policy, a formal dispute may be lodged through a written objection within 14 days against a decision or action taken.

14. COMMENCEMENT

This policy takes effect on the date on which it is adopted by the Council.

Mr. AM Kgopa (CRO)

Date

Mr. K Nemaname (CFO)

Date

Mr. NF Tshivhengwa
(Municipal Manager)


Date

AUTHORIZED BY SIGNATURE

I, THE UNDERSIGNED, CLLR L B MOGALE, SPEAKER, HEREBY CERTIFY THAT THIS LOSS CONTROL POLICY, 2020/2021 IS AN EXTRACT AS FILED IN THE OFFICIAL AGENDA OF THE 512th EXECUTIVE COMMITTEE MEETING HELD ON 2 JUNE 2020 AND APPROVED BY COUNCIL AT ITS 153rd SPECIAL MEETING HELD ON 26 JUNE 2020 UNDER COUNCIL RESOLUTION A.41.26.06.20.



CLLR L B MOGALE



DATE