



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

LOSS CONTROL POLICY
1st July 2020 – 30 June 2021

Policy Number:	Approved by Council:
Resolution No:	Review Date:

"Accounting Officer"	means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003
"Asset Control Officer"	shall mean the person appointed as Asset Officer under section 2.4 below
"Assistant Manager: Asset Management"	shall mean the person appointed as Asset Officer under section 2.4 below
"CFO"	means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance Management Act No 56 of 2003
"Municipality"	shall mean the Victor Khanye Local Municipality
"MFMA"	shall mean the Municipal Finance Management Act 56 Of 2003

1. PREAMBLE

The Loss Control Policy provides a framework within which the Municipality will prevent, limit and reduce unnecessary losses. The policy also includes procedures to report losses to Management and the insurance claims process.

2. ESTABLISHMENT AND IMPLEMENTATION OF LOSS CONTROL POLICY LEGISLATIVE FRAMEWORK

- 2.1 The Municipal Finance Management Act compels the accounting officer and officials within the official are of responsibility, amongst other things, to ensure that an effective, efficient and transparent system of risk management and internal control is established and carried out to prevent losses and to ensure the safeguarding and maintenance of all assets of the Municipality.
- 2.2 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 the all reasonable steps to ensure that resources of the Municipality are used effectively, efficiently and economically; that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control; that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented; 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 15 of the MFMA.
- 2.3 Section 78 (1) of the Municipal Finance Management Act states that senior managers and other officials 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 that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently; that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented and that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;
- 2.4 Section 79 (1) of the Municipal Finance Management Act states that the accounting officer of a municipality must, for the proper application of this Act in the municipality's administration, develop an appropriate system of delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the municipality's financial administration;
- 2.5 Section 176 (1) of the Municipal Finance Management Act states that no municipality or any of its political structures, political office-bearers or officials, no municipal entity or its board of directors or any of its directors or officials, and no other organ of state or person exercising a power or performing a function in terms of this Act, is liable in respect of any loss or damage resulting from the exercise of that power or the performance of that function in good faith.

Section 176 (2) of the Municipal Finance Management Act states that without limiting liability in terms of the common law or other legislation, a municipality may recover from a political office-bearer or official of the municipality, and a municipal entity may recover from

a director or official of the entity, any loss or damage suffered by it because of the deliberate or negligent unlawful actions of that political office-bearer or official when performing a function of office.

3. OBJECTIVE OF THIS POLICY

- 3.1 All officials including management are held responsible for losses in their areas of responsibility.
- 3.2 Assist officials to create a climate that is conducive to internal control, risk management and prevention of losses.
- 3.3 Contribute towards creating respect for the resources of the Municipality for use in the best possible way.
- 3.4 Encourage officials to perform their duties in a responsible manner and to avoid unlawful conduct that may result in unnecessary losses in general, or disturbance in service delivery or loss of records.
- 3.5 Uniform action and procedures for recording of losses and insurance claims is done more effectively and to promote greater efficiency in the management of losses and risk management.

4. FRAMEWORK FOR LOSS CONTROL

4.1 Types of Losses

- 4.1.1 Theft or misuse of movable assets
- 4.1.2 Accidental damage of movable and immovable assets
- 4.1.3 Theft or misappropriation of inventory items
- 4.1.4 Natural disasters and weather elements like lightning strikes on power lines
- 4.1.5 Vandalism of Municipal assets and arson
- 4.1.6 Third party claims against the Municipality
- 4.1.7 Unauthorised, irregular and fruitless and wasteful expenditure
- 4.1.8 Fraud
- 4.1.9 Cashier shortages of cash when compared with receipts of cash.
- 4.1.10 Distribution losses of electricity and water.

4.2 General Management of Losses

- 4.2.1 Losses to be reported within twenty-four (24) hours to the Asset Control Practitioner.
- 4.2.2 A criminal case has to be opened with the South African Police Service or in case of third party claims against the Municipality, an affidavit from the South African Police Services must be submitted to the Asset Control Officer.
- 4.2.3 An incident report and three quotations from recognised suppliers for the current market price of an asset or service must be submitted to the Asset Control Officer by the concerned municipal official responsible for the loss, has to accompany the above mentioned information from the South African Police Service.
- 4.2.4 The incident report must have details of the time, place and how the incident of loss took place. The case number, name and contact numbers of the Police Officer who is in charge of the case must also be given on the report.
- 4.2.5 Incidents of loss must be recorded in a Loss Control Register kept by the Asset Control Officer.
- 4.2.6 Incidents of loss have to be reported to the insurance service provider within a week of the occurrence of the incident and officials must make sure that all the relevant information reach the Asset Control Officer within a week to ensure that the claims deadline is not missed.
- 4.2.7 The Asset Control Officer must lodge insurance claims with the appointed insurance service provider on behalf of the Municipality after gathering the relevant information of the incident.
- 4.2.8 The Loss Control Committee will review all incidents of losses that took place during a quarter and rule with regard to keeping lost assets on the asset register in case of tangible capital assets through a resolution and advise the Asset Control Officer and the Assistant Manager: Asset Management, through the Chief Financial Officer, who must inform and advise the Accounting Officer in writing and seek Council resolution in case of assets that have to be written-off the asset register if there is no possibility in recovering those assets.
- 4.2.9 The Loss Control Committee must determine cases where there is negligence on the part of a Municipal official if such a loss is not reimbursed by the insurance service provider.
- 4.2.10 Incidents that appear to be caused by negligence on the part of an official of the Municipality, and which the insurance service provider found cause not to reimburse the Municipality will be referred by the Loss Control Committee to the Accounting Officer for possible disciplinary action or recovery of the loss.
- 4.2.11 Cases of arson and vandalism of Municipal properties or infrastructure assets within the areas covered by the private physical security service provider must be referred to that particular security service provider for cost recovery and insurance claim purposes.
- 4.2.12 All details required in the Loss Control Register must be filled for the purpose of reporting an incident of loss.
- 4.2.13 It is every employee's duty to report misuse of Municipal assets, and therefore, such incidents must be reported to the Asset Control Officer and be considered by the Loss Control Committee.

4.2.14 The Loss Control Committee may recommend to the Accounting Officer for criminal charges to be brought against an employee involved in committing any Schedule 1 offence according to the Criminal Procedure Act Number 51 of 1977, if that offence may lead to a financial loss to the Municipality.

4.2.15 Employees' injuries on duty must be reported to the Occupational Health and Safety Officer under the Occupational Health and Safety Act and handled under applicable laws and regulations.

5. REPORTING OF LOSSES

5.1 Step 1: Registration of Damage or Loss

5.1.1 When an official becomes aware of a loss or damage, he/she must report to the immediate supervisor to the Asset Control Officer in writing within one (1) working day of the incident.

5.1.2 The Asset Control Officer must register all losses on the Loss Control Register after they have been reported.

5.1.3 Officials who are involved in accidents that affect third parties are responsible to inform the Asset Control Officer of the incident and inform the third party claimant about relevant officials to contact in registering a claim.

5.1.4 Unauthorised, Irregular and fruitless and wasteful expenditure must be reported to the Asset Control, for incorporation into the Loss Control Register, on quarterly basis by the Assistant Manager: Supply Chain Management.

5.1.5 Cashier shortages must be reported to the Loss Control Officer, for incorporation into the Loss Control Register, on quarterly basis by the Assistant Manager: Revenue Management.

5.1.6 Distribution losses must be reported to the Asset Control Officer, for incorporation into the Loss Control Register, on quarterly basis by the Assistant Manager: Revenue Management.

5.2 Step 2: Gathering of Information

5.2.1 It is the duty of the official who suffered the loss, or any other official mentioned according to this policy, to bring all the relevant information relating to the incident of loss to the Asset Control Officer within a week of the incident or any other time as determined by the policy, including the documents mentioned under clause 4.2.

5.2.2 The Asset Control Officer must determine the appropriate steps to take in mitigating the loss, and may involve other members of the Loss Control Committee or seek legal advice on the matter and communicate with the insurance service provider.

5.2.3 The Asset Management unit must provide proof of the asset's record and value on the asset register in case of a tangible capital asset.

5.2.4 The Asset Control Officer must complete a claim form and send it to the insurance service provider according to the agreed insurance policy or agreement between the Municipality and the insurance service provider.

5.2.5 The Asset Control Officer must open a file and number each case of loss reported to him and keep track with the progress of the cases with the insurance service provider. All communication with regard to a file must be kept.

- 5.2. Replacement for assets critical for service delivery may be done immediately pending the decision of the insurance service provider on whether to reimburse the Municipality for the loss or not.

5.3 Step 3: Receipt of Proceeds from the Insurance Service Provider

- 5.3.1 On receipt of proceeds from the insurance service provider, the Asset Control Officer must create a unique vote number and ensure that it is used for its intended purpose.

5.4 Step 4: Reporting

- 5.4.1 The Asset Control Officer must report to the Loss Control Committee on quarterly basis through Loss Control Reports.

- 5.4.2 The Loss Control Reports must be reviewed by the Loss Control Committee and determine cases of negligence that must be remedied through internal disciplinary action or recovery of the cost of the loss from the responsible official as per the provisions of section 176 (2) of the MFMA.

- 5.4.3 The Loss Control Committee must resolve on matters that must be forwarded to the Accounting Officer and other governance structures after every meeting.

- 5.4.4 Any loss of assets that the Loss Control Committee deems fit to be removed from the asset register must be submitted to the Asset Management Unit as a resolution after which must be submitted to the Accounting Officer for recommendation and approval by Council.

- 5.4.5 Minutes of the Loss Control Committee must be reviewed by the Chairperson of the Committee and signed before being sent to the Municipal Manager.

- 5.4.6 The Loss Control Committee must recommend to or advice the Municipal Manager about loss recoveries, through a resolution, and recommend for consequences management to be instituted in case of negligence.

- 5.4.7 The Loss Control Committee must recommend to or advice the Municipal Manager through a resolution recommend investigations to be instituted in case of a loss.

6. DUTIES AND RESPONSIBILITIES OF OFFICIALS INVOLVED IN LOSS CONTROL MANAGEMENT

6.1 The Asset Control Officer

The Asset Control Officer is an official appointed by the Accounting Officer in accordance with Section 79 of the Municipal Finance Management Act. The Asset Control Officer is an official tasked with managing part of the loss control process of the Municipality.

6.1.1 Duties of the Asset Control Officer

- Obtaining details, reports and statements from employees of the Municipality and third parties.
- Compiling and maintain the Loss Control Register.
- Submission of insurance claims to the insurance service provider.
- Communication with the insurance service provider regarding submitted claims.
- Reporting to the Loss Control Committee on quarterly basis via the Loss Control Report.

- Recording proceeds from the insurance service provider on the Financial Management System.
- Act as a Scribe for the Loss Control Committee.

6.2 Loss Control Committee

The Loss Control Committee must be made up of officials appointed in terms of section 79 of the Municipal Finance Management Act to effectively implement the provisions of the Loss Control Policy in preventing theft, unauthorised, irregular or fruitless or wasteful utilisation, of assets of the Municipality.

6.2.1 Responsibilities of the Loss Control Committee

- Must consider all reports submitted by the Asset Control Officer.
- Evaluate reports and determine possible negligence.
- Recommend to the Accounting Officer action that must be taken against officials implicated in negligent loss of assets.
- Recommend to the Accounting Officer the writing off of assets on the asset register.

7. RECORD KEEPING

Keeping records of files and documents used in Loss Control Management and the Loss Control Committee is a responsibility of the Asset Control Officer. All records of losses as recorded on the Loss Control Register and communications with all parties involved in losses or claims must be kept in unique numbered files.

7.1 Information on the Loss Control Register

- 7.1.1 The Loss Control Register must show all data relevant to losses, including the date of the loss, nature or description of loss, the insurance reference number of the loss, the amount or value of the loss, the amount of excess for the loss, the status of the claim.
- 7.1.2 The Loss Control Register must be considered by the Loss Control Committee on quarterly basis.

8. RISK INSURANCE

The Municipality must have a valid insurance policy with a recognised and registered insurance service provider all the time. The Accounting Officer has a responsibility to appoint an insurance service provider to cover risks involved.

9. OBJECTIONS AND COMPLAINTS

Persons aggrieved by the actions or resolutions of the Loss Control Committee may lodge within seven (7) days of the decision or action, a written objection or complaint against the decision or action to the Accounting Officer.

10. REVIEW

This policy shall be reviewed annually.

11. COMMENCEMENT

This policy takes effect from the date it is adopted by Council or the date the Council stipulates for its commencement.

12. DRAFT POLICY ADOPTION

This policy has been considered and approved by the Council of Victor Khanye Local Municipality on this _____th day of June 2020.