



# **2024/2025 APPROVED LOSS CONTROL POLICY**

<b>GLOSSARY</b>	
<b>Fraud</b>	The unlawful and intentional making of a misrepresentation, which causes actual and or potential prejudice to another.
<b>Fruitless and Wasteful Expenditure</b>	Expenditure that was made in vain and would have been avoided had reasonable care been exercised.
<b>Corruption</b>	Any conduct or behaviour in relation to persons entrusted with responsibilities in public office which violates their duties as public officials and which is aimed at obtaining undue gratification of any kind for themselves or for others.
<b>Theft</b>	The unlawful possession of an item with the intent of keeping it, without the owner's permission.
<b>Irregularity</b>	Any unlawful act or omission committed by any person responsible for the management of an entity.
<b>Criminal Offence</b>	This refers to any act as described in the Criminal Procedure Act 51 of 1977.
<b>Material</b>	Items that the municipality uses to render municipal services such as fuel, oil, tar, cement, chemicals, stationary, telephone time and computer data
<b>Prima – Facie</b>	Evidence that, “unless rebutted, would be sufficient to prove a particular proposition or fact” or “evidence that appears to be factually correct at first view or on the first appearance.
<b>Gratification</b>	Any benefit which amounts to money, donation, gift, loan, fee, reward, and privilege.
<b>Bribery</b>	The offer, promise, giving, demanding or acceptance of an advantage as an inducement for an action, which is illegal, unethical, or a breach of trust.
<b>Embezzlement</b>	The act of dishonestly withholding assets for the purpose of conversion (theft) of such assets by one or more individuals to whom such assets have been entrusted, to be held and/or used for other purposes.
<b>Extortion</b>	A criminal offence of obtaining money, property, or services from a person, entity, or institution, through coercion.
<b>Conflict of interest</b>	A person's private interests interferes or is perceived to interfere with the interests of the City. This usually happens when the interest impairs the employee's ability to act impartially.
<b>Unacceptable conduct</b>	Unacceptable conduct relating to witnesses; and intentional interference with, hindering or obstruction of investigation of an offence
<b>Investigation</b>	The careful search or examination with an intension to discover facts. This may include questioning of witnesses, forensic examination and investigation of financial records or the process of collecting information in order to reach some goal
<b>Evidence</b>	the available body of facts or information indicating whether a belief or proposition is true or valid

# LOSS CONTROL POLICY

## INTRODUCTION

The Loss Control Policy provides a framework within which the City will prevent, limit and reduce unnecessary losses. The policy also includes procedures to report losses to Management and Council. The City has considerable movable and immovable assets under its control. Part of the process of managing and safeguarding assets is necessary to ensure that all employees utilise state assets effectively and efficiently as require by the Municipal Finance Management Act.

## PURPOSE OF THE POLICY

**The purpose of the policy is to:**

- (a) Outline the procedures, principles and prescripts to be followed by the City when losses, thefts, irregularities, damages or accidents occurs.
- (b) Inform Council and employees about the loss control process and their responsibilities with regard to loss control policy.

## OBJECTIVES OF THE POLICY

**The objectives of the policy is to;**

- (a) Create a culture where officials take care of municipal assets, material and its reputation.
- (b) Encourage officials to perform their duties in a responsible manner and to avoid unlawful conduct that may result in unnecessary losses affecting service delivery.
- (c) Hold officials responsible for the damage or loss of municipal assets, material and equipment in case of negligence.
- (d) To minimize any future recurrence of damages and loss of assets.

## LEGISLATIVE FRAMEWORK

- (a) Municipal Finance Management Act No 56 of 2003
- (b) Circular No 76 of the Municipal Finance Management Act.
- (c) Local Government Ant-Corruption Strategy by COGTA
- (d) Government Integrity Framework: 2015
- (e) Prevention and Combatting of Corrupt Activities Act 12 of 2004.
- (f) Municipal Regulations on Financial Misconduct.

## INTERNAL CONTROLS

Controls are actions taken by all departments within the City to ensure risks are mitigated and objectives are achieved. Internal controls are designed and implemented to:

- (a) Minimize risks
- (b) Protect assets
- (c) Ensure the accuracy of records
- (d) Promote operational efficiency and compliance
- (e) Prevent fraud.

## TYPES OF CONTROLS

- (a) Preventive - Designed to keep the risk from occurring
- (b) Detective - Designed to identify the risk after it occurs
- (c) Corrective - Measures designed to repair damage or restore resources capabilities to their prior state

## TYPES OF LOSSES

The policy envisage to prevent or minimize the following losses;

- (a) Theft, robbery or hijacking of movable assets
- (b) Misuse of immovable and movable assets
- (c) Damage and vandalism of municipal assets

- (d) Unauthorised use of council property e.g vehicles
- (e) Theft of Water and Electricity
- (f) Theft of material
- (g) Fruitless and Wasteful Expenditure
- (h) Fraud and Corruption
- (i) Personnel not at work without taking leave.
- (j) Ghost employees
- (k) Third Party Claims against the City
- (l) Natural Disasters
- (m) Overstatement of Overtime Worked and Claimed

## **ROLES AND RESPONSIBILITIES**

### **EXECUTIVE MAYOR AND MEMBERS OF THE MAYORAL COMMITTEE**

It is the responsibility of the Executive Mayor and Members of the Mayoral Committee to set the tone for the prevention and combatting of losses pertaining to municipal assets, loss of income, as well as material and equipment. They must provide political leadership and support to the Administration in its endeavours to optimize the use of municipal assets as well as material and equipment.

### **CITY MANAGER**

It is the responsibility of the City Manager to ensure that this policy is successfully implemented.

### **HEADS OF DEPARTMENTS**

Every Head of department has the responsibility to ensure that **all assets, equipment and material** in his/her department is properly taken care of, not being misused but well maintained and kept safe at all material time.

It is expected from every Head of a Department to implement and maintain a system of internal controls in his/her department that will facilitate the above. It is the responsibility

of every Head of Department to ensure that there are corrective measures and consequences if assets, equipment and material are not properly taken care of, misused, damaged or stolen.

### **SENIOR MANAGERS/MANAGERS AND SUPERVISORS**

It is the responsibility of every Senior Manager/Manager/Supervisor to ensure that all internal controls that support this policy, are in place and strictly enforced. They must fulfil their supervisory duties in such a way that all losses are either prevented, minimized or detected.

### **RESPONSIBILITIES OF THE CHIEF RISK OFFICER**

It is the responsibility of the Chief Risk Officer to:

- (a) Formulate a Loss Control Policy as well as a Loss Control Plan.
- (b) Annual review of this policy and plan.
- (c) Ensure that the risk of loss of municipal property, loss of income, theft of assets as well as material and equipment, is included into the risk register of every department.
- (d) Distribute the Loss Control Policy Statement to all Service Centers.
- (e) Publish the Loss Control Policy Statement on Council's website.

### **RESPONSIBILITIES OF THE CHIEF AUDIT EXECUTIVE**

It is the responsibility of the Chief Audit Executive to:

- (a) Conduct regular audits to provide assurance that all role players adhere to this policy.
- (b) Ensure that an annual audit report needs to be submitted to Executive Management and Audit Committee to provide assurance that departments indeed comply with this policy.

### **RESPONSIBILITIES OF THE SENIOR MANAGER: SECURITY**

It is the responsibility of the Senior Manager: Security to:

- (a) Investigate all cases of theft and damage to municipal property.

- (b) After finalization of the case, a report must be submitted to the General Manager: Public Safety.
- (c) If there are prima-face evidence of misconduct/criminal behaviour, recommendations needs to be made about possible options in relation to consequence management.
- (d) Recommendations must also be made with regards to the prevention of similar losses.

## **RESPONSIBILITIES OF THE DISCIPLINARY BOARD**

The mandate of the Disciplinary Board is to investigate all matters of misconduct as referred to in section 171 of the Local Government: Municipal Finance Management Act, (MFMA) (Act no. 56 of 2003).

## **GENERAL RESPONSIBILITIES OF ALL PERSONNEL**

All employees are responsible for:

- (a) Performing their functions and duties with care, diligence, honesty and integrity;
- (b) Conducting themselves in a professional manner at all times;
- (c) Taking care of municipal assets.
- (d) Maintaining and enhancing the positive reputation of the City of Mbombela.
- (e) Reporting any occurrence of a possible loss, to the relevant Supervisor/Manager.
- (f) Act with honesty at all times
- (g) Ensure proper security and handling of municipal resources and funds whether they are involved with payments or receipt from contractors and others.
- (h) Report any loss control weaknesses they identify when carrying out their duties.

## **REPORTING OF LOSSES/DAMAGES**

Every loss, damage or theft must be reported within **24 hours**, by the relevant official, manager or supervisor to the Head of the Department.

The Head of the Department must then report such a damage, loss or theft to the:

- (a) Insurance Unit.
- (b) Department of Financial Services (**Asset Management Unit**, if the loss or damage is in connection with assets).
- (c) Internal Audit Unit.
- (d) Department of Public Safety (Security Division, in cases of theft or damage to municipal property).
- (e) City Manager.

## **RECORDING OF LOSSES**

Every Head of a Department must ensure that all losses or damages in his/her department are recorded to reflect the following:

- (a) Date and time of loss, damage, misuse or theft.
- (b) Type of loss, damage or misuse.
- (c) Description of the loss, damage or theft.
- (d) Approximate monetary value of the loss, damage or theft.
- (e) Circumstances that resulted in the loss, damage or theft.

The Head of a Department must record losses, damages or thefts in his or her department in such a way that he/she is enabled to deduce positive or negative tendencies.

If any negative tendency such as continuous losses are detected, the Head of Department must institute the appropriate measures to rectify the matter.

## **INVESTIGATION OF POSSIBLE LOSSES**

After a loss has been incurred, the Head of Department must investigate the circumstances that led to the loss.

The Investigation must be done within **seven days**

After completing the investigation, the Head of Department must take appropriate steps to;

- (a) Prevent a similar occurrence in the future.



- (b) Evaluate if the loss/damage/misuse of equipment, will have a negative impact on service delivery. If so, to initiate measures to minimize the negative impact.
- (c) Initiate disciplinary action if deemed imperative.
- (d) Identify a possible legal liability risk. If so, the Head of the Department must within 24 hours liaise with the Head of the Legal Services Department so that steps can be taken to mitigate this risk.
- (e) Identify a possible reputation risk. If so, the Head of the Department must within 24 hours liaise with the General Manager: Strategic Management Services, to mitigate this risk. The Municipal Manager must also be informed.
- (f) Report a criminal case to the SA Police Service (SAPS), after liaising with the General Manager: Corporate Services and the Municipal Manager.
- (g) Initiate steps to recoup money from officials who are responsible for the damage/loss/misuse of assets, equipment/material, after liaising with the Municipal Manager, Chief Financial Officer and General Manager: Corporate Services.

## **CONSEQUENCE MANAGEMENT**

The following must be implemented.

If there appears to be prima-facie evidence of any misconduct, a disciplinary hearing must be initiated.

## **REPORTING OF THE CASE TO THE SA POLICE SERVICE**

If there appears to be prima-facie evidence of criminal behaviour, the matter must be reported to the SA Police Service for further investigation.

## **RECOVERY OF LOSSES**

Recovery and claims are implemented in terms of the current value of the loss and payment thereof may accrue interest in terms of Council credit control and debt collection by-law. Recovery can be made from the said person or a private party. Recovery

implementation procedures may involve a series of legal action between the affected private person, municipality or the affected private party.

## **PROCESS OF RECOVERY**

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

- (a) Should the person, personally offer to pay off the debt in a once-off payment, or to pay monthly instalments so that the total loss is redeemed within 24 months, an undertaking must be obtain from him or her and submitted to the delegated official for approval.
- (b) Implementation of the Municipal credit control and debt and collection policy in cases of non-payments of the loss suffered.

## **CANCELATION OF CONTRACTS**

If it is found that service providers are being responsible for any municipal losses, the City Manager in conjunction with the Chief Financial Officer, General Manager: Corporate Services and the relevant Head of Department, must contemplate the possible cancellation of the said contract with the service provider.

## **REPORT TO COUNCIL**

The Chief Financial Officer must on an **annual basis**, submit a report to Council with the following minimum information:

- (a) Description and value of municipal assets that were lost during the reporting period, due to theft or vandalism
- (b) List of assets that were damaged and not replaced.
- (c) Description and value of municipal assets that were damaged beyond repair.

## **INSURANCE**

Management through the Insurance Unit must ensure that all applicable property of Councillors are being insured in terms of SASRIA.

## **AWARENESS, TRAINING AND DEVELOPMENT**

After approval of this policy by Council or reviewed annually, it will be expected from every Head of Department to create awareness in his or her department about the following:

- (a) Reasons for the municipality's zero tolerance stance towards losses pertaining to damage to property, loss of income, theft of assets, material and equipment.
- (b) Applicable parts of this policy.
- (c) Role and responsibility of every official in the Loss Control process.

## **POLITICAL OVERSIGHT**

The oversight function regarding the implementation of the Loss Control Policy resides with every Section 79 Oversight Committee.

## **CUSTODIAN**

The Risk Management Unit shall serve as the custodian of this policy.

## **COMMENCEMENT**

This policy will come into effect on the 1<sup>st</sup> of July 2024 and reviewable on an annual basis.