



FETAKGOMO TUBATSE
LOCAL MUNICIPALITY

LOSS CONTROL POLICY

2021/2022

FETAKGOMO TUBATSE
MUNICIPALITY

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ABSTRACT

The aim of this policy provides a framework to enable the municipality to prevent, limit or reduce losses such as damage to property, loss of income, theft of assets as well as material and equipment. This policy is part of the internal Control Framework of the municipality. Strategically, the policy forms part of the Administrations endeavors to reach the IDP objective of ensuring good governance and institutional development. It also serves as a basis for the development of loss control plans and procedures

COUNCIL RESOLUTION No.....DATED.....

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1. INTRODUCTION

- 1.1. The municipality is a service delivery instrument with a Constitutional mandate to render specified municipal services to a specific community.
- 1.2. From a strategic perspective, the challenge is that the municipality does not have adequate resources in terms of human resource capital, finance, equipment and material, to render services in accordance with the expectations of the community.
- 1.3. From a management perspective, this leads to inter-alia have the following strategic focus area namely: "Optimal utilisation of available human capital, finances, equipment and material."
- 1.4. Unabated losses, sabotage the ability of the municipality, to render affordable and sustainable municipal services.
- 1.5. It is for this reason that a loss control policy is formulated.

2. PURPOSE OF THE LOSS CONTROL POLICY.

- 2.1. The Loss Control Policy provides a framework to enable the municipality to prevent, limit or reduce losses such as damage to property, loss of income, theft of assets as well as material and equipment.
- 2.2. The policy is part of the internal Control Framework of the Municipality.
- 2.3. Strategically, the policy forms part of the Administration's endeavour to reach the IDP objective of ensuring good governance and institutional development.
- 2.4. It also serves as a basis for the development of loss plans and procedures.

3. LOSS CONTROL POLICY STATEMENT.

- 3.1. The risk of losses such as damage to municipal property, loss of income, theft of assets as well as material and equipment, is ever present in all organisations..
- 3.2. These experience is shown that Fetakgomo Tubatse Municipality is not immune to the possibility of losses.

- 3.3. These losses sabotage the municipality in its efforts to render affordable and sustainable municipal services to the municipality.
- 3.4. Management has an obligation to ensure that sound internal controls are in place and that all municipal activities are conducted in compliance with these internal controls.
- 3.5. The Municipal Manager, has committed the Fetakgomo Tubatse Municipality to a zero tolerance stance with regards to losses pertaining to municipal property, loss of income, theft of assets as well as material and equipment.
- 3.6. The Municipal Manager, will endeavour to work closely with all officials to successfully prevent losses and will take action against personnel who are found to be responsible for damage to municipal property, loss of income, theft of assets as well as material and equipment.
- 3.7. Let's us all work together to optimise the use of council property in our endeavours to render affordable and sustainable municipal services to our community.

4. SOPE AND APPLICATION.

- 4.1. This policy is applicable on all Councillors, Officials and service providers of the Fetakgomo Tubatse municipality.
- 4.2. It covers all circumstances where staff and service providers are performing work, duties or functions for the municipality, as well as related activities, such as work related social functions, travel, conferences and any circumstances where a person is representing the Fetakgomo Tubatse Local Municipality.

5. LEGISLATIVE BASIS.

- 5.1. This Loss Control Policy is based on the following:

5.1.1. LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT NO.56 OF 2003.

- 5.1.1.1. The FMA compels the Accounting Officer and officials to ensure that an effective, efficient and transparent system is in place to prevent losses and to ensure the safeguarding and maintenance of all assets of the municipality.

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- 5.1.1.2. Besides the minimising of losses, the MFMA also compels Council and Management to recoup losses from persons that are found to be responsible for a loss.
- 5.1.1.3. It is stated in Section 32 of the MFMA that: "Unauthorised, irregular or fruitless and wasteful expenditure: (1) without limiting liability in terms of the common law or other legislation-
- (a) a political office-bearer of a municipality is liable for unauthorised 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 unauthorised expenditure, instructed an official of the municipality to incur the expenditure;
 - (b) the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3);
 - (c) any political office bearer or officials of a municipality who deliberately or negligently committed, made or authorised 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 authorised a fruitless and wasteful expenditure is liable for that expenditure.
- (2) A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that Expenditure unless the expenditure-
- (a) in the case of unauthorised expenditure, is
 - (i) authorised 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 of the executive committee of the municipality, as the case may be, has taken

a decision which if implemented, is likely to result in unauthorized, 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 the mayor, the MEC for Local government in the province and the Auditor General, in writing, of
- (a) any unauthorised, irregular or fruitful 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 of in terms of subsection (2) of any unauthorised, irregular or fruitful 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 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,



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 is applicable on loss control.

GOVERNMENT INTEGRITY MANAGEMENT FRAMEWORK: 2015

The entire framework is applicable on loss control.

PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT (12 OF 2004).

The entire act is applicable on loss control.

6. DEFINITION OF CONCEPTS.

6.1. LOSS CONTROL.

- 6.1.1. Loss control is 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.
- 6.1.2. It refers to a multidisciplinary approach in which human, engineering, and management practices are employed to reduce the frequency or severity of losses.

6.2. MUNICIPALITY.

- 6.2.1. The term refers to a legal entity that is established in terms of the:
 - 6.2.1.1. Constitution of the Republic of South Africa, as adopted on 8 May 1996.
 - 6.2.1.2. Local Government Municipal Structures Act 177 of 1998.
 - 6.2.1.3. When referred to as a corporate body, it means a municipality as described in section 2 of the Municipal Systems Act 32 of 2000.
 - 6.2.1.4. When referred to as a geographic area, it means a municipal area determined in terms of the Local Government: Municipal Demarcation Act No.27 of 1998.

6.3.ASSETS.

6.3.1. The following describes the municipality's understanding of the terms: an item of property owned by the municipality, regarded as having value to render municipal services, meet debts, commitments, or legacies. "Or "Something valuable that the municipality owns, benefits from, or has use of, in generating income. Or"an asset is an economic resource. "Or "Something that an entity has acquired or purchased, and that has monetary value (its cost, book value, market value, or residual value).

6.3.2. An asset can be (1) something physical, such as cash, machinery, inventory, land and building (2) an enforceable claim against others, such as accounts receivable (3) right, such as copyright, patent, trademark, or (4) an assumption, such as goodwill. Assets shown on their owner's balance sheet are usually classified according to the ease with which they can be converted into cash."

6.4.EQUIPMENT.

6.4.1. Equipment is a specific type of asset. The following describes the municipality's understanding of the term: "Equipment is defined as any instrument, machine, apparatus, or set of articles that retains its original shape, appearance, and /or character with use".

6.5.MATERIAL.

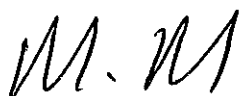
6.5.1. The following describes the municipality's understanding of the term: "items that the municipality uses to render municipal services such as fuel, oil, cement, chemicals, stationery, and telephone time and computer data."

6.6.COUNCIL.

6.6.1. This terms refers to the Municipal Manager as appointed in terms of section 18 of the Municipal Structures Act, 1998 Act No.117 of 1998.

6.7.HEAD OF DEPARTMENT.

6.7.1. The term Head of Department applies to appointed post holders who have the responsibility for either a department such as Financial Services or a unit such as the internal Unit.



6.7.2. It also refers to a manager as per section 56 of the Local Government Municipal Systems Act 32 of 200.

6.8.MANAGER.

6.8.1. From a municipal perspective, the term refers to an official appointed by the institution who is responsible for controlling or administering a group of staff, with the objective of rendering a specific municipal service.

6.9.SUPERVISOR.

6.9.1. The term refers to an official who supervises an official or an activity in the Fetakgomo Tubatse Local Municipality.

6.10. OFFICIAL

6.10.1. This term refers to:

6.10.1.1. An employee of the Fetakgomo Tubatse Local Municipality.

6.10.1.2. A person seconded to the Fetakgomo Tubatse Local Municipality.

6.10.1.3. A person contracted by the municipality.

6.11. MUNICIPAL SERVICE.

6.11.1. "Municipal service "has the meaning assigned to it in section 1 of the Municipal Systems Act 32 of 200.

6.12. RESPONSIBILITY.

6.12.1. The term refers to:

6.12.1.1. The state of fact of having a duty to deal with something or of having control over someone.

6.12.1.2. A duty or obligation to satisfactorily perform or complete a task (assigned by someone), that one must fulfil, and which has a consequent penalty for failure (Reference: Business Directory).

6.13. INVESTIGATION.

6.13.1. The term refers to: "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."

6.14. EVIDENCE.

6.14.1. This term refers to: “the available body of facts or information indicating whether a belief or proposition is true or valid “or evidence is anything that you see, experience, read, or are told that causes you to believe that something is true or has really happened.

6.15. PRIMA-FACIE.

6.15.1. The term refers to 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 in the first appearance.”

6.16. IRREGULAR EXPENDITURE.

6.16.1. It is stipulated in section 32 of the Local Government: Municipal Finance management Act 56 of 2003 that the term “irregular expenditure”, refers to:

6.16.1.1. “expenditure incurred by a municipality or municipal entity in contravention of, or that did not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

6.16.1.2. expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act:

6.16.1.3. expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office Bearers Act, 1998 (Act No. 20 of 1998); or

6.16.1.4. expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure.”



6.17. FRUITLESS AND WASTEFUL EXPENDITURE.

6.17.1. It is stipulated in Section 32 of the Local Government: Municipal Finance management Act 56 of 2003 that the term “Fruitless and wasteful expenditure” refers to; “Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

6.18. CRIMINAL OFFENCE.

6.18.1. This refers to any act as described in the Criminal Procedure Act 51 of 1977.

6.19. INTERNAL CONTROLS.

6.19.1. The Committee of Sponsoring Organisations of the Treadway Commission (COSO) defines internal control as: “A process, effected by an entity’s board of directors, management and other personnel, designed to provide “reasonable assurance “regarding the achievement of objectives in the following categories:

6.19.1.1. Effectiveness and efficiency of operations

6.19.1.2. Reliability of financial reporting

6.19.1.3. Compliance with applicable laws and regulations.”

6.19.2. Internal Controls can be preventative, detective or corrective in nature.

6.19.2.1. Preventative Controls are designed to keep errors or irregularities from occurring in the first place;

6.19.2.2. Detective Controls are designed to detect errors or irregularities that may have occurred;

6.19.2.3. Corrective Controls are designed to correct errors or irregularities that have been detected.

6.20. INTERNAL CONTROL FRAMEWORK.

6.20.1. The COSO internal control framework consists of five interrelated components derived from the way management runs a business. According to COSO, these components provide an effective framework for describing and analysing the internal control system implemented in an organisation as required by financial regulations (see Securities Exchange Act of 1934,). The five components are the following:

- 6.20.1.1. **Control environment:** the control environment sets the tone of an organisation, influencing the control consciousness of its people. It is the foundation for all other components on internal control, providing discipline and structure. Control environment factors include the integrity, ethical values, management operating style, delegation of authority systems, as well as the processes for managing and developing people in the organisation.
- 6.20.1.2. **Risk assessment.** Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives and thus risk assessment is the identification and analysis of relevant risks to the achievement of assigned objectives. Risk assessment is a prerequisite for determining how the risks should be managed.
- 6.20.1.3. **Control activities.** Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address the risks that may hinder the achievement of the entity's objectives. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.
- 6.20.1.4. **Information and communication.** Information systems plays a key role in internal systems as they produce reports, including operational, financial and compliance-related information, that make it possible to run and control the business. In a broader sense, effective communications must ensure information flows down, across and up the organisation. For example, formalised procedures exist for people to report suspected fraud. Effective communication should also be ensured with external parties, such as customers, regulators and shareholders about related policy positions.
- 6.20.1.5. **Monitoring.** Internal control systems need to be monitored-a process that assesses the quality of the systems performance over time. This is accomplished through ongoing monitoring activities or separate evaluations. Internal control deficiencies detected through these

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monitoring activities should be reported upstream and actions be taken to ensure continuous improvement of the system.

6.21. MUNICIPAL REGULATIONS ON FINANCIAL MISCONDUCT (MFMA CIRCULAR 76) DISCIPLINARY BOARD TO INVESTIGATE FINANCIAL MISCONDUCT.

- 6.21.1. The Minister of Finance has, in terms of sections 168 and 175, of the Local Government: Municipal Finance management Act, 56 of 2003 promulgated new municipal regulations with regards to procedures and criminal proceedings, pertaining to financial misconduct.
- 6.21.2. These new regulations, were published in Government Gazette no 37699 dated 30 may 2014.(regulation R430)
- 6.21.3. In terms of section 4(1) of the Regulations, a municipal council must establish a disciplinary board to investigate allegations of financial misconduct and monitor the institution of disciplinary proceedings against an alleged transgressor.

6.22. DISCIPLINARY BOARD.

- 6.22.1. In terms of section 4 (1) of the Regulation R 430.”A disciplinary board is an independent advisory body that assist the council with the investigation of allegations of financial misconduct, and provide recommendations on further steps to be taken regarding disciplinary proceedings, or any other relevant steps to be taken.”

6.23. OBJECTIVE OF THIS POLICY.

- 6.23.1. The Fetakgomo Tubatse Municipality hope to achieve the following objectives with this policy:
 - 6.23.1.1. Create a culture where officials take care of municipal assets, material and equipment.
 - 6.23.1.2. To prevent and/or minimize loss and damage to municipal assets.
 - 6.23.1.3. If losses/damage occurred, to prevent a similar incident in the future.

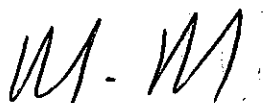


- 6.23.1.4. In cases of negligence or misconduct, to hold officials responsible for damage or loss of municipal assets, material and equipment, by recouping the losses from them.
- 6.23.1.5. Mitigate the strategic risk where the municipality's inputs in terms of resources, does not result in an equally positive outcome in terms of service delivery.

6.24. TYPES OF LOSSES AND DAMAGES.

6.24.1. In terms of this policy, the following is envisaged to prevent and or minimize the following losses:

- 6.24.1.1. Damage and/or vandalizing of immovable assets such as municipal buildings, water reticulation infrastructure, roads, electricity sub-stations, robots, etc.
- 6.24.1.2. Damage and /or vandalising of movable assets such as motor vehicles.
- 6.24.1.3. Theft, robbery or hijacking of movable assets
- 6.24.1.4. Misuse of immovable and movable assets.
- 6.24.1.5. Damage to municipal property and equipment due to reckless and/or negligent handling of such equipment and property.
- 6.24.1.6. Theft of water and electricity.
- 6.24.1.7. Theft of material such as fuel and cement.
- 6.24.1.8. Wasting of water.
- 6.24.1.9. Wasting of council material such as chemicals to purify water.
- 6.24.1.10. Unauthorised use of council property such as motor vehicles and copiers.
- 6.24.1.11. Rent paid for offices not in use.
- 6.24.1.12. Payment of salaries after death of an official or termination of his/her services.
- 6.24.1.13. Incorrect increase of salaries/benefits.
- 6.24.1.14. Fruitless, wasteful and unauthorised expenditure.
- 6.24.1.15. "Ghost workers" in salary system.
- 6.24.1.16. Any payment to a service provider for which the full value was not received.



- 6.24.1.17. Paying for two officials booked for training when only one actually attended.
- 6.24.1.18. No value for money for services rendered to the municipality.
- 6.24.1.19. Expenditure made in vain, e.g. paying for ten chairs when only 5 is actually needed.
- 6.24.1.20. Losses due to fraudulent/corrupt/criminal activities.
- 6.24.1.21. Losses due to negligent/weak supervision.
- 6.24.1.22. Personnel not at work without prior permission.
- 6.24.1.23. Personnel on leave but approved leave days are not reflected on leave system.
- 6.24.1.24. Low productivity.
- 6.24.1.25. Using of municipal vehicles for private gain.

6.25. ROLE PLAYERS.

6.25.1. The following are responsible for the implementation of this policy.

- 6.25.1.1. Council
- 6.25.1.2. Section 79 Oversight Committees
- 6.25.1.3. Executive Mayor
- 6.25.1.4. Members of the Mayoral Committee
- 6.25.1.5. Municipal Manager
- 6.25.1.6. Chief Financial Manager
- 6.25.1.7. Directors/senior managers
- 6.25.1.8. Managers
- 6.25.1.9. Supervisors
- 6.25.1.10. Internal Audit Unit
- 6.25.1.11. Risk Management Unit

6.26. RESPONSIBILITIES.

6.26.1. MAYOR AND MEMBERS OF THE EXECUTIVE COMMITTEE.

6.26.1.1. It is the responsibility of the Mayor and Executive Committee to set the tone for the prevention and combating of losses pertaining to municipal assets, loss of income, as well as material and equipment.

6.26.1.2. They must provide political leadership and support to the Administration in its endeavours to optimise the use of municipal assets as well as material and equipment.

6.26.2. MUNICIPAL MANAGER.

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

6.26.2.2. It is also the responsibility of the Municipal manager/or any

6.26.2.3. one delegated by the Municipal manager to make sure that all Heads of departments/units, indeed fulfil their responsibilities in terms of this policy.

6.26.3. HEADS OF DEPARTMENTS.

6.26.3.1. 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, well maintained and kept safe.

6.26.3.2. 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.

- a. 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.

6.26.4. SENIOR MANAGERS/MANAGERS AND SUPERVISORS.

6.26.4.1. It is the responsibility of every Senior Manager /Managers/ Supervisor to ensure that all internal controls that support this policy are strictly enforced.

6.26.4.2. They must fulfil their supervisory duties in such a way that all losses are either prevented, minimised or detected.



6.26.5. RESPONSIBILITY OF THE CHIEF RISK OFFICER.

6.26.5.1. It is the responsibility of the Chief Risk Officer to:

- (a) 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 for every department.
- (b) Brief new appointees during the induction programme with regards to the zero tolerance stance of the Fetakgomo Tubatse local Municipality pertaining to losses.
- (c) Distribute the Loss control policy statement to all Service Centres.
- (d) Publish the Loss Control Policy Statement on Councils website.

6.26.6. RESPONSIBILITY OF THE CHIEF AUDIT EXECUTIVE.

6.26.6.1. It is the responsibility of the Chief Audit Executive to:

- (a) Conducting of regular audits to provide assurance that all role players adhere to this policy.

6.26.7. RESPONSIBILITIES OF SENIOR MANAGER: SECURITY.

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

- (a) Investigate all cases of theft and damage to municipal property.
- (b) After finalisation of the case, a report must be submitted to the Accounting Officer and/or delegated authority.
 - i) If there is a prima-face evidence of misconduct/criminal behaviour, recommendations needs to be made about possible options in relation to consequences management.
 - ii) Recommendations must also be made with regards to the prevention of similar losses.

6.26.8. RESPONSIBILITIES OF THE DISCIPLINARY BOARD.

6.26.8.2. 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). It is stipulated in section 171(1) of the MFMA that (1)

6.26.8.3. "The accounting officer of a municipality commits an act of financial misconduct if that accounting officer deliberately or negligently-

- (a) Contravenes a provision of this Act;
- (b) Fails to comply with a duty imposed by a provision of this Act on the accounting officer of a municipality;
- (c) Makes or permits, or instructs another official of the municipality to make, an unauthorised, irregular or fruitless and wasteful expenditure, or
- (d) Provides incorrect or misleading information in any document which in terms of a requirement of this Act must be-
 - i) Submitted to the mayor or the council of the municipality, or to the Auditor-General, the National Treasury or other organ of state; or made public

6.26.8.4. The Chief Financial Officer of a municipality commits an act of financial misconduct if that officer deliberately or negligently-

- (a) Fails to carry out a duty delegated to that officer in terms of section 79 or 81(1)(e)
- (b) Contravenes or fails to comply with a condition of any delegation of a power or duty in terms of section 79 or 81(1)(e);
- (c) Makes or permits, or instructs another official of the municipality to make, an unauthorised, irregular or fruitless and wasteful expenditure; or
- (d) Provides incorrect or misleading information to the accounting officer for the purpose of a document referred to in subsection (1) (d).

6.26.8.5. A senior manager or other official of a municipality exercising financial management responsibilities and to whom a power or duty was delegated in terms of section 79, commits an act of financial misconduct if that senior manager or official deliberately or negligently-

- (a) Fails to carry out the delegated duty;

- (b) Contravenes or fails to comply with a condition of the delegated power or duty;
- (c) Makes an unauthorised, irregular or fruitless and wasteful expenditure; or
- (d) Provides incorrect or misleading information to the accounting officer for the purposes of a document referred to in subsection (1) (d).
- (e) The disciplinary Board is mandated to conduct investigations against all officials of the municipality who exercise financial management responsibilities.

6.26.9. GENERAL RESPONSIBILITIES OF ALL MANAGERS/SUPERVISORS.

Managers/Supervisors are responsible for:

- (a) The conduct of all employees under their control.
- (b) All assets, equipment and material under their control.
- (c) Reporting any suspected or actual occurrences of any loss within their department or division to the Manager/head of Department.
- (d) Creating an environment shall be fostered by the departments own attitude to loss control by the accountability and integrity they display and encourage from their employees.
- (e) Ensuring that new employees for whom they are responsible, are aware of their responsibilities in relation to loss control
- (f) Identifying potential loss control risks, and
- (g) Leading by example to promote ethical behaviour.
- (h) Develop and maintain effective processes and controls to prevent and detect losses.
- (i) Ensure that data is secure and prevent unauthorised access to it.
- (j) Ensure that internal controls are complied with at all times.
- (k) Ensure that all employees understand the importance of loss control.
- (l) Ensure that all relevant legislation and policies are being adhered to.

6.26.10. 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 for municipal property which includes avoiding the waste or misuse of the resources;
- (d) Maintaining and enhancing the reputation of the Fetakgomo Tubatse local Municipality.
- (e) Reporting any occurrences 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.

6.26.11. CONTROLS.

6.26.11.1. PREVENTION CONTROLS.

Preventative controls are designed to keep irregularities from occurring in the first place.

The following controls must be implemented and adhered to:

6.26.12. GENERAL MANAGEMENT.

All heads of departments must ensure that the following prevention controls are in place and functional in their departments:

- (a) General understanding amongst personnel that losses with regards to damage to property, loss of income, theft of assets as well as materials and equipment, amounts to the sabotaging of the municipality's efforts to ensure that affordable and sustainable municipal services are being rendered to the community.
- (b) Understanding amongst personnel that the municipality maintains a zero tolerance policy pertaining to losses.
- (c) Personnel are property trained and capacitated to fulfil their daily duties.

- (d) Promotion of the Code of Conduct as set out in schedule 2 of the Local Government: Municipal Systems Act. (Act 32/2000).

6.26.13. RISK ASSESSMENT.

- 6.26.13.1. Risk Management is about the identification, evaluation and minimising of identifiable risks.
- 6.26.13.2. The Councils risk assessment process must be ongoing and be sufficiently robust to enable all loss control risks to be identified.
- 6.26.13.3. Risk assessment should address both the internal and external environment of council.
- 6.26.13.4. It should also cover all functions and operations to establish the level, nature, form and likelihood of risk exposure.
- 6.26.13.5. Loss control risk indicators may include the following
- (a) Asset misappropriation.
 - (b) Theft of cash
 - (c) False payment requests.
 - (d) Cheque fraud.
 - (e) Billing schemes to defraud the municipality.
 - (f) Misuse of accounts (stealing of passwords)
 - (g) Improper revenue recognition.
 - (h) Misstatement of assets, liabilities and/or expenses.
 - (i) Other accounting misstatements;
 - (j) Journal entry fraud by using journal entries to fraudulently adjust financial statement/figures.
 - (k) Falsified employment credentials.
 - (l) Conflict of interest.
 - (m) Kickbacks
 - (n) Personal interests
 - (o) Bribery
 - (p) Extortion.

6.26.14. DETECTION CONTROLS.

No system of preventative measures can guarantee that losses will not occur. The municipality can however, implement the following detection controls to identify irregular activity.

6.26.14.1. INTERNAL CONTROL FRAMEWORK.

6.26.14.1.1. The Municipal Manager must ensure that an Internal Control Framework is maintained.

6.26.14.1.2. It is the responsibility of all Heads of Departments to ensure that all aspects of the Internal Control Framework is adhered to by all personnel.

6.26.14.1.3. It is the duty of the Internal Audit to conduct regular audits to provide assurance that all role players indeed adhere to the Internal control Framework.

6.26.15. MANAGEMENT SUPERVISION.

6.26.15.1.1. Proper management supervision is very important to detect possible losses.

6.26.15.1.2. It is therefore the duty of every supervisor and manager to monitor the work of employees and ensure strict adherence to the Internal Control Framework.

6.26.16. FLEET MANAGEMENT.

6.26.16.1.1. The Fleet Manager must monitor the use of fuel, oil and motor vehicles parts such as batteries and tyres, to ensure that it is not misused or stolen.

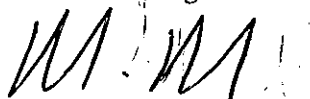
6.26.16.1.2. The incumbent must by means of the fleet management system such as E-Fuelling, monitor excessive fuel consumption. If excessive use of fuel is detected, the Head of department must be informed immediately.

6.26.16.1.3. The latter must instruct the relevant supervisor/manager to investigate the matter and submit a report to the Head of department.

6.26.16.1.4. Based on the report, the head of department must institute measures to prevent a reoccurrence of the excessive use of fuel or in the case of alleged misconduct, institute disciplinary action.

6.26.16.1.5. The Fleet management Unit must on a quarterly basis, submit vehicle usage reports to the relevant Head of Department. These reports must at least, include the following information:

- (a) Distance travelled by the vehicle



- (b) Average fuel usage.
- (c) Was the vehicle in an accident or damaged during the reporting period?
- (d) Did the vehicle breakdown during the period? If so, what was the reason and what was the cost to repair the vehicle?
- (e) Were tyres/batteries/parts replaced on the vehicles during the reporting period?
- (f) Was the vehicles used outside the boundaries of the Fetakgomo Tubatse Local Municipality.
- (g) The Head of Department must then comment on the fleet management report and submit it to the relevant number of the Executive Committee.

6.27.17. CORRECTIVE CONTROLS.

6.27.17.1. Corrective controls are designed to correct errors or irregularities that have been detected.

6.27.17.2. . Matters need to be handled professionally having regard for labour relation guidelines in order to minimise the risk of claims for unfair dismissal, should this course of action be taken.

6.27.17.3. The following corrective controls must be implemented.

6.27.18. REPORTING OF LOSSES/DAMAGES.

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

6.27.18.2. The head of department must then report such a damage/loss/theft to the:

- (a) Insurance unit
- (b) Department of Financial services (Asset management Unit, if the loss/damage is in connection with assets)
- (c) Internal Audit (if the loss is pertaining for fruitless, wasteful or irregular expenditure and not value for money)

(d) Department of Public Safety (Security Division, in cases of theft/damage to municipal property).

6.27.19. RECORDING OF LOSSES.

6.27.19.1. Every Head of department must ensure that all losses/damage in his/her department are recorded to reflect the following:

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

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

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

6.27.20. INVESTIGATION OF POSSIBLE LOSSES/DAMAGES/MISUSE /THEFT OF ASSETS EQUIPMENT AND MATERIAL.

6.27.20.1. After a loss/damage/misuse/theft of equipment was reported to the Head of Department, the circumstances that resulted in the loss/damage /misuse of equipment, must be investigated.

6.27.20.2. To conduct such an investigation, the Head of Department must appoint a Manager/Supervisor in his /her department to conduct the investigation.

6.27.20.3. The investigation must be conducted within seven working days after the appointment

6.27.20.4. After the completion of the investigation, a written report must be submitted to the Head of department.

6.27.20.5. The Head of Department must consider the report and take appropriate action 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 minimise the negative impact.



- (C) Identify a possible legal liability risk. If so, the Head of department must within 24 hours liaise with the Head of Legal services department so that steps can be taken to mitigate this risk. The Municipal manager and the asset unit must also be informed.
- (d) Identify a possible reputation risk. If so, the Head of Department must within 24 hours liaise with the Director appointed by the Accounting Officer to mitigate this risk. The Accounting Officer must also be informed.
- (e) Initiate disciplinary action if deemed imperative.
- (f) Report a criminal case to the SAPS (South African Police Service) after liaising with the Director 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 Director Corporate Services.

6.27.21. FINANCIAL LOSSES.

- (a) If the said loss is in relation to Section 171 of the Local Government: Municipal Finance Management Act (MFMA) Act No. 53 of 2003, the Municipal Manager must be informed.
- (b) The Municipal Manager must then follow due procedures to activate the Disciplinary Board.

6.27.22. ROAD INFRASTRUCTURE.

- (a) If the road traffic infrastructure such as roads are being damaged during motor vehicle accidents where private individuals are involved, the Traffic Division must solicit the particulars of the driver as well as the circumstances relating to the accident, from the SA Police Service
- (b) The Traffic Division must submit the above mentioned information to the Legal unit. The latter must then evaluate the circumstances and institute a civil claim against the culprit.
- (c) If the municipal roads are being damaged by heavy laden vehicles and the quality party is known. The legal department must institute a civil claim against the culprit in order to recover expenses to repair the damage.

6.27.23. ACCIDENTS WITH MUNICIPAL VEHICLES.

- (a) In the case of a vehicle accident, within the municipal boundary of the Fetakgomo Tubatse Local Municipality, the driver of the vehicle/immediate supervisor/or manager, must immediately inform the Traffic Division and Head of the Department.
- (b) The Traffic Division must then attend to the scene of the accident and conduct an investigation to establish if there is a prima-facie evidence of reckless or negligent driving as well as driving under the influence of a narcotic substance.
- (c) If there appears to be prima-facie evidence of any of the above misconduct, the Traffic Division must report the matter to the SA Police Service.
- (d) The relevant head of Department as well as the Fleet Manager, must be informed.
- (e) In cases where a case is reported to SAPS, the Head of Department must also inform the Municipal manager as well as the Director Corporate Services
- (f) The Traffic Division must with 24hours after the accident, submit a copy of the accident report to the Head of the Department and to the Asset Unit for insurance claim purpose.

6.27.23.1. Based on the accident report as received from the Traffic Division, the Head of Department must consider the report and take appropriate action 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 minimise the negative impact.
- (c) Identify a possible legal liability risk. If so, the Head of Department must with 24 hours liaise with the head Legal services Unit so that steps can be taken to mitigate this risk. The Municipal Manager and the Asset Unit must also be informed.
- (d) Identify a possible reputation risk. If so, the Head of Department must with 24 hours liaise with the Director Corporate Services to mitigate the risk. The Municipal manager must also be informed.
- (e) Initiate disciplinary action if deemed imperative.
- (f) Initiate steps to recoup money from officials who are responsible for the damage/los/misuse of assets, equipment/material, after liaising with the Municipal Manager, Chief Financial Officer and Director Corporate Services.

6.27.23.2. If a municipal driver is involved in a motor accident on more than two occasions, the matter must be reported to the Fleet Manager, by the Head of Department.

6.27.23.3. The fleet manager must then institute an investigation to establish whether

there is training support needed. The driver must also undergo the applicable eye tests to establish whether there are any underlying causes for the accidents,

- 6.27.23.4. The traffic Division must as part of their daily duties, conduct routine inspections on municipal vehicles to determine if they are roadworthy. If not, the Traffic Division must enforce the Road Traffic Act.No.93 of 1996.
- 6.27.23.5. If the motor vehicle accident occurred outside the boundary of the Fetakgomo Tubatse local municipality, the accident must with 24 hours, be reported to the police station nearest to the scene of the accident.
- 6.27.23.6. The driver of the vehicle/supervisor/manager must duly submit a report with a copy of the accident report that was submitted to the SAPS, to the Head of Department as well as the Fleet Management and the Asset for insurance purpose.

6.27.24. FLEET MANAGEMENT.

- (a) The Head of a Department in conjunction with the Fleet manager must ensure that no municipal vehicle is used for private gain or for any non-municipal/private matter.
- (b) Heads of departments must ensure that proper internal controls are in place to prevent vehicles from being privately used.
- (c) If a vehicle is privately used, the Head of the Department must institute disciplinary action and take the applicable steps to prevent a similar occurrence in the future.

6.27.25. CONSEQUENCES MANAGEMENT.

The following must be implemented.

6.27.25 .1. DISCIPLINARY ACTION.

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

6.27.25.2. REPORTING OF THE CASE TO THE SA POLICE SERVICE.

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

6.27.25.3. RECOVERY OF LOSSES.

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

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

6.27.25.4. 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/damage. Undertakes to pay the loss/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 with 24 months, an understanding must be obtain him/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.

6.27.25.5. CANCELATION OF CONTRACTS.

If it is to be found that service providers are being responsible for nay municipal losses, the Municipal Manager in conjunction with the Chief Financial Officer, Legal Services and the relevant Head of Department, must contemplate the possible cancelling of the said contract with the service provider.

6.27.25.6. REPORTING: REPORTING OF SERIOUS VEHICLE ACCIDENTS.

- (a) In cases where motor vehicles are badly damaged or written off during an accident, and/or personnel/Councillors seriously injured/killed, the Head of the Department must duly inform the Municipal Manager as well as the relevant Member of the Executive Committee.
- (b) If councillors are involved, the Speaker must be duly informed.

6.27.25.7. REPORTING OF SERIOUS LOSSES/DAMAGE TO ASSETS.

The Head of a Department must duly report all damages/losses/theft of R200 00-00 and more, to the Municipal Manager and applicable Member of the Executive Committee.

6.27.26. REPORTS TO COUNCIL.

The Asset Management Unit must on annual basis, submit a report to Council with the following information:

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

6.27.27. DAMAGE/LOSSES OF PROPERTY BELONGING TO COUNCILLORS.

- (a) The OFFICE OF Council in conjunction with the Asset Unit, must ensure that all applicable property of Councillors are being insured in terms of SASRIA.
- (b) The Manager in the Office of Council must ensure that all councillors are duly informed with regards to applicable procedures pertaining to insurance claims.

6.27.28. AWARENESS, TRAINING AND DEVELOPMENT.

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

- (a) Why is imperative to ensure the optimal utilisation of available human capital, finances, equipment and material.
- (b) Reasons for the municipality's zero tolerance stance towards losses pertaining to damage to property, loss of income, theft of assets as well as material and equipment.
- (c) Applicable parts of this policy.
- (d) Role and responsibility of every official in the Loss Control process.
- (e) Whistle Blower information.

6.27.29. OTHER POLICIES.

There are several other policies that also provide for the prevention of losses and/or the recouping thereof from the relevant responsible personnel. Examples of such policies are:

- (a) Fraud and Corruption prevention and detection policy.
- (b) Fleet Management Policy.

- (c) Supply Chain Management Policy.
- (d) Asset Management Policy.
- (e) Telephone Usage Policy
- (f) Overtime Policy.
- (g) Remuneration Policy

It is expected from all Heads of Departments to implement all applicable policies to prevent, limit or reduce losses such as damage to property, loss of income, theft of assets as well as material and equipment.

6.27.30. POLITICAL OVERSIGHT.

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

6.27.31. CUSTODIAN.

- (a) The Asset Management Unit shall serve as the custodian of this policy.
- (b) Formulate a Loss control Policy and Loss Control Plan.

6.27.32. POLICY REVIEW.

The Loss Control Policy and the plan will reviewed annually.

6.27.33.PENALTIES.

Non-compliance to any of the stipulations contained in this policy will be regarded as misconduct, which will be dealt with in terms of the Disciplinary Code

6.27.32. COMMENCEMENT.

This policy will come into effect for implementation once recommended by the Local Labour Forum and approved by Council.

