

MOSES KOTANE LOCAL MUNICIPALITY LOSS CONTROL POLICY



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MOSES KOTANE LOCAL MUNICIPALITY LOSS CONTROL POLICY

PREAMBLE

The Loss Control Policy provides a framework within which Moses Kotane Local Municipality will prevent, minimise and manage losses incurred by the municipality. The policy also serves as the foundation for the development and implementation of effective loss control strategies, internal controls and risk management practices.

This policy seeks to ensure accountability, transparency and the efficient use of municipal resources while safeguarding municipal assets against loss, theft, damage, fraud and other irregularities.

2. ESTABLISHMENT AND IMPLEMENTATION OF LOSS CONTROL POLICY AND PROCEDURE

Legislative Framework

This policy is developed in accordance with the provisions of the Municipal Finance Management Act.

Section 62(1)(c) of the MFMA states that the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality and must take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management as well as internal control.

Section 78(1)(b–e) of the MFMA further places responsibility on every official within a municipality to ensure the effective, efficient, economical and transparent use of financial and other resources within their areas of responsibility.

Officials must take effective and appropriate steps to prevent:

- Unauthorised expenditure
- Irregular expenditure
- Fruitless and wasteful expenditure
- Under-collection of revenue due to the municipality

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3. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- A. Establish a uniform reporting procedure to ensure effective management and control of municipal losses.
- B. Promote accountability and proper management of municipal assets.
- C. Create an environment that supports effective internal controls and risk management systems
- D. Ensure that clear procedures are followed when municipal assets are lost, stolen or damaged.

4. TYPES OF LOSSES, DAMAGES AND FRAUD

Losses may occur in various forms, including but not limited to the following:

A) Loss, theft or damage of immovable assets

- Rental payments made for offices or facilities not in use.

B) Loss, theft or damage of movable assets

- Municipal vehicles (e.g. theft, hijacking, accidents or damages)
- Traffic fines such as parking fines or fines for unroadworthy vehicles
- Storage charges and penalties resulting from late submissions to the Department of Transport
- Official cell phones lost through theft or negligence
- Office equipment such as furniture, computers, printers, photocopiers and air-conditioners
- Tools and maintenance equipment

C) Loss, theft or damage of inventory items

- Stationery
- Electrical materials
- Water maintenance materials
- Building maintenance materials
- Cleaning materials and other inventory items

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D) Loss of municipal funds and face-value documents

- Cash theft or shortages (petty cash, rentals, billing revenue, bidding deposits)

E) Claims against the municipality

- Civil claims resulting from acts or omissions of municipal officials.

F) Claims by the municipality against other persons

- Overpaid salaries after resignation, termination or death
- Salaries paid to officials under suspension
- Irrecoverable rates and taxes
- Irrecoverable rentals or service fees

G) Fraud with financial implications

- Criminal or negligent conduct by officials
- Unauthorised payments
- Fraudulent electronic transfers
- Unauthorised orders
- Ghost employees

H) Fruitless and wasteful expenditure

- Interest incurred due to late payments to creditors
- Payments where value for money was not received
- Expenditure made in vain which could have been avoided through reasonable care
- Losses due to misrepresentation during tender or bid allocations

I) Other losses

- Poor management practices
- Attempted fraud without financial loss
- Departmental write-offs
- Any other losses not specifically listed above.

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5. RESPONSIBILITY FOR SAFEGUARDING ASSETS

A) Safekeeping of assets

Each Head of Department (HOD) is responsible for the safekeeping and control of assets under their department.

Heads of Department must ensure that appropriate internal controls are implemented to safeguard municipal assets and ensure that all assets are properly accounted for.

They must also comply with any written directives issued by the Chief Financial Officer (CFO) regarding asset control and management.

B) Maintenance of assets

Heads of Department are responsible for ensuring that all assets under their control are properly maintained so that they can achieve their intended useful lifespan.

C) Accountability for assets

End-users are accountable for assets allocated to them and must ensure that:

- Assets are properly maintained
- Assets are kept safe at all times
- Assets are used solely for official municipal purposes.

6. MANAGEMENT OF LOSSES

6.1 Reporting of Losses

- a) Any official who identifies a loss must report the incident to their supervisor and the Head of Department within **24 hours** of becoming aware of the incident.

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- b) The end-user must report all losses (including vehicle accidents) to the **South African Police Service (SAPS)** within **24 hours** and provide the case number to the Manager: Assets.
- c) All losses must also be reported to the **Asset Management Office** within 24 hours.
- d) The Manager: Assets will record the incident in the **Loss Control Register**.
- e) The Manager: Assets will notify the **Loss Control Committee** in writing.
- f) The Loss Control Committee will submit quarterly reports to the **Chief Financial Officer**, who will present them to the **Finance Portfolio Committee**.

6.2 Investigation of Losses

When the Manager: Assets receives a report of a loss, the following steps must be followed:

- Consider all legal and financial implications
- Refer the matter to the Loss Control Committee
- Conduct a detailed investigation
- Obtain legal advice where necessary
- Collect statements and documentary evidence
- Record all findings systematically.

The purpose of the investigation is to determine:

- The circumstances under which the loss occurred
- Whether negligence was involved
- Whether any official should be held liable.

A preliminary report must be prepared including:

- Description of the incident
- Observations
- Recommendations.

Loss reports must be submitted to the Loss Control Committee **monthly**.

6.3 Gathering of Information

During investigations, the Loss Control Committee must:

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- Verify the official version of events
- Identify responsible officials
- Collect job descriptions and proof of responsibilities
- Gather documentary evidence and certified copies of records
- Safeguard original documents
- Ensure data integrity and reliability.

All evidence collected may also be used in disciplinary proceedings where necessary.

6.4 Identification of Causes and Trends

The Loss Control Committee must determine:

- The root causes of losses
- Whether internal controls were inadequate
- Whether negligence occurred
- Whether recovery from responsible officials is possible.

Investigations must be conducted **immediately after a loss is reported** to preserve evidence.

6.5 Compilation of Reports

The Manager: Assets will compile a detailed report including:

- Findings of the investigation
- Supporting documentation
- Statements and evidence.

The Loss Control Committee will review the report and recommend appropriate action to the **Chief Financial Officer**.

6.6 Insurance

The Manager: Assets must:

- Submit insurance claims within **30 days** of the incident

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- Follow up with the insurance company until the claim is finalised.

Failure to submit claims within the required timeframe may result in the responsible official being held liable for the loss.

7. COMPOSITION OF THE LOSS CONTROL COMMITTEE

The Loss Control Committee will consist of at least **one representative from each directorate at Head of unit level.**

Standing members of the committee will be officials holding the following positions

Chairperson: Head of Unit – Risk Management

Secretariat: Head of Unit – Asset Management

HoU: ICT

Additional members will be appointed in writing by the Accounting Officer.

Responsibilities include:

- Recording losses in the loss register
- Investigating incidents
- Reporting losses to the Accounting Officer through the CFO
- Liaising with the Legal Directorate
- Conducting loss control awareness campaigns.

8. RECORD KEEPING

Loss records must include:

- Gross value of the loss
- Amount recovered
- Amount written off
- Authority for adjustment
- Updated asset and inventory records.

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9. RISK ASSURANCE

The municipality is responsible for damages arising from municipal activities where officials acted within the scope of their duties.

However, disciplinary action will be taken against officials who:

- Cause losses through negligence
- Abuse municipal resources
- Misuse municipal property.

10. DETERMINATION OF COSTS TO BE RECOVERED

Investigations must determine the full extent of the municipality's loss before recovery is pursued.

Key principles include:

- Insurance claims must be processed first.
- Officials may be liable for insurance excess if negligence is proven.
- If an insurance claim is declined, the responsible official may be liable for the **book value or market value of the asset (whichever is lower)**.

Where assets are fully depreciated, fixed recovery rates may apply.

Item	Amount
Laptop / Printer	R1 000
Water pump generator	R2 000
Furniture and fittings	R1 500
Fuel or oil	Full amount
Stock items	Market value

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11. WRITE-OFF, DISPOSAL AND RECOVERY

Write-off

Write-off refers to removing an asset or debt from the municipality's records after all recovery attempts have been exhausted.

Write-offs must comply with **MFMA and Treasury Regulations** and must be approved by the **Municipal Council**.

Disposal

Disposal refers to the removal of redundant or obsolete assets through:

- Transfer
- Sale
- Scrapping
- Donation.

12. RECOVERY PROCESS

Where officials accept liability:

- Payment may be made as a **once-off settlement** or through **monthly instalments**.

Where instalments exceed **12 months**, a financial disclosure statement must be submitted for approval.

13. ETHICAL STANDARDS

All officials must uphold high ethical standards and assist the Accounting Officer in preventing:

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- Fraud
- Corruption
- Favouritism
- Irregular practices.

Officials must report any suspected misconduct or irregular conduct in the municipal system.

14. APPLICATION OF THE POLICY

This policy applies to **all employees of Moses Kotane Local Municipality**.

Disciplinary action may be taken against officials who fail to comply with this policy.

15. OBJECTIONS AND COMPLAINTS

Any person aggrieved by a decision made under this policy may submit a written objection to the **Accounting Officer within 14 days** of the decision.

16. COMMENCEMENT

This policy becomes effective on the date it is **approved by the Municipal Council**.

17. REVIEW OF THE POLICY

This policy will be **reviewed annually** to ensure alignment with legislation and municipal operational requirements.