

# DEPARTMENT OF HUMAN SETTLEMENTS

## LOSS CONTROL POLICY

**2022**

Produced by:

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10.	Policy review	A lawsuit, action, interdict application, inquiry or dispute	22
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	Department	Department refers to the North West Department of Human Settlements	
	Departmental Loss Control Committee	A Committee at Head Office established by the Head of the Department to make recommendations and to advise him regarding all questions referred to it by the Loss Control Officer	
	Departmental Loss Control Officer	An Officer or Head officer assigned/appointed by the Head of the Department in terms of Section 44 of the Public Finance Management Act, Act 1 of 1994 (as amended by Act 29 of 1994) to deal with the issues attached to loss control	
	Face value forms	Stamps and receipts, cheques, bank value, or other forms with intrinsic value	
	Inefficiency and wasteful expenditure	The direct or indirect inefficient and ineffective use of financial resources while executing the departmental activities – where applicable, such as neglected payments of a supplier/contractor	
	Insolvent	Insolvent refers to a person or entity that is unable to pay its debts as they become due in the ordinary course of business	

<b>Irrecoverable losses</b>	The case where the State has suffered a loss due to natural causes (via major) or where an official does not forfeit State cover/protection in terms of the relevant National Treasury Regulation; and the loss is written-off against State costs and a loss that the "other person" does not lose the state cover in terms of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) and other related regulations, due to the condition that applies for "recoverable" loss or the loss/damage resulting from natural causes such as weather condition or an implied incident such as road accident within the parameters of the duly approved journey.
<b>Irregular expenditure</b>	Expenditure incurred in contravention of or not in accordance with a requirement of any application in contravention of or not in accordance with a requirement of any applicable legislation, including the Act, or any provincial legislation providing for procurement procedures.
<b>Legal cost</b>	Any expenditure incurred by the State Attorney or legal representative or an Advocate on behalf of this Department in any judicial equity, a civil claim against or by the state or other lawsuit in which this Department is a party, and in this regard, also includes expenditures of the legal representatives of the opposite party for which this Department can legally hold liable.
<b>Liability</b>	Responsibility to compensate the state for a loss or losses or damage caused by the "said person" due to a "recoverable loss" condition.
<b>Liability investigation</b>	An informal investigation into a loss by a designated official to gather information and facts to decide on the recovery or write-off of the loss of the state in terms of Treasury Regulation 12.7 read with the provision of Treasury Regulation 12.2.1.
<b>Losses</b>	Any material loss or damages or prejudice to the State or a person and, without derogating from or limiting the concept, also shortages, damages, fruitless, wasteful, irregular and unauthorized expenditures, civil claims, compensations and legal costs arising from labour-related disputes and applications.
<b>Other persons</b>	Any natural person or legal person with the exception of the said person.

<b>Recoverable losses</b>	When the Accounting Officer or his delegate requests a person, in terms of paragraph 12.7.2 of the National Treasury Regulations, to compensate the State in respect of the loss incurred by the department and were a loss be recovered from the "other person" owing to his/her cause of the loss/damage of the state property/asset due to deliberate action, negligence or unauthorised use.
<b>Said person</b>	All persons who are or were in the employment of the State and persons who on full or part-time basis render or rendered voluntary services to the State or who hold honorary appointments or any other persons who are/were compelled by law or a court to render services to or on behalf of the State.
<b>State money</b>	All revenues and all other money whatever it is received or held by an accounting officer for, or on the account of the state.
<b>State property</b>	Any property of the state, including, cell phones and other information technology equipment utilized by officials.
<b>Unauthorized expenditure</b>	The overspending of the main division within a vote, or expenditure that was not made in accordance with the purpose of a vote, or in the case of the main division, not in accordance with the purpose of the main division.
<b>Write-off</b>	The withdrawal of an asset/item or an amount of money owed by the state in monetary value as prescribed by the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999).

## **1. INTRODUCTION**

This Policy serves as the official procedure to follow with losses as contemplated in Treasury Regulation 12. Effective and efficient control measures and interventions must be in place for the recovery of losses and in taking disciplinary action against officials causing or contributing to losses.

Losses to the State due to theft, an act of crime, damages through acts of human or nature, are risks in the Department. Losses are the result of one or more of the above reasons and are quite often caused or facilitated by the negligence of officials.

Section 45(b) and (c) of the Public Financial Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) places the onus on each official within the Department to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within the official`s area of responsibility. In particular, the official must take effective and appropriate steps to prevent, within that official`s area of responsibility, any unauthorized, irregular, fruitless and wasteful expenditure and any under-collection of revenue due.

The Treasury Regulation 12.1.1 states that subject to the provision of this regulation or any other legislation or agreement, the State will bear its own damages and incidental risks and be responsible for all claims and losses of state property where these arise from state activities by an official who is liable in law and who is or was employed by an institution.

In terms of Departmental Financial Delegation, the Accounting Officer delegates claims for liability for any loss or damage suffered by another person/entity, as far as any claims against the state, which arose from an act of commission/omission of an official to the Minimum Information Security Standards office.

The Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) compels the Accounting Officer and officials within that official's area 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 respectively to prevent losses and to ensure the safeguarding and maintenance of all assets of the Department.

The Loss Control Policy provides a framework within which the Department will prevent, limit or reduce unnecessary losses. It also serves as a basis for the development of loss control strategies and plans.

## **2. PURPOSE OF THE POLICY**

The purpose of this Policy is to ensure that:

- 2.1. Potential losses are prevented, limited and/or reduced; and
- 2.2. loss control strategies and plans are in place.

The risk of not complying with this Policy in conjunction with relevant legislative and policy frameworks ultimately bears negative consequences to the detriment of the Department which could result in fruitless and wasteful expenditure. Therefore, the risks need to be managed and the responsibility thereof lies with the accountable officials.

## **3. SCOPE OF APPLICATION**

This Policy applies to all departmental officials and the resources/assets of the Department.

## **4. OBJECTIVES OF THE POLICY**

The objectives of this Policy are:

- 4.1. that all officials including management are held accountable for losses in their respective areas of responsibility;
- 4.2. to assist officials to create a climate that is conducive to internal control, risk management and prevention of losses;
- 4.3. to contribute towards creating respect for the resources entrusted to the Department for use in the best way possible;
- 4.4. to encourage officials to perform their duties in a responsible manner and to avoid unlawful conduct that may result in unnecessary losses in general or claims for compensation instituted against the Department in particular; and
- 4.5. that uniform reporting procedures will not only ensure that the record of losses is kept more efficiently and effectively; but will also contribute to the promotion of greater efficiency in the management of losses and the establishment of an effective risk prevention strategy.

## **5. POLICY PRINCIPLES**

The Policy is underpinned by the following policy principles:

- 5.1. transparency;
- 5.2. value for money; and
- 5.3. honesty and integrity.

## **6. LEGISLATIVE MANDATE**

The following legislative, policy and strategic frameworks are the primary enabling legislation insofar it pertains to the control of resources/asset losses, but as part of an array of primary and secondary enabling legislative, policy and strategic frameworks, and

those legislative, policy and strategic frameworks that are not mentioned herein, should be consulted, if needs be:

- 6.1. Public Service Act, Act 103 of 1994, as amended;
- 6.2. Public Finance Management Act, Act 1 of 1999, as amended;
- 6.3. Various applicable Treasury Regulations.

## **7. ROLES AND RESPONSIBILITIES**

### **7.1. Accounting Officer**

- 7.1.1. The Accounting Officer must exercise all reasonable care to prevent and detect unauthorized, irregular, fruitless and wasteful expenditure and implement effective, efficient and transparent processes of financial and risks management in terms of Section 45 of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999).
- 7.1.2. The Accounting Officer is responsible for effective, efficient, economical and transparent use of financial and other resources within that official's area of responsibility.
- 7.1.3. The Accounting Officer must comply with the provision of the Act to the extent applicable to that official, including any delegation and instructions in terms of Section 44 of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999).
- 7.1.4. The Accounting Officer is responsible for the management, including the safeguarding of assets and the management of liabilities within that official's area of responsibility.
- 7.1.5. The Accounting Officer shall appoint a Loss Control Officer in terms of Section 44(1) of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999); and Chapter 12 Part 5 of Treasury Regulations to perform functions related to the management of losses and claims. Copies of the



appointment letters shall be submitted to the Loss Control unit and the Internal Control Unit of the Department, for record purposes.

- 7.1.6. The Accounting Officer shall appoint a Loss Control Committee in terms of Section 44(1)(a) and(b) read with Sub-section (3) of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) to perform functions related to the management of losses and claims.
- 7.1.7. The Accounting Officer appoints a Chairperson for the Loss Control Committee in terms of Section 44(1)(a) and (b) read with Sub-section (3) of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) to perform functions related to the management of losses and claims. The official appointed to such a position must ensure that the Loss Control Committee fulfil its mandate in line with the guidelines of loss control policy and other applicable regulations.
- 7.1.8. The Accounting Officer appoint a Loss Control Committee with officials with different skills in terms of Section 44(1)(a) and (b) read with Sub-section (3) of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) to perform functions related to the management of losses and claims; officials from asset management, supply chain management, risk management, internal control, labour relations, and minimum information security standards may be nominated and appointed to ensure that all stakeholders are involved in the loss control committee to fulfil its mandate in line with the guidelines of loss control policy and other applicable regulations.

## **7.2. Loss Control Officer**

- 7.2.1. The Loss Control Officer shall ensure that all losses due to theft must report to the South African Police Service within twenty-four (24) hours.
- 7.2.2. The Loss Control Officer shall initiate an investigation on the incident and determine the liability.

- 7.2.3. Any damage, accident or theft of fleet vehicles must be reported to the Transport Officer who will notify the Loss Control Officer within forty-eight (48) hours of the occurrence.
- 7.2.4. The Loss Control Officer shall obtain details, statements, etc., in connection with claims and losses and enter same into the Departmental Loss Control register.
- 7.2.5. The Loss Control Officer shall prepare a full report to the Loss Control Committee for recommendations.
- 7.2.6. Where the Loss Control Committee recommends and the official accept the recommendation the recovery process must be completed, recorded and referred to the Accounting Officer for approval, by the Loss Control Officer.
- 7.2.7. The Loss Control Officer shall be recording the financial transaction regarding losses approved for a write-off, against the relevant objective account of the Department.
- 7.2.8. The Loss Control Officer shall liaise with the MISS unit and ensure that all registered loss cases are finalised within a prescribed period.
- 7.2.9. The Loss Control Officer shall submit the final recommendations to the Chief Financial Officer and Head of Department for approval.

### **7.3. Loss Control Committee**

- 7.3.1. To resolve cases of assets and inventory items within the working environment and to determine accountability and liability with regards to cases of any loss and/or damage through criminal acts or omissions.
- 7.3.2. To thoroughly examine all evidence presented by the Loss Control Officer as per guidelines.
- 7.3.3. To make recommendations regarding the recovery of losses where possible.
- 7.3.4. To make recommendations for write-offs to the Accounting Officer or to the delegated official.

- 7.3.5. To refer cases of negligence to Directorate MISS unit to investigate the matter where necessary.
- 7.3.6. The quorum for the Loss Control Committee meeting requires the presence of fifty percent (50%) of appointed members plus one (1) member.
- 7.3.7. The Loss Control Committee may sit as and when required in line with the number of cases reported, investigated and ready for presentation.

## **8. DELIVERABLES OF THE POLICY**

### **8.1. Types of losses, damages, and fraud covered by this Policy**

- 8.1.1. Loss, theft and damage of inventory store items:
  - 8.1.1.1. stationery;
  - 8.1.1.2. maintenance;
  - 8.1.1.3. electrical material/s; and
  - 8.1.1.4. cleaning material/s.
- 8.1.2. Loss, theft and damage of state money and face value forms:
  - 8.1.2.1. cash theft/shortages on petty cash, rental and/or bidding revenue collected.
- 8.1.3. Claims against the state against other person/s:
  - 8.1.3.1. overpaid salaries after death/termination;
  - 8.1.3.2. salaries paid for staff that are on suspension without pay;
  - 8.1.3.3. irrecoverable rates, taxes and electricity;
  - 8.1.3.4. irrecoverable fees for any other service/s;
  - 8.1.3.5. state guarantees; and
  - 8.1.3.6. ex-gratia payment/s.
- 8.1.4. Fraud cases with loss implications:
  - 8.1.4.1. criminal/negligence (public service persons);
  - 8.1.4.2. stolen cheques cashed;
  - 8.1.4.3. payment without the delivery of goods or services;

- 8.1.4.4. fraudulent credit transfers;
  - 8.1.4.5. unauthorized order/s; and
  - 8.1.4.6. payment of "ghost" employees on the salary system.
- 8.1.5. Fruitless and wasteful expenditure:
- 8.1.5.1. late payment to a creditor for which interest is charged and for which the Department have been invoiced and therefore obligated to pay;
  - 8.1.5.2. any payment to a service provider for which the full value was not received, e.g. paying for two (2) officials booked when only one (1) actually attended;
  - 8.1.5.3. wasteful expenditure made in vain and could have been avoided had reasonable care been taken, e.g. paying for ten (10) chairs when only five (5) chairs were actually required/needed; and
  - 8.1.5.4. losses due to poor tender/bid allocation/s.
- 8.1.6. Other:
- 8.1.6.1. poor management action/s;
  - 8.1.6.2. attempted fraud (no actual loss); and
  - 8.1.6.3. departmental write-offs.

## **8.2. Reporting of losses**

- 8.2.1. Losses to be reported within twenty-four (24) hours to the Loss Control Officer.
- 8.2.2. Report all cases to the Loss Control Committee in writing, so that it can be investigated and reported to the Chief Financial Officer for inclusion in the Annual Departmental Financial statements.
- 8.2.3. The Loss Control Officer with the assistance of the Sub-Directorate Minimum Information Security Standards will investigate to determine accountability.
- 8.2.4. In an event where the Loss Control Officer receives a report of an incident, he/she must consider all possible implications, including the legal effect it might have on an individual and the Department.

- 8.2.5. Claims and/or losses must be registered in the Loss Control Register.
- 8.2.6. The Loss Control Officer must ensure that all registered loss cases are finalised within a prescribed period.
- 8.2.7. Cases of negligence should be referred to the MISS unit to investigate the matter further.
- 8.2.8. When it appears that the state has suffered losses or damages through criminal acts or possible criminal acts or omissions, the matter must be reported, in writing, to the Accounting Officer and the South African Police Service. If liability can be determined, the Accounting Officer must recover the value of the loss or damage from the person responsible (Treasury Instruction 12.2.3).

### **8.3. Registration of damages and losses**

- 8.3.1. Directorates within the department must keep a register for all incidents reported.
- 8.3.2. The register should reflect the basic information on losses and should also act as an aid to manage the loss control process.
- 8.3.3. It should also reflect the references to the source documents.
- 8.3.4. When notified of a loss, the Loss Control Officer must register such case/loss within twenty-four (24) hours.
- 8.3.5. After notification of losses/damages/fruitless expenditure/claims, these are to be handled in accordance with Chapter 12 of the National Treasury Regulations.

### **8.4. Gathering of information**

- 8.4.1. The Loss Control Officer must seek legal advice as widely as possible; consult parties broadly as possible consult experts' advice widely; follow and note (in writing) events systematically as swiftly as possible, and compile final reports for future reference containing the following:

- 8.4.1.1. detailed description of incidents; and
- 8.4.1.2. the investigator's observations and recommendations.
- 8.4.2. The following information should be reflected in the register:
  - 8.4.2.1. entry number, date of entry, file references and the date of the occurrence;
  - 8.4.2.2. description of losses;
  - 8.4.2.3. possible cause/s;
  - 8.4.2.4. responsible person (person responsible for the safe keeping of the asset);
  - 8.4.2.5. estimated amount of the loss;
  - 8.4.2.6. amount recovered/not recovered;
  - 8.4.2.7. South African Police Service case number, if reported to the South African Police Service;
  - 8.4.2.8. date reported to Legal Service, when necessary; and
  - 8.4.2.9. finalisation steps (approval/receipt number).

## **8.5. Collection of documents and evidence to determine liability**

- 8.5.1. Liability investigation is mainly to determine the circumstances under which a loss occurred and to determine whether any official could be held liable for such loss. This type of investigation is done completely independent from any criminal or misconduct investigator. It is self-evident that the investigator shall also communicate with the criminal and the Misconduct Investigator for the purpose of obtaining information/evidence.
- 8.5.2. There is nothing that prohibits that documents, which were used in a liability investigation, can also be used in a case of misconduct or neglect of duty for disciplinary steps.
- 8.5.3. The Loss Control Officer shall acquaint himself/herself with specific instructions that might be applicable to the case; determine the official version of the occurrence by checking initial reports.

- 8.5.4. Depending on the nature of the loss, it shall be ascertained who was responsible for specific responsibilities or duties.
- 8.5.5. The collection of job descriptions and the proof that a certain official/s was/were aware of his/her/their responsibility is of importance. Proof that duty was performed or neglected, shall be obtained. If relevant copies of specific instructions were made then they must be included in the investigation.
- 8.5.6. If for certain reasons, it is necessary to confiscate a certain register, the person giving the instruction (for investigation) should be consulted. Certified copies of a register or specific entry/entries are usually sufficient.
- 8.5.7. If any problems were encountered with a reluctant witness or with the destruction or withholding of documentation or information, the investigator should not hesitate to make use of provisions of Disciplinary Regulations or appropriate provisions in the Public Service Act, Act 103 of 1994.
- 8.5.8. Obtain certified copies of all the original documents and use only the copies relating to the investigation. Keep the original documents in a safe place. No inscription, deletions, changes or corrections should be made on original documents, as this would negatively influence its evidential value with a view to possible legal action.
- 8.5.9. Evaluate data integrity of gathered information. Should any uncertainty exist regarding the data integrity exist of such information, steps must be taken in consultation with the stakeholders concerned in order to rectify the situation and to ensure the said data is accurate and reliable.

## **8.6. Examine the nature and extent of losses**

- 8.6.1. State property formally allocated to an official may be lost or damaged during the performance of official duties.
- 8.6.2. State property may negligently be left in residences; offices, vehicles or other places, without proper care, or is not properly locked up contrary to procedures for the safety of government property.

- 8.6.3. State property is stolen by a member of the public or is otherwise deliberately damaged.
- 8.6.4. State property is transferred or issued to other officials or accounting officers without proper records, in such a manner that it cannot be accounted for, because of the non-compliance of instructions regarding the accounting on handing over state properties by means of voucher action.
- 8.6.5. State property is stolen, lost or negligently damaged by officials.
- 8.6.6. Determine the nature and extent (including amounts involved) of the losses to determine the current baseline. (The baseline referred to, is the status of losses at a particular point in time). The current baseline will eventually determine what progress, if any, has been made to achieve certain objectives to reduce losses in general.

## **8.7. Identify possible causes and trends**

- 8.7.1. If shortages, loss, theft, damage, misuse, negligence, natural and unavoidable causes, omission to act of state property or state money, or fruitless expenditures, especially with regard to accommodation or wasted, unauthorized or irregular expenses are involved, or the right of recovery of the state has become prescribed, which gave rise to a loss for the state, a liability investigation shall be done by the Loss Control Officer with the objective to impartially and transparently investigate the matter.
- 8.7.2. It should however be noted that a liability investigation is mainly conducted to determine the circumstances under which the loss occurred. The circumstances of the loss and facts that came to light during the investigation, can eventually lead to a decision whether an official can be held legally liable for a loss in terms of the applicable Treasury Regulation. If any neglect of duty or other circumstances may have negative implications for the Accounting Officer of the institution, the investigator ought to continue and complete his/her investigation.



- 8.7.3. The Loss Control Officer shall display own initiative and shall be conversant with all the relevant instructions, which may be applicable to the loss in question.
- 8.7.4. When a liability investigation is considered necessary, it is important that it be instituted immediately after the reporting of the loss, as evidence that might be of interest could be changed or simply disappear.

### **8.8. Compilation of a report**

- 8.8.1. To compile a report regarding losses, which have to be referred to Loss Control Committee and MISS unit at Head Office, one must determine liability and comply with certain provisions of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999).
- 8.8.2. The report includes all gathered statements, documentary proof and recommendations.

### **8.9. Record keeping**

- 8.9.1. Records of loss, damage, forms, files, registers etc. should include the following minimum information:
  - 8.9.1.1. gross value of the loss;
  - 8.9.1.2. amount recovered;
  - 8.9.1.3. approved amount written off;
  - 8.9.1.4. authority/reference for adjustment; and
  - 8.9.1.5. updating of assets register and inventory record.

### **8.10. Risk assurance**

- 8.10.1. In general the State bears its own damages and accident risk and accepts responsibility for all claims and losses of State property. This will arise from

State activities as a result of person who is liable in law and who is or was employed by an Institution to which the loss control instructions applied or originated from or took place during the performance of State activities.

- 8.10.2. Treasury Regulation part 3, 3.2.1. is clear on the inclusion of such risks in a risk management strategy and dovetailing to a fraud prevention strategy and the determination of the skills required of managers and staff to improve controls and to manage such risks.
- 8.10.3. Officials causing unnecessary losses, or who abuse or exceed their powers or misuse State property and/or resources, or neglect their duties resulting in unnecessary losses for the Department, should also be prepared to face disciplinary steps initiated against them.

### **8.11. Compensation paid by officials**

- 8.11.1. An official, who is accountable for a loss/damage due to negligence or an omission, can voluntarily declare his/her preparedness to compensate the loss. The official can then be ordered in writing by the Head of Department or his Delegated Officials to compensate the Department.
- 8.11.2. The said person must give a written undertaking.
- 8.11.3. The Head of Department or his Delegated Official must at all times be convinced that the said person did forfeit State cover and should be held accountable for the loss/damage.

### **8.12. General procedures**

- 8.12.1. When a criminal action is instituted against a person, the Loss Control Official should obtain the replacement value minus depreciation, and is to notify the legal section accordingly with a view to the allocation of compensation.
- 8.12.2. Loss or damage discovered when a person has resigned or is to be transferred, must be recovered from such person. Should the decision to recover the

amount be delayed and the person has already left, the recovery must occur by means of his pension or he may voluntarily agree to compensate. Should all actions fail then the matter is referred to the legal section for litigation.

### **8.13. Calculation of depreciation values**

- 8.13.1. The recoverable monetary value of a lost or damaged asset is based on a straight-line depreciation as follows:
  - 8.13.1.1. 100% of asset value if six or less months old;
  - 8.13.1.2. 75% of asset value if above six months and less than twenty-four months old (>6 - <24 months);
  - 8.13.1.3. 50% of asset value if above twenty-four and less than thirty-six months old (>24 - <36 months);
  - 8.13.1.4. 25% of asset value if above thirty-six and less than forty-eight months old (>36 - <48 months); and
  - 8.13.1.5. 10% of asset value if above forty-eight months old (>48 months).
- 8.13.2. The basis of depreciation and percentage reduction does not apply in instances where the loss is written off as a loss against the state. In such instances where the loss is calculated against the book value at all times.
- 8.13.3. For the purpose of calculating the recoverable amount in instances where the loss in respect of lost-damaged personal equipment items must be recovered from responsible official, the amount of the state's loss or damage must be obtained via three quotations.
- 8.13.4. Only in exceptional cases where the affected official does not have any funds to compensate for the full recoverable amount in a once-off amount, salary payments may be requested to recover the amount due from the salary of the official concerned, or in the event of leaving the service from the official's outstanding pension or other monies due to them.

- 8.13.5. In instances of damage to state or leased buildings and fences, the Building Directorate must certify that any quotation that has been obtained, are in line with actual costs.

#### **8.14. Misconduct**

- 8.14.1. In terms of Section 81(1) of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), an Accounting Officer for a Department commits an act of financial misconduct if the Accounting Officer willfully or negligently:

8.14.1.1. fails to comply with a requirement of section 38, 39, and 40 of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999); and

8.14.1.2. makes or permits an unauthorised expenditure, an irregular expenditure or a fruitless and wasteful expenditure.

- 8.14.2. In terms of Section 81(2) of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) an official of a department to whom a power or duty is assigned in terms of Section 44 commits an act of financial misconduct if that official wilfully or negligently fails to exercise that power or perform that duty.

#### **8.15. Ethical standards**

- 8.15.1. A code of good practice is established for Loss Control Management and must be adhered to by all officials and other role players in the system in order to promote:

8.15.1.1. mutual trust and respect;

8.15.1.2. a control environment where risks can be control and managed in a fair and reasonable manner;

8.15.1.3. assist the Accounting Officer in combating fraud, corruption, favouritism and unfair and irregular practices; and

8.15.1.4. report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including:

8.15.1.4.1. any alleged fraud, corruption, favouritism or unfair conduct; and

8.15.1.4.2. any alleged breach of this code of ethical standards.

## **8.16. Objections and complaints**

8.16.1. Persons aggrieved by decisions or actions taken in the implementation of the Loss Control Policy, may lodge an objection and/or complaint within fourteen (14) days of the decision or action, a written objection or complaint against the decision or action to the Accounting Officer.

## **9. EFFECTIVE DATE OF THE POLICY**

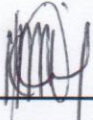
This Policy shall come into effect from the date of approval.

## **10. POLICY GUIDELINE REVIEW**

This Policy will be reviewed as and when substantive legislative changes are issued by the National Treasury regarding Loss Control in the Public Service.

## **11. POLICY GUIDELINE APPROVAL**

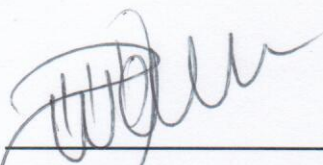
***Policy Developer:***



\_\_\_\_\_  
**MS KM TUMANE**  
**DIRECTOR:**  
**SUPPLY CHAIN MANAGEMENT**

28/03/2022  
**DATE**

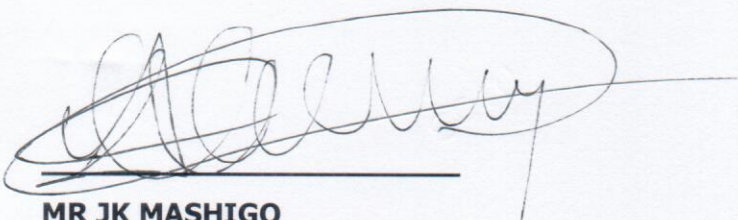
***Recommendation:***



\_\_\_\_\_  
**MS HH DU PLESSIS**  
**CHAIRPERSON:**  
**DEPARTMENTAL POLICY OVERSIGHT COMMITTEE**

28/03/2022  
**DATE**

***Approval:***



\_\_\_\_\_  
**MR JK MASHIGO**  
**HEAD OF DEPARTMENT**

28/03/2022  
**DATE**

## ABBREVIATIONS

ABBREVIATION	FULL DESCRIPTION
APP	Annual Performance Plan
HOD	Head of Department
MEC	Member of the Executive Council
MISS	Minimum Information Security Standards
PFMA	Public Finance Management Act, Act 1 of 1999, as amended

## DEFINITIONS

Concept	Definition
<b>Act</b>	Act refers to the Public Finance Management Act 1999, Act 1 of 1999 (as amended by Act No. 29 of 1999).
<b>Claim</b>	A lawsuit, action, interdict arbitration, inquest or dispute, which also includes an intended lawsuit, action, interdict, arbitration, inquest or dispute.
<b>Department</b>	Department refers to the North West Department of Human Settlements.
<b>Departmental Loss Control Committee</b>	A Committee at Head Office established by the Head of the Department to make recommendations and to advise him regarding all loss cases that are referred to it by the Loss Control Officer.
<b>Departmental Loss Control Officer</b>	An Officer at Head office assigned/appointed by the Head of the Department in terms of Section 44 of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) to deal with the duties attached to loss control.
<b>Face value forms</b>	Stamps and receipts, cheques, face value, or other forms with potential value.
<b>Fruitless and wasteful expenditure</b>	The direct or indirect inefficient and ineffective use of financial resources while executing the departmental activities – interest accrued due to neglected payment of a supplier/creditor in time.
<b>Incident</b>	Any act or neglect in respect of a single occurrence, which may cause damage, or might cause potential damage to the state's property, asset or funds.