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**DIRECTORATE: SUPPLY CHAIN MANAGEMENT**

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# LOSS CONTROL POLICY

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## **LOSS CONTROL POLICY**

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

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

### **1. INTRODUCTION**

Section 45(b) and (c ) of the Public Financial Management Act 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 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 the loss control strategies and plans.

### **2. DEFINITIONS**

Unless the contrary is clear from the context, the following definitions shall apply in these standard Operating Procedures:

**“Act”** Public Finance Management Act 1999, Act 1 of 1999 (as amended by Act No. 29 of 1999).

**“Department”** shall mean the North West Department of Public Works, Roads and Transport.

- “Losses”** 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.
- “Incident”** 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;
- “Fruitless and wasteful expenditure”**: refers to 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.
- “Unauthorised expenditure”** refers to the overspending of a main division within a vote, or expenditure that was not made in accordance with the purpose of a vote, or in the case of a main division, not in accordance with the purpose of the main division.
- “Irregular expenditure”** means expenditure incurred in contravention of or not in accordance with a requirement of any applicable in contravention of or not in accordance with a requirement of any applicable legislation, including this Act, or any provincial legislation providing for procurement procedures.
- “State money”** means all revenues and all other moneys whatever received or held by and accounting officer for, or on the account of the state.
- “State property”** means any property of the state, including cell phones and other I.T equipments utilized by officials.
- “Face value forms”** also means stamps and receipts, cheque, face value, or other forms with potential value.
- “Claim”** a lawsuit, action, interdict arbitration, inquest or dispute and also includes an intended lawsuit, action, interdict, arbitration, inquest or dispute.

**“Recoverable Losses”** 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.

**“Irrecoverable Losses”** 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 (i.e.) PFMA 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.

**“Write – off”** the withdrawal of an asset/item or an amount of money owned by the state in monetary value as prescribed by the PFMA

**“Liability investigation”** 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;.

**“Legal cost”** any expenditure incurred by the State Attorney or legal representative or an Advocate on behalf of this Department in any judicial equity, 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 held liable.

**“Said Person”** 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.

**“Other Persons”** Any natural person or legal person with the exception of the said person.

**“Departmental Loss Control Officer”** An Officer at Head office or District assigned/appointed by the Head of the Department (HOD) 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.

**“Departmental Loss Control Committee”** A Committee at Head Office or District 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 (Loss Control Division).

**“Liability”** responsibility to compensate the state for a loss or losses or damage caused by the “said person” due to “recoverable loss” condition.

### 3. OBJECTIVE

This document informs departmental officials of the policy on loss control within the Department.

- a) All officials including management are held accountable for losses in their respective area of responsibility.
- b) Assist officials to create a climate that is conducive to internal control, risk management and prevention of losses.
- c) Contribute towards creating respect for the resources entrusted to the Department for use in the best way possible.

- d) 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.
- e) Uniform reporting procedure 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.

#### 4. SCOPE OF APPLICATION

This policy applies to all departmental officials

#### 5. POLICY

##### 5.1 RESPONSIBILITY FOR LOSSES

**Treasury Regulation 12.1.1 states as follows:-**

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.

**Note:** 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 Legal Services.

The Public Finance Management Act, 1999 (Act no 1 of 1999 as amended) compels the Accounting Officer and Officials within that officials 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.  
Sections 38, 39, 40 and 45 of the PFMA

**In terms of the PFMA, the Accounting Officer:**

- a) Must prevent unauthorized, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct in terms of section 38(1)(c)(ii),
- b) Must on discovery of any unauthorized, irregular and fruitless and wasteful expenditure and losses, immediately report in writing, to the Loss Control Officer.
- c) Losses must be reported to the relevant treasury in terms of section 38(1)(g).
- d) Must take effective and appropriate disciplinary steps against any Official in the service of the department, who makes or permits an unauthorized, irregular, fruitless and wasteful expenditure in terms of section 38(1)(h)(iii).

Treasury Regulations compels the Accounting Officer to conduct a risk assessment in order to identify emerging risks that may threaten the achievement of Departmental objectives. A risk management strategy must be clearly communicated to all Officials to ensure that the said strategy is incorporated in the Departmental operational Objectives. The Accounting Officer must also exercise reasonable care in detecting and preventing losses and for this purpose, effective and transparent processes of financial and risk management must be implemented. Treasury Regulation 4, 9, 10, 11 and 12 issued in accordance with section 76 of PFMA.

**In terms of National Treasury Regulation, the Accounting Officer-**

- a) Must exercise all reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure and implement effective, efficient and transparent processes of financial and risks management. (Section 45 of the PFMA)



- b) is responsible for effective, efficient, economical and transparent use of financial and other resources within that official's area of responsibility
- c) must comply with the provision of this Act to the extent applicable to that Official, including any delegation and instructions in terms of Section 44 of the PFMA
- d) Is responsible for the management, including the safeguarding of assets and the management of liabilities within that Official's area of responsibility.

## **5.2 APPOINTMENT AND RESPONSIBILITY OF LOSS CONTROL OFFICER**

The Accounting Officer shall appoint a Loss Control Officer in terms of Section 44(1) of the PFMA, and Chapter 12 part 5 of Treasury Regulations to perform functions related to the management of losses and claims. Such an officer (hereinafter referred to as the Loss Control Officer), shall be responsible for, amongst other things the following:

- a) Ensure that all losses due to theft must report to the SAPS within 24hours.
- b) Initiate investigation on the incident and determine the liability.
- c) Any damage, accident or theft of fleet vehicles must be reported to Transport Officer who will notify the Loss Control Officer within 48 hours of the occurrence.
- d) Obtain details, statements, etc., in connection with claims and losses and enter same into the Departmental Loss Control register.
- e) Prepare a full report to the Loss Control committee for recommendations.
- f) Where the Loss Control Committee recommend and the Official accept the recommendation the recovery process must be completed, recorded and referred to the Accounting Officer for approval.
- g) Recording the financial transaction regarding losses approved for write-off, against the relevant objective account of the Department.
- h) Liaising with the Legal Service Directorate and ensuring that all registered loss cases are finalised within a prescribed period.

- i) Submit the final recommendations to the Chief Financial Officer and HOD for approval.

The Loss Control Officer for Head office and District offices are appointed by Accounting Officer. Copies of the appointment letters shall be submitted to the Loss Control unit and the Internal Control unit of the Department, for record purposes.

In terms of section 44,1 (a) read in conjunction with Subsection (3) of the Public Finance Management Act, 1999 (Act no 1 of 1999 as amended) Loss Control Committees are to take charge of losses, damages and other discrepancies occurring and to recommend proper control measures to eliminate theft, losses, wastage and misuse.

### **5.3 APPOINTMENT AND RESPONSIBILITY FOR LOSS CONTROL COMMITTEE**

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 PFMA to perform functions related to the management of losses and claims. Such committee shall be responsible for, amongst other things:

- a) 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.
- b) To thoroughly examine all evidence presented by the Loss Control Officer as per guidelines.
- c) To make recommendations regarding the recovery of losses where possible.
- d) To make recommendations for write-offs to the Accounting Officer or to the delegated official.

- e) To refer cases of negligence to Directorate Legal Services to investigate the matter where necessary.

#### **5.4 APPOINTMENT AND RESPONSIBILITY FOR LOSS CONTROL COMMITTEE CHAIRPERSON**

The Accounting Officer appoint a Chairperson for loss control committee in terms of Section 44(1) (a) and (b) read with sub-section (3) of the PFMA to perform functions related to the management of losses and claims. Official appointed to such a position must ensure that loss control committee fulfil its mandate in line with the guidelines of loss control policy and other applicable regulations.

#### **5.5 COMPOSITION AND APPOINTMENT OF LOSS CONTROL COMMITTEE**

The Accounting Officer appoint a loss control committee with officials from different skills in terms of Section 44(1) (a) and (b) read with sub-section (3) of the PFMA to perform functions related to the management of losses and claims. Officials from Asset, Supply Chain Management, Risk, Internal Control, Labour, MISS, legal 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

#### **5.6 QUORUM AND FREQUENCY FOR LOSS CONTROL COMMITTEE MEETINGS**

Quorum for a loss control committee meetings is 50% of appointed members plus one member to be present. Committee may sit as and when required in line with the number of cases reported, investigated and ready for presentation.

## **6. FRAMEWORK FOR LOSS CONTROL**

### **TYPES OF LOSSES, DAMAGES AND FRAUD**

#### **6.1 LOSS, THEFT AND DAMAGE OF IMMOVABLE ASSETS:**

- Rent paid for offices not in use
- any intentional damage to office building by an official

#### **6.2 LOSS, THEFT AND DAMAGE OF MOVEABLE ASSETS:**

- Furniture in official houses, office furniture computers, printers, faxes photocopiers air conditioners and other electronic equipment through thefts and other damage costs,
- Minor equipments such as tools and maintenance equipments through thefts and other damage costs.

#### **6.3 LOSS, THEFT AND DAMAGE OF INVENTORY STORES ITEMS:**

- Stationery, maintenance, electrical material, cleaning material through thefts and other damage costs.

#### **6.4 LOSS THEFT AND DAMAGE OF STATE MONEY AND FACE VALUE FORMS**

- Cash- theft and shortages on petty cash, rental and bidding revenue collected

#### **6.5 CLAIMS AGAINST THE STATE THROUGH ACTS OR OMISSIONS AGAINST SAID PERSON (S)**

- Notices of intended civil action served on the Member of the Executive Council.

#### **6.6 CLAIMS AGAINST THE STATE AGAINST OTHER PERSON (S)**

- Overpaid salaries-after death or termination
- Salaries paid for staff under suspension
- Irrecoverable – rates and taxes, electricity
- Irrecoverable – fees for any other service
- State guaranties
- Ex-Gratia payment

## **6.7 FRAUD CASES WITH LOSS IMPLICATIONS**

- Criminal/negligence (Public Service Persons)
- Stolen cheque cashed /payment without delivery of goods or service
- Fraudulent credit transfers
- Unauthorized order
- Ghost Employees in the salary system

## **6.8 FRUITLESS AND WASTEFUL EXPENDITURE**

- Late payment to a creditor for which interest is charged and for which we have been invoiced and obligated to pay.
- Any payment to a service provider for which the full value was not received, e.g. paying for two (2) officials booked for training when only one (1) actually attended.
- Wasteful Expenditure made in vain and would have been avoided had reasonable care been taken. E.g. paying for ten (10) chairs when five (5) is actually necessary and needed.
- Losses due to poor tender/bids allocation.

## **6.9 OTHER LOSSES**

- Poor management actions
- Attempted fraud (no actual loss)
- Departmental write-offs

## **7. THE MANAGEMENT OF LOSSES**

### **7.1 PROCESS TO FOLLOW WHEN LOSS OCCURS**

- Losses to be reported within 24 hours to the Loss Control Officer;
- The Loss Control Officer will investigate to determine accountability.
- In an event where the Loss Control Officer receives a report of an incident, he/she must consider all possible implications, including legal effect it might have on an individual and the Department.
- Recording such claims and/or losses in a loss register.

- Investigate all claims and/or losses.
- Ensuring that all registered loss cases are finalised within a prescribed period.
- To refer cases of negligence to Directorate Legal Services to investigate the matter further.
- 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.

## **7.2 REPORTING OF LOSSES.**

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).

### **STEP 1: REGISTRATION OF DAMAGES AND LOSSES**

- a) All Districts and Directorates within the department must keep register for all incidents reported.
- b) The register should reflect the basic information on losses and should also act as an aid to manage the loss control process
- c) It should also reflect the references to the source documents
- d) When notified of a loss, the loss control officer must register such case/loss within two (2) working days.
- e) After notified of losses/damages/fruitless expenditure/claims, these are to be handled in accordance with Chapter 12 of the National Treasury Regulations.

### **STEP 2: GATHERING OF INFORMATION**

- a) 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:

- Detailed description of incidents; and
- Investigator's observations and recommendations.

b) The following information should be reflected in this register

- Entry number, date of entry, file references and the date of the occurrence
- Description of losses
- Possible cause
- Responsible person (person responsible for the safe keeping of the asset)
- Estimated amount of the loss
- Amount recovered/not recovered
- SAPS's case number
- Date reported to Legal Service when necessary
- Finalisation steps (approval/receipt number)

### **STEP 3: COLLECTION OF DOCUMENTS AND EVIDENCE TO DETERMINE LIABILITY**

- a) 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.
- b) 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.
- c) The Loss Control Officer shall acquaint himself/herself of specific instructions that might be applicable to the case; determine the official version of the occurrence by checking initial reports.

- d) Depending on the nature of the loss, it shall be ascertained who was responsible for specific responsibilities or duties.
- e) 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 a duty was performed or neglected, shall be obtained. If relevant copies of specific instructions were made then they must be included in the investigation.
- f) 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.
- g) 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.
- h) 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.
- i) 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.

#### **STEP 4: EXAMINE NATURE AND EXTENT OF LOSSES**

- a) State property formally allocated to an official may be lost or damaged during the performance of official duties;



- b) 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 safety of Government Property
- c) State property is stolen by a member of the public or is otherwise deliberately damaged;
- d) 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;
- e) State property is stolen, lost or negligently damaged by officials.  
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.

#### **STEP 5: IDENTIFY POSSIBLE CAUSES AND TRENDS**

- a) 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 taken by the Loss Control Officer with the objective to impartially and transparently investigate the matter.
- a) 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.

- b) 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.
- c) 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.

#### **STEP 6 COMPILATION OF A REPORT**

- a) To compile a report regarding losses, which have to be referred to Loss Control Committee and Legal Services at Head Office, one must determine liability and comply with certain provisions of the PFMA.
- b) The report includes all gathered statements, documentary proof and recommendations.

#### **STEP 7 BOARD OF ENQUIRY:**

In cases where the cause of the loss is not apparent or the loss is extensive, then a board of inquiry should be constituted. The board should be appointed in writing, the format of a convening order.

7.1 A formal appointment should be made in writing stipulating the terms of reference for the board.

7.2 A completion date should be determined by which the proceedings of the board must be handed over to the Accounting officer, Special attention should be given to the following matters:

- The evidence of the board should be in the form of affidavits
- The cause of the loss must be determined
- It should be determined whether the loss can be ascribed to shortcomings in the regulations
- Correctly identify and classify the loss

- Determine whether officials acted within the limits of their powers
- Determine accountability of officials involved
- Make recommendations on actions to be taken to prevent similar losses in the future
- Comment on correctness of reporting procedures. (Reporting to the Loss Control Officer and SAPS)
- Minutes of the proceedings must be kept

Copies of the completed board inquiry must be handed over to the Accounting Officer by the date stipulated in the convening order.

### 7.3 RECORD KEEPING

Records of loss, damage, forms, files, registers etc. should include the following minimum info:

- Gross value of the loss.
- Amount recovered.
- Approved amount written off.
- Authority /reference for adjustment.
- Updating of assets register and inventory record.

### 7.4 RISK ASSURANCE

- 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.
- 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.

- c) 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.

#### **7.5. COMPENSATION PAID BY OFFICIALS**

- a) An officials, 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.
- b) The said person must give a written undertaking.
- c) 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.

#### **7.6. GENERAL PROVISIONS**

- a) 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.
- b) 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.

#### **7.7. CALCULATION OF DEPRECIATION VALUES:**

- c) Items described as "NEW", 75% (if it is older than one year) of the asset value or 100% within (12 months period).

- d) Items described as "GOOD", 50% of the asset value.
- e) Items described as "REASONABLE" 30% of the replacement value.
- f) Items described as "POOR" 10% of the asset value.
- g) IT equipments older than three years 25% of the asset value
- h) 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.
- i) 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.
- j) 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.
- k) In instances of damage to state or leased buildings and fences, Building Directorate must certify that any quotation that has been obtained, are in line with actual costs.

## 8. MISCONDUCT

*In terms of Section 81(1) of the PFMA, an Accounting Officer for a Department commits an act of financial misconduct if the Accounting Officer wilfully or negligently*

- Fails to comply with a requirement of section 38,39, and 40 Of,
- Makes or permits an unauthorised expenditure, an irregular expenditure or a fruitless and wasteful expenditure.

*In terms of Section 81(2) of the PFMA, 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.*

**9. ETHICAL STANDARDS**

A code of 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 –


- a) Mutual trust and respect; and
- b) A control environment where risks can be control and managed in a fair and reasonable manner:
- c) Must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices; and
- d) Must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
  - any alleged fraud, corruption, favouritism or unfair conduct;
  - any alleged breach of this code of ethical standards.

**10. OBJECTIONS AND COMPLAINTS**

Persons aggrieved by decisions or actions taken in the implementation of the loss control policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

**11. COMMENCEMENT**

This policy takes effect on the date on which it is signed and adopted by the Accounting Officer of the Department.

  
\_\_\_\_\_  
**HEAD OF DEPARTMENT**

12-07-2017  
**DATE:**

