

Dannhauser Local Municipality



Asset Loss Control Policy 2025/2026

APPROVAL PROCESS	DATE OF ADOPTION	RESOLUTION NUMBER	SIGNATURE
Recommended By Municipal Manager			
Supported by Executive Committee			
Approved By Council			

Table of Contents

1	Introduction	4
1.1	Purpose	4
1.2	Scope	4
1.3	Legislative Authority	5
2	Definitions	8
3	Types of Losses	9
4	Role Players and Responsibilities	10
5	Reporting Requirements	13
5.1	Timeframes	13
5.2	Reporting Process	13
5.3	Documentation	14
6	Recording Losses	14
6.1	Loss Registers	14
6.2	Central Loss Register	15
6.3	Case Files	15
7	Investigating Losses	15
7.1	Appointing Investigators	16
7.2	Investigation Process	16
7.3	Legal and Reputational Risk	17
7.4	Remedial Actions	17
7.5	Recovery Processes	17
8	Fleet Management	18
9	Recovery Processes	20
10	Loss Prevention Measures	21
11	Policy Administration	22

1 Introduction

1.1 Purpose

The purpose of the Asset Loss Control Policy is to establish a structured framework and procedural guidelines for the municipality to proactively manage and mitigate various risks associated with its assets. This comprehensive approach addresses potential losses stemming from property damage, revenue shortfalls, asset misappropriation, and resource depletion. As a cornerstone of the municipality's internal control environment and risk management strategy, the policy aims to foster accountability, enhance asset safeguarding measures, and bolster recovery initiatives. Consequently, the policy seeks to minimise operational disruptions and maintain consistent service delivery.

In the event of asset loss or damage, the policy serves as a robust incident response mechanism. It mandates thorough root cause analyses to identify underlying factors and catalyse the development of targeted corrective actions. This iterative learning process is designed to prevent recurrence and continuously improve asset management practices. A pivotal aspect of the policy is its focus on cultivating a culture of stewardship among municipal officials. By instilling a sense of collective ownership and responsibility for municipal property, materials, and equipment, the policy encourages personnel to actively engage in asset preservation efforts. This cultural shift is instrumental in creating a more resilient and efficient asset management ecosystem within the municipality.

1.2 Scope

This Asset Loss Control Policy applies to all municipal staff, contractors and entities under the control of the municipality. It encompasses all municipal buildings, movable assets, infrastructure, inventory, cash, and any other municipal resources or assets. The policy outlines applicable legislative requirements, defines relevant concepts, specifies applicable loss types, designates responsibility for loss control activities, standardises reporting procedures, and provides guidelines for investigating and recording asset losses.

1.3 Legislative Authority

This policy is governed by the following legislation:

Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)

The MFMA 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.

Besides minimising of losses, the MFMA also compels Council and Management to recoup losses from persons who are found to be responsible for a loss.

Section 32 of the MFMA states 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 official 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 or the executive committee of the municipality, as the case may be, has taken a decision which if implemented, is likely to result in unauthorised, 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 fruitless and wasteful 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 off in terms of subsection (2) of any unauthorised, irregular or fruitless 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 all 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 applies to loss control.

Government Integrity Management Framework: 2015

The entire framework applies to loss control.

Prevention and Combatting of Corrupt Activities Act (12 of 2004)

The entire act applies to loss control.

2 Definitions

Claim: Any form of legal process including a lawsuit, action, interdict, arbitration, inquest, or dispute, together with any situation in which such proceedings are under consideration.

Equipment: Physical assets employed by municipal officials in the delivery of their responsibilities and the provision of public services. These assets encompass a range of items, such as vehicles, machinery, tools, and office equipment, which are essential for the effective functioning of municipal operations.

Financial Asset Loss: The reduction in municipal funds or revenue brought about by theft, fraud, corruption, non-collection of taxes/fees, unnecessary or unproductive spending, and fines or penalties that adversely affect the municipality's financial health.

Loss Control: The process of implementing measures and protocols within a municipality to prevent or reduce the occurrence and impact of losses to municipal assets, as well as efforts to reclaim losses from liable parties.

Loss: The occurrence of damage, destruction, or waste of municipal assets that leads to financial or other types of losses.

Material: Items consumed in the process of delivering municipal services or during operational activities, such as stationery, fuel, spare parts, and chemicals.

Municipal Service: The array of services provided to the local community by the municipality, as required by its mandate.

Official: An individual employed by the municipality, whether on a full-time, part-time, or contractual basis.

Responsibility: The charge of managing and safeguarding municipal assets against loss, entailing specific duties and oversight obligations.

3 Types of Losses

This policy aims to prevent, detect, investigate and recover the following common types of losses related to municipal assets:

3.1 Damage/Vandalism of Infrastructure Assets

This includes willful/accidental damage or destruction of immovable infrastructure like municipal buildings, roads, bridges, water/sewer pipes, power lines, street lights etc. resulting in impairment of service delivery capacity and additional costs for repair/replacement.

3.2 Theft/Loss of Movable Assets

This covers loss of movable assets like office equipment, machinery, tools, furniture, electronic items etc. due to theft, accidents, disasters and poor asset management controls.

3.3 Loss of Inventory

This refers to loss of inventory items held by the municipality for consumption/distribution due to spoilage, obsolescence, shrinkage, theft or ineffective tracking resulting in impairment of municipal operations and additional procurement costs.

3.4 Vehicle Accidents and Misuse

This deals with damage and loss risks related to the municipal fleet due to accidents, misuse for personal benefit, and unauthorised activities leading to financial loss and reputational risks.

3.5 Fraud/Corruption

This relates to misappropriation/misuse of municipal funds or assets through deliberate manipulation, falsification, diversion or theft by officials, suppliers, contractors etc. violating financial regulations.

3.6 Financial Losses

This covers loss of municipal revenues owed, unnecessary/excess expenditures, fruitless payments, fines/penalties, irregular investments etc. eroding overall financial health.

4 Role Players and Responsibilities

The following are responsible for the implementation of this policy:

4.1 Council

The council holds overall responsibility for oversight regarding losses and the reduction of losses within the municipality. They must ensure proper governance and monitoring of loss control across all municipal departments through requesting regular reports.

4.2 Section 79 Oversight Committees

The oversight committees established in terms of section 79 of the Municipal Structures Act have a duty to monitor the management of losses within their designated functional areas. This includes scrutinizing loss reports and querying responsible officials.

4.3 Executive Mayor

The Executive Mayor is accountable to the public and council for losses occurring under political leadership. The mayor must promote an ethical culture regarding municipal resources and assets.

4.4 Members of the Mayoral Committee

Mayoral committee members are responsible for losses within their respective portfolios. They must exercise oversight to detect and prevent losses.

4.5 Municipal Manager

As accounting officer, the municipal manager is liable for implementing the loss control policy and ensuring all heads of departments carry out their duties in safeguarding assets.

4.6 Chief Financial Officer

The CFO is the custodian of the loss control policy and responsible for central oversight, including maintaining loss registers and coordinating write-offs.

4.7 Heads of Departments

HODs are directly responsible for instituting loss control in their departments, adhering to directives, reporting losses, conducting investigations and taking disciplinary steps. They may delegate appropriate duties to managers.

4.8 Line Managers

Managers must implement procedures to prevent losses within their sections. They have a duty to report losses timeously and carry out instructions.

4.9 All Officials

Officials must comply with loss control measures, report losses/damage, provide statements, and exercise care in using municipal resources.

4.10 Loss Control Officer

Appointment of Loss Control Officer

The Accounting Officer shall appoint a skilled and experienced official as the Loss Control Officer (LCO) to take overall responsibility for loss control and prevention within the municipality. This appointment will be in writing, signed by the Accounting Officer.

The LCO reports directly to the Chief Financial Officer but also provides regular feedback to the Municipal Manager and Mayoral Committee on loss control activities. He/she must have unfettered access to municipal records and assets to fulfill their duties.

Role and Responsibilities of the Loss Control Officer

The Loss Control Officer has the following key roles and responsibilities:

- Develop, implement and monitor the municipal loss control strategy and plans to proactively prevent losses across all departments. This must include conducting risk assessments to identify vulnerability areas.
- Ensure continuous awareness training and communication around loss control for all municipal officials. This includes issuing regular bulletins and notifications.
- Investigate all reported losses, damages or irregularities as per reporting procedures. This involves inspecting scenes, interviewing witnesses, gathering documentary evidence and determining accountabilities.
- Maintain updated loss registers and case files with all documentation and authorizations relating to losses. Provide relevant files timeously to Legal Services for further processing.
- Identify trends and analyse root causes leading to repeated losses. Provide recommendations on improving systems and security controls.
- Prepare and submit comprehensive loss reports to the Municipal Manager, Chief Financial Officer and Mayoral Committee detailing loss statistics, investigations, disciplinary outcomes and preventative measures.
- Coordinate recovery and write-off processes for losses in terms of legislated procedures and municipal policies, in consultation with relevant Heads of Department, Chief Financial Officer and Legal Services.

The Loss Control Officer may assign appropriate duties to departmental Loss Control Officers designated within municipal departments while retaining responsibility for loss control oversight. He must ensure these departmental LCOs are adequately trained and monitored.

5 Reporting Requirements

The timeous and accurate reporting of losses, damages, and misuse of assets is crucial for investigation, recovery, and prevention efforts. The following reporting requirements and procedures apply:

5.1 Timeframes

- All losses, damages, and suspected irregularities must be reported by the custodial official or any other official who has witnessed the incident to the Head of Department within 12 working hours of detection, excluding weekends and public holidays.
- Heads of Departments must report all qualifying cases to the Loss Control Officer, Asset Management Unit, Internal Audit Unit and the Accounting Officer within 24 working hours.
- For serious or priority cases such as suspected fraud/corruption or major infrastructure damage, immediate telephonic notification followed by written documentation within 12 hours is required.
- Theft, fraud cases motor vehicle accidents should be reported to the South African Police Service (SAPS) within 24 hours.

5.2 Reporting Process

- The official who detects or causes the loss must complete a standard Loss Report Form providing details of the incident. Supporting documents, statements or photographs must be attached.
- The completed loss report must be submitted to the respective Head of Department.
- Heads of Departments must review the Loss Report Form, conduct a preliminary investigation if required, and submit the final Loss Report Form to the Loss Control Officer, Asset Management Unit, Internal Audit Unit and the Accounting Officer.
- The Accounting Officer must submit a loss control report to Council on a quarterly basis. The report should provide a consolidated overview of loss statistics, analysis of major loss incidents and trends, follow-up status on previously reported cases, preventative actions taken, and other relevant loss control matters.

- The **Loss Control Officer** must monitor adherence to reporting timeframes. Failure to report will constitute misconduct. Regular communication and training will be conducted to ensure all officials are conversant with requirements.
- An annual loss control report must also be included in the municipality's overall risk management report submitted to Council. This provides a holistic overview of the municipality's risk and loss profile for governance oversight.

5.3 Documentation

- Heads of Departments must maintain a Loss Register recording all reported cases with the status and outcomes. An updated copy must be submitted to the **Loss Control Officer monthly**.
- All loss reports, investigation documents and authorisations relating to specific cases must be filed together for record purposes with copies provided as required.
- Relevant case numbers from SAPS must be included in loss reports as well as copies of police affidavits and statements.
- The Loss Control Officer is responsible for loss record management and reporting systems across the municipality.

6 Recording Losses

It is critical that all losses, damages, irregularities and risks are properly recorded to enable tracking, investigation and analysis towards improving municipal operations. The following procedures apply:

6.1 Loss Registers

Heads of Departments must maintain a departmental Loss Register to record all reported losses, damages, risks and irregularities. The register must capture key details including the following:

- Date loss/damage detected
- Brief description
- Location
- Asset details
- Estimated loss amount
- Person who identified loss

- Preliminary cause

Updated copies of departmental Loss Registers must be submitted to the Loss Control Officer on a monthly basis.

6.2 Central Loss Register

The Loss Control Officer maintains an umbrella Loss Register that consolidates all recorded municipal losses. This provides an overview of loss trends, frequencies, problem areas and financial impact across the municipality.

The Central Loss Register facilitates detailed reporting and aids targeted interventions towards improved loss control. Copies should be provided quarterly to the Risk Committee and Internal Audit Unit.

6.3 Case Files

For each registered loss event, a corresponding file must be opened comprising evidence such as:

- Original loss reports
- Witness statements
- Photographs
- Details of investigations
- Correspondences
- Any other supporting documents

Finalised case files must be kept in a secure registry system according to the municipality's Records Management Policy. Electronic backups should also be maintained.

7 Investigating Losses

The purpose of investigating losses is to identify the root cause of the loss and to take corrective action to prevent similar losses from occurring in the future. The investigation process should be conducted in a timely and efficient manner to minimise the impact of the loss on the municipality.

7.1 Appointing Investigators

When a loss, damage, misuse or theft of municipal assets is reported, the Head of Department must appoint an appropriate investigator to examine the circumstances and determine accountability. Investigators may be internal **municipal officials** with relevant expertise or external specialists appointed on a contract basis. The investigators should be independent and impartial and should have no personal interest in the outcome of the investigation. All investigators should have qualifications and experience related to the nature of the loss.

7.2 Investigation Process

The appointed investigator should follow a systematic process to determine the facts related to the loss. This includes:

- Inspecting the scene of the incident
- Interviewing witnesses
- Gathering documentary evidence such as CCTV footage, access logs, inventory records etc.
- Conducting forensic data analysis where required
- Determining the sequence of events leading up to the loss
- Identifying points of control breakdown or policy violations
- Establishing whether employee negligence, misconduct or criminal activity contributed to the loss
- Assessing the adequacy of existing controls and procedures

The findings, recommended remedial actions and recovery measures must be documented in an investigation report submitted to the Head of Department.

The investigation should be conducted in a confidential manner to protect the privacy of the individuals involved. Throughout the investigation, the investigators should ensure that the rights of all individuals involved are respected. All interactions and interviews should be conducted professionally and in accordance with applicable labour laws and regulations.

7.3 Legal and Reputational Risk

The investigation should consider any legal and reputational risks associated with the loss. The investigators should consult with legal counsel to ensure that the investigation is conducted in compliance with all applicable laws and regulations. The investigators should also consider the potential impact of the loss on the municipality's reputation and take appropriate steps to mitigate any negative impact. If the loss investigation reveals breaches of law or circumstances presenting legal liability or reputational risks, the Head of Department must immediately inform the Municipal Manager and consult the Legal Services Department on appropriate mitigation steps.

7.4 Remedial Actions

Once the investigation is complete, the investigators must compile a comprehensive report and submit it to the Loss Control Officer, Chief Financial Officer, Internal Audit Unit, and the Head of Department. The report should include findings, analysis of contributing factors, recommendations for remedial actions to prevent similar losses from occurring in the future, and any potential disciplinary actions or legal proceedings. The recommendations should be practical and feasible. Based on the findings and recommendations of the investigator's report, the Head of Department must take reasonable measures to address control gaps and prevent recurrence of similar losses in future. This may require policy or procedure amendments, additional access controls, training interventions or disciplinary processes.

7.5 Recovery Processes

Where the investigation has identified negligent, deliberate or criminal actions leading to asset losses, the Head of Department must initiate recovery of damages from the responsible parties in accordance with section 32 of the MFMA and the municipality's policies. This serves both a corrective purpose as well as protecting municipal funds.

8 Fleet Management

Fleet management is ensuring the efficient and effective use of vehicles while minimising risks and losses associated with their operation. This section of the Asset Loss Control Policy outlines the procedures and guidelines for the management, maintenance, and control of the municipality's vehicles.

8.1 Preventing Vehicle Misuse

Clear guidelines and procedures must be established to prevent the misuse of municipal vehicles and must be detailed in the Fleet Management Policy. This includes defining authorised usage, outlining restrictions on personal use, and implementing monitoring measures to ensure compliance. The policy shall also address consequences for non-compliance such as disciplinary actions.

8.2 Monitoring Fuel Consumption

To ensure cost-effective fleet operations, the municipality, in line with the Fleet Management Policy, shall implement robust fuel consumption monitoring through measures such as tracking of fuel purchases, and enforcing fuel-efficient driving practices. By closely overseeing fuel usage, anomalies can be identified and addressed to reduce losses.

8.3 Preventing Vehicle Accidents

The municipality shall implement various proactive measures to minimise the occurrence of accidents involving municipal vehicles:

- All municipal vehicle drivers should undergo mandatory driving training and road safety training to equip them with accident prevention skills and safe driving habits. Refresher training shall be conducted periodically.
- Municipal vehicles shall be regularly inspected and maintained in a roadworthy condition as per manufacturer specifications. Pre-trip and post-trip inspections shall also be consistently performed.

- Access to municipal vehicles shall be restricted to authorised, properly licensed drivers only to prevent unauthorised or unqualified usage. Keys and fleet management system credentials shall be adequately secured.
- Root cause analyses shall be undertaken for all accidents to identify control gaps, and appropriate interventions implemented to prevent recurrences. Trends shall be monitored municipality-wide.
- Stringent disciplinary action shall be taken against drivers found flouting municipal safety rules and procedures to emphasise accident prevention.

8.4 Accident Reporting Procedures

The municipality shall have clear procedures for reporting accidents involving municipal vehicles contained in the Fleet Management Policy. These procedures aim to ensure accidents are promptly reported to facilitate effective claims processing, risk mitigation and prevention of similar incidents.

8.4.1 Accident Notification

In the event of an accident involving a municipal vehicle, the driver or operator must immediately notify the South African Police Service to obtain a case number, Head of Department, Fleet Manager and Asset Management Unit. The driver or operator shall not admit guilt to any person at the scene of an accident.

8.4.2 Submission of Accident Reports

The driver/operator must submit a copy of the accident report that was submitted to SAPS to the Head of Department, Fleet Manager and Asset Management Unit within 24 hours of the accident. The Fleet Manager shall also conduct a post-accident evaluation of the circumstances and root causes.

8.4.3 Recording of Accidents

All municipal vehicle accidents shall be recorded in a Vehicle Accident Register maintained by the Fleet Manager. Accident statistics shall be regularly reviewed to identify patterns and implement preventative actions.

8.4.4 Disciplinary Action

Where accidents are caused due to negligence or recklessness, the Head of Department shall institute disciplinary processes against the driver/operator as per the municipality's policies.

8.5 Oversight Over Vehicle Usage

Stringent oversight over vehicle usage is essential to minimise misuse and associated losses. Measures shall include maintenance of accurate vehicle logbooks recording trip details, routine supervisory review of logbooks, and periodic analysis of usage metrics by the Fleet Manager. Any irregularities must be investigated and addressed.

8.6 Vehicle Safekeeping

When not in use, municipal vehicles shall be parked in secure depots with controlled access. Drivers must adhere to after-hours safekeeping procedures for authorised home-taken vehicles, failing which they are liable for any resultant losses or damages.

9 Recovery Processes

The municipality aims to recover losses where possible in order to recoup public funds and hold responsible parties accountable. Recovery processes will be pursued in a reasonable, fair and consistent manner.

9.1 Identifying Responsible Parties

Investigations into losses, damages or theft will seek to identify responsible parties, whether officials, contractors or members of the public. Where negligence, misconduct or criminal actions are uncovered, the relevant parties will be held liable.

9.2 Recouping Losses

The municipality reserves the right to recoup losses in full or in part from responsible parties. This may include:

- Recovering asset repair or replacement costs from negligent employees
- Recovering theft losses from implicated former staff members
- Recovering damages to municipal infrastructure from motorists

Recovery costs should be in line with financial loss suffered and principles of fairness. Extenuating circumstances may be considered on a case-by-case basis.

9.3 Legal Recourse

The municipality may pursue civil litigation to compel repayment if individuals fail to honour obligations. The prospects of successful legal recourse and potential costs will be evaluated case-by-case.

10 Loss Prevention Measures

The municipality aims to proactively prevent and minimise losses through various controls and measures. These include:

10.1 Physical Security Controls

Physical security controls restrict physical access to municipal buildings, sites, assets and infrastructure to prevent theft, vandalism and other losses. This includes perimeter fencing, locks, alarm systems, guard patrols, CCTV systems, secured storage facilities and anti-theft devices on vehicles. Physical barriers and deterrents make unauthorised access difficult and increase the likelihood of detection.

10.2 Access Controls

Access controls regulate, restrict and monitor access to municipal sites, buildings, systems and information based on authority levels. This includes ID cards, biometrics, passwords, sign-in procedures and limitations on entry to restricted areas. Strict access controls prevent unauthorised parties from reaching assets.

10.3 Segregation of Duties

Segregation of duties entails separating roles, authorisation levels and access to systems and information. No single individual should have end-to-end responsibility over processes or assets. Appropriately segregating procurement, payment, reconciliation and oversight duties mitigates the risk of misappropriation of funds and assets.

11 Policy Administration

To ensure relevance, this policy shall be reviewed on an annual basis. Input shall be solicited from Heads of Departments and Internal Audit regarding implementation challenges and recommendations for improvement.

Approval authority resides with the Council. Any amendments to the policy must follow the standard procedure of review prior to submission to the Council for adoption.

A comprehensive policy review may be initiated earlier should there be material changes to the external regulatory environment, audit findings, risk profile or implementation feedback that warrants realignment of policy provisions.

Periodic communication and training on the policy shall be facilitated to promote awareness and compliance across the municipality.