

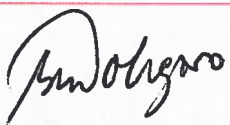


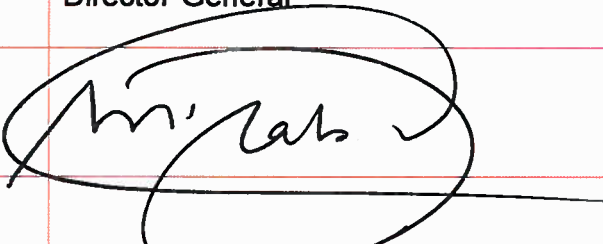
public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

PROPERTY MANAGEMENT TRADING ENTITY

DAMAGE AND LOSS CONTROL POLICY

Prepared by:	Mr Cox Mokgoro
Designation:	Chief Financial Officer
Signature:	
Date:	11 - 10 - 2013

Approved by:	Mr Mziwonke Dlabantu
Designation:	Director-General
Signature:	
Date:	

Effective date:	01 April 2013
-----------------	---------------

Damage and Loss Control Policy

CONTENTS

DAMAGE AND LOSS CONTROL POLICY	1
1. Purpose and objectives	4
2. Scope	4
3. Definitions	4
4. Legislative framework	5
5. Policy Statement.....	6
5.1. Background	6
5.2. Types of losses, damages and fraud	6
5.3. Claims against the state through acts or omissions	8
5.4. Claims by the state against other persons.....	9
5.5. Claims by official against the state	9
5.6. Losses or damages through criminal acts or omissions	10
5.7. Losses and damages through vis major and other unavoidable causes	10
5.8. Unauthorised, irregular, fruitless and wasteful expenditure	11
5.9. Recovery of losses and damages	13
5.10. Management Reporting.....	13
5.11. Rules	14
5.12. Reporting Requirements.....	15
5.14. Responsibilities of the asset controller.....	15
5.15. Preventative measures for assets that are susceptible to theft/loss	16
5.16. Calculation of losses	16
5.17. Recognition of losses and claims	16
5.18. De-recognition of losses and claims	18
5.19. Provision for Losses	18
5.20. Responsibility for losses.....	19

Damage and Loss Control Policy

6.	Implementation	19
7.	Non-compliance	19
8.	Responsibility.....	20
9.	Approval of the Policy.....	20
10.	Review of policy.....	20
11.	Acronyms.....	20

Damage and Loss Control Policy

1. Purpose and objectives

- 1.1. The purpose of this document is to provide the Property Management Trading Entity (PMTE) with a standard policy to be used as a basis for identifying, managing and administering transactions relating to financial losses and damages incurred by the entity.

2. Scope

- 2.1. This policy document applies to all instances of losses and damages incurred by PMTE from third parties, natural disaster and claims against PMTE by officials and third parties.
- 2.2. The policy applies to all divisions and functions within the PMTE, including Regions.
- 2.3. This policy supersedes all policies which were previously applicable to Damages and Loss Control.

3. Definitions

- 3.1. The terms included hereunder shall, unless the context indicates otherwise, have the meanings ascribed hereto:
- **Accounting Officer** is the accounting officer as defined in section 1 of the PFMA. The accounting officer of the PMTE is the Director-General of the Department of Public Works.
 - **Accounting period** refers to a 12 months period of trading commencing from 1 April of 1 year and ending on 31 March of the following year.
 - **Act** refers to the Public Finance Management Act no 1 of 1999 as amended.
 - **Head of the trading entity** refers to either –
 - the Accounting Officer appointed in terms of section 36(3)(b) of the Act; or
 - An official assigned to head the trading entity in terms of section 44(1)(a) of the Act.

Damage and Loss Control Policy

- **Irregular expenditure** means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.
- **The Department** refers to the Department of Public Works.
- **Losses** refer to any material loss or damages sustained by the PMTE without derogating from or limiting the concept including shortages.
- **Fruitless and Wasteful Expenditure** means expenditure which was made in vain and would have been avoided had reasonable care been exercised.
- **Claim** refers to a lawsuit, action, interdict, arbitration, inquest or dispute and also includes an intended lawsuit.
- **Fair Value** refers to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arms' length transaction.

4. Legislative framework

- 4.1. The Public Finance Management Act no 1 of 1999 as amended (Sections 38, 39, 40 and 45) compels the Accounting Officer, to ensure that the PMTE has and maintains an effective, efficient and transparent system of risk management and internal control to prevent losses and to ensure the safeguarding and maintenance of all assets of the entity.
- 4.2. The Treasury Regulations also 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 Department. 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 the PFMA.
- 4.3. Section 45 of the PFMA requires an official of the PMTE to ensure, within their area of responsibility, that:

Damage and Loss Control Policy

- a) the system of financial management and internal control for the trading entity is implemented ;
- b) ensure effective, efficient, economical and transparent use of financial and other resources;
- c) effective and appropriate steps are taken to prevent, any unauthorized expenditure, irregular expenditure and fruitless and wasteful expenditure and any under collection of revenue due;
- d) there is compliance with the provision of this Act including any delegation and instructions in terms of section 44;
- e) There are sufficient measures in place for the management safeguarding of assets and the management of liabilities.

5. Policy Statement

5.1. Background

5.1.1. The PMFA section 38 (c) stipulates that the Accounting Officer must take effective and appropriate steps to:

- a) collect all money due to the trading entity;
- b) prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct; and
- c) manage available working capital efficiently and economically;

5.1.2. Subject to the provisions of this regulation, or any other legislation or agreement, the PMTE will bear its own damages and accident 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 the entity;

5.2. Types of losses, damages and fraud

5.2.1. Losses, damages and fraud may occur under the following circumstances:

a) *Loss, theft and damage of immovable assets:*

- Damage to state buildings through weather elements.
- Damages due to civil unrests
- Accidental damage to property

Damage and Loss Control Policy

b) *Loss, theft and damage of movable assets:*

- Loss of vehicles through thefts, high-jacks, accidents and other damage costs;
- Loss of official cell phones through theft;
- Damage to furniture in official houses, office furniture, computers, printers, faxes, photocopiers;
- Loss of air conditioners and other electronic equipment through theft and other damage costs;
- Loss of minor equipment such as tools and maintenance equipment through theft.

c) *Loss, theft and damage of inventory stores items:*

- Theft of stationary, cleaning materials and electrical materials;

d) *Loss, theft and of state monies*

- Theft and shortages on petty cash;
- Theft and shortage of revenue collected.

e) *Claims against the State through acts or omissions*

- Notices of intended civil action served on the PMTE.

f) *Claims by the State against other person (s)*

- Overpaid salaries-after death or termination;
- Salaries paid for staff under suspension;
- Irrecoverable- rates and taxes, electricity;
- Irrecoverable- rental;
- Irrecoverable- fees for any other service;

g) *Fraud cases with loss implications*

- Criminal/negligence (Public Service Persons);
- Fraudulent credit transfers;
- Unauthorized orders;

Damage and Loss Control Policy

- Fictitious employees in salary system.

h) Fruitless and wasteful expenditure

- Late payment to a creditor for which interest and penalties are 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 2 officials booked for training when only 1 actually attended).
- Expenditure made in vain and would have been avoided had reasonable care been taken (e.g. booking and paying for 5 day use if a venue when the event will only be for 3 days).
- Losses due to poor awarding of tenders/bids ,
- Rent paid by PMTE for offices not in use.
- Damage to state buildings through neglect of maintenance.
- Losses or damages incurred due to negligence on the part of PMTE officials;

5.3. Claims against the state through acts or omissions

5.3.1. The PMTE must accept liability for any loss or damage suffered by another person, as a claim against the state, which arose from an act or omission of an official, provided –

- a) the act or omission was the cause of the loss, damage or reason for the claim;
- b) the act or omission did not involve the use of alcohol or drugs;
- c) the official acted in the course of his or her employment;
- d) the official did not fail to comply with or ignore standing instructions, of which he or she was aware of or could reasonably have been aware of, which led to the loss, damage or reason for the claim, excluding losses and damages arising from the use of a state vehicle; and

Damage and Loss Control Policy

- e) in the case of a loss, damage or claim arising from the use of a state vehicle, the official–
 - a) used the vehicle with authorisation for official purposes;
 - b) possesses a valid driver's licence or other appropriate licence;
 - c) used the vehicle in the interest of the state;
 - d) did not allow unauthorised persons to handle the vehicle;
 - e) did not deviate materially from the official journey or route without prior authorisation; and
 - f) Did not, without prior consultation with the State Attorney, make an admission that was detrimental to the state.

5.3.2. If in doubt, the Accounting Officer must consult the State Attorney on questions of law on the implementation of paragraph 5.3.1.

5.3.3. An amount paid by the PMTE for losses, damages or claims arising from an act or omission of an official must be recovered from the official concerned if the official is liable in law to compensate the PMTE, except where the PMTE has accepted liability in terms of paragraph 5.3.1.

5.4. Claims by the state against other persons

5.4.1. In terms of PMTE financial delegation, the Accounting Officer has delegated the institution of legal action, where the PMTE suffers a loss or damage and the other person denies liability, to the Chief Director: Legal Services. Should it be deemed economical, the matter shall be referred to the State Attorney, by the Chief Director: Legal Services, for legal opinion.

5.5. Claims by official against the state

5.5.1. The Accounting Officer shall delegate the compensation of an official, who has suffered a loss or damage in the execution of official duties, to the designated official which shall make good the loss or damage provided that the official can prove such loss or damage.

Damage and Loss Control Policy

5.6. Losses or damages through criminal acts or omissions

- 5.6.1. In terms of PMTE financial delegation, the Accounting Officer may delegate the recovery of losses or damages, through criminal acts or possible criminal acts, to the Chief Director: Legal Services. The matter shall be reported in writing to the Accounting Officer and the South African Police Service.
- 5.6.2. In the case of omissions, the matter shall be reported in writing to the Accounting Officer.
- 5.6.3. Whether or not the person is still in the employ of the state, the PMTE shall recover the value of the loss or damage from the person responsible.
- 5.6.4. The Accounting Officer or his delegated official may write off losses or damages arising from criminal acts or omissions if, after a thorough investigation, it is found that the loss or damage is irrecoverable.
- 5.6.5. Losses and damages suffered by the PMTE, because of an act committed or omitted by an official, shall be recovered from such an official if that official is liable in law. **Note:** The Accounting Officer must delegate the recovery of losses or damages to the Designated Official, in terms of Section 76(1) (b) of the PFMA.

5.7. Losses and damages through vis major and other unavoidable causes

- 5.7.1. The Accounting Officer may delegate the write-off of losses and damages that result from vis major and other unavoidable causes. Due cognisance must be taken of Treasury Regulation 11.4, which stipulates that:

Damage and Loss Control Policy

- a) The Accounting Officer may only write off debts owed to the PMTE if he is satisfied that
- i. All reasonable steps have been taken to recover the debt and the debt is irrecoverable, or,
 - ii. He is convinced that:
 - Recovery of the debt would be uneconomical;
 - Recovery would cause undue hardship to the debtor or their dependants; or
 - It would be to the advantage of the state to effect a settlement of its claim or to waive the claim.

5.7.2. The Chief Financial Officer must ensure that all debts written off are done in accordance with the PMTE Revenue and Receivables policy.

5.7.3. All debts written off must be disclosed in the annual financial statements, indicating the policy in terms of which the debt was written off.

5.8. Unauthorised, irregular, fruitless and wasteful expenditure

5.8.1. The PMTE must conform to the requirements of the department regarding Unauthorised Expenditure, Irregular Expenditure and Fruitless and Wasteful Expenditure.

5.8.2. The condoning of irregular and/or fruitless and wasteful expenditure shall be processed in line with the provisions stipulated in the department policy and must equally conform to the following delegation requirements:

- Regional Manager, on recommendation of RBAC up to R500 000
- Chief Financial Officer, on recommendation of NBAC/RBAC up to R5 000 000
- Director-General, on recommendation of NBAC/RBAC above R5 000 000

Damage and Loss Control Policy

- 5.8.3. The Accounting Officer must exercise all reasonable care to prevent and detect unauthorised, irregular, fruitless and wasteful expenditure, and must for this purpose implement effective, efficient and transparent processes of financial and risk management.
- 5.8.4. When an official of the PMTE discovers unauthorised, irregular or fruitless and wasteful expenditure, that official must immediately report such expenditure in accordance with the provisions of the department policy on Unauthorised Expenditure, Irregular and Fruitless and Wasteful expenditure. Such expenditure must also be reported in the monthly report, as required by section 40(4)(b) of the PFMA.
- 5.8.5. Where irregular expenditure occurred in contravention of tender procedures, the Head of Finance, and Supply Chain Management or the Directorate: Inspectorate and Compliance must be must be notified.
- 5.8.6. When the Accounting Officer determines the appropriateness of disciplinary steps against an official in terms of section 38(1)(g) of the PFMA, the Accounting Officer must take into account–
- a) the circumstances of the transgression;
 - b) the extent of the expenditure involved; and
 - c) The nature and seriousness of the transgression.
- 5.8.7. The recovery of losses or damages resulting from unauthorised, irregular or fruitless and wasteful expenditure must be dealt with in accordance with Chapter 12 of Treasury Regulations.
- 5.8.8. The amount of the unauthorised, irregular, fruitless and wasteful expenditure must be disclosed as a note to the annual financial statements of the PMTE.

Damage and Loss Control Policy

5.9. Recovery of losses and damages

- 5.9.1. Losses or damages suffered by the PMTE because of an act committed or omitted by an official, must be recovered from such an official if he/she is liable in law.
- 5.9.2. The Accounting Officer assisted by the relevant official must determine the amount of the loss or damage and, in writing, request that official to pay the amount within 30 days or in reasonable instalment. If the official fails to comply with the request, the matter must be handed to the State Attorney for the recovery of the loss or damage.
- 5.9.3. A claim against an official may be waived if the conditions in paragraph 5.3.1 above are met.
- 5.9.4. The Accounting Officer, must consult the State Attorney on questions of law, where there are uncertainties regarding the implementation of paragraphs 5.9.1 and 5.9.3

5.10. Management Reporting

5.10.1. Monthly

- a) The duly appointed Loss Control Officer shall report, on the status of all losses within the PMTE, to the Chief Financial Officer
- b) The Director: Legal Services shall report, on the legal status of all losses within the PMTE, to the Chief Financial Officer
- c) A listing of approved write-offs of debts owed to the PMTE in terms of paragraph 5.7 above shall be provided to the Accounting Officer by the Chief Financial Officer.

5.10.2. Annually

- a) The Chief Financial Officer shall include the following particulars with the annual report and audited financial statements:
 - any material losses through criminal conduct, and any unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, that occurred during the financial year

Damage and Loss Control Policy

- any criminal or disciplinary steps taken as a result of such losses, unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure
- any material losses recovered or written off
- Any other matters that may be prescribed.

5.11. Rules

- 5.11.1. An official, who becomes aware of a loss or damage to State Property (Assets), must report such loss or damage immediately in writing through his/her Supervisor, to the Loss Control Officer or Deputy Director Asset Management and to the SAPS and obtain a case number within **twenty-four (24) hours**.
- 5.11.2. Regions must compile a Damage and Loss report and submit it to Head Office on a monthly basis.
- 5.11.3. There must be a full investigation conducted by Loss Control Officer or appointed investigation officer. An **Investigation Report Form** should be used during the investigation process.
- 5.11.4. The Head of Directorate/ Regional Manager/ Director Supply Chain should appoint an Investigating Officer to investigate the losses and compile a report for approval or write-off.
- 5.11.5. It is important that when a person is prepared to compensate, he/she should submit complete an Acknowledgement of Debt form, signed by him/her and by two witnesses.
- 5.11.6. A recommendation by Head of Directorate / Regional Manager, whether the responsible official should be held liable or not is required.

Damage and Loss Control Policy

5.12. Reporting Requirements

5.12.1. The Asset Controller is required to keep a comprehensive Loss Register with the following details:

- a) Date Received
- b) Date of Loss
- c) User / Responsible Official Asset
- d) Item Description Office
- e) Scheme
- f) Office number
- g) Room Label
- h) Barcode
- i) Serial number
- j) Police Case number
- k) File number
- l) Book Value
- m) Amount recovered
- n) Amount written off
- o) Date of approval

5.13. The Asset Controller is required to send a quarterly Loss Control Report to Secretary: Head Office Loss Control Committee.

5.13.1. The Loss Control Report must include the following:

- The Responsible Official's own report
- The Investigation Officer's report
- The Asset Controller's report and recommendation
- An undertaking by the responsible official whether he/she is liable or not.
- Final Police report

5.14. Responsibilities of the asset controller

5.14.1. The Asset Controller must prepare a summarized Loss Submission for approval

5.14.2. The Asset Controller must submit the Loss Submission and the Loss

5.14.3. Report to the Deputy Director: Asset

Damage and Loss Control Policy

5.14.4. Only the Loss Control Committee is delegated to approve loss recoveries and write-offs.

5.14.5. The Asset Controller must ensure that Asset Register is always updated with the information from Loss Control Register.

5.15. Preventative measures for assets that are susceptible to theft/loss

Asset	Preventative measures
Digital and Video cameras	Locked in a lockable cabinet/ safe
Global Positioning System	Locked in a lockable cabinet/ safe
Laptop / Fire arms	Locked in a lockable cabinet/ safe
Portable printers	Locked in a lockable cabinet/ safe
Office doors and windows	Must be locked at all times when not occupied

5.16. Calculation of losses

5.16.1. With the recovery of any damage or loss it is of vital importance that the total extent of the state's loss must be determined beforehand and substantiated by means of documentation.

5.16.2. For the purpose of calculating the recoverable amount when equipment, stock or other state property are lost or become damaged by an official or ~~other person~~, third party, such equipment, stock and state property shall be classified as recoveries.

5.16.3. As far as the damage/loss of state equipment or items is concerned, the recoverable amount of the loss must be collected from the accountable official in accordance with the Human Resource policies and other applicable laws and regulations.

5.17. Recognition of losses and claims

5.17.1. Losses and damages shall only be recognised if, and only if:

Damage and Loss Control Policy

- a) it is probable that future economic benefits associated with the asset will flow to the entity, and
- b) The value of the damage or loss can be measured reliably.

5.17.2. All damages, losses and claims recognised as per the criteria in paragraph 5.18.1 shall be recorded in the following accounts on BAS:

- a) **Disallowance Damages and Losses: Recover: CA** - Claims against clients or other third parties relating to negligence, in respect of Properties/ Infrastructure. Where clients has not taken the necessary preventative maintenance or if they or a third party were negligent and it resulted in damage. PMTE will try and recover any losses from such parties.
- b) **Disallowance Damages and Losses: CA** - These are incidents such as hail damage, wind and fire ("natural disasters" that have resulted in damages to PMTE/DPW property that has to be repaired. Costs would have been incurred to repair/ replaced and this is what is being claimed).
- c) **Disallowance Miscellaneous: CA** - Claims against contractors for non-performance. The claim is based on the difference between the original contract price and the final actual costs to complete the project.

5.17.3. When the above recognition criteria (para. 5.17.1) has been met, the following illustrative entry shall be effected:

Example: *Where a third party has damaged the PMTE property, e.g. the person drove into a wall and damaged the wall. In this instance the debtor will only arise when it can be determined that there is an obligation by the third party. Unless the third party acknowledges the debt upfront, the third party will only become liable for the debt when the legal process has been followed and the outcome of the legal process is that the third party is liable.*

Damage and Loss Control Policy

a) Dr Receivable (Disallowances) - SFP 100

Cr Asset (Inventory, PPE, petty cash) - SFP 100

5.17.4. If the money is recovered from the said official or third party, the following entry shall be recorded:

a) Dr Bank - SFP 100

Cr Receivable (Disallowances) - SFP 100

5.17.5. For all claims and losses pending the court case, a **contingent debtor** should be disclosed at the year end.

5.17.6. The PMTE assesses annually whether there is objective evidence that exist as a result of one or more events (a loss event), that occurred after the initial recognition, that impacts on the recoverability of the amounts due and calculates an impairment loss based on future expected cash flows.

5.17.7. The PMTE uses the initial discount rate used to calculate the present value of expected cash flows and subtract that from the carrying amount of the receivable to calculate the impairment loss.

5.18. De-recognition of losses and claims

5.18.1. Once the Loss Control Committee has approved the write-off of a loss or claim, the following illustrative entry shall be effected:

a) Dr Debt written off - SOCI 100

Cr Receivables (Disallowances) - SFP
100

5.19. Provision for Losses

5.19.1. Where a contractor of the PMTE can no longer deliver on their commitment per contract and it is probable that the non-performance will result in the PMTE incurring losses and the loss can be reliably estimated, the PMTE should provide for such loss.

Damage and Loss Control Policy

5.20. Responsibility for losses

5.20.1. The Accounting Officer may delegate the acceptance of liability for any loss or damage suffered by another person, as for a claim against PMTE which arose from an act or omission of an official, to the responsible SMS member.

5.20.2. Every SMS member shall be directly responsible for the physical safekeeping of any asset controlled or used by their department. In exercising this responsibility, SMS member shall adhere to any written directives issued by the Chief Financial Officer, in regard to the control of or safekeeping of the PMTE assets.

5.20.3. Every SMS member shall be directly responsible for ensuring that all assets are maintained in a manner, which will ensure that such assets attain their useful operating lives.

6. Implementation

6.1. This policy shall be implemented through formal training of key users and on-going support by the process owner.

6.2. The Chief Financial Officer is responsible for ensuring that users understand the policy and comply with its requirements.

7. Non-compliance

7.1. The Chief Financial Officer is responsible for ensuring that users understand the policy and comply with the requirements.

7.2. Any deviation from this policy will be identified, reported immediately to the Chief Financial Officer and the necessary corrective measures shall be taken.

7.3. Any serious or persistent material non-compliance with this policy constitutes misconduct.

7.4. If an Accounting Officer is alleged to have committed financial misconduct, the matter must be reported to the Executive Authority for investigation and action.

Damage and Loss Control Policy

Disciplinary processes must be in accordance with the prescripts applicable in the public service.

8. Responsibility

- 8.1. The overall responsibility for adherence and compliance enforcement to this policy lies with the Accounting Officer.

9. Approval of the Policy

- 9.1. This policy shall be approved in terms of the delegation of authority by the Accounting Officer.

10. Review of policy

- 10.1. The Accounting Officer, with the support of the Directorate: Financial Planning and Reporting, shall review the Loss Control policy, at least, once annually to ensure that it enables the achievement of the PMTE's strategic priorities as well as complies with legislation and regulations.
- 10.2. Any request to amend this policy shall be approved by the Chief Financial Officer and the Accounting Officer before it becomes policy.

11. Acronyms

GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act, Act No. 1 of 1999, as amended
PMG	Paymaster General Account
PMTE	Property Management Trading Entity
TR	Treasury Regulations issued by National Treasury, 2005
SFP	Statement of Financial Position
SOCI	Statement of Comprehensive Income