



drdar

Department:
Rural Development & Agrarian Reform
PROVINCE OF THE EASTERN CAPE

ASSET LOSS CONTROL MANAGEMENT POLICY

2024

The purpose of this policy is to give guidelines to the employees of the Department on Departmental losses incurred through loss, theft, omissions, damage including the treatment thereof.

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LIST OF ACRONYMS

DRDAR	Department of Rural Development & Agrarian Reform
AG	Auditor General means Auditor General assigned with the task of Auditing all public institutions.
AM	Asset Management means a unit assigned with the task of managing all Departmental assets.
CFO	Chief Financial Officer means an employee who is a Head of Finance in the Department.
AO	Accounting Officer means an Accounting Officer of the Department.
ER	Employee Relations means a unit that is dealing with employee and Employer relations.
LO	Legal Officer means an employee providing advice on legal related issues.
LR	Labour Relations means a unit that is dealing with employee and Employer relations.
MEC	Member of Executive Committee means political Head of Department who is assigned with the political oversight role of Department.
PFMA	Public Finance Management Act of 1999 as amended.
SAPS	South African Police Service means a national Police force of the Republic of South Africa.
SCM	Supply Chain Management
ECPT	Eastern Cape Provincial Treasury
LCO	Loss Control Officer, employee appointed by the Accounting Officer who deals with asset losses of the Department.
LCR	Loss Control Register



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TERMS AND DEFINITION

TERM	DEFINITION
Department/ DRDAR	The Eastern Cape Department of Rural Development and Agrarian Reform
Asset	A resource controlled by the Department as a result of past events and from which future economic benefit or service potential is expected to the department.
Criminal or Possible Criminal Acts or Omission	Acts of fraud, theft, burglary, arson, forgery, willful damage and other wrong, where laws of the country are contravened, and the guilty party can be followed up and charged by the State of which any person can commit such offences.
Acts of Omission by the Said Person	Result of not carrying or failure to carry duties attached to the function.
Discrepancy	A shortage or surplus that has not been determined through perusing of supporting documents to justify any transaction made.
Shortage	Any item/s allocated to any User and cannot be physically availed when required by any officer assigned with verification function
Surplus	Additional items found on assets allocated when physically compared with an allocation document.
Wear and Tear	A natural reduction condition against the original manner
Inventory	All perishable items that are stored and the department has incurred expenses in acquisition.
Asset User/ User	The official employed by DRDAR that has been assigned with departmental assets
Asset Loss	A physical loss, or loss in value which may arise as a result of deterioration or damage, suspected tempering leading to damage or sabotage experienced by DRDAR on assets that may have financial value.
Loss Control Register	Record where all losses or damages shall be recorded per financial year
Asset Disposal	The process whereby the department ceases control or decommissions an asset.
Beyond Economical Repair	Classification given to an asset where that asset requires repair likely to be more expensive than its replacement value.
Vis Major	Incident that could not be avoided
Damage	Reduction of asset value through omission or negligence
Debt	Money owed
Contract	The agreement that results from the acceptance of a bid/



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	quotation by DRDAR
Historically Disadvantaged Individual (HDI)	<p>South African citizen</p> <p>(a) Who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and /</p> <p>(b) Who is female; and /or</p> <p>(c) Who has a disability,</p> <p>(d) Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution is deemed not to be an (HDI).</p>
Institution	A department, constitutional institution or public entity listed in Schedule 3A and 3C of the Public Finance Management Act.
Employee	A person in the employment of DRDAR
Obsolete	Assets that are beyond the economic value within the department.
Redundant	An asset is not physically utilized but may partially serve the initial purpose.
Unserviceable	An asset is technically beyond repairs and is not economically with any further repairs.
Negligence	A conduct deviating that a reasonable man would have adopted in the same circumstances.
Asset Write off	A write off involves removing all traces of the fixed asset from the balance sheet, so that the related fixed asset account is reduced.
Risk	Probability or threat of damage, injury like liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities that may be avoided through pre-emptive action.



1. INTRODUCTION

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

2. OBJECTIVES

- 2.1 The purpose of this policy is to give guidelines to the employees of the Department on Departmental losses incurred through loss, theft, omissions, damage including the treatment thereof.
- 2.2 It reminds all employees that they are held accountable for losses in their respective area of responsibility.
- 2.3 Assist employees / asset users to create a climate that is conducive to Internal Control, Risk management and prevention of losses.
- 2.4 Contribute towards creating respect for the resources entrusted with the Department for use in the best way possible.
- 2.5 Encourage employees to perform their duties in a responsible manner and to avoid unlawful conduct that may result in unnecessary losses in general of claims in compensation being instituted against the Department in particular.
- 2.6 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 establishment of an effective risk prevention strategy.
- 2.7 To provide clear, user friendly guidelines and processes in terms of loss control management within the department. This policy should be read with the departmental Asset Management and Asset Disposal policies.



3. LEGISLATIVE, REGULATORY AND POLICY FRAMEWORK

This policy document aims to provide framework within the guiding principles of the following:

- 3.1 Public Finance Management Act No.1 of 1999 as amended;
- 3.2 Treasury Regulations;
- 3.3 Supply Chain Management Policies
- 3.4 National Treasury Guidelines and
- 3.5 Public Service Regulations.
- 3.6 Investigation policy of DRDAR
- 3.7 Debt Management Policy of DRDAR
- 3.8 Labour Relations Policy of DRDAR
- 3.9 Asset Management Policy of DRDAR
- 3.10 Criminal Procedure Act
- 3.11 Fraud Prevention Act
- 3.12 Risk Management Policy of DRDAR
- 3.13 Security Management Policy of DRDAR
- 3.14 Asset Disposal Management policy of DRDAR
- 3.15 Ethics Policy of DRDAR
- 3.16 Public Service Regulations
- 3.17 Constitution of the Republic of South Africa Act, 108 of 1996

4. SCOPE OF APPLICABILITY

This policy is applicable to all employees of the Department of Rural Development and Agrarian Reform including Contract workers, Interns and Learners.

5. OUTLINE FOR LOSS CONTROL: TYPES OF LOSSES

5.1 Theft, fraud and damage of immovable assets

- (a) State building through weather elements and or negligence of maintaining employee buildings.

5.2 Theft, fraud and damage of moveable assets

- (a) Pool vehicles through theft, hijacks, accidents, misuse, and other damage costs.
- (b) Furniture in employee's houses, office furniture, computers, printers, faxes, photocopiers, air conditioners and other electronic equipment through thefts and other damage costs.
- (c) Minor equipment such as tools and maintenance equipment through thefts and other damage costs.

5.3 Theft, fraud and damage of inventory stores items



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

5.4 Theft, fraud, and damage of state biological assets

- (a) Theft, injury, loss of biological assets

6. ROLES AND RESPONSIBILITIES

6.1 THE ACCOUNTING OFFICER

6.1.1 Section 38 (1) of the PFMA Act No.1 of 1999, as amended, places certain responsibilities with the Accounting Officer and, amongst others, the following:

- (a) must ensure that the department, trading entity or constitutional institution has and maintains - (i) effective, efficient and transparent systems of financial and risk management and internal control;
- (b) Is responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities of the department, trading entity or constitutional institution.

6.1.2 The Accounting Officer must also ensure that there are procedures and preventative measures implemented and maintained for the protection of departmental assets against losses, damage, theft, neglect or misuse. The very same applies vice versa to all employees within the department.

6.1.3 The Accounting Officer is also responsible for the appointment of Asset Loss Control Officers.

6.2 THE ASSET LOSS CONTROL OFFICER

The departmental Loss Control Officer shall be appointed in writing by the Accounting Officer for a period not exceeding 24 months; with the following responsibilities:

- 6.2.1 Attend to all aspects of losses, thefts, damages or shortages.
- 6.2.2 Confirm that such is reported to the relevant Loss Control Officer/ Asset Management, SAPS, immediate supervisor within 24 hours of the incident in writing detailing the description of the asset and how the theft/ loss/ damage occurred. The loss report must be accompanied by a copy of an affidavit with a case number obtained from SAPS.
- 6.2.3 Investigate all losses, claims, thefts, damages and shortages within the department, arising from the use of departmental assets; and prepare submissions in respect of the outcomes recommended to the Accounting Officer for approval.
- 6.2.4 Update and maintain the departmental Loss Control Register by recording all details, particulars and statements of all losses, shortages and claims.
- 6.2.5 Submit information regarding losses to Financial Management for recording the relevant transactions in the General Ledger.
- 6.2.6 Establish procedures for reporting, recovery and review.
- 6.2.7 Evaluate and review loss reporting procedures and mechanisms on an on-going basis to ensure efficiency and effectiveness.



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- 6.2.8 Monitor patterns of losses and recommend measures for reduction thereof.
- 6.2.9 Conduct *ad-hoc* inspections & visits at Head Office and District Offices to ensure compliance with the loss control procedures.
- 6.2.10 Make follow-ups with regard to any pending cases registered in the departmental Loss Control Register.
- 6.2.11 Ensure that proper steps and procedures are followed to recover monies where so approved by the Accounting Officer.
- 6.2.12 Ensure that all cases relating to loss control are properly filed.
- 6.2.13 Liaise with the Legal Services Unit of the department, SAPS, Office of the Auditor-General and any other relevant stakeholders.
- 6.2.14 Loss Control Officer may, if it is deemed necessary, recommend disciplinary action.

6.3 THE ASSET USER

In the case of where IT equipment (i.e. laptops) is bought with a lockable facility, security cable locks should be included.

- 6.3.1 Employees should disclose their personal/ departmental items to the security desk when entering and leaving the departmental premises; failure to do so will be regarded as an act of dishonesty.
- 6.3.2 Asset users of the DRDAR assets may at their own discretion, insure assets of high risk that are under their control and not already insured by the department. Payment of the premiums and excess will be the responsibility of the asset holder. The asset holder of the insured asset will still be eligible to the loss control procedures should the insured asset be lost. If a state asset is replaced by insurance it will remain the property of the state i.e. ownership does not transfer to the asset holder. The replaced asset should meet the full description, model (or latest) and capacity (or more) of the lost asset.
- 6.3.3 Ensure that lost asset/s under his/ her responsibility is reported to the SAPS, supervisor and Loss control Officer within a period of 24 hours.
- 6.3.4 In the event that the insurance company rejects the claim, the liability remains the responsibility of the asset user.
- 6.3.5 Make a follow up with SAPS regarding each loss.
- 6.3.6 Provide the details of the Asset User or responsible official (full name and surname, position, centre of employment, Persal number) etc.
- 6.3.7 Detail circumstances surrounding each loss.

7. ASSET MANAGEMENT

- 7.1. Ensure that those assets that are not presented for verification during asset verification and are not reported as lost to the LCO will be treated as a loss; after the user has been asked to present the assets and did not comply.
- 7.2. The report for such is escalated to the LCO with the recommendations that the Asset User is grossly negligent.



8. REPORTING AND MANAGING LOSSES

8.1 REPORTING BY EMPLOYEES

- 8.1.1 Employees must notify their relevant Programme Managers in writing of any theft, losses, shortages and/or damages that occurred in their relevant sections with all the details of the asset(s) within 24 hours.
- 8.1.2 Theft, damage and losses, irrespective of the value involved, asset(s) must be reported to the SAPS within 24 hours from the time of discovery of the loss.
- 8.1.3 A signed internal memorandum **must** be accompanied by a copy of the SAPS statement/ affidavit/ or any police report aimed at reporting the loss or theft with a case number obtained from SAPS; and any other additional information such as photos, sketch plans, accident reports in cases of motor-vehicle accidents, where applicable.
- 8.1.4 Late reporting of lost, stolen and/or damaged departmental assets by affected employees as indicated above on 8.1.1; constitutes an act of misconduct and will be treated as an act of noncompliance.

8.2 INFORMATION GATHERING

- 8.2.1 Details of the asset unique identification e.g. asset description, barcode, number plate, vin number, serial number, tag number etc should form part of the reports and be availed to the LCO by the asset user.
- 8.2.2 LCO shall ensure that the loss report, together with supporting documentation as listed above (paragraph 8.1), is submitted for consideration by the relevant departmental Asset Loss Enquiry Committee (ALEC).
- 8.2.3 In the case of determining the value of the lost asset, the book value at the time of the loss as prescribed shall be attained from asset management and forwarded.

8.3 INVESTIGATIONS

- 8.3.1 Loss Control Officer shall investigate, through the SAPS or any relevant institution/ person, where necessary, any losses, theft, damages, shortages and misuse of departmental assets. The investigating officer may acquire other lawful mechanism of investigations deemed relevant when he/she feels the need to.
- 8.3.2 An investigation is aimed mainly at determining accountability and cause. The investigation is to specifically establish whether an act or omission by any employee gave rise to losses, claims, damages, or theft or whether the loss could have been prevented or could have not been prevented.
- 8.3.3 Loss Control Officer shall always take the matter up with the employee responsible, to afford whoever is responsible an opportunity to present his/her case.
- 8.3.4 In investigating the loss, damage or theft, the Loss Control Officer shall consider the measure of control, authority, and accountability the person had over the loss or damage.
- 8.3.5 All cases deemed to have an element of fraud or corruption will be referred to Risk, Anti-corruption & Integrity Management; to determine if any further action is needed.



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This however does not take away the Accounting Officer's prerogative to institute any further investigation action as he deems fit.

- 8.3.6 If, after all investigations deemed necessary by the department have been done, including investigations by the SAPS where necessary, it is clear that it will not be possible to determine accountability, (for example, in the absence of criminal element, negligence or mismanagement), outcomes of the investigation must be submitted by the Loss Control Officer to the AO.
- 8.3.7 If, however, after all investigations deemed necessary by the department have been done, including investigations by the SAPS where necessary, the possibility exists that accountability can be determined, or if criminality, negligence or mismanagement is suspected, outcomes of the investigation must be submitted by the Loss Control Officer to the AO.
- 8.3.8 The Outcomes of the findings by the investigator/s should be submitted to the relevant District Director to cascade to the Loss Control Officer, Debt Management office, and Human Resource Management to ensure implementation of the outcome for recovery in terms of the Debt Management Policy.
- 8.3.9 Any case that has been identified to have elements of misconduct or contravention of any government acts, regulations or prescripts, will be referred to Labour Relations for necessary action.
- 8.3.10 As statements can be entered as admissible evidence during the enquiry, it is necessary that they must be sworn statements. Any employed state employee can obtain sworn statements, provided that his or her only interest is obtaining such a statement is in the best interest of the state.
- 8.3.11 All finalised cases investigated by the department will be closed within that relevant financial year. Only Cases reported in the last quarter of a particular financial year will be considered for investigation & closure in the following financial year as the department deems fit.

8.4 SAPS FINAL REPORT

Loss Control Officer must ensure that the final report from the SAPS is obtained. This report may include information that may initiate further investigation or action. The writing off a loss or damage, or any other action, shall be considered while the final SAPS report is still awaited.

9. AWARENESS

This section of the policy aims to create awareness about the responsibilities of departmental employees regarding the safeguarding/ custody of assets allocated to them for service delivery enablement. Recommended prevention measures are listed below:

- 9.1 No eating and/ drinking allowed closer to ICT equipment.
- 9.2 Leaving assets visible inside motor-vehicles, which is tempting to the passers-by.

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- 9.3 Failure to physically check if a motor-vehicle with a departmental asset is properly locked, leading to the vehicle locking process done by a remote control being intercepted.
- 9.4 Leaving portable assets in the office lockable cabinets unattended whilst they are not properly locked during and outside of normal working hours.
- 9.5 Leaving laptops on workstations without using the cable-lock.
- 9.6 Leaving assets in the strong-rooms and other areas where the key control issue is not properly managed.
- 9.7 Poorly controlled accessibility of offices or where employees keep their departmental assets.
- 9.8 Tendency for employees to ignore the security control measures.
- 9.9 In addition to the common causes that lead to the losses of assets mentioned above, the following are the common causes for the damages to departmental ICT-related assets:
- (a) Liquid spills,
 - (b) Laptop is dropped,
 - (c) The item where the cable-lock attached to the laptop is swerved causing the laptop to fall,
 - (d) Exposure to heat, dirt/ dust,
 - (e) Using force when connecting external devices, e.g. USB devices,
 - (f) Opening too many applications,
 - (g) Storage of large files e.g. Movies, Music etc. that are not for work purposes,
 - (h) Cleaning the laptop screens with inappropriate liquids/ swabs,
 - (i) Browsing the internet without an up-to-date anti-virus.
- 9.10 All cases of losses, theft and damages relating but not limited to the above-mentioned reasons will lead to employees being held liable for such losses, theft and damages.
- 9.11 Departmental employees are implored to note their legislative responsibility to safeguard the assets in their custody as per section 45 of the PFMA. Employees are also encouraged to familiarize themselves with the contents of the departmental Asset Management and Asset Disposal Policies.

10. LOSS CONTROL REGISTER

- 10.1 The LCO must, at all times, update and maintain the Loss Control Register. The following information must form part of the Loss Control Register.
- (a) Region/ District
 - (b) Loss control number
 - (c) Asset serial number (where applicable)
 - (d) Bar code/ Asset number
 - (e) Item description
 - (f) Asset category
 - (g) Name of the employee responsible for the loss/ damage/ shortage and their Pearsal number



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- (h) Date of loss/damage/shortage occurrence
- (i) Details of the loss/damage/shortage.
- (j) Cost price of the asset
- (k) Date case reported to SAPS
- (l) SAPS case number.
- (m) Date reported to loss control officer
- (n) Departmental case status
- (o) SAPS case status
- (p) Outcome of departmental investigation

11. MANAGEMENT OF LOSSES, FRAUD DAMAGES AND THEFT

- 11.1. The person dealing with losses, theft and damages must have sufficient knowledge and expertise to deal with such. Any recovery of losses or damages resulting from losses, damages, theft of departmental assets must be dealt with in accordance with Treasury Regulation 12.

12. ASSET WRITE OFFS

- 12.1 Damaged or missing assets may only be written off once all of the following procedures have been completed:
- (a) Accountability for the loss has been established and recoverability procedures are being instituted (where possible);
 - (b) The results of the investigation are documented;
 - (c) The loss is recorded in the loss control register;
 - (d) Accounting Officer's approval has been obtained for the write-off.
 - (e) Once approval has been obtained, the write off can be disclosed in the financial statements of the department.

13. RECORD KEEPING

- 13.1 Records of loss, damaged asset/s, registers etc. should include the following minimum info:
- (a) Gross value of the loss
 - (b) Amount recovered
 - (c) Approved amount written off
 - (d) Authority/ reference for adjustment include these columns in the loss register columns.

14. RISK ASSURANCE

- 14.1 In general, the Department bears its own damages and accepts responsibility for all claims and losses of the Departmental property; arising from the Departmental activities by a person who is liable in law and who is or was employed by an Institution



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to which the loss control instructions applied or originated from or took place during the performance of the Departmental activities.

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

15. PROCESS OF RECOVERY

- 15.1 If the affected employee is found to be liable for the asset loss, the recoupment process will be followed. The following options will be applicable:
- (a) Payment of all departmental assets shall be at the book value i.e. Cost Price-accumulated depreciation, calculated at a straight-line method (depreciation is charged uniformly over the life of an asset) as determined by the Accounting Officer at the time of the loss subject to a basic minimal amount as follows:
- i. If a mobile asset has fully depreciated at the time of the reported loss or damage with a book value of R0; the official will be liable to pay 8% of the purchase price or a minimum of seven hundred rands or the minimum of (R700.00) for a laptop or other machinery and equipment e.g. projector, survey equipment, cameras, or all audio-visual equipment etc.
 - ii. Desktop and I-Pads/ Tablets fully depreciated at the time of the reported loss or damage with a book value of R0, 8% of the purchase price or a minimum of five hundred rand (R500.00) will also be borne by the official.
 - iii. If an asset has fully depreciated and a book value is at R0; 8% of the cost price will be used as a recovery value.
 - iv. Where a lost, stolen and/or damaged asset valued at R1 because of the historical effects but negligence, mismanagement or criminal element has been established, the recovery value will be 10% of the fair value of the asset.
- (b) High valued assets, e.g. transport assets, farm agricultural assets etc.; an assessment will be done to determine the fair value cost to be recovered at the time of loss.
- (c) If the official did not comply with the loss reporting processes as per this policy and the Asset Management policy and other relevant departmental policies in terms of loss regulations, the official may be liable to pay the asset cost price, or a minimum as determined by the Accounting Officer.
- 15.2 Recovery of the liability of the asset must be recovered within the specified timeframes as set out by Debt Management.
- 15.3 Officials are not allowed to replace any lost departmental assets. Only the recovery described above will be followed.



16. ETHICAL STANDARDS

16.1 A code of good practice as per Departmental ethics policy must be adhered to by all employees and other role players in the system in order to promote a mutual trust and respect.

17. OBJECTIONS AND COMPLAINTS

17.1 Persons not in agreement with the decisions or actions taken in the implementation of the Loss Control Policy and the findings of the investigation may lodge a disagreement.

17.2 The request to appeal may be submitted in writing within the timeframes set out in the Public Service Co-ordinating Bargaining Council Resolution 1 of 2003 with the office of the MEC.

18. COMMENCEMENT

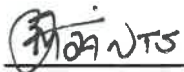
This policy takes effect as at the 1st April 2024.

19. POLICY REVIEW

This policy will be reviewed after FIVE (5) years from the approval date or when a need arises during implementation due to environmental or legislative changes.

20. RECOMMENDATIONS AND APPROVAL

The Loss Control Policy is recommended and approved by the management of the department.



MRS S MZANTSI

ACFO: DRDAR

DATE: 28/03/2024



MR B DAYIMANI

AHOD: DRDAR

DATE: 28/03/2024

