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Department:
Human Settlements, Public Safety & Liaison
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

DEBT MANAGEMENT POLICY

2012-13 Financial Year

1. PREAMBLE

The objective of this policy is to provide guidance to address and deal with debt management. This policy also covers all provincial debts emanating from departmental revenue sources, staff debts and any other debts

2. PURPOSE

The purpose of this policy is to:

- a. Provide a framework for managing departmental debtors and debts write offs.
- b. Govern the collection of all outstanding debts due to the Department by instituting effective and appropriate steps timeously to collect money due to the Department in compliance with prescripts, and
- c. Recognise debt promptly and vigorously pursue collection.

3. RELEVANT LEGISLATION

- 3.1 Public Finance Management Act, 1999, as amended.
- 3.2 National Treasury Regulations.
- 3.3 Public Service Act.
- 3.4 Public Service Regulations.

4. POLICY PRONOUNCEMENT

4.1 Creation of a Debt

The Chief Financial Officer must immediately, on becoming aware of any amount owing to the Department confirm, reconcile and create a debtor in the financial system

4.2 Types of Debts

The following types of debts may be cited:

- a) Employee related debts such as overpayments of salaries or allowances of employees in service and private cell phone costs
- b) Losses and damages suffered by the state through the act of an official or any other person.
- c) Unauthorised, Irregular, Fruitless and Wasteful Expenditure
- d) Breach of Contract by an individual or other entities
- e) Erroneous payments or overpayments to service providers
- f) Debt adoption
- g) Travel and Subsistence advances not redeemed
- h) State Guarantees
- i) Debt in respect of shortfalls on deductions payable to other institutions.
- j) Interdepartmental debts and any other Third Party Debts

Debtors must be notified to pay their debts within 30 days. Failure to pay the debt may lead to interest being charged, deduction from salaries and/or legal steps being taken where applicable.

4.3 Debt Recovery Process

- 4.3.1 The Chief Financial Officer must as soon as she/he has created a debt account:
 - a) Inform a debtors in writing of any amounts owing to the Department and
 - b) Request that a debtor pay the identified debt.
- 4.3.2 If the debtor cannot settle the debt within the stipulated time frame the Chief Financial Officer requests the debtor to provide a reasonable settlement offer.
- 4.3.3 The Chief Financial Officer may approve the recovery of amounts owing to the Department in installments at the written request of a debtor provided:
 - a) The conditions of payment are not determined by law, contract or agreement:
 - b) The Debtor presents an income and expenditure statement
 - c) After reviewing the income and expenditure statement, the Chief Financial Officer is satisfied that the recovery of amounts owing to the Department cannot be recovered in 30 days.

- 4.3.4 The debt must be recovered as soon as possible
- 4.3.5 Where the debtor is unable to pay back the debt in full, the amount owed may be recovered in installments at the discretion of the accounting officer
- 4.3.6 Interdepartmental debts should be confirmed on a quarterly basis
- 4.3.7 Neglect or refusal by the Debtor to acknowledge amounts owing

The Chief Financial Officer may, after she/he has become aware of any negligence or refusal to acknowledge amounts owing to the Department and where it is economical and it is in the best interest of the Department instruct the Legal Services Directorate to recover amount owing to the Department through the legal process provided that:

- a) The debtor received all possible assistance in terms of the official policy to arrange for payment
- b) All possible means were used to get in touch with the person and persuade him/her to pay and,
- c) Acknowledgement of the amount owing to the Department was not or could not be obtained from the debtors.

4.4 Debt Monitoring

All debts must be monitored on a monthly basis. Defaulting debtors must be issued with letters of demand and/or handed over.

4.4.1 Tracing Agents

Where it is apparent that the Debtor has left his or her last known address, the accounting officer if it is economically viable to do so, may appoint tracing agents to locate the whereabouts of the debtor, and in deciding whether it is economically viable to appoint tracing agents, the Accounting officer must take into account the following:

- a) The amount of the debt.

- b) The estimated costs of the tracing agents, and
- c) Whether the debtor, once located, would be able to settle the debt.

4.4.2 Identification and recovery of amounts owing to the Department by employees leaving the Department

The Human Resource Management must ensure that

- a) All employees leaving the Department must complete exit clearance certificate which include acknowledgement of any debts or assets in their possession that must be settled or returned.
- b) The employee's supervisor or Manager, and the responsible employee of the relevant support services should verify the certificate.

4.4.3 Recovery of amounts owing to the Departments by employees leaving the Department

The Chief Financial Officer must within 3 working days of becoming aware and confirming any amount owing to the Department by a resigning officer:

- a) Create a debt account for the relevant employee
- b) Inform the employee in writing of any amount owing to the Department
- c) Request such a debtor to pay the debt within 30 days
- d) Alternatively, inform the employee that amounts owing to the Department will be recovered from pension funds payout.

4.4.3.1 The accounting officer may where an employee pension payout is not sufficient, or where pension payouts are not applicable, approve the recovery of outstanding amounts owing to the Department in installments upon request of a debtor, provided that:

- a) The debtor is requested to submit an income and expenditure statement
- b) And after reviewing the income and expenditure statement the Accounting Officer is satisfied that the recovery of amounts owing to the Department cannot be recovered in 30 days

4.4.4 Reporting of amounts owing to the Department excluding resigning employees

- a) Any employee must as soon as she/he becomes aware of any amount owing to the office; inform the Chief Financial Officer of such amount.
- b) The following Details must be included in the report to the Chief Financial Officer:
 - i. Full name of the Debtor
 - ii. Identity and registration number
 - iii. Physical and postal address
 - iv. Telephone or cellphone number
 - v. Type of Debt
 - vi. Debt Description
 - vii. Debt amount
 - viii. Where applicable, the approval of the accounting officer.

4.4.5 Determination of interest rates for debts owing to the State

The Chief Financial Officer must ensure that the interest rate prescribed by National Treasury is applied to all amounts owing to the Department.

4.4.5.1 Interest will not be charged on debts owed unless:

- a) The monetary advantage resulted from an employee, own fraudulent action
- b) The resulting loss or damage was caused deliberately, and
- c) There was a breach of contract or a delictual claim relating to the contractual relationship

4.4.5.2 Interest Calculations

Interest is calculated on the decreasing balance of the debt and may not be capitalized, nor may it exceed the original capital amount.

4.5 Payment made by debtors

The following payments methods may be utilized by debtors:

- a) Cash
- b) Bank guaranteed cheques
- c) Electronic Funds Transfer
- d) PERSAL Deduction for Government employees

4.6 Allocating payments received

- a) Payments received from debtors, must be allocated to the relevant account timeously.
- b) A debt suspense matching report should be requested monthly to ascertain whether all receipts have been allocated correctly.

4.7 Refunds of Credit Balances

- a) The Chief Financial Officer may refund a credit balance on a debtor account, or offset it against other amounts owing to the Department.
- b) Money received in excess, and not claimed by the debtor must be surrendered to the Provincial Revenue Fund, provided the excess payment is unclaimed for period of 12 months.

4.8 PROVISION FOR DOUBTFUL DEBTS

The Chief Financial Officer must provide provision for doubtful debts at the end of the Financial Year.

Provision for doubtful debts shall be provided for all debts on all outstanding debts 90+ days and older based on the age analysis of the financial year end of which the financial statements are drawn up for.

4.9 WRITING OFF OF DEBT

- 4.9.1 Any debt written off will only be considered provided that:

All reasonable efforts to trace the debtor have been followed in effort to trace the debtor, the debtors address may possibly be obtained inter alia through the following:

- Municipalities;
- Post offices;
- The Department of Home Affairs;
- Magistrate Offices;
- Pension Administration

4.9.2 Departmental debt may be written off in terms of Treasury Regulation 11 in accordance with the delegations on authority. if:

- The debtor has neither assets or income; or
- All reasonable efforts to trace the debtor have failed; or
- The States claim against an insolvent estate or an estate that is being administered as insolvent, had been proved properly and the dividend Of the creditors was insufficient to meet the debt; or
- The debtor is no longer resident in South Africa, there are no apparent means of collecting the debt and there is no evidence that the debtor has family or business concerns in South Africa that could lead to the debtor returning to South Africa; or
- The debtor is deceased; or
- The settlement of the claim of the State will be in the best interest of the State; or
- The State Attorney has made a recommendation to that effect and the Department is in agreement there with and approves it after consultation with the Chief Financial Officer; or
- It will be to the advantage of the State to effect a settlement of its claim or to waive the claim; or
- Recovery of the debt will be uneconomical; or
- Recovery of the debt would cause undue hardship to the debtor or his dependant/s.
- The reasonable efforts to trace the debtor has failed

4.9.3 The Chief Financial Officer must before a debt is considered to be irrecoverable due to financial circumstances of the debtor, take the following into account

- a) Determine the value of debtor's non essential assets with the intention to sell such assets at an auction.
- b) Accept an amount smaller than the current installment until such time as the debtor financial position may improve.

4.9.4 The Chief Financial Officer must, before a debt is considered to be uneconomical, perform the following actions:

- a) A cost analysis must be made on a monthly basis to determine the expenditure incurred, compared to the amount involved. The cost of telephone calls, the cost of time spent, cost of collection agency and any other cost must be considered
- b) The office of the State Attorney must be consulted for a legal opinion in cases where it is regarded as advantageous to the state to effect settlement of its claim or waive the claim.

4.9.5 The following information needs to be provided for each debt to the Accounting Officer to approve the write offs:

- a) Debtor's name,
- b) Debtor's address,
- c) Debtor's account,
- d) Methods taken to collect the debt,
- e) Reason(s) why the debt is uncollectable,
- f) Description of debt,
- g) Amount to be written off,
- h) Reason for the write off.

5. Determination of amount disclosed as irrecoverable debt in the Financial Statement

- a) The accounting officer must ensure that all debts written off must be disclosed in the Annual Financial Statements.
- b) The amount disclosed as irrecoverable debt in the Financial Statements guidelines issued by National Treasury.

6. Implementation Date

This policy comes into operation with effect from the date of approval.

7. Review

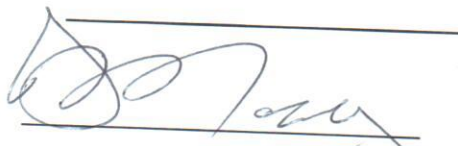
The policy will be reviewed on an annual basis or on request of the Accounting Officer.

8. Termination

This policy will be terminated upon the inception of a new policy

9. Approved / ~~Not~~ Approved

Comments:



Head of Department
Date: 04/10/2022