



Department of Public Safety & Liaison

-

Debt Management Procedure Manual

2012-13 Financial Year

1. TABLE OF CONTENTS.....	2
2. INTRODUCTION.....	3
3. FLOW CHART COMPONENTS DESCRIPTION.....	5
4. DEBT MANAGEMENT PROCESS OVERVIEW.....	5
5. OBTAIN DETAILS.....	6
5.1 Obtain Details Process Flow.....	6
5.2 Obtain Details Process Description.....	7
6. CAPTURING DETAILS.....	10
6.1 Capturing Details Process Flow.....	10
6.2 Capturing Details Process Description.....	11
7. AUTHORISE DETAILS.....	12
7.1 Authorisation Process Flow.....	12
7.2 Authorisation Process Description.....	13
8. DEBT PAYMENTS.....	14
8.1 Debt Payments Process Flow.....	14
8.2 Debt Payments Process Description.....	15
9. ROLES AND RESPONSIBILITIES.....	16
10. KEY PERFORMANCE INDICATORS.....	16

2. Introduction

According to Treasury Regulations (paragraph 11.2), “the accounting officer of an institution must take effective and appropriate steps to collect all money due to the institution including, as necessary–

- (a) Maintenance of proper accounts and records for all debtors, including amounts received in part payment; and
- (b) Referral of a matter to the State Attorney, where economical, to consider a legal demand and possible legal proceedings in a court of law”.

The objective of this document is to describe suggested processes Government Departments can use as guidelines when developing and implementing appropriate processes that provides for the requirements of the Treasury Regulations.






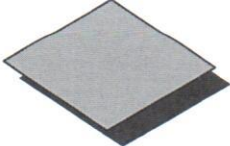

The process described in this document has been developed with reference to the Public Finance Management Act (Act 1 of 1999) and Treasury Regulations and the responsibility lies with the Department to ensure that it complies with all National and Departmental Rules, Regulations, Legislation, Policies and Procedures.

The process is presented in a Flow Diagram, followed by an explanation for each step involved in the process. The roles and responsibilities of each role-player in the process are also defined.

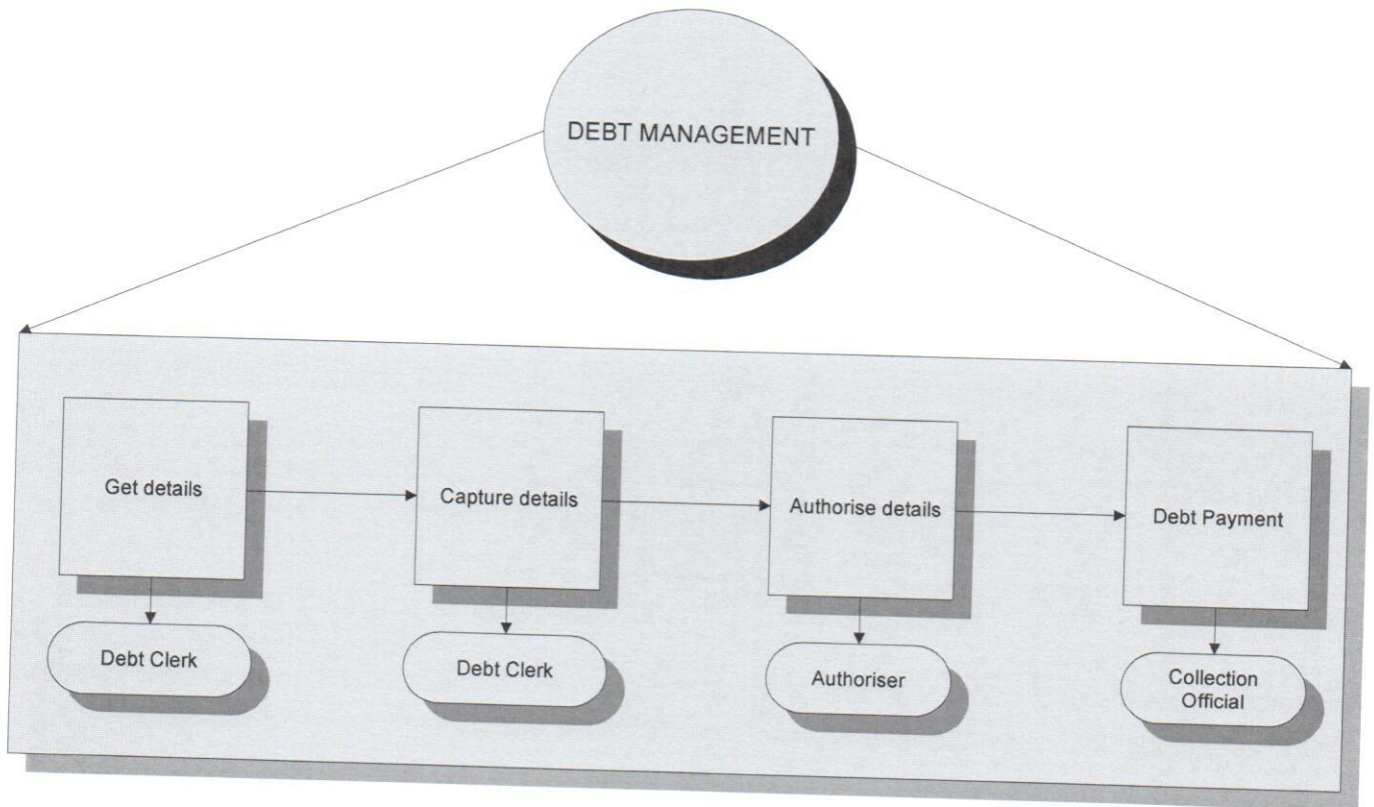
The importance of debt management

The debt management procedure as described in this document can be applied as both a centralised or a de-centralised function. It is recommended that debt be managed at a regional and even institutional level, so that responsibility for collecting debt will fall with the offices where they originated.

3. Flow Chart Components Description

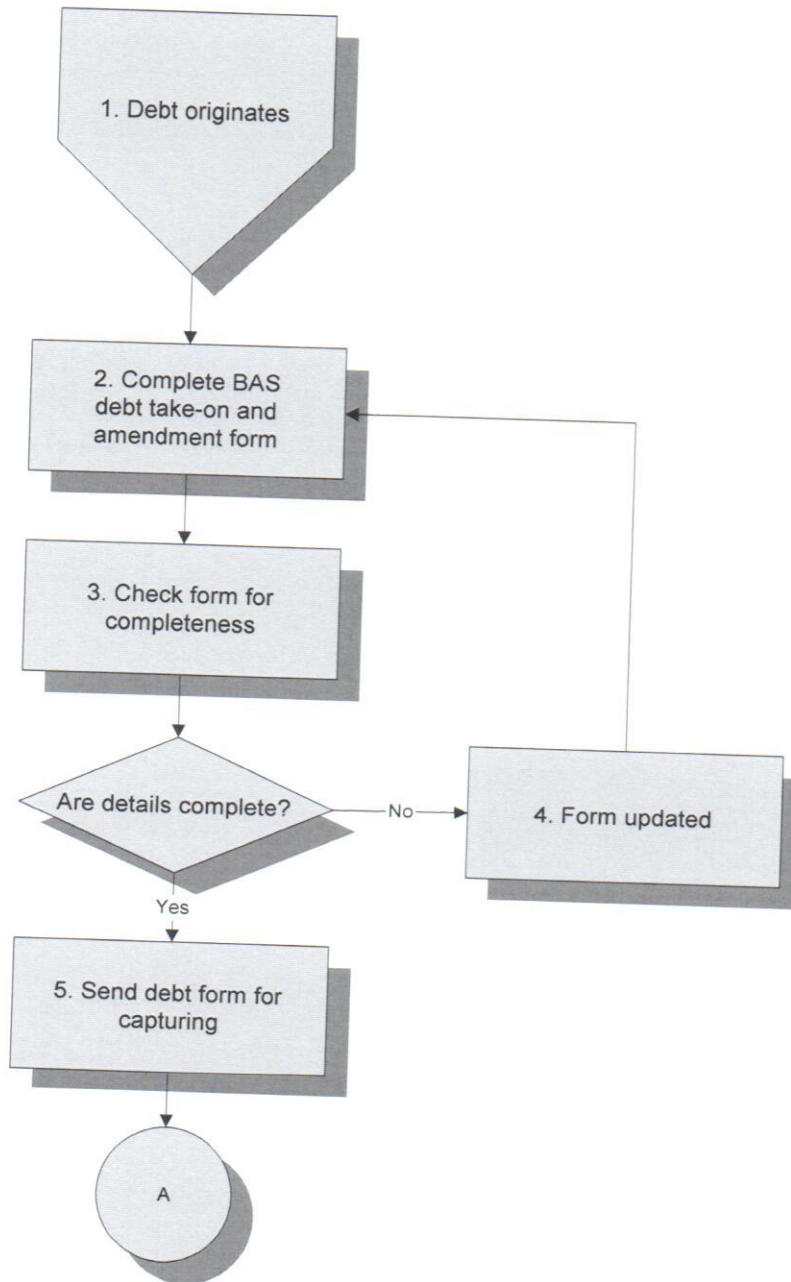
Component	Description
	<ul style="list-style-type: none"> Main process
	<ul style="list-style-type: none"> Sub-process
	<ul style="list-style-type: none"> Connector for different level in the process
	<ul style="list-style-type: none"> Role-players
	<ul style="list-style-type: none"> Flow of tasks within the process
	<ul style="list-style-type: none"> Decision point
	<ul style="list-style-type: none"> Process trigger

4. Debt Management Process Overview



5. Obtain details

5.1 Obtain Details Process Flow



5.2 Obtain Details Process Description

1. Debt originates

A debt occurs in the following instances:

a) GG Accident (Guilty)

Any government vehicle is the property of either the National or Provincial Departments of Transport. When a government vehicle is involved in an accident the Department of Transport will recover the damages from the department to whom the government vehicle was rented or permanently allocated.

Departments must pay the claims they receive from the Department of Transport from the GG Accidents Disallowance Account. All vehicle accidents must be investigated to determine which of the parties involved in the accident is liable for the cost of the accident. If the official (driver of the government vehicle) is found guilty, he/she will be responsible for the cost or part of the cost of the accident. A debt must be taken on by CREDITING the GG Accidents Disallowance Account and debiting the Debt Account.

The debt can be recovered from the official's salary using the following methods:

- The debt can be recovered from either the official's last salary or his/ her pension benefits, if the official's services have been terminated.
- The debt can be recovered directly from the debtor if the department neglected to deduct the debt from the last salary or pension benefits of the official who has left the service of the department.
- If a third party outside the department was partially or completely responsible for the accident, the debt must be recovered directly from the third party.
- If the result of the accident was attributed to an unforeseen circumstance (casus futures) and no other responsibility can be determined; the cost of the accident must be written off as a loss, by posting the disallowed amount to the Thefts and Losses Account. Examples of unforeseen circumstances are: vehicles damaged in a hailstorm or any other events that humans do not have control over.
- Monthly salary if employee who is still in government service.

b) Breach of Contract

A breach of contract takes place when one of the two parties involved in a contract does not comply with certain stipulations in the contract. Examples of contracts are bursaries, study loans, building contracts and supplier contracts. An example of a breach of contract is when an official was given a bursary to obtain a certain diploma or degree, but the official failed to complete the diploma or degree.

The personnel (bursary) division will inform the finance division that a breach of a bursary contract has taken place and will provide them with all the information pertaining to this matter.

The section in the finance division that deals with debt must allocate all breach of bursary debts to the RECOVERABLE REVENUE ACCOUNT.

The reason for allocating the debt to the Recoverable Revenue Account because: When the bursary was paid to the official, a charge was made against voted funds (expenditure allocation) which was regarded as legitimate at the time. The breach of contract that occurred after the payment does not affect the legitimate nature of the original payment because it is assumed that the Department has closed its financial year.

The purpose of the Recoverable Revenue Account is to automatically post the debt instalments received to the Debt: Capital revenue item account.

c) Salary overpayment

Before this type of debt deduction is entered on PERSAL a debt must be taken on in BAS. The reason for doing this is to obtain a debt number from BAS, which must be entered in the reference number field on PERSAL. A debtor and debt number is allocated by BAS to uniquely identify the different debts for a debtor. Category A deductions that interface from PERSAL to BAS without the debt number in the reference number field, will cause an exception on that particular interface transaction on BAS.

Three possible ways of disallowing these debts on BAS are:

- If the financial year where the overpayment of salaries or allowances took place is still open, the debt must be taken on (credited) against the voted funds (original expenditure allocation).

- If the financial year in which the overpayment of salaries or allowances took place is closed, the debt disallowance must be taken on (credited) against the Recoverable Revenue Account and debited against the debt account.

The debt must be taken on and proportionally credited against the Receivable Revenue Account for the transactions in the closed financial year. The voted funds (original expenditure allocation) must be credited for those disallowance's in the open financial year.

d) Recovery if net salary payments and certain deductions – when salaries are reversed

When officials' services are terminated during a month, the Personnel/Salary Office will receive these termination advises only after the PERSAL system has processed the salaries of these officials. This timing problem necessitates the Personnel/Salary Office to reverse these last salary paid to the officials. These reversal transactions will post as follows in the BAS:

- Deductions such as garnishee orders, housing need to list all bonds and other loans cannot be recalled and will be paid to the various outside institutions. The payment of these deductions will automatically be posted by BAS to the Salary Disallowance Account.
- The disallowed amounts must be recovered from the officials' pension benefits. In those exceptional cases where the Personnel/ Salary office neglects to recover the disallowed amounts from the pension benefits, a debt must be taken on to recover the amounts.

e) Recovery of net salary payments

Personnel/Salary Offices must try to stop the payments made by cheque or recall payments made by electronic transfer, in all cases where officials should not receive their salaries or a portion of their salaries. Leave without pay or termination of service is the main reason why the net salary is withheld from an official.

Personnel/Salary Offices must only reverse the salary cheque payment on PERSAL if they are absolutely sure that the cheque was not presented for payment at a bank and that they are in possession of the cheque. The reason for this strict requirement is that different transactions will take place if the salary cheque has or has not been presented for payment.

Departments that use commercial banks as their bankers are immediately debited when a salary cheque that should be stopped is presented for payment. Commercial banks will debit departments through the bank interface, if the cheque was stopped before the clearance period has elapsed and the cheque should be cancelled in the BAS. The finance division must journalise this debit from the PMG Adjustment Account to the Salary Reversal Control Account.

f) Duplicate payments/overpayment of suppliers

As soon as the finance division realises that a duplicate payment or overpayment was made to a supplier, this payment MUST immediately be disallowed, debited against a Disallowance Account and credited (removed) against the allocation from where it was originally paid.

All transactions that are posted against the Disallowance Account must be thoroughly investigated, to determine if a duplicate/ overpayment has actually taken place.

The following are three possibilities of how disallowed transactions can be recovered from suppliers, if it is found that a duplicate/ overpayment has taken place.

- The supplier may pay back the duplicate/overpayment by issuing a cheque to the department. The cashier issues a receipt to the supplier and allocates the receipt against the disallowed transaction in the disallowance account.
- The supplier may issue a credit note for the disallowed amount. This credit note must be captured on the Accounts Payable functionality of BAS and will be deducted from a future payment made to the supplier.
- The supplier may request to pay off the disallowance in instalments. If the head of the finance division approves this request, the interest rate as determined by the Treasury Instruction must be applied. The debt must then be taken on against the disallowed transaction in the Disallowance Account.

2. Complete BAS Debt Take-on and Amendment Form

The Debt clerk completes the Debt Take-on and Amendment Form with the details of the debtor and the debt. The following details should be included in the Debt Take-on and Amendment Form:

- Debtor information;
- Debt agreement details;
- Debt transaction details; and
- Allocation.

3. ***Check forms for completeness***

The Debt clerk checks each form for completeness and checks that all debtor details and other information that needs to be in the form is correct.

4. ***Form updated***

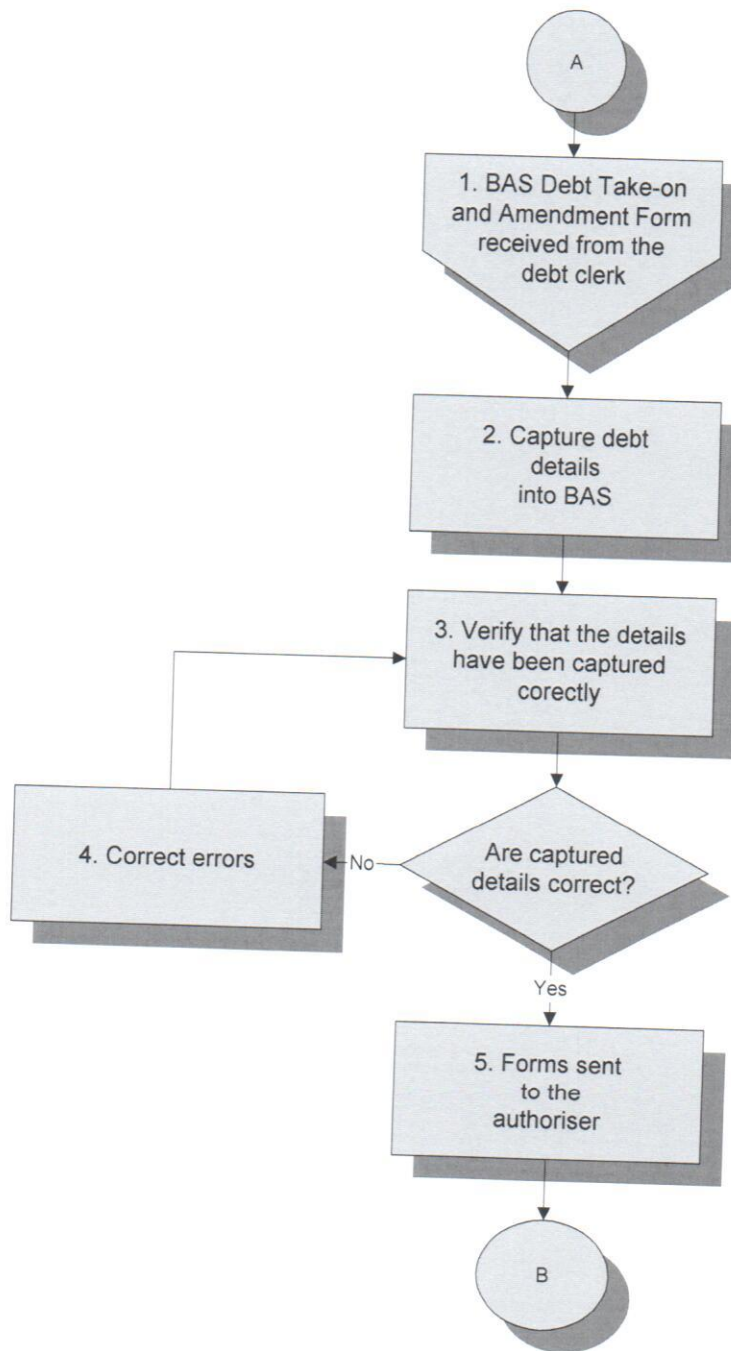
If there is any missing or incorrect information in the form, the debt clerk updates the form and verifies all updated information with the people concerned.

5. ***Send debt forms for capturing***

If the information is complete and correct, the Debt Clerk will hand the form over to his supervisor for approval and send it for capturing. For supplier debts: if there is a Procurement system in the Department, the form (debt) should be sent to the procurement section for capturing, but if there is no Procurement system, the form (debt) should be captured into the BAS.

6. Capturing details

6.1 Capturing Details Process Flow



6.2 Capturing Details Process Description

1. *BAS Debt Take-on and Amendment Form received from the debt clerk*

Once the forms are completed, the debt clerk submits them to the Capturer responsible for capturing debt in BAS. The Capturer checks all forms for completeness. If there are any incomplete details on the form, the form is sent back to the debt clerk. The capturer should always follow-up on any forms that are sent back to ensure that they are updated and resubmitted for capturing.

2. *Capture details into BAS*

Before capturing, the capturer must request a *List of Debt per Type report* and check that each debt has not been captured before. This will ensure that there are no duplicate debts in the system. The capturer, after checking, should capture all the debts into BAS using the debt functional area in the system, and update the Debt Take-on and Amendment Form with the debt number and debtor number as allocated by BAS.

3. *Verify that debt details have been captured correctly*

Once the Capturer has captured the details, he requests a *List of Debt per Type report* from the system and must use it to check that all details have been captured correctly.

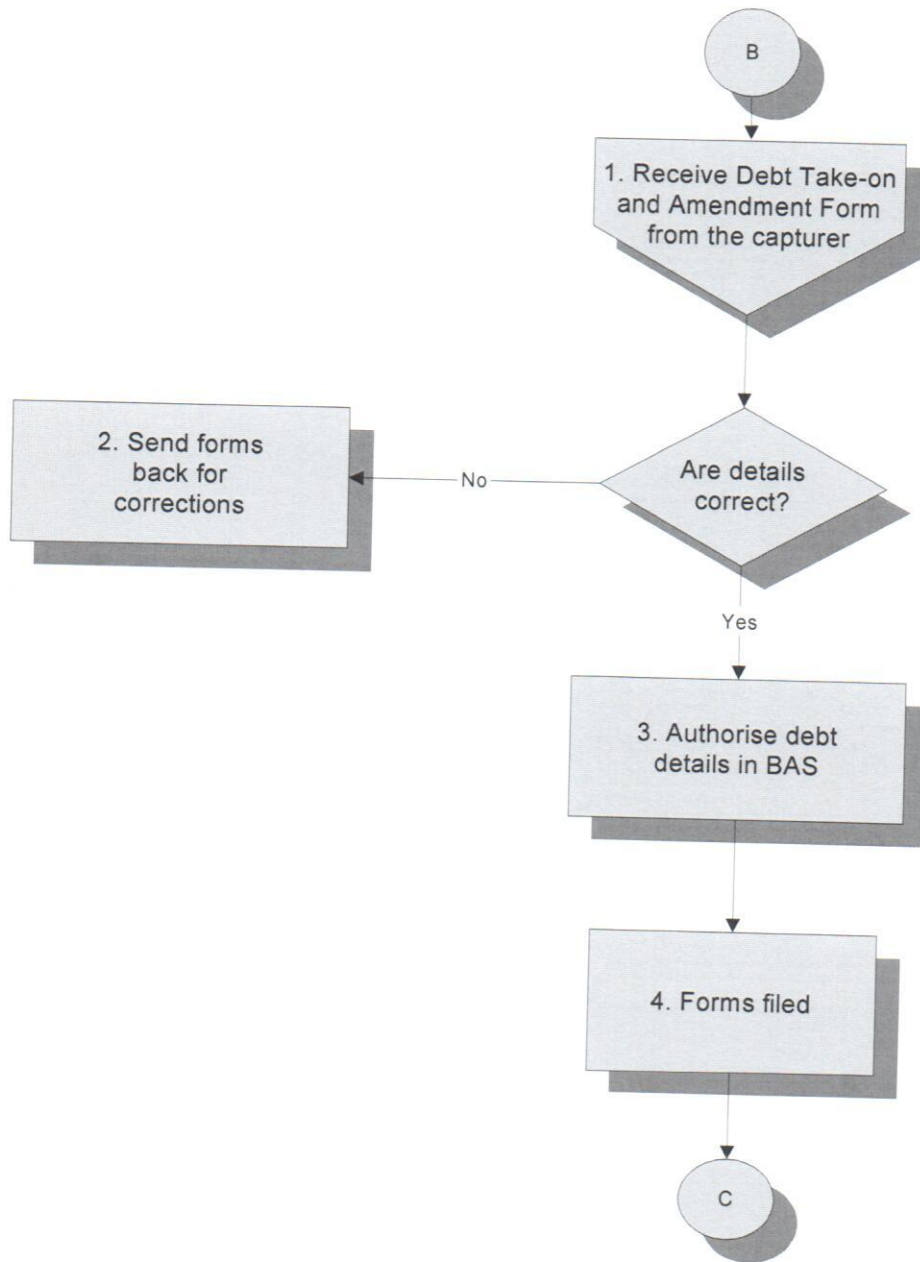
4. *Correct errors*

If there are any errors in the details, the capturer should correct or update the details.

5. *Forms sent to the authoriser*

If all errors have been corrected, the capturer should submit the forms to the authoriser for authorisation and they should be accompanied by the *Debt per Debt Type report*.

7. Authorise Details
7.1 Authorisation Process Flow

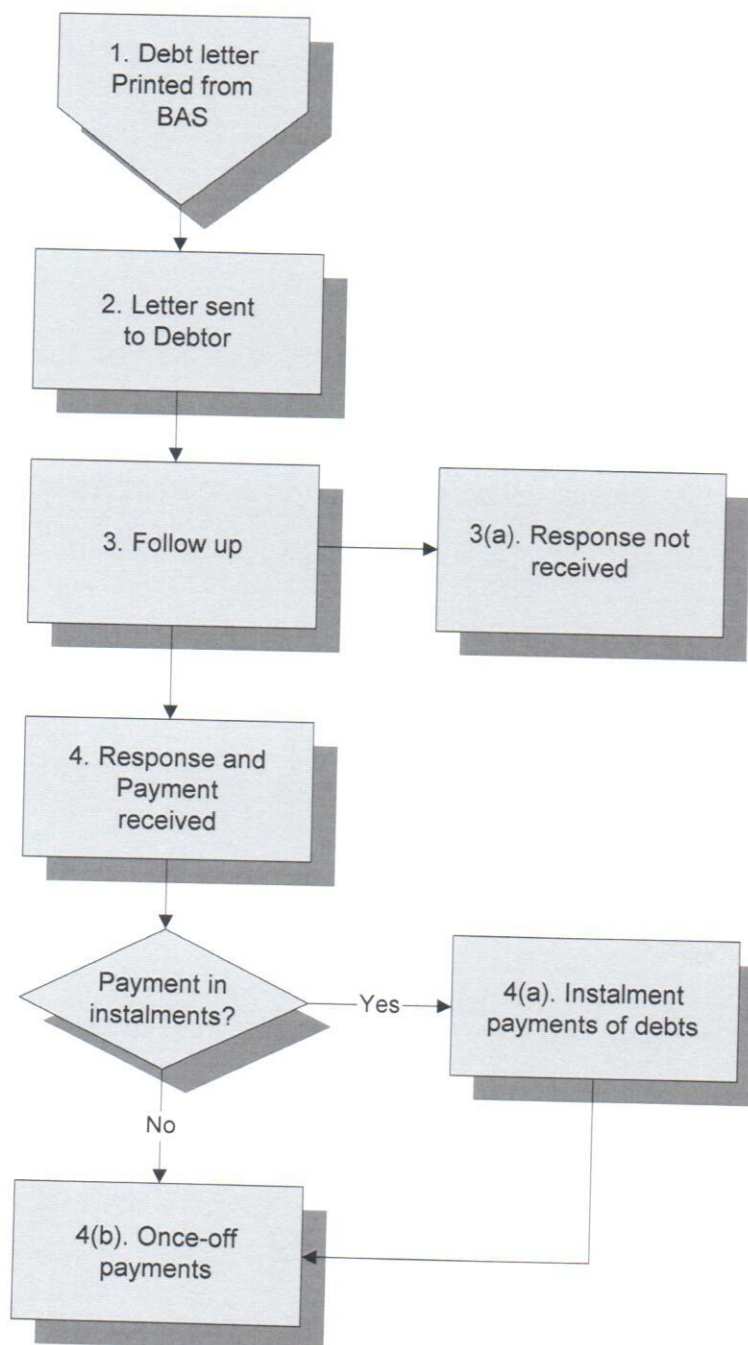


7.2 Authorisation Process Description

1. **Receive the List of Debt per Type report and Debt Take-on and Amendment Form from the capturer**
Once the details have been captured on BAS, the Capturer should submit the List of Debts per Type report and the Debt-Take-on and Amendment Forms to the authoriser for authorisation. If a debt should be recovered by PERSAL deduction, the capturer should ensure that the debt is captured with a PERSAL deduction as recovery type.
2. **Send forms back for corrections**
If there are any incorrect or incomplete details, the authoriser should reject the debt and send all forms associated with the incorrect debt back to the capturer to correct. The authoriser must follow up and ensure that details in the BAS are updated and forms are resubmitted for authorisation.
3. **Authorise debt details in BAS**
The authoriser should compare the List of Debt per Type report to the source documents to ensure that all debts have been captured. Then he must compare the captured information to the source documents to ensure that all details have been completely and correctly captured and authorise the debt.
4. **Forms filed**
Authoriser must ensure that all Debt Take-on and Amendment Forms are filed according to debt number in the Debtor per Debt file. The Authoriser should also ensure that the PERSAL control report, which is printed automatically based on the interval requested by the department, is taken to the PERSAL controller for capturing.

8. Debt Payments

8.1 Debt Payments Process Flow



8.2 Debt Payments Process Description

1. *BAS automatically print a letter to debtor*

Once a new debt or debt amendment has been authorised in BAS, the system will automatically print a letter containing all the debt details. The letter indicates the source of the debt and the payment details.

2. *Letter sent to Debtor*

Once the letter has been printed, it is sent to the Debtor to inform him of the debt and a copy is filed.

3. *Follow up*

The debtor has 30 days to respond after a debt letter has been sent and the Department must constantly follow up to ensure a response is received.

3.1 *Response not received*

According to Paragraph 11.4.1 of Treasury Regulations [section 76(1)(e) and 76(4)(a) of the PFMA], “any debt written off by the accounting officer must–

- (a) only be written off after all reasonable steps have been taken to recover the debt, in accordance with a policy determined by the accounting officer, and the accounting officer has convinced himself/herself that–
 - recovery of the debt would be uneconomical;
 - recovery would cause undue hardship to the debtor or his/her dependants; and
 - it would be to the advantage of the state to effect a settlement of its claim or to waive the claim.
- (b) be disclosed in the annual financial statements, indicating the policy in terms of which the debt was written off”.

4. *Response received and payment received*

When a positive response is received from the debtor, payment can either be a number of instalments or a once off payment.

a) *Instalment repayment of debts*

If the Debtor indicates that he/she needs to repay the debt in a number of instalments, the Director of Financial Management must approve this method of debt recovery.

b) *Once-off payments*

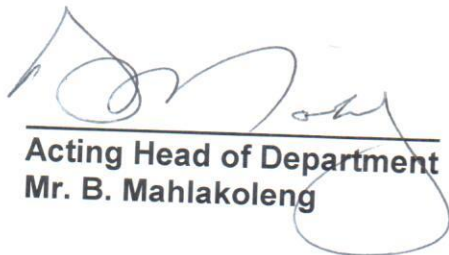
When full payment is received from a debtor, a receipt is issued by a cashier and revenue captured. When capturing the receipt, the allocation used must be the Debt Receipt Control, and the debt number must also be captured to link the payment to the debtor from whom payment was received. Debt statements will be printed by BAS and must be distributed to debtors as soon as they are available and copies must be filed.

9. Roles and Responsibilities

Person responsible	Responsibility
Accounting Clerk	• Completes BAS debt take-on and amendment form
	• Checks form for completeness
	• Updates forms
	• Sends debt forms for capturing
Capturer (Senior State Accountant)	• Receives debt take-on and amendments forms from the capturer
	• Captures debt details into BAS
	• Verify that the details have been captured correctly
	• Corrects errors
Authoriser (Assistant Director)	• Sends forms to the authoriser
	• Receives debt take-on and amendment form from the capturer
	• Sends incomplete and incorrect forms back to the capturer
	• Authorises entities in BAS
Collection Official ((Assistant Director)	• Files forms
	• Prints debt letters from BAS
	• Sends letters to debtors
	• Follows up on all debts
	• Receives payments
	• Sends receipts for capturing
• Send monthly statements to debtors	

10. Key Performance Indicators

Key Performance Indicator	Role Player(s)
• Minimise bank interest lost on debts paid after due date	Collection Official
• Minimise collection time of non-Persal debts	Collection Official
• Minimise Persal debts in arrears	Collection Official
• Minimise Travel and Subsistence debts in arrears	Collection Official
• Minimise interest free debt	Collection Official


 Acting Head of Department
 Mr. B. Mahlakoleng

07/08/2022
 Date