



dpwr

Department:
Public Works and Roads
North West Provincial Government
Republic of South Africa

DEBT MANAGEMENT POLICY

AND

PROCEDURE MANUAL

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1. INTERDEPARTMENTAL RECEIVABLES

a. Definition

Receivables for services rendered where no cash has been received or outstanding at the reporting period .eg Rental receivables (Outstanding House Rental deducted from employees by various departments to be paid over to DPWR)

b. Accounting Policy

All the confirmed and unconfirmed receivables by the department are to be disclosed under annexure E in the financial statements at the end of the reporting date.

c. The Objective

The main objective of this policy is to ensure that all departmental receivables (Confirmed and Unconfirmed) from the respective Departments are accounted for in the Financial Statements at the reporting period.

d. The Procedures for the treatment of Interdepartmental Receivables.

Rental Receivables

- Receive Persal Deduction Report from Persal Controller with rental amount deducted from employees by various Departments.
- The Revenue Office prepares and issue invoices as per Persal Deduction Report to the Departments on a monthly basis.
- Issue confirmation certificates to all user Departments on quarterly basis for confirmation of amounts due to the Department of Public Works and Roads by the respective Departmental Chief Financial Officers.
- Upon receipt of the confirmation certificates, the revenue office will then compile a list of all confirmed and unconfirmed amounts for disclosure in the Financial Statements
- Upon receipt of rental payments from the Departments as per invoice issued, the revenue office will then issue a receipt on request and pass a journal to record the money received.
- The Journal passed must be captured into the general ledger as follows:

Debit : Bank

Credit: Rental of Capital Assets

- At the end of the reporting date ,a detail report that shows outstanding balance will be compiled by Revenue Officer , and Checked by the Supervisor and approved by the Director : Financial Management or Chief Financial Officer.
- Send Reminder letters to user Department on all outstanding rentals.

e. Legislation

- The Constitution of Republic of South Africa no 108 of 1996
- The PFMA of 1999 as amended
- Treasury Regulations
- Labour Relation Act of 1995
- Batho Pele Principles
- Public Service Act of 1994
- Public Service Regulations

2. STAFF DEBTs

a. Definition

Staff debts are all amounts due to the Department by its employee's .Eg (Salary Overpayment, Breach of Contract, Advance on S&T Claims, Private Telephone Calls, Cellphone Allowance, State Guarantee, Rental of Houses to government employees, Losses and damages to State Property.

b. Accounting Policy

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off .

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

c. The Objective

The main objective of this policy is to ensure that all staff debts are accounted for in the Financial Statements at the reporting period.

d. The Procedures for the treatment of Staff Debts

SALARY OVERPAYMENT

This type of debt is caused by payments made to employees after termination of services, or where termination of allowances is done after expiry of entitlement and errors made in calculation of Salaries.

Upon receipt of notice to terminate services from an employee, The Human Resource Department must do the following:

- Debt Route Form must be circulated for all cases to various sections to establish any outstanding amounts, losses, before termination of employee in the system.

- The Supervisors of various sections will indicate on the liability form any outstanding amount from an employee,
- The Debt Management Unit will consolidate all the outstanding amount owed by the employee and create a debt in (BAS).

Debit: Debtors Account XXXX

Credit: Recoverable revenue or Expenditure item XXXX

- The total amount must be recorded in the z102 form to the GEPP for recovery of all the outstanding amount from the employee Pension Funds
- Upon receipt of the amount from GEPP the revenue office will issue a receipt and credit the debt account.

Debit: Bank XXXX

Credit : Debtors Account XXXX

- For all other cases involving employees still in service, the line manager must inform the Human Resources Management.
- The Human Resource Management must in turn inform the Debt Management Unit and disallow by completing debt take on form and submit to Debt Management Unit .
- The Debt Management Unit to perform Debt Take On and informs salary administration for linkage of the deduction in the persal system.

Advance on S&T Claim.

Applicants must note that advance claims are settled within 14 days for local trips and 30 days for foreign trips. Failure to comply with this requirement will result in the deduction of the whole outstanding amount from employee's salary at once without notice. The following process must be followed:

- Estimation of the S&T allowance and other incidental expenses must accompany the application for S&T Advance Claim
- The employee upon returning from local trip must within 14 days produce receipts for actual expenditure and the remaining balance of the advance must be paid to revenue office and be allocated accordingly to the relevant allocation.
- In case of recovery, Salary Administration must inform debt management for debt to be created in the debt account.

Private Telephone Calls:

- The SCM Unit will inform the employee that he exceeded the limit and ask him/her to pay the excess amount at the revenue office within three days of receipt of notice and the employee must acknowledge Debt.

- If the officer fails to settle the amount as notified by SCM unit, a Debt Take On form must be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer.
- After it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS.

Debit: Debtors Account XXXX

Credit: Recoverable revenue or Expenditure item XXXX

- Once a debt is created it will be linked to Persal for deduction of the outstanding amount in instalments or once off from the employee salary.

Debit: Bank XXXX

Credit : Debtors Account XXXX

Cell phones/Mobile phones

- The SCM Unit will inform the employee that he exceeded the limit and ask him/her to pay the excess amount at the revenue office within three days of receipt of notice and the employee must acknowledge Debt.
- If the officer fails to settle the amount as notified by SCM unit, a Debt Take On form must be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer
- After it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS.

Debit: Debtors Account XXXX

Credit: Recoverable revenue or Expenditure item XXXX

- Once a debt is created it will be linked to Persal for deduction of the outstanding amount in instalments or once off from the employee salary

Debit: Bank XXXX

Credit : Debtors Account XXX

State Guarantee/Collateral security.

- To be handled in terms of the Departmental Policy on State Guarantees.
- The HRM Unit will inform the employee that she/he owes money for state guarantee and ask him/her to pay an outstanding amount in cash at the revenue office within three days of receipt of notice and the employee must acknowledge Debt.
- If the officer fails to settle the amount as notified by HRM unit, a Debt Take On form must be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer
- After it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS.

Debit: Debtors Account XXXX

Credit: Recoverable revenue or Expenditure item XXXX

- Once a debt is created it will be linked to Persal for deduction of the outstanding amount in instalments or once off from the employee salary.
- If the employee is terminating services with the Department, The Human Resources Management section must claim the money from pensions of the employee by completing Z102.
- Once the amount claimed as per Z102 is received from government pensions fund a journal will be passed to the Debt account of the debtors and reduce the amount.

Debit: Bank XXXX

Credit: Debtors Account XXXX

Breach of Contract/ Bursaries .

- To be handled in terms of the Departmental Policy on Bursaries.
- The HRM Unit will inform the employee that she/he owes money for Bursaries and ask him/her to pay an outstanding amount in cash at the revenue office within three days of receipt of notice and the employee must acknowledge Debt.
- If the officer fails to settle the amount as notified by HRM unit, a Debt Take On form must be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer.

- After it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS.

Debit: Debtors Account XXXX

Credit: Recoverable Revenue or Expenditure item XXXX

- Once a debt is created it will be linked to Persal for deduction of the outstanding amount in instalments or once off from the employee salary.
- If the employee is terminating services with the Department, The Human Resources Management section must claim the money from pensions of the employee by completing Z102.
- Once the amount claimed as per Z102 is received from government pensions fund a journal will be passed to the Debt account of the debtors and reduce the amount.

Debit: Bank XXXX

Credit: Debtors Account XXXX

e. Legislation

- The Constitution of Republic of South Africa No 108 of 1996
- The PFMA of 1999 as amended
- Treasury Regulations
- Labour Relation Act of 1995
- Batho Pele Principles
- Public Service Act of 1994
- Public Service Regulations

3. THIRD PARTIES /OTHERS DEBTS

a. Definition

These are all amounts due to the department by any other person other than the employees of the department eg (Rental of houses to Private Tenants, Suppliers, and any other debts)

b. Accounting Policy

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off .Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

c. The Objective

The main objective of this policy is to ensure that all debts are accounted for in the Financial Statements at the reporting period.

d. The Procedures for the treatment of Third Party Receivables

Rental Debts

This happen when a tenant did not comply with the terms & conditions of the lease agreement.

- The Directorate: Property Management will inform the tenant who will in turn acknowledge the debt and make payment as requested.
- The Directorate Property Management Unit will inform the employee that she/he owes money for rental and ask him/her to pay an outstanding amount in cash at the revenue office within three days of receipt of notice.
- If the officer fails to settle the amount as notified by the Directorate: Property Management, the Directorate must initiate a process for breaching the lease agreement and once the tenant has been evicted from the Property it is only then

that a Debt Take On form with the total outstanding from the evicted tenant can be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer.

- After it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS

Debit: Debtors Account XXXX

Credit: Recoverable Revenue or Expenditure item XXXX

- Once a debt is created it will be linked to persal for deduction of the outstanding amount in instalments or once off from the employee salary if the debtor is still employed by the Department .How-ever if the tenant is not employed by the department it will be treated as a third party debt.
- Once the amount claimed is received from the tenant a receipt or a journal will be issued/passed to the Debt account of the debtors and reduce the amount.

Debit: Bank XXXX

Credit: Debtors Account XXXX

- If the tenant is an employee and is terminating services with the Department, The Human Resources Management section must claim the money from pensions of the employee by completing Z102.
- Once the amount claimed as per Z102 is received from government pensions fund a Journal will be passed to the Debt account of the debtors and reduce the amount.

Debit: Bank XXXX

Credit: Debtors Account XXXX

Suppliers of Goods and Services

This kind of debt arises when a company is paid a certain amount of money by human error or when a company is paid more than what is due. As soon as an over/undue payment is detected, the following steps should be taken:

- Where a loss or damage is suffered due to an act of omission by an officer, the loss should be recovered from such officer if liable in law within 30 days or reasonable instalments as agreed upon with the Accounting Officer. (Treasury Regulations 12.7.1.).
- The Expenditure Sections will inform the supplier who will in turn acknowledge the debt and ask him/her to pay an outstanding amount in cash at the revenue office within three days of receipt of notice.

- If the officer fails settle the amount as notified by the expenditure section, a Debt Take On form must be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer.
- After it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS

Debit: Debtors Account XXXX

Credit: Recoverable Revenue or Expenditure item XXXX

- Once a payment is received from debtors a journal will be passed to clear the debt account created.

Debit: Bank XXXX

Credit: Debtors Account XXXX

Other debts

These are any other debts that may arise that are not covered by this policy.

- Where a loss or damage is suffered due to an act of omission by an officer, the loss should be recovered from such officer if liable in law within 30 days or reasonable instalments as agreed upon with the Accounting Officer. (Treasury Regulations 12.7.1.)
- The line manager who is aware of any liability must inform the employee, supplier, third party who should acknowledge the debt and ask him/her to pay an outstanding amount in cash at the revenue office within three days of receipt of notice.
- If the officer fails to settle the amount as notified by the Line manager, a Debt Take On form must be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer.
- After it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS

Debit: Debtors Account XXXX

Credit: Recoverable Revenue or Expenditure item XXXX

- Once a payment is received from debtors a journal will be passed to clear the debt account created.

Debit: Bank XXXX

Credit: Debtors Account XXXX

Losses and Damages to State Property.

Theft /Fraud:

To be dealt with in terms of the Loss and Control Policy.

- The SCM Unit will inform the employee or third party that he damaged State Property and ask him/her to pay the amount at the revenue office within three days of receipt of notice and the employee/third party must acknowledge debt.
- If the officer fails settle the amount as notified by SCM unit, a Debt Take On form must be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer.
- Once it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS.

Debit: Debtors Account XXXX

Credit: Recoverable Revenue or Expenditure item

- Once a debt is created against employees it will be linked to persal for deduction of the outstanding amount in instalments or once off from the employee salary.

Debit: Bank XXXX

Credit: Debtors Account XXXX

Negligence damage to state property.

To be dealt with in terms of the Loss and Control Policy.

- The SCM Unit will inform the employee or third party that he damaged state property and ask him/her to pay the amount at the revenue office within three days of receipt of notice and the employee/third party must acknowledge debt.
- If the officer fails to settle the amount as notified by SCM unit, a Debt Take On form must be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer.
- After it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS

Debit: Debtors Account XXXX

Credit: Recoverable Revenue or Expenditure item

- Once a debt is created against employees it will be linked to Persal for deduction of the outstanding amount in instalments or once off from the employee salary.

Debit: Bank XXXX

Credit: Debtors Account XXXX

Malicious damage to state property.

To be dealt with in accordance with the Loss and Control Policy.

- The SCM Unit will inform the employee or third party that he damaged state property and ask him/her to pay the amount at the revenue office within three days of receipt of notice and the employee/third party must acknowledge debt.
- If the officer fails settle the amount as notified by SCM unit, a Debt Take On form must be compiled together with all the supporting documents and send it for approval to the Chief Financial Officer.
- After it has been approved by the Chief Financial Officer, an approved Debt Take On form must be sent to the Debt Management Unit for creation of debts in BAS

Debit: Debtors Account XXXX

Credit: Recoverable Revenue or Expenditure item

- Once a debt is created against employees it will be linked to Persal for deduction of the outstanding amount in instalments or once off from the employee salary.

Debit: Bank XXXX

Credit: Debtors Account XXXX

e. Legislation

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- Public Service Act of 1994
- Public Service Regulations

4. HUMAN RESOURCES DEPARTMENT'S ROLE

The Human Resources Management Directorate must circulate a liability form to all units so as to establish any possible debts before any employee pension benefits are paid out. The recovery should be carried out as mentioned above.

5. RECOVERY OF DEBTS IN INSTALMENTS.

Paragraph 11.3.1 of the Treasury Regulations state that ***“Unless otherwise determined by law or agreement, debts owing to the state may at the discretion of the Accounting Officer of the institution be recovered in instalments”***

6. DEBT TRANSFER

Where an employee transfers to another Department, the debt should be recovered in full either from the debtor or the department to which the officer transfers settles the debt and inherit the debtor, however in case that our department is requested to inherit the debt the Department needs to check the availability of funds first before accepting the debt transfer from another Department.

7. RECOVERY FROM PENSION PAYOUTS

This category refers to those employees who have terminated their services in the public sector either by resignations, retirement or death and have continued to receive remuneration.

A debt should be recovered in full from the officer's pension fund or leave gratuity. Should it be discovered that the debtor had already withdrawn their pension or the amount of the pension payout is not enough to cover the debt, the matter should be referred to the State Attorney via Legal Services for recovery.

Where the debtor is deceased, the matter should be referred to the State Attorney immediately so as to recover the debt from the deceased's estate.

Where the ex -employee is both a debtor and a creditor the set off rule can be applied and that the difference be recovered in full from the debtor.

8. INTEREST ON OVERDUE ACCOUNTS

Interest will be charged at the rate determined by the Minister of Finance from time to time in terms of Sec 80 of the Public Finance Management Act .All categories of debts owed to the department will accrue interest in line with the standard interest rate as determined by the Minister of Finance from time to time in terms of Section 80 (1) (a) and (b) of the Public Finance Management Act of 1999 as amended by Act No 1 except for the following categories of Debts.

- Debts resulting from salary overpayment to employees of the department where the employer was at fault.
- Debt arising from overpayment of amount paid for the social and unemployed benefits. (Leave gratuities).
- Any debt resulting from the service relationship between employees and the Department.

9. DEBT WRITE OFFS

The Accounting Officer may approve the writing off of a debt provided all reasonable steps have been taken to recover the debt, including referral to the office of the state Attorney and when any one or more of the following are applicable;

- Recovery of debt will be uneconomical. **(Par 11.4.1 (b) i of the Treasury Regulations)**
- The debt is irrecoverable
- A visible effort has been executed in recovering the debt.
- Recovery would cause undue hardship to the debtor or his or her dependants (The debtor or his/her dependants would be deprived of their minimum essential means of livelihood. **(Par 11.4.1 (b) ii of the Treasury Regulations) .**
- It would be to the advantage of the State to effect settlement of its claim or waive the claim. **(Par 11.4.1 (b) iii of the Treasury Regulations) .**
- The Department cannot legally prove the claim.
- It is not possible to collect any substantial amount.
- Statutory requirement prevent debt from being claimed or recovered.
- The debtor has neither assets nor income.
- The reasonable efforts to trace the debtor have failed.
- The State claim against an insolvent estate or an estate that is being administered as insolvent had been properly proved and the dividend of the creditors was insufficient to meet the debt.
- On account of the weak financial position of an estate, the danger exists that if the debt is proved, a contribution will have to be paid to the estate.
- There is no possibility now or in the foreseeable future of collection.
- The debtor is no longer a 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.
- The debtor is deceased and there is no known estate.
- The assets of the debtor or of the estate of the debtor are indispensable to the debtor dependents or are of relatively little value.
- The State Attorney or Head : Legal Services has made a recommendation to that effect and the department is in agreement therewith or
- The amount outstanding represents the outstanding balance on the account after payment for the initial service was made and of which further recovery is deemed to be uneconomical.

9.1. Chief Financial Officer's Role

9.1.1 .The Chief Financial Officer must before a debt is considered to be

Irrecoverable due to financial Circumstances of the debtor, take the following steps:

- Determine the value of debtor's non essential assets with the intention to sell such assets at an auction.
- Accepts an amount smaller than the current instalment until such time as the debtor financial position may improve.
- Ascertain whether the recovery would cause undue hardship to the debtor or his or her dependents.

9.1.2 The Chief Financial Officer must, before a debt is considered to be

Uneconomical, perform the following actions:

- 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 the time spent, cost of collection agencies etc must be considered.
- 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.

10. DEBT MONITORING

All debts must be monitored on a monthly basis and reminder letters must be sent to all debtors with outstanding balances.

11. USE OF 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:

- The amount of the debt.
- The estimated cost of tracing agents
- Whether the debtor once located would be able to settle the debt.

12. METHODS OF PAYMENT

The following payments methods may be utilised by debtors and a debt no must be quoted always when making payment to facilitate reconciliation process.

- Cash
- Bank Cheque
- Electronic Funds Transfers
- Persal Deduction for Government employees

13. ALLOCATION OF PAYMENTS RECEIVED.

Payments received as per the above payment methods must be allocated to the debtors account within two days of receipts. A Debt Suspense matching report should be requested monthly to ascertain whether all receipts have been allocated correctly.

14. REFUND OF CREDIT BALANCES.

The Chief Financial Officer may refund a credit balance on a debtor account or offset it against the amounts owing to the Department. Any money in excess will be surrendered to the Provincial Revenue Fund.

15. CALCULATION OF DOUBTFUL DEBTS

Debts more than three years with no movement in the form of payment will be regarded as doubtful except those that have been referred to the State Attorney.

16. AUTHORITY

This Policy shall remain the only Debt Management Policy in the Northwest Department of Public Works and Roads.

17. COPYRIGHTS

No part of this policy may be reproduced or distributed in any form in any network, electronic storage or transmission without the prior consent of the Northwest Department of Public Works and Roads.

18. IMPLEMENTATION DATE

This revised Policy will come into operation with effect from the date of approval by the Accounting Officer.

19. AMENDMENTS TO THE POLICY

This Policy may be amended in writing by the Northwest Department of Public Works and Roads after consultation with all stake holders and the amendments will come into operation with effect from the date of approval by the Accounting Officer.

20. TERMINATION OF THE POLICY

The Policy will be terminated upon inception of a new Policy

21. DEFINATIONS

"Accounting officer"	Means the Deputy Director General of the Department of Public Works and Roads.
"Debt"	Means an amount owing to the state.
"Employee"	Means any person excluding an independent contractor, who works for the Department or for the state and who receives or is entitled to receive any remuneration.
"Liability Form"	Means a document compiled by the chief Directorate: Finance to indicate all departmental and other liabilities to be Recovered from the GEPF from the affected employee pension benefits.
"Department"	Department of Public Works and Roads.

"Pension Benefits"

Means pension money due to an official by GEPF

"GEPF"

Government Employees Pension Fund.

22. RECOMMENDATION AND APPROVAL

RECOMMENDED

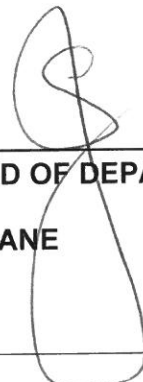

ACTING CHIEF FINANCIAL OFFICER

MADIENYANE MJ

MAGONE E

06/03/15
DATE

APPROVED


ACTING HEAD OF DEPARTMENT

FREDA TSIMANE

09/03/2015
DATE