

DEBT RECOVERY MANAGEMENT

POLICY

2026/2029



public works & roads

Department:
Public Works and Roads
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

Contents

1. PREAMBLE..... 3

2. PURPOSE..... 3

3. SCOPE OF APPLICATION 3

4. LEGISLATIVE AND REGULATORY FRAMEWORK 3

5. DEFINITIONS..... 4

6. ABBREVIATIONS 4

7. POLICY PROVISIONS 4

8. MONITORING AND EVALUATION 8

9. POLICY REVIEW 8



1. PREAMBLE

The Department recognises that effective management of debts (amounts owed to the Department) is essential to ensure financial sustainability, accountability, and effective service delivery. This policy establishes the framework for identification, recording, recovery, monitoring, and where necessary write-off of debts owed to the Department, whether by individuals, organisations, suppliers, or other entities. Sound debt management maximises revenue (or cash flow) and minimises the risk of bad or irrecoverable debts.

2. PURPOSE

The purpose of this Debt Management Policy is to:

- 2.1. Ensure timely identification and accurate recording of all debts owed to the Department (internal and external).
- 2.2. Facilitate consistent, fair, transparent and efficient debt recovery processes.
- 2.3. Minimize the risk and impact of bad debt or irrecoverable debt on the Department's finances.
- 2.4. Provide clarity on roles, responsibilities and authority for debt management within the Department.
- 2.5. Ensure compliance with applicable legislation, regulations, financial governance, and good public-sector financial management practices.
- 2.6. Support effective cash-flow and financial planning for the Department.

3. SCOPE OF APPLICATION

This policy applies to all debts owed to the Department, including but not limited to:

- 3.1. **Internal debts:** debts owed by employees (for example: salary overpayments, advances, leave without pay and other recoverable internal charges);
- 3.2. **External debts:** debts owed by external parties: individuals, contractors, suppliers, service users, institutions and various Departments, etc; and
- 3.3. All directorates, units, and divisions of the Department are required to comply with this Policy.

4. LEGISLATIVE FRAMEWORK

- 4.1. The Constitution of the Republic of South Africa, 108 of 1996;
- 4.2. The PFMA of 1999 as amended;
- 4.3. Treasury Regulations;
- 4.4. Labour Relation Act of 1995;
- 4.5. Batho Pele Principles;



- 4.6. Public Service Act of 1994; and
- 4.7. Public Service Regulations.

5. DEFINITIONS

- 5.1. **Accounting officer:** Head of Department;
- 5.2. **Debt:** Means an amount owing to the state;
- 5.3. **Employee:** Any person who is employed by the Department on a permanent or contractual basis and including a person in a learnership or internship programme. Contractors, Consultants and Expanded Public Works Programme employed by the Department are excluded;
- 5.4. **Liability Form:** Means a document compiled by the Chief Directorate Finance to indicate all departmental and other liabilities to be recovered from the affected employee;
- 5.5. **Department:** Department of Public Works and Roads;
- 5.6. **Impairment:** is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the assets future economic benefit or service potential through depreciation. In this case, it would be debts which the Department can prove that they are irrecoverable but not yet been approved by the Accounting Officer for writing off.
- 5.7. **Provision for bad debts:** means an estimated amount set aside by the Department to account for debts that are considered doubtful or unlikely to be recovered, based on an assessment of outstanding receivables, historical collection trends, and the financial status of debtors.
- 5.8. **Receivables:** Receivables for services rendered where no cash has been received or outstanding at the reporting period e.g. Rental receivables (Outstanding House Rental deducted from employees by various departments to be paid over to DPWR)
- 5.9. **Staff Debts:** Staff debt is all amounts due to the Department by its employee's. e.g. (Salary Overpayment, Breach of Contract, Private Telephone Calls, Cellphone Allowance, State Guarantee, Rental of houses to Private tenants, Losses and Damages to State Property).
- 5.10. **Third Parties /Others Debts:** These are all amounts due to the Department by any other person other than the employees of the department e.g. (Rental debts, Suppliers, and any other debts)



6. POLICY PROVISIONS

TYPE OF DEBTS

6.1. Interdepartmental Receivable

6.1.1. The Procedures for the treatment of Interdepartmental Receivables:-

- a) Receive Persal Deduction Report form Persal Controller with rental amount deducted from employees by various Departments.
- b) The Revenue Office prepares and issue invoices as per Persal Deduction Report to the Departments on monthly basis.
- c) 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.
- d) 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.
- e) 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.
- f) The Journal passed must be captured into the general ledger as follows:
- g) 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.
- h) Send Reminder letters to user Department on all outstanding rentals.

6.2. Staff Debts

The Procedures for the treatment of staff debts:-

6.2.1 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:-

- a) 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.



- b) The Supervisors of various sections will indicate on the Debt Route Form any outstanding amount from an employee,
- c) The Debt Management Unit will consolidate all the outstanding amount owed by the employee and create a debt in (BAS).
- d) The total amount must be recorded in the z102 form to the GEPF for recovery of all the outstanding amount from the employee Pension Funds in cases of death.
- e) Upon receipt of the amount from GEPF the revenue office will issue a receipt and credit the debt account in cases of death.
- f) For all other cases involving employees still in service, the line manager must inform the Human Resources Management.
- g) The Human Resource Management must in turn inform the Debt Management Unit and disallow.
- h) The Debt Management Unit to perform Debt Take On and informs salary administration for linkage of the deduction in the persal system.

6.2.2 Private Telephone Calls:

- a) The SCM Unit will inform the employee that they exceeded the limit and ask them to pay the excess amount at the revenue office within three days of receipt of notice and the employee must acknowledge Debt.
- b) If the officer fails settle the amount as notified by SCM unit, a Debt Take On Form must be compiled and attach all the supporting documents and sent 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.
- c) 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.

6.2.3 Cell phones/Mobile phones

- a) The SCM Unit will inform the employee that they exceeded the limit and ask them to pay the excess amount at the revenue office within three days of receipt of notice and the employee must acknowledge Debt.
- b) If the officer fails settle the amount as notified by SCM unit, a Debt Take On Form must be compiled and attach all the supporting documents and sent it for approval to the Chief Financial Officer.
- c) Once it has been approved by the Chief financial officer, an approved debt take on must be sent to the Debt Management Unit for creation of debt in BAS
- d) 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



6.2.4 State Guarantee/Collateral security

- a) To be handled in terms of the Provincial Policy on State Guarantees;
- b) The HRM Unit will inform the employee that they owe money for state guarantee and ask them to pay an outstanding amount at the revenue office within thirty (30) days of receipt of notice and the employee must acknowledge Debt;
- c) If the officer fails to settle the amount as notified by SCM unit, a Debt Take On Form must be compiled and attach all the supporting documents and sent it for approval to the Chief Financial Officer;
- d) Once the debt takes on has been approved by the Chief financial officer, it must be sent to the Debt Management Unit for creation of debt in BAS;
- e) 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;
- f) 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; and
- g) 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.

6.3 Breach Of Contract

- 6.3.1 To be handled in terms of the Provincial Policy on Bursaries.
- 6.3.2 The HRM Unit will inform the employee that they owe money for state guarantee and ask them to pay an outstanding amount in cash at the revenue office within three days of receipt of notice and the employee must acknowledge Debt.
- 6.3.3 If the officer fails to settle the amount as notified by SCM unit, a Debt Take On Form must be compiled and attach all the supporting documents and sent it for approval to the Chief Financial Officer.
- 6.3.4 Once the debt take on form has been approved by the Chief Financial Officer, it must be sent to the Debt Management Unit for creation of debt on BAS.
- 6.3.5 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.
- 6.3.6 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.
- 6.3.7 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.



6.4 **Third Parties /Others Debts**

The Procedures for the treatment of Third Party Receivables Rental Debts:-

This happens when a tenant did not comply with the terms and conditions of the lease agreement:

- 6.4.1 The Directorate: Property Management will inform the tenant who will in turn acknowledge the debt and make payment as requested; and
- 6.4.2 The Directorate Property Management Unit will inform the employee that they owe money for rental and ask them to pay an outstanding amount at the revenue office within thirty (30) 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 violating 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 and attach all the supporting documents and sent it for approval to the Chief Financial Officer:-

- a) Once the Debt Take On has been approved by the Chief Financial officer, it must be sent to the Debt Management Unit for creation of debt in BAS.
- b) 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. However, if the tenant is not employed by the department it will be treated as a third party debt.
- c) 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.
- d) 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.
- e) 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.

6.5 **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 shall be taken:-



- 6.5.1 The Expenditure Sections will inform the supplier who will in turn acknowledge the debt and ask them to pay an outstanding amount at the revenue office within thirty (30) days of receipt of notice.
- 6.5.2 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 thirty (30) days or reasonable instalments as agreed upon with the Accounting Officer (Treasury Regulations 12.7.1.).
- 6.5.3 If the officer fails settle the amount as notified by the expenditure section, a Debt Take On form must be compiled and attach all the supporting documents and sent it for approval to the Chief Financial Officer.
- 6.5.4 Once the debt takes on has been approved by the Chief Financial Officer, it must be sent to the Debt Management Unit for creation of debt in BAS.
- 6.5.5 Once a payment is received from debtors a journal will be passed to clear the debt account created.

6.6 Other Debts

These are any other debts that may arise that are not covered by this Policy:-

- 6.6.1 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 thirty (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 them to pay an outstanding amount at the revenue office within thirty (30) days of receipt of notice.
- 6.6.2 If the officer fails settle the amount as notified by the line manager must compile a Debt Take On form and attach all the supporting documents and submit them for approval to the Chief Financial Officer.
- 6.6.3 Once the debt takes on has been approved by the Chief Financial Officer, it must be sent to the Debt Management Unit for creation of debt in BAS.
- 6.6.4 Once a payment is received from debtors a journal will be passed to clear the debt account created.

6.7 Loss And Damage To State Property

6.7.1 Theft /Fraud:

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



- a) The SCM Unit will inform the employee or third party that the damaged State Property and ask them to pay the amount at the revenue office within thirty (30) days of receipt of notice and the employee/third party must acknowledge debt.
- b) If the officer fails to settle the amount as notified by SCM unit, a Debt Take On Form must be compiled with all the supporting documents and submit it for approval to the Chief Financial Officer.
- c) 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.
- d) 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.

6.7.2 Negligence damage to state property

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

- a) The SCM Unit will inform the employee or third party that the damaged State Property and ask them to pay the amount at the revenue office within thirty (30) days of receipt of notice and the employee/third party must acknowledge debt;
- b) If the officer fails to settle the amount as notified by SCM unit, a Debt Take On Form must be compiled with all the supporting documents and submit it for approval to the Chief Financial Officer;
- c) 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; and
- d) 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.

6.7.3 Malicious damage to state property

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

- a) The SCM Unit will inform the employee or third party that the damaged State Property and ask them to pay the amount at the revenue office within thirty (30) days of receipt of notice and the employee/third party must acknowledge debt.



- b) If the officer fails to settle the amount as notified by SCM unit, a Debt Take On Form must be compiled with all the supporting documents and submit it for approval to the Chief Financial Officer.
- c) 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.
- d) 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.

7 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.

8 RECOVERY OF DEBTS

8.1 In Instalments

Where the debt cannot be recovered in one instalment, it can be recovered in instalments at the discretion of the Accounting Officer unless otherwise determined by law or agreement, Treasury Regulations.

8.2 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 the Department is requested to inherit the debt the Department needs to check first the availability of funds before accepting the debt transfer from another Department.

8.3 From Pension Payouts

This category refers to those employees who have terminated their services in the public sector through natural attrition. Should it be discovered that the amount of the pension pay-out is not enough to cover the debt, the matter shall be referred to the State Attorney through Legal Services for recovery.



8.4 Legal Services

8.4.1 In case of resignation and retirement, the matter shall be referred to the State Attorney's office through Legal Services for recovery.

8.4.2 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.

9 INTEREST ON OVERDUE ACCOUNTS

9.1 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 except for the following categories of Debts.

9.2 Debts resulting from salary overpayment to employees of the department where the employer was at fault.

9.3 Debt arising from overpayment of amount paid for the social and unemployed benefits. (Leave gratuities).

9.4 Any debt resulting from the service relationship between employees and the Department.

10 IMPAIRMENT OF DEBTS (PROVISION FOR DOUBTFUL DEBTS)

10.1 Provision for bad debts shall cover all irrecoverable debts which shall be calculated from the outstanding balance (Accounts Receivable) at the end of each financial year.

10.2 The Department shall calculate and determine the average percentage to be applied for provisions, by using the three (3) years collection trends.

10.3 The impairment of debts should also be disclosed in the Department's Annual Financial Statements.

10.4 For personnel debts, provision of bad debts shall cover all debts relating to deceased and all debts older than 3 years.

11 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:-



- a) Recovery of debt will be uneconomical. (Par 11.4.1 (b) i of the Treasury Regulations) ;
- b) The debt is irrecoverable;
- c) A visible effort has been executed in recovering the debt;
- d) Recovery would cause undue hardship to the debtor or their dependants (The debtor or their dependants would be deprived of their minimum essential means of livelihood. (Par 11.4.1 (b) ii of the Treasury Regulations);
- e) 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);
- f) The Department cannot legally prove the claim;
- g) It is not possible to collect any substantial amount;
- h) Statutory requirements prevent debt from being claimed or recovered;
- i) The debtor has neither assets nor income;
- j) The reasonable efforts to trace the debtor have failed;
- k) The State's 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;
- l) 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;
- m) There is no possibility now or in the foreseeable future of collection;
- n) 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;
- o) The debtor is deceased and there is no known estate;
- p) The assets of the debtor or of the estate of the debtor are indispensable to the debtor dependents or are of relatively little value;
- q) The State Attorney or Director of Legal Services has made a recommendation to that effect and the Department is in agreement therewith; or
- r) The amount outstanding represents the outstanding balance on the account after payment for the initial service was made and recovery is deemed to be uneconomical.

11.1 Chief Financial Officer's Role

The Chief Financial Officer must refer the debt to Legal Services to determine the following:-

- 11.1.1 Acceptance of an amount smaller than the current instalment until such time as the debtor financial position may improve; and
- 11.1.2 Ascertain whether the recovery would cause undue hardship to the debtor or their dependents.



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

11.2.1 cost analysis must be made on a monthly basis to determine the expenditure incurred, compared to the amount owed. The cost of telephone calls, the cost of the time spent, cost of collection agencies etc. must be considered.

11.2.2 Legal services or 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.

12 DEBT MONITORING

All debts must be monitored on a monthly basis and reminder letters must be sent to all debtors with outstanding balances. All necessary steps should be taken to recover the debts on a monthly basis.

13 USE OF TRACING AGENTS

Where it is apparent that the debtor is untraceable, the Accounting Officer may appoint tracing agents to locate the whereabouts of the debtor if it is economically viable to do so, the Accounting Officer must take in to account the following:-

13.1 The amount of the debt;

13.2 The estimated cost of tracing agents; and

13.3 Whether the debtor once located would be able to settle the debt.

14 METHODS OF PAYMENT

The following payments methods may be utilised by debtors and a debt number must be quoted always when making payment to facilitate reconciliation process:-

14.1 Bank deposit;

14.2 Electronic Funds Transfers; and

14.3 PERSAL Deduction for Government employees.

15 ALLOCATION OF PAYMENTS RECEIVED.

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



16 REFUND OF CREDIT BALANCES

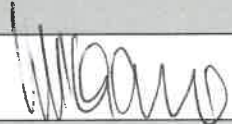

The Chief Financial Officer may refund a credit balance on a debtor account or offset it against the amounts owing to the Department. Any money in excess will be surrendered to the Provincial Revenue Fund.

17 IMPLEMENTATION AND MONITORING

Management has the responsibility of monitoring the implementation of the Policy and to ensure that the Policy remains current and fit for purpose.

18 POLICY REVIEW

This Policy shall be reviewed every three (3) years. Any new instructions or updates will be issued through an addendum.

DESIGNATION	NAME	SIGNATURE	DATE
RECOMMENDATION			
Policy Review Chairperson	Ms N. E. Kgang		29/05/2026
APPROVAL			
Head Of Department	Mr M. I. Kgantsi		29/05/26

