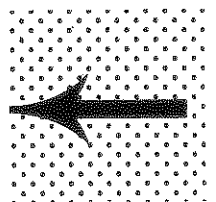



**DEPARTMENT OF PUBLIC SERVICE
AND ADMINISTRATION**



**POLICY AND PROCEDURE ON MANAGEMENT
OF DEBTS**

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Approved by the Director-General
Ms Colette Clark
Effective Date: 24/3/10

1. Custodian

The Office of the Chief Financial Officer is the custodian of this policy and procedure.

2. Purpose

To establish clearly defined policy that should be followed for the recovery of debts owed to the Department of Public Service and Administration.

3. Scope

The policy applies to all employees of the Department of Public Service and Administration.

4. Source of authority

In terms of section 38(1) (c) of the Public Finance Management Act 1 of 1999, the Accounting Officer must take effective steps to collect all money due to the department. This should also be done in accordance with the guidelines as provided in chapter 11 of the Treasury Regulations.

5. Identification of debt

5.1. Debt is identified as follows:

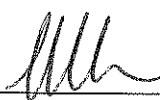
5.1.1 Salary debts are identified by either the Directorate: Finance or Directorate: People Management and Development if an employee has been erroneously overpaid.

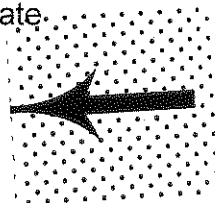
5.1.2 Tax debts are identified programmatically by the PERSAL system and communicated to the employee by the Directorate: Finance.

5.1.3 Travel and Subsistence debts are incurred when an advance amount exceeded a claim amount, or in cases where the official trip was cancelled or shortened. These type of debts will be communicated to the employee by the Directorate: Finance.

5.1.4 Bursary debts are identified where an official fail to comply with the provisions of the bursary contract. Bursary debts are communicated to the employee by the Directorate: People Management and Development.

5.1.5 State Guarantees debts occurs when the Department has to pay a financial institution, upon resignation of an employee, as settlement of a state guarantee.


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6. Procedure for recovering of debts from employees in service

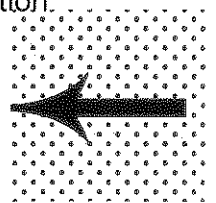
- 6.1 Once the Assistant Director: Finance has established that an employee has incurred a debt owing to the Department, the employee will be informed of the debt in writing by the Assistant Director: Finance within 21 working days. The notification will state the amount owing to the Department (i.e. debt capital plus interest), and the period within which the employee must pay the debt.
- 6.2 The debt should be indicated in the relevant debt account for control and accounting purposes (salary, tax, bursary, travel & subsistence, state guarantees etc).
- 6.3 A period of seven working days will be given to an employee to notify the Finance section whether he/she accepts the debt and consents to the deduction from his/her salary or whether he/she disputes the debt. If the employee does not respond within the seven working days period, a second notification will be sent allowing a further five days to respond, failing which it will be deemed that the employee agrees that the amount is due to the Department and further consents to the deduction of the amount from his/her salary.
- 6.4 In the case where a debt is disputed the case should be investigated by the Director of Finance. If the Director of Finance is of the opinion that the debt is a legitimate debt and the employee still does not agree the case will be routed to the Legal Services section for an opinion. The Chief Financial Officer in consideration of the legal opinion may then take the final decision if the debt should be instated or not.
- 6.5 When recovering debts from employees, the payment may be paid in installments as follows:
- 6.5.1 A once off deduction shall be made for all amounts less than R 200.00;
 - 6.5.2 Above R200.00 to R750.00, over three months;
 - 6.5.3 Above R750.00 to R1250.00 over six months;
 - 6.5.4 Above R1250.00 to R2000.00 over nine months; and
 - 6.5.5 Above R2000.00 over twelve months.
- 6.6 Any deviation to deduct in more installments than the prescribed installments shall only be considered once an income and expenditure statement of the employee has been submitted to the Deputy Director: Finance for consideration and approval.
- 6.7 In the case where the employee is not satisfied with the proposed repayment period the deviation request should be escalated in the order of Director: Finance, Chief Financial Officer and then Director-General for consideration and approval. Any of these three officials may approve the deviation.



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7. Procedure for employees of the Department who have left the public service

- 7.1 Once the Assistant Director: Finance determined that an employee who will be leaving the public service has incurred a debt while being employed by the Department, the debt should be communicated to the Finance: Salary section as soon as possible. All efforts should be made to recover all outstanding debts from the last salary payable to the employee.
- 7.2 Where recovery from the last salary payable to the employee is not possible the debt should be included on the debt form, which will be referred by the Directorate: People Management and Development to the Government Employees Pension Fund ("GEPF"), for recovery from the employee's pension benefits. The employee should sign a consent form authorizing the GEPF to deduct all amounts due to the department from the proceeds of the employee's pension benefits. If consent is not obtained from the employee, the process stated in paragraph 7.6 shall be followed.
- 7.3 The amount owed to the Department by the former employee should be captured on the financial system (BAS).
- 7.4 Quarterly follow-ups by the Senior State Accountant should be done in writing with the GEPF and the People Management and Development Directorate prior to finalization of the former employee's pension benefits.
- 7.5 Interest on the outstanding debt will only be calculated with effect from the date that the GEPF informed the Department in writing that the pension benefits for the former employee has been finalized. Interest will be charged at the rate determined from time to time in terms of section 80 of the Public Finance Management Act, 1999, as amended.
- 7.6 If the pension benefits are insufficient to cover the debt, the former employee should be informed of the outstanding amount in writing per registered mail.
- 7.7 A letter of reminder should be sent per register mail at least once every two months to the former employee stating the amount owing to the Department (e.g. debt capital plus interest) and the period within which the employee should pay the debt. A maximum of three such letters will be sent.
- 7.8 If any of the letters are returned unclaimed to the Department or in cases where no response is received after a third letter, the address of the former employee should be obtained via a third party (e.g tracing agency, the Department of Home Affairs or the South African Revenue Services).
- 7.9 A letter should be sent per registered mail to the address provided by the mentioned third party to the former employee stating the amount owing to the department (e.g. debt capital plus interest) and the period within which the employee should pay the debt. If no response is received after the letters


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have been sent to the former employee, the debt should be presented to the Chief Directorate: Legal Services for recommendation.

8. Procedure for employees transferred to other Departments


- 8.1 If it is established that an employee who has been transferred to another Department has an outstanding debt with this department, a letter with the accompanying documentation regarding the debt must be sent to the other Department, requesting them to recover the debt from the employee.
- 8.2 If the other Department agrees to the recovery of the debt, the debt shall be transferred to the relevant claims recoverable account.
- 8.3 If the Department to which the employee is transferred does not agree to recover the debt as notified, the recovery of the debt must take place in terms of paragraph .

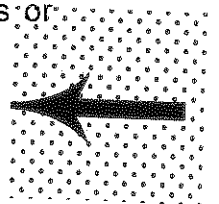
9. Procedure to write off debts

- 9.1. Proposals for writing off debts shall be submitted to the Director-General or the delegated person after consideration of whether:
 - 9.1.1 recovery of the debt would be uneconomical;
 - 9.1.2 recovery would cause undue hardship to the debtor or his/her dependants;
 - 9.1.3 it would be to the advantage of the state to effect a settlement of its claim or to waive the claim;
 - 9.1.4 all attempts to recover the debt have failed.
- 9.2 Before any debts are written off in terms of this policy, a recommendation must be obtained from the Chief Director: Legal Services.
- 9.3 All write-offs must be disclosed in the Annual Financial Statements indicating the policy in terms of which the debt was written off.

10. Provision for doubtful debts in the Annual Financial Statements

- 10.1 A provision is regarded as a liability of uncertain timing or amount and must be disclosed in the Annual Financial Statements when:
 - 10.1.1 an entity has a present obligation as a result of a past event;
 - 10.1.2 it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - 10.1.3 a reliable estimate can be made of the amount of the obligation.


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10.2 Provision for doubtful debts that must be disclosed in the Annual Financial Statements are:

10.2.1 any potential irrecoverable staff debts with an age analysis of three years where no payment movement was recorded. The age analysis is determined from the date of origin of the debt to the end of a specific financial year, and there is uncertainty about the recovery thereof; and

10.2.2 claims due by other Government Departments with an age analysis of three years where no payment movement was recorded. The age analysis is determined from the date of origin of the debt to the end of a specific financial year, and there is uncertainty about the recovery thereof.

11. Deviation


Any deviation from this policy and procedure, other than mentioned in paragraph 6.6 and 6.7, may be considered and approved by the Chief Financial Officer.

12. Review of policy

This policy shall be reviewed every two years or sooner if so required.

13. Effective date

This policy takes effect on the date of approval.


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Ms Colette Clark
Effective Date: 24 March 10

