



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEBT MANAGEMENT POLICY
DEPARTMENT OF PUBLIC WORKS

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REVISED DEBT MANAGEMENT POLICY

1. INTRODUCTION.

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

2. DEFINITIONS OF DEBT

Debt can be defined as an amount due to the Department and expected to be recovered by that particular Department. Types of debts are as follows:

2.1 Internal Debts > these are debts owed by department's employees.

e.g. Overpayments of salary and allowances, Tax Debts, State Guarantees, GG vehicles accidents, outstanding travel & subsistence (advance), breach of contract (bursary debt), dishonored cheques, leave without pay, Damage to government property etc.

2.2 External Debts > These are debts emanating from other department, suppliers' overpayments and third parties etc.

3. PURPOSE

3.1 To provide guidance on how to manage debts.

3.2 To maximize revenue collection.

3.3 To ensure that all the departmental debts are managed fairly, efficiently and effectively.

4. LEGAL MANDATES

4.1 Public Finance Management Act No. 1/1999 (Section 38(1) (c) (i) and (d)).

The Accounting Officer of a Department must take effective, efficient and appropriate steps to collect money due to the Department, as well as manage and safeguard the maintenance of assets and liabilities of the Department.

4.2 Treasury Regulations issued in terms of the PFMA. Part 5:1

The Accounting officer of an Institution must ensure that there is maintenance of proper accounts and records for all Debtors, including amounts received in part payment; and refer a matter to the State Attorney, where economical, to consider legal demand and possible legal proceedings in a court of law.

4.3 Prescription Act 68 of 1969

4.4 Public Service Act of 1994

4.5 National Credit Act of 2007

4.6 Provincial transversal policies on debt management

5. PRINCIPLES

5.1 It is the Department's policy to:

5.1.1 Treat Debts / Receivables as an important asset of the Department that need prudent management.

5.1.2 To recognize receivables promptly and pursue collection vigorously.

5.1.3 Treat all Debtors fairly and with dignity.

5.1.4 Maximize recoveries and minimize irrecoverable debts.

6. SCOPE OF APPLICATION

This policy applies to all employees within the department of Public Works, employees whose services were terminated, departmental transfers as well as third parties and service providers.

7. DEBT PROCESS

7.1 IDENTIFICATION OF DEBT

User directorate identifies the debt, notify the debtor about the debt, complete the BAS debt take-on forms, identify allocations, calculations and attach supporting documents i.e. proof of the debt e.g. leave form. Once this has been completed it should be forwarded to debt management within a period of 1 month without any delay.

If a debt is identified at Head Office for a particular district, the debt should be directed to the district to avoid duplication of a debt.

7.2 CREATION OF DEBT

Debt Management receives the BAS debt take-on forms accompanied by supporting documents, submit to senior manager finance for approval for creation of debt. Register, create and open a file for the debtor. A debtor's diary shall be kept in the file in order to record all correspondence made with the debtor with regard to the debt.

7.3 DEBT RECOVERY PROCESS

ACTIVE EMPLOYEES

- Recovery of debts by installments (within 12 months from the date of origination) unless otherwise approved by the HOD, CFO and Senior Manager Finance in terms of financial delegations.
- Employee who is a debtor and entitled to receive any other allowance including and not limited to claims, performance bonus, long service awards & any other claims will be used to offset the debt of that particular employee, only after an agreement was reached with that particular employee.

SERVICE TERMINATIONS (DEATH, RESIGNATION, RETIREMENT & ABSCONDMENT)

- The Human Resource Section dealing with the above must ensure that all employees leaving the department complete an exit clearance certificate/form (verified by the employee's supervisor/manager) which includes acknowledgement of any debts that must be settled.
- After the above has been completed, a debt should be created for the relevant employee who will be informed in writing about the debt and requested to pay the debt. Failure to pay will result in the debt being recovered from his/her pension fund payouts.

- In cases where pension payouts are insufficient/are not applicable, the debtor will be requested to settle the debt in installments provided that the debtor submitted an income and expenditure statement to determine an installment amount that can be paid.

Collection process involves the following steps:

7.3.1 NOTIFICATION OF DEBT

A notification/demand letter shall be sent to the debtor whereby the debtor should respond within 10 working days for completion of the debt consent form and to reach an agreement as to method of repayment.

If the debtor is having doubts about the debt he/she should liaise with the user directorate from which the debt emanates as to the validity of the debt.

7.3.2 REMINDER LETTER

Reminder to the debtor will be sent for response within 5 working days if no response was received with regard to the notification letter.

7.3.3 REMINDER THROUGH TELEPHONE CALL AND PERSONAL VISIT

Telephone call and a personal visit will be carried out within 2 working days to collect the completed debt acknowledgement forms from the debtor.

7.3.4.1 INTERNAL DEBTS

REQUEST TO ACCOUNTING OFFICER TO IMPLEMENT DEDUCTIONS

If there are no response in respect of 7.3.1, 7.3.2 & 7.3.3, then Debt Management will seek authority from Accounting Officer to implement deductions from personnel refusing to sign debt consent forms.

7.3.4.2 EXTERNAL DEBTS

If no response is received with regard to external debtors, the debt will be referred to legal services for recovery of the debt through a legal process.

7.4 DEBT REPAYMENT METHODS

7.4.1 In cases whereby the debtors have responded positively:

7.4.1.1 For employees – A deduction will be implemented on PERSAL on the following open month for recovery from the debtor's salary on monthly installments or once off deduction depending on the agreement made.

7.4.1.2 Ex- employees - Arrangement for repayment methods will be done, either at the Department's cashier office or bank deposits to the Department's account.

7.4.1.3 Departmental Debt, Suppliers or any outside party owing the department - Arrangement for repayment methods will be done, either at the Department's cashier office or bank deposits to the Department's account.

- It remains the debtor's responsibility to submit copy of the receipt to debt management for maintenance of the debtor's account and **only Bank Guaranteed Cheques** will be accepted.

7.4.2 STATEMENTS

The Debtor shall be issued with statements of their accounts every month which will reflect the original Debt amount paid to date, the total amount due which is either 30, 60, 90 days old and the outstanding balance.

If payment is received after issuing statements, the debtor should ignore such a statement. It is the debtor's responsibility to inform debt management as to the changes of his/her contact information such as addresses, contact numbers etc. No workplace addresses, contact numbers etc, will be accepted.

Negligence of the above will lead to legal actions without further notification.

7.5 INTEREST ON DEBTS

7.5.1 Interests must be charged on debts to the state at the interest rate determined by the Minister of Finance in term of section 80 of the PFMA.

7.5.2 Interest will not be charged on debts owed unless:

- The debt originated due to the employee's own fraudulent action.
- The resulting loss and/or damage was caused deliberately.
- There was a breach of contract.

*Interest is calculated on the decreasing balance of the debt. Interest charged must not exceed the original debt amount

7.6 REFUND OF CREDIT BALANCES

7.6.1 Credit balances on the debt account due to the debtor, will be refunded to the debtor or offset it against other debts of the same debtor.

7.7 DEBT WRITE – OFFS

7.7.1 A write-off of monies or assets will occur when it is considered impossible or where the costs of pursuing a debt outweigh the benefits.

7.7.2 It will also occur when it has not been possible to recover the full amount of money owed to the department and partial payment has been received.

7.7.3 Debts may be written-off by the accounting officer provided that:

- All reasonable efforts to trace the debtor have failed or
- The recovery of debt would cause undue hardship to the debtor or his/her dependants, write-off will be considered at the discretion of the accounting officer.
- It will be to the advantage of the state to effect a settlement of its claim or waive such claim.
- Debts will not be written-off for employees who are still in the service of the department.
- No unauthorized officers are permitted to approve their own personal write-offs or approve write-offs where they have conflict of interest.

*Debts can only be written off when approval has been granted by the Accounting Officer or his /her delegate.

8. GENERAL

Employees who owe the department shall only be considered for bursaries once they have settled their debts. Note that each case will be treated on merit. If no response is received with regard to external debtors, the debt will be referred to legal services for recovery of the debt through a legal process.

9. IMPLEMENTATION DATE

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

10. TERMINATION

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

11. CONCLUSION

The Finance Directorate and the Department as a whole is confident that the Officials responsible for Debt Management and all employees will find the Debt Policy useful in their ongoing efforts to enhance the effective and efficient collection of debts within the Department.

12. APPROVAL

The Debt Management Policy is hereby
Reviewed by



CHIEF FINANCIAL OFFICER
Recommended by



HEAD OF DEPARTMENT
LIMPOPO PUBLIC WORKS

Approved by



MEMBER OF THE EXECUTIVE COUNCIL
LIMPOPO PUBLIC WORKS

15/09/2009
DATE

16/9/09
DATE

2009-12-10
DATE