



public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

POLICY: DEBT, CLAIMS RECOVERABLE AND REVENUE MANAGEMENT

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DATE: 29/10/2015

Table of Contents

| | |
|--|----|
| GLOSSARY OF TERMS | 5 |
| 1. INTRODUCTION AND PURPOSE | 5 |
| 2. POLICY PROBLEM STATEMENT | 5 |
| 3. POLICY OBJECTIVE | 5 |
| 4. RELATIONSHIP WITH OTHER POLICIES | 5 |
| 5. POLICY SCOPE AND INTENDED AUDIENCE | 5 |
| 6. REGULATORY / LEGISLATIVE FRAMEWORK | 5 |
| 7. POLICY IMPLEMENTATION | 6 |
| 8. <u>ROLES AND RESPONSIBILITIES: MANAGEMENT OF DEBT</u> | 6 |
| 8.1 <i>THE ORIGINATING OFFICE WHERE THE DEBT IS DISCOVERED</i> | 6 |
| 8.2 <i>DIRECTORATE: FINANCIAL ACCOUNTING / HEAD OF FINANCE (REGIONS)</i> | 6 |
| 8.3 <i>LEGAL SERVICES / STATE ATTORNEY</i> | 7 |
| 8.4 <i>HUMAN RESOURCES MANAGEMENT</i> | 8 |
| 9. NATURE OF DEBT | 8 |
| 10. INTEREST ON DEBT | 9 |
| 11. RECOVERY OF DEBT | 9 |
| 12. INTERNAL DEBTORS | 10 |
| 13. EXTERNAL DEBTORS | 11 |
| 14. PROVISION FOR DOUBTFUL DEBTS FOR THE AFS / IFS | 13 |
| 15. PROVISION FOR WRITE-OFF | 13 |
| 16. DEBT WRITE OFF | 13 |
| 17. PERIODS OF PRESCRIPTION OF DEBT | 14 |
| 18. REVENUE AND CASH MANAGEMENT | 14 |
| 19. CLAIMS RECOVERABLE | 16 |
| 20. <u>ROLES AND RESPONSIBILITIES: CLAIMS RECOVERABLE</u> | 16 |
| 20.1 <i>THE ORIGINATING OFFICE</i> | 16 |

| | |
|--|----|
| 20.2 HUMAN RESOURCES (HEAD OFFICE) | 16 |
| 20.3 HUMAN RESOURCES (REGIONS)..... | 16 |
| 20.4 ACCOUNTS AND BUDGETS (REGIONS)..... | 17 |
| 20.5 ACCOUNTS RECEIVABLE (HEAD OFFICE) | 17 |
| 20.6 REPORTING: CLAIMS RECOVERABLE | 17 |
| 21. TRAINING | 17 |
| 22. MONITORING, EVALUATION AND REVIEW | 17 |
| 23. EFFECTIVE DATES..... | 18 |
| 24. DISPUTE RESOLUTION..... | 18 |
| 25. REFERENCES / ANNEXURES | 18 |

GLOSSARY OF TERMS

“Department” National Department of Public Works

“Debt” an amount owing to the state

“Debtor” Entity/Individual owing the department

“TR” Treasury Regulation

“PFMA” Public Finance Management Act

“Delegations” Refer to Departmental delegations as issued by Top Management. Currently using the delegations dated January 2005 as signed by then DG Mr T Maseko

“In Mora” is a Latin term used in Roman law. It means ‘in delay or in default.’ A person is said to be in mora, when s/he defaults payment of debts due. Such a debtor is liable to suffer the consequences that may incur from debtor’s delay. For example, the loss caused to the creditor due to the delay.

“In Duplum Rule” refers to debts on BAS where interest amounts are greater than the capital debt amount.

“BAS” Basic Accounting System

“A provision” refers to a liability of uncertain timing or amount

“Claims Recoverable” comprise of amounts due to the State as a result of the sales of goods or provision of services or the recovery of expenditure incurred by the state.

1. INTRODUCTION AND PURPOSE

- 1.1 The purpose of this policy is to define and provide a framework for the management of Revenue, Claims Recoverable and Debt in line with sections 13, 38, 76 and 80 of the Public Finance Management Act, Act 1 of 1999 (as amended) (PFMA) and chapter 11 of Treasury Regulation which are aimed to ensuring effective accountability thus promoting good financial management practices. (Annexure A and Annexure B).
- 1.2 Provide proper management controls and systems that will ensure effective, efficient, economical and transparent collection of debt(s) and revenue.
- 1.3 Define principles designed to assist with the management of Claims Recoverable, Revenue and Debt collection.

2. POLICY PROBLEM STATEMENT

- 2.1 Outstanding debt to the Department could have an adverse effect on the fiscal as expenditure is not covered with the corresponding receipts of money.
- 2.2 Bursary holders not complying with the conditions of the bursary contract and possible overpayments to employees and suppliers can create debt to the Department.

3. POLICY OBJECTIVES

- 3.1 All Claims Recoverable, Debts created and Revenue received by DPW shall be managed in accordance with the principles contained in the Public Finance Management Act, Act 1 of 1999 (as amended) (PFMA) and the Prescription Act No.68 of 1969 as amended.
- 3.2 The policy outlines the guiding principles, roles and responsibilities for Revenue, Claims Recoverable and Management of Debt.

4. RELATIONSHIP WITH OTHER POLICIES

- 4.1 Other policies that are closely related to the Debtors and Revenue policies are:
 - 4.1.1 Financial Statement and Working Files directive.
 - 4.1.2 Records Management.

5. POLICY SCOPE AND INTENDED AUDIENCE

- 5.1 The Policy therefore applies to all staff members of the DPW
- 5.2 The policy impacts upon DPW's work practices for those who:
 - 5.2.1 Create and manage Debts
 - 5.2.2 Collect and manage Revenue
 - 5.2.3 Management and clearing of Claims Recoverable Accounts
 - 5.2.4 Have management responsibilities for officials engaged in any of these activities

6. REGULATORY / LEGISLATIVE FRAMEWORK

6.1 Public Finance Management Act (PFMA), Act 1 of 1999.

6.2 Treasury Regulation.

6.3 All National Treasury circulars and practice notes.

6.4 The Prescription Act No 68 of 1969 as amended.

6.5 The Basic Conditions of Employment Act, Act 75 of 1997.

7. POLICY IMPLEMENTATION

7.1 The policy will be implemented when and where debts to the Department are discovered and opened and amounts need to be recovered from the debtors.

8. ROLES AND RESPONSIBILITIES: MANAGEMENT OF DEBT

8.1 The originating office where the debt is discovered must:

- 8.1.1 Inform the official/supplier of the outstanding amount and provide them with the opportunity to settle the outstanding amount within thirty (30) calendar days. This period lasts for thirty (30) calendar days after which, if the outstanding amount has not been settled in full, where applicable, interest starts accruing from the date of the original transaction. See Clause 10 of this policy regarding when interest is to be charged on outstanding debt.
- 8.1.2 The originating office cannot enter into negotiation or agreement with the debtor in terms of recovery of debts by means of instalment payment. All requests from the debtors to settle accounts by means of instalments must be referred to D: Financial Accounting (Head Office debts) and Regional Heads of Finance and SCM for debts originated in the regional offices.
- 8.1.3 The originating office must refer new debts, to the Directorate: Financial Accounting / Head of Finance (Regions). All relevant documentation pertaining to the debt and which are in favour of the Department must be supplied to the Directorate: Financial Accounting / Heads of Finance & SCM (Regions). The relevant documentation required to open a new debt account is set out in the "Checklist for a request to open a debt account" which can be obtained from the Directorate: Financial Accounting / Heads of Finance in the regions. (Annexure C).
- 8.1.4 Where internal debtor has no address, and/or no postal service is available, all correspondence to the debtor must be communicated through his/her manager to ensure a debtor receives all correspondence regarding the outstanding debt amount.
- 8.1.5 Once debtors have been identified as debt accounts, these amounts should not be kept in suspense accounts.
- 8.1.6 Appropriate action must be taken against officials who fail to adhere to the clause 8.1.1 above.

8.2 Directorate: Financial Accounting / Head of Finance & SCM (Regions)

- 8.2.1 Must, where possible, take new debt accounts onto the relevant financial system within a month of becoming aware of the new debt. Should this not be possible, the problem must be followed up to determine the cause of the delay. Possible delays could be caused by incorrect / insufficient documentation from the originating office. It is thus

imperative that all debts be supported by the proper documentation to alleviate unnecessary delays.

- 8.2.2 Ensure the correct options are chosen and that the debt is correctly opened when capturing the debt onto the relevant financial system. Ensure the correct allocations are utilised as this has a direct influence on the Annual Financial Statements.
- 8.2.3 Keep proper records and related correspondence for each debtor on their respective debt files. It is very important to ensure that all supporting documents for each debt is correct and support the claim that a debt account has originated and must be recovered from the debtor.
- 8.2.4 Manage debts effectively and efficiently through monthly monitoring, making monthly follow ups, reporting and ensuring that debts are settled timeously.
- 8.2.5 In the event that there is a breach of contract between the Department and the Debtor and a dispute arises from this breach of contract where the debtor refuses to pay the outstanding debt amount, the matter should be referred to the Legal Section. Should no dispute arise, the debt management section can recover the debt amount without legal intervention where the debtor is willing to repay said amount. In this case referral will only be done when the need arises.
- 8.2.6 Take on debt, according to the contract terms and conditions. Where there is no contract, the originating office must specifically stipulate the date upon which the Department became aware of the debt. With a contract debt, the date of transaction is used as the date of debt origin, and other debt (for example, salary overpayment) the date of debt origin is the date the Department became aware of the debt. Ensure that the debt amount requested on the covering letter corresponds with amounts in the supporting documents.
- 8.2.7 Each debt account is evaluated on its own merit according to each debtor's income and expenditure. Should the payments be made for a period longer than 30 days, the correct approval and authorization according to the Departmental delegations must be followed. Should debtors need to make payments longer than 30 days, certified income and expenditure statements must be received from the debtor to support the claim that repayment cannot be done in a shorter period. If the debtor has been handed over to the State Attorney and payments do not cover interest as well as capital, higher instalments may also be requested via the State Attorney.
- 8.2.8 Appoint and manage debt collectors where deemed necessary and is cost effective.
- 8.2.9 Handing over of defaulting debtors for further legal action should be done timeously before prescription of the debt can take place.
- 8.2.10 Any cost incurred for recovery of debt must be recovered from the debtor.
- 8.2.11 Ensure that all debts and write offs are properly disclosed in the Annual Financial Statements.
- 8.2.12 The Head of Finance and SCM (Regions) or D: Financial Accounting (Head Office) shall identify such training courses that are relevant to the duties of all officials responsible for Debtors and Revenue Management and shall ensure that officials are trained properly.
- 8.2.13 The Head of Finance and SCM (Regions) or D: Financial Accounting (Head Office) shall ensure that all staff members are aware of the Debtors and Revenue

Management policies and shall conduct or arrange such training as and when necessary for the officials to equip them of their duties.

- 8.2.14 Legal Services / State Attorney
- 8.2.15 Assist the Debt Management Section in the recovery of debt where necessary and when requested to do so.
- 8.2.16 Provide legal advice on debt matters when requested.
- 8.2.17 Obtain summons or warrant of execution in favour of the Department.
- 8.2.18 Ensure legal action is taken against defaulting debtors within 3 months.
- 8.2.19
- 8.2.20 Human Resources Management
- 8.2.21 Provide the Debt Management Section with the personal details of the employee who has now become a debtor.
- 8.2.22 Must provide a copy of the Z102 (Pension form) to the Debt Management Section as soon as this form has been processed and sent to GEPF to indicate whether the debt has been claimed from the pension fund.
- 8.2.23 Assist in answering any queries regarding salary or such debt when debtors query these debts.
- 8.2.24 HR must ensure all terminations are implemented as per the termination date from officials, to avoid debt due to salary overpayment after termination of service.
- 8.2.25 In the case where the debtor is deceased, Conditions of Service (HR) must file a claim against the Estate of the Deceased.
- 8.2.26 HR must report monthly to Finance all terminations in a format prescribed by Finance.
- 8.2.27 Failure to comply with the above could result in disciplinary steps being taken against the employee including the recovery of any loss the department may have suffered [TR 12.7].

9. NATURE OF DEBTS

9.1 Internal Debts:

- 9.1.1 Debts incurred by officials who are still in the employ of the Department and could arise from:
 - 9.1.1.1 Breach of Contract / Bursaries: Arises when an employee has not complied with the conditions of the bursary contract and the contract is withdrawn by the Department.
 - 9.1.1.2 State Guarantee debt: The employee defaults on the payment of his/her house and the Department must honour its obligation at the relevant financial institution.
- 9.1.1 Cell phone / Private telephone debt: These are unofficial calls made by the employee and must be repaid to the Department.

- 9.1.2 Salary overpayment: This could arise from various sources, such as, an allowance or performance bonus that was incorrectly paid to an employee.
- 9.1.3 Subsistence and Travel allowance: This type of debt normally arises when an employee takes subsistence and travel allowance and upon return to the office omits to submit the relevant claims to offset the allowance.
- 9.1.4 This list is not exhaustive.

9.2 External Debts:

- 9.2.1 Debts incurred by persons who are not in the employ of the department or by entities including other state Departments and could include:
 - 9.2.1.1 Breach of Contract / Bursaries: Arises when an employee resigns / retires / transfers from the Department and has not completed their studies.
- 9.2.2 Former employees: These are employees that resign / retire / are transferred / or are deceased resulting in salary related debt (for example, salary overpayment, leave without pay, telephone debt, etc).
- 9.2.3 Supplier overpayment: An error where a supplier or service provider has been overpaid.
- 9.2.4 Defaulting contractors: This would occur when a contractor defaults on the conditions of the contract, thus the contract has not been completed.
- 9.2.5 Claims recoverable (Damages and Losses): Relates to costs resulting from damages to the department's property other than damages by natural causes but rather from accidental or negligent damages.
- 9.2.6 This list is not exhaustive.

10. INTEREST ON DEBT

- 10.1 Sec 80 of the PFMA states that the Minister of Finance must determine uniform interest rates applicable to all other debts (excluding loans granted out of Revenue Fund) which must be paid into the revenue fund. (Annexure D).
- 10.2 Debts to the State resulting from the service relationship between public servants and the State shall be recovered without interest, with the exception of the following categories of debt, which shall be levied with interest at a rate as determined by the Minister of Finance in terms of section 80(1)(b) of the Public Finance Management Act of 1999:
 - a) Wrongly granted remuneration, as defined in Section 38 of the Public Service Act, 1994 where the person concerned has left the employ of the State, or where the monetary advantage resulted from his or her own fraudulent action; or
 - b) Loss and/or damage which originates as a result of circumstances where mala fides (evil intention) or the intentional causing of losses or damage were present, or where the person concerned has left the employ of the State; or
 - c) Breach of contract or any dereliction claim relating to the contractual relation.
- 10.3 Debts to the State by debtors who are not in the employ of the State are to be recovered with interest at a rate as determined by the Minister in terms of Section 80(1)(b) of the Public Finance Management Act of 1999, with the exception of the following categories of debt, which are to be recovered without interest:

- a) Overpayments of amounts paid to a debtor for social and unemployment benefits.
- 10.4 Interest is calculated on the decreasing capital amount of the debt and may not be capitalised, nor may it exceed the original capital amount (in accordance "in duplum" principle, Annexure E).
- 10.5 Irrespective whether legal action has been initiated, interest stops accruing as soon as the interest equals the amount of capital debt. Once a portion of the interest is paid, the interest accrues again until it equals the amount of the capital. The full amount of the interest will only accrue until it equals the amount of the then outstanding capital debt. Due to the Basic Accounting System not complying with this stipulation, it is of the upmost importance that debt accounts are closely monitored to ensure that debtors do not pay interest that accrued to more than the capital debt amount.
- 10.6 10.6 All receipts of monies from a debtor will first be applied to the interest portion of the outstanding balance. Any amount remaining thereafter will be applied to the capital portion of the outstanding debt.

11. RECOVERY OF DEBT

- 11.1 The originating office cannot enter into negotiation or agreement with the debtor in terms of recovery of debts by means of instalment payment. All requests from the debtors to settle accounts by means of instalments must be referred to D: Financial Accounting (Head Office debts) and Heads of Finance and SCM for debts originated from Regional Offices.
- 11.2 Where recovery of debts by instalments for periods longer than six months is requested, the debtor's financial position shall be duly taken into consideration. A sworn income and expenditure statement with supporting documents must be submitted as proof of the debtor's financial position. Instalments exceeding six months must be authorised in accordance to the financial delegations.
- 11.3 The Department reserves the right to review the repayment period at the Department's discretion, when the need arises.
- 11.4 The monthly instalment must be more than the monthly interest accrual, unless otherwise directed by the relevant official in accordance to the financial delegations or in consultation with Legal Services or the State Attorney according to each individual debt case.
- 11.5 Debt may be deducted from any monies (salary, benefits, allowances, leave gratuity, payment for services, etc.) owed to the debtor by the Department including a minimum of 50% where an employee is entitled to a 13th cheque, to recover the debt. All deductions must be done with the debtor's written consent to deduct the outstanding debt amount.
- 11.6 In the case where the debtor is deceased, Conditions of Service (HR) must file a claim against the Estate of the Deceased.
- 11.7 In the case of bursary debt, the debtors' consent is not required to recover the outstanding debt except directly from the debtors' salary, as this recovery is covered in the bursary contract. The circumstances which result in the obligation to repay are detailed in the Bursary Contract clauses 8, 10 and 11 and these include resignation and withdrawal of the bursary contract. Interest should be charged according to clause 9 of the Bursary Contract.

- 11.8 Deductions from pension benefits cannot be effected unless made in terms of the Government Employees Pension Law, Sections 21(3) (a) and (c) as well as Section 33 of the Constitution and Section 3 of the Promotion of Administrative Justice Act, 2000. (Annexure F).
- 11.9 Where a debt is realized due to an overpayment to a supplier, the debt will be recovered from any monies owed to that supplier.
- 11.10 Where the overpayment was a result of negligence on the part of the Department, and the amount outstanding cannot be recovered within the stipulated period, the debtor's financial position shall be duly taken into account. A certified income and expenditure statement must be submitted with supporting documentation.
- 11.11 Where a debt was taken on by error or where there are compelling reasons for a debt to be cancelled or nullified by any other means except recovery of money or write-off, the originating office must request approval in the form of a formal submission, substantiated by verifiable documents. Head Office submissions must be directed to D: Financial Accounting and regional offices submissions must be directed to Heads of Finance and SCM for approval.
- 11.12 Defaulting debtors are to be referred to debt collectors (where cost effective) or handed over for legal action to be instituted against them.
- 11.13 Defaulting debtors will be listed with credit bureau after all the attempts to recover outstanding debts have failed. Finance must obtain Legal opinion before the debtor is listed. The listing of defaulting debtors is applicable to both internal and external debtors.
- 11.14 Losses or damages suffered by an institution because of an act committed or omitted by an official, must be recovered from such an official if that official is liable in law. The accounting officer must determine the amount of the loss or damage and, in writing, request that official to pay the amount within 30 days or in reasonable instalments. If the official fails to comply with the request, the matter must be handed to the State Attorney for the recovery of the loss or damage.

12. INTERNAL DEBTORS

- 12.1 Telephone debts below R200 – these debts should be forwarded to the Salary section to be deducted as once off deductions from the employees and no debt account should be necessary. The Department also reserves the right to limit calls or disconnect telephones of employees who perpetually abuse the telephone facility.
- 12.2 Cell phone debts – any deviation from the stipulated usage limits per month shall be settled through automatic PERSAL deductions in terms of the user's authorization on the cellular telephone application form. This form is not restricted to cell phone debt. (Annexure G).
- 12.3 PERSAL deductions shall be made one (1) month following the receipt and distribution of accounts from the service providers allowing the user time to query any inconsistencies with the billings.
- 12.4 Subsistence and Travel advances should be recovered within a period of thirty (30) days. This account should be followed up meticulously to ensure that officials who make use of subsistence and travel advances follow the correct procedures and are aware of the fact that claims need to be submitted to ensure no debts occur.

- 12.5 Debt should be recovered within thirty (30) days after establishing the liable party, depending on the amount involved and whether the debtor is able to repay the amount over a period of thirty (30) days. If payment is not made in the stipulated thirty (30) days, a request for payment must be made according to the financial delegations.
- 12.6 Bursary debt – where a student resigns, retires, is discharged, or fails to complete the qualification for any reasons, the student shall be obligated to immediately repay all monies paid by the Department plus interest as determined by the Minister of Finance in terms of Section 80 of the PFMA.
- 12.7 Should the student fail to pay the amount due, the Department shall be entitled to deduct the amount due from the student's salary in instalments to be determined by the sole discretion of the Department, in conjunction with point 11.7 above.
- 12.8 Interest should be calculated from the date on which the obligation to pay arose to the date of payment which is detailed in the Bursary Contract. Interest should therefore be charged from the date the debtor was placed in mora. A letter from Human Resources Development should clearly state that date in order for Finance to accurately and timeously capture the interest calculation data into the system.
- 12.9 Where bursary debt cannot be recovered in one lump sum, it should be recovered according to the financial delegations.

13. EXTERNAL DEBTORS

- 13.1** Debt accounts pertaining to external debtors
- 13.1.1 All requests from the debtors to settle accounts by means of instalments must be referred to D: Financial Accounting (Head Office debts) and Heads of Finance and SCM for debts originated from regional offices.
- 13.1.2 Debt originating from overpayment of external parties should be recovered within 30 days of discovery depending on the type of debt and the amount outstanding.
- 13.1.3 When an official resigns, retires or passes away and the debt section becomes aware of the debt after the official has left the Department, every effort must be made to recover the debt from the debtor's pension fund. Monthly follow-ups must be made by Human Resources Management to enquire how far the pension pay-out is.
- 13.1.4 When a debtor who has been awarded a bursary is transferred to another Department, the debtor must make every effort to arrange with the receiving Department whether the bursary can be taken over by the receiving Department prior to the transfer.
- 13.1.5 Tracing agents must be made use of when debtors cannot be traced. The costs of using tracing agents must be weighed against the outstanding debt amount.
- 13.1.6 Where it is deemed necessary the services of debt collectors may be utilised.
- 13.2** Letters of Demand and Reminders
- 13.2.1 All debtors must be notified in writing of the departmental recovery actions.
- 13.2.2 A letter informing the debtor of the outstanding debt should be issued within 4 days after opening of the debt account. This letter informs the debtor of how and why the debt originated as well as the various methods of repayment available. This letter also requests the debtor to make payments against the outstanding debt amount and stipulates a time frame within which the first payment must be made. With bursary debt, a copy of the letter of demand to the debtor indicating breach of contract should be issued by Human Resources Development and copy of this letter together with the bursary contract should be provided to the debt management section with the necessary instruction to open the debt account.

- 13.2.3 The first letter of demand should be issued when the debtor defaults in the first month of payment or does not respond to the letter informing him/her about the debt.
- 13.2.4 Should no response be received on the first reminder letter, a second letter of demand should be issued 21 days after the first letter of demand. While waiting for response on this letter, various methods could be utilized to trace the debtor to establish the debtors' whereabouts and determine whether the Department has the correct address for the debtor.
- 13.2.5 The third letter of demand should be issued 10 days after the second letter of demand when the Department has established the correctness of the debtors' address. This letter should state the Department's intention to hand over the account to the State Attorney/Legal Services/Debt Collectors within 10 days of no response as well as the fact that the debtor will be responsible for all legal costs pertaining to the recovery of the debt.
- 13.2.6 Where making use of debt collectors, all debtor accounts over 60 days should be handed over to the debt collectors. If not making use of debt collectors, accounts over 90 days should be handed over to the State Attorney/Legal Services for further legal action to be instituted against the debtors. This stipulation is with regard to all debt no matter the nature thereof and where the debtor is defaulting in the repayment of the debt.
- 13.2.7 Debt collectors where being used, may be given a period of 3 months to recover the debts.

13.3 Handing over of Debts to Legal Services and/or State Attorneys'

- 13.3.1 Debts need not be handed over to Legal Services before being handed over to the State Attorney.
- 13.3.2 A debtor will be handed over to the Directorate: Legal Services in the following instances:
 - i. Where liability needs to be determined. This step is normally done by the originating section to determine whether a debt has originated. Once a debt account has to be opened, liability has already been established and the originating section informs the debt management section to open the debt account.
 - ii. When all the debt recovery methods have failed and insufficient information regarding the debtor is available.
 - iii. Where an immediate legal opinion is needed.
- 13.3.3 In the event that Directorate: Legal Services cannot recover the debt, the debt will be handed over to the Office of the State Attorney when:
 - i. The debt is above R5, 000-00; and
 - iv. The debtor's physical address or work address is available, and
 - v. Problems have been encountered with the recovery of the debt and legal action is required.

14. PROVISION FOR DOUBTFUL DEBTS FOR IFS/AFS

- 14.1 The determination of the need for an allowance for doubtful debt accounts will be based on the individual assessment of each debt where no movement has taken place and all steps have been taken to recover the debt. See attached check list (Annexure H).

15. PROVISION FOR WRITE OFF

- 15.1 The computation of an allowance for doubtful debt accounts will be performed annually based upon the individual assessment of such debt accounts and recent history of the write-offs at March 31st, subject to availability of funds.

16. DEBT WRITE OFF

16.1 Write offs can be processed pending the availability of funds at year end unless Financial Management approves funds during the financial year.

16.2 Availability of funds must be established at Directorate: Financial Management prior to any write off of debt being processed off the system.

16.3 Debts that are insolvent are uneconomical to recover or may cause undue hardship must be earmarked for write off.

16.4 A debt of R1, 000.00 and above may be approved for write-off as per delegations of the Director-General provided that:

- a) The debt is irrecoverable owing to the State's claim against an insolvent Estate or an Estate that is being administered as insolvent, having been proved and in good time and the dividend of the creditors being insufficient to meet the debt in accordance with the Insolvency Act (Act 24 of 1936) as amended; or
- b) The debt is irrecoverable owing to the Accounting Officer or his/her delegate having satisfied him/herself that on account of the debtors' weak financial position.
- c) The recovery of the debt would be uneconomical;
- d) The recovery of the debt would cause undue hardship to the debtor or his/her dependants because they would be deprived of the minimum essential means of livelihood; or
- e) It would be to the advantage of the State to effect a settlement of its claim or to waive such claim; or
- f) The State Attorney/Legal Services is recommending that the debt must be written-off.
- g) Where the debt did not originate or become irrecoverable owing to fraud, theft, wilful damage or negligence on the part of any employee of the State, the debt may be written-off.
- h) All reasonable steps have been taken to recover the debt and the debt is deemed irrecoverable.

16.1 Debt below R1, 000-00 may be written off, in accordance with delegations when:

- a) The debtor is not in the service of the State; and
- b) All money owed to the debtor by the department was utilized to redeem part of the debt; and
- c) The debt did not originate or become irrecoverable owing to fraud, theft, wilful damage or negligence on the part of any employee of the State.

16.1 Debts may be written off according to the prescription period provided all steps to recover the debt have been taken.

- 16.1 All debts written off must be listed unless a write off was an agreement with the debtor and authorised / delegated official.

17. PERIODS OF PRESCRIPTION OF DEBTS

- 17.1 In accordance with the Prescription Act No. 68 of 1969 as amended.
- 17.2 Debt prescribes after a certain period of time. The periods of prescription varies depending on the debt types. Section 11 of the Prescription Act sets out the following periods:
- a) thirty (30) years – judgment debt, debt secured by a mortgage bond, taxation debt or levies imposed by law, and or debt relating to mineral rights;
 - b) fifteen (15) years – debt owed to the state and arising out of an advance or loan of money or sale or lease of land by the state (excluding debt mentioned in the first bullet above);
 - c) six (6) years – debt arising from a bill of exchange or negotiable instrument (excluding debt mentioned in the first and second bullet above); and
 - d) three (3) years – any other debt except where an Act of Parliament provides otherwise.
- 17.3 Prescription is suspended where the debtor is outside the country and when the debt is the object of dispute subjected to arbitration [section 13].
- 17.4 Prescription is interrupted by acknowledgement of liability by the debtor and prescription begins to run anew [section 14].
- 17.5 Prescription is a defence of a debtor; the department must not write-off debts on the basis of prescription without a debtor initiating his argument.
- 17.6 Officials will be required to demonstrate steps taken to avoid prescription of debts, any official found to have failed to discharged his/her duties in ensuring recovery of debt will be held accountable.

18. REVENUE AND CASH MANAGEMENT

- 18.1 Revenue management includes:
- 18.1.1 Collecting revenue when it is due and banking it promptly;
 - 18.1.2 Payment of revenue accrual to National Treasury;
 - 18.1.3 When money has been incorrectly allocated to the revenue account, a request in the form of a formal submission stating all the facts regarding the matter as well as the availability of funds in the revenue account must be forwarded for approval by the Heads of Finance & SCM (Regions) and D Financial Accounting (HO). Verifiable documentation / evidence must be attached to the submission supporting the claim that the amount was previously allocated to the revenue account.
 - 18.1.4 Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the government is collected and banked promptly;
 - 18.1.5 Performing bank reconciliations on a daily basis to detect any unauthorised entries;
 - 18.1.6 Ensuring that dishonoured warrant vouchers and cheques are followed up immediately; and
 - 18.1.7 The separation of duties to minimise the incidence of fraud.

- 18.1.8 Ensuring that stale warrant vouchers are allocated to revenue.
- 18.2 Other Revenue sources and rates must be determined and approved as per the Financial Delegations.
- 18.3 The fees must be reviewed annually as per the Financial Delegations and be submitted to National Treasury.
- 18.4 On a monthly basis, the D: Financial Accounting / Heads of Finance & SCM in the regions must ensure that debtor statements are produced and presented to debtors within seven days after month end.
- 18.5 Collection of revenue must be done in accordance with the Treasury Regulation and the PFMA.
- 18.6 Interest shall be suspended in the case of a dispute. Should the dispute be in favour of the department, such interest shall be charged retrospectively.
- 18.7 The BAS System Controller must update interest rates on BAS upon the change of the repo rate by the Reserve Bank.
- 18.8 Cashier's office
 - 18.8.1 The cashier must be appointed formerly by D: Financial Accounting (Head Office) / Head of Finance & SCM (Regions) other than the HR appointment;
 - 18.8.2 All unused receipt and deposit books must be kept by an independent person other than the cashier in a safe;
 - 18.8.3 All used receipt and deposit books must be kept by an independent person other than the cashier in a safe;
 - 18.8.4 Cash beyond R500 must be deposited daily, only cash and cheques are accepted as form of payment at the cashier office;
 - 18.8.5 Cash reconciliations are performed daily and reviewed by the supervisor;
 - 18.8.6 Spot checks are performed by senior personnel at least once monthly;
 - 18.8.7 The cashier and the relief cashier must be appointed in writing;
 - 18.8.8 Hand over forms must be completed and signed in the presence of the supervisor;
 - 18.8.9 All monies received on the last working day of the financial year must be deposited same day;
 - 18.8.10 Receipts and deposits for all monies received on the last working day of the financial year must be captured and authorized before the close of the same working day;
 - 18.8.11 The cashier and the relief cashier must sign for the safe keys upon appointment; and
 - 18.8.12 The spare key to the safe must be kept by the head of the section in a safe or lockable facility where no safe is available.
 - 18.8.13 Any surplus / shortage of amounts in the cashier office must be reported immediately, investigated within reasonable time and corrective action taken.
 - 18.8.14 No payment whether in cash or per cheque is to be received without the correct allocation to which the amount must be allocated, the cashier must be provided with the correct allocation before receipt of any payment.

19. CLAIMS RECOVERABLES

19.1 Nature of Claims Recoverable

- 19.1.1 Claims Receivable comprises amounts due to the State as a result of the sales of goods or provision of services or the recovery of expenditure incurred by the state. Following are the major categories of Claims recoverable under DPW:
- i) Rec:Dom: Clms:N/Dept:Claim Recov
 - ii) Rec:Dom: Clms:P/Dept "Province" Claim Rec
 - iii) Rec:Dom: Clms: Pub Ent:Claim recov

20. ROLES AND RESPONSIBILITIES: CLAIMS RECOVERABLE

20.1 Originating office

- 20.1.1 Inform or request D: Financial Accounting (Head Office) / Head of Finance and SCM (Regions) in writing to dis-allow all transactions from the vote that are deemed to be recoverable.
- 20.1.2 Provide Directorate: Financial Accounting (Head Office) / Finance and SCM (Regions) with all necessary documentations relating to the amounts recoverable.
- 20.1.3 In the event that payments are processed directly from Claims Recoverable, the originating office must obtain prior approval from D: Financial Accounting (Head Office) / Head of Finance and SCM (Regions).
- 20.1.4 Once a transaction has been identified as debt, it should not be kept in suspense account. The details of the transaction must be submitted within 30 days for a debt account to be opened and proper recovery of the debt should be done.

20.2 Human Resources (Head Office)

- 20.2.1 20.2.1 The Head of Human Resources must ensure that all salary payments for all officials transferred to other government departments are dis-allowed within 30 days from the date of payment.
- 20.2.2 All transactions for employees transferred to other National Departments must be journalized to the suspense account item, "Claims Recoverable CA" Fund "National Department where the official has been transferred" Responsibility "The unit from which the official was appointed. Transfer to a Provincial Department, Item , "Claims Recoverable, "Name of the province where the official has been transferred to" Fund, "Provincial Department" Responsibility, " The unit where the official was appointment" Matching field "Name of the provincial department".
- 20.2.3 Completed Z59 claims and all other supporting documentations must be forwarded to the Sub-Directorate: Accounts Receivables for recovery and follow-ups.
- 20.2.4 Submit monthly the list of officials terminated in a format prescribed by Finance.

20.3 Human Resources (Regional Offices)

- 20.3.1 The Head of Human Resources must ensure that all salary payments for all officials transferred to other government departments are disallowed within 3 days of payment.
- 20.3.1 Provide Accounts and Budgets with all necessary documentation to disallow payments, update receivable account, follow-up and recover.

20.4 Accounts and Budgets (Regional Offices)

- 20.4.1 Disallow salary payments for employees transferred to other department from the vote within 3 days from the date of payment and update Claims Recoverable account.
[See allocations (18.2)(b)].
- 20.4.1 Issue the Z59 claim to the department where employee has been transferred.
- 20.4.2 Forward a copy of the claim (Z59) to Head Office sub-directorate: Accounts Receivable.
- 20.4.3 Follow-up claims on a monthly basis.
- 20.4.4 In the event of non-recovery of outstanding claims, Head of Finance and Supply Chain Management must arrange a meeting with the senior officials of the relevant client department.
- 20.4.5 If the senior officials including Legal Services fail to resolve the dispute, the matter must be escalated to the Directorate: Financial Accounting, Head Office.

20.5 Accounts Receivable (Head Office)

- 20.5.1 Verify Z59 claims for officials transferred from Head Office and issue claims to the relevant departments where the official has been transferred.
- 20.5.2 Send confirmation of balances to the relevant department on a quarterly basis.
- 20.5.3 Ensure that copies of all claims issued are safely kept and followed-up monthly with the relevant regional office and the client.
- 20.5.4 Refer all Claims Recoverable disputes between Public Works and other departments to National Treasury for further intervention and recovery.

20.6 Reporting: Claims Recoverable

- 20.6.1 Regional offices must report the status of Claims Recoverable accounts to Head Office monthly on an approved reporting format.
- 20.6.2 All identified credit amounts in the Claims Recoverable suspense accounts must be investigated and journalized to the relevant payable accounts.
- 20.6.3 All debit amounts in the Payable account must be investigated and journalized to the relevant Claims Recoverable accounts.
- 20.6.4 Head Office and all regional offices must submit a compliance certificate report to the sub-directorate: Reporting (Head Office) within a prescribed period of time.

21. TRAINING

- 21.1 The Head of Finance and SCM (Regions) / D: Financial Accounting (Head Office) shall identify such training courses that are relevant to the duties of all officials responsible for Debtors and Revenue Management and shall ensure that officials are trained properly.
- 21.2 The Head of Finance and SCM (Regions) / D: Financial Accounting (Head Office) shall ensure that all staff members are aware of the Debtors and Revenue Management policies and shall conduct or arrange such training as and when necessary for the officials to equip them of their duties.
- 21.3 All supervisors to ensure that employees are informed about this policy and that all employees are provided with a copy thereof.

22. MONITORING, EVALUATION AND REVIEW

- 21.1 D: Financial Accounting shall review the Debtors, Accounts Receivable and Revenue practices of DPW on a regular basis and shall adapt them accordingly to ensure that they meet the business and service delivery requirements of DPW.
- 21.2 This directive shall be evaluated and reviewed on a regular basis and shall be adapted accordingly to ensure that it meets the business and service delivery requirements of DPW.

23. EFFECTIVE DATE

- 23.1 This policy is effective from the date of sign-off by the delegated person.

24. DISPUTE RESOLUTION

- 24.1 All disputes that might arise due to the interpretation or the application of policy must be resolved through the normal dispute resolution process applicable in the Public Service.

25. ANNEXURES / REFERENCE

- Annexure A Treasury Regulation; Chapter 11; Management of Debtors
- Annexure B PFMA; Sections 38, 76 and 80
- Annexure C Checklist for a request to open a debt account
- Annexure D General Notice from NT – Interest Rates
- Annexure E In Duplum Rule
- Annexure F Deducting departmental debt from an employee's pension benefits
- Annexure G Consent by debtors for automatic PERSAL deduction
- Annexure H Provision for doubtful debts check list