



ACCOUNTING OFFICERS/ CHIEF FINANCIAL OFFICERS

PROVINCIAL TREASURY INSTRUCTION NOTE NO. 2 (AMENDMENT 1 OF 2024): MANAGEMENT OF DEBTORS

1. DEFINITIONS

In this Provincial Treasury Instruction Note, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Public Finance Management Act, 1999 (No. 1 of 1999 as amended by Act of 29 of 1999) [PFMA] and the National Treasury Regulations (NTR), has the same meaning; and –

“*Accounting Officer*” means a person referred to in section 36 of the PFMA;

“*BAS*” means the Basic Accounting System used by the KwaZulu-Natal Provincial Administration;

“*CFO*” means the Chief Financial Officer referred to in Chapter 2 of the National Treasury Regulations;

“*Debt* ⁱ” means an amount owing to the State;

“*Debtors Control section*” means the section or nominated officials responsible for the collection and management of debts that are owed within their area of responsibility;

“*Delegated Official* ⁱⁱ” means an official who has been delegated powers to perform duties assigned by the Accounting Officer;

“*In service*” means that the official is currently an employee of the State;

ⁱ National Treasury Regulations, 2005 as amended;

ⁱⁱ National Treasury Principles of Public Administration and Financial Management Delegations (Cabinet Memorandum 56 of 2013)

“*Irrecoverable debt* ⁱⁱⁱ” means a debt that is owing but which is unlikely to be collected for various reasons;

“*Out of service*” means that the official is no longer an employee of the State;

“*PERSAL*” means the personnel and salaries management system used by the State;

“*National Treasury Regulations (NTR)*” means the regulations issued by National Treasury in terms of section 76 of the PFMA; and

“*Undue hardship*” means the debtors must not be deprived of the minimum essential means of livelihood, or the assets of the debtors are indispensable or of relatively little value.

2. OBJECTIVE

To ensure that appropriate steps are taken to collect all money due to a department and to ensure that legal procedures are followed to ensure enforcement of a claim in a court of law and prevent the lapse or prescription of debts.

3. LEGAL FRAMEWORK

3.1 In terms of the PFMA, the Accounting Officer:-

- a) Must ensure that the department, has and maintains effective, efficient and transparent systems of financial and risk management and internal control, as per Section 38(1)(a)(i);
- b) Is responsible for the effective, efficient, economical and transparent use of the resources of the department, as per Section 38(1)(b);
- c) Must take effective and appropriate steps to collect all money due to the department, as per Section 38 (c)(i);
- d) Must keep full and proper records of the financial affairs of the department, in accordance with any prescribed norms and standards, as per Section 40(1)(a); and
- e) Comply with any regulations issued by the National Treasury as per Sections 76(1)(b), 76(1)(e) and 76(4)(a).

ⁱⁱⁱ National Treasury Departmental Guide Managing Departmental Debt, October 2013

3.2 In terms of the NTR, the Accounting Officer must:-

- a) As per Paragraph 11.2.1, take effective and appropriate steps to timeously collect all money due to the institution including, as necessary: –
 - i. Maintenance of proper accounts and records for all debtors, including amounts received in part payment; and
 - ii. Referral of a matter to the State Attorney, where economical, to consider a legal demand and possible legal proceedings in a court of law.
- b) As per Paragraph 11.3.1 unless otherwise determined by law or agreement, debts owing to the state may, at the discretion of the Accounting Officer of the institution, be recovered in instalments.
- c) As per Paragraph 11.4.1, only write off a debt if he or she is satisfied that: –
 - i. All reasonable steps have been taken to recover the debt, in accordance with a policy determined by the Accounting Officer and the debt is irrecoverable, or
 - ii. He or she is convinced that –
 - a. Recovery of the debt would be uneconomical;
 - b. Recovery would cause undue hardship to the debtor or his/her dependants;
 - c. It would be to the advantage of the state to effect a settlement of its claim or to waive the claim.
- d) As per Paragraph 11.5.1 charge interest on debts to the state at the interest rate determined by the Minister of Finance in terms of section 80 of the PFMA.
- e) As per Paragraph 12.3.1 if the state suffers a loss or damage and the other person denies liability, the Accounting Officer must, if deemed economical, refer the matter to the State Attorney for legal action.
- f) As per paragraph 17.1.1 all the transactions of an institution must be supported by authentic and verifiable source documents, clearly indicating the approved accounting allocation.

4. DEBTORS CONTROL SECTION

4.1 Every department must have a Head Office Debtors Control section within the existing finance section, which will deal specifically with:-

- a) Keeping the various debt sections within the department informed on, *inter alia*, any legislation, notice, regulation, directive and circular relevant to the administration and management of staff debts;
- b) Managing the extended recovery of debts or overpayments in instalments;
- c) Review instalment recoveries every 6 months;
- d) Monitor and assess debt recoveries, ensuring that all deductions instated have the required approval and are reasonable;
- e) Engage the services of tracing agents and debt collectors on behalf of debt sections;
- f) Engage the services of the State Attorney on behalf of debt sections;
- g) Make recommendations to the Accounting Officer and approve the write off of debts in terms of the department's written delegations;
- h) Oversee the collection of debts within the department; and
- i) Supply pertinent information on the state of the department's debtors to the CFO, including what steps will be taken to address long outstanding amounts.

5. ORIGIN OF DEBT

- 5.1 All possible steps must be taken to ensure that debts are registered (taken up on BAS) on the date the debt originated.
- 5.2 In terms of the Prescription Act, 1969 (Act 68 of 1969), a debt shall be deemed to be a debt only once the identity of the debtor and the nature of the debt becomes known to the responsible official. However, this principle requires that the responsible official exercise reasonable care to ensure that debts are detected immediately after it has arisen. See the attached Annexure A for further details on the Prescription Act, 1969 (Act 68 of 1969).
- 5.3 It is the responsibility of each employee of a department to ensure that any debt that arises within his/her sphere of work is accounted for. Failure to comply may result in disciplinary steps being taken including the recovery of any loss to the department from the employee concerned.

6. OUT OF SERVICE AND OTHER EXTERNAL DEBT

- 6.1 When an out of service debt becomes known the following actions must immediately be taken:

- 6.1.1 The debt must be claimed from the employee's pension benefit inclusive of the appropriate interest amount.
- 6.1.2 A debt may only be deducted from pension in terms of section 21 of the Government Employees Pension Law, 1996 and in terms of the requirements of the GEPF circular dated 6 April 2009 - amended 4 May 2009.
- 6.1.3 The debtor must within 5 working days be informed in writing of such a debt.
- 6.1.4 The debt must immediately be taken up on BAS as follows: "*Business, Debt; Agreement Maintenance*".
- 6.1.5 Interest must be levied on all out of service debts subject to any determinations by the Minister of Finance in terms of section 80 of the PFMA. Departments are responsible for ensuring that interest is applied at the adjusted rate of interest from the determined effective date (Annexure B).
- 6.1.6 The Minister of Finance has determined in the General Notice regarding interest levied on debts that debtors who are not in the employ of the State must pay interest, with the exception of amounts overpaid to a debtor for social and unemployment benefits and debts resulting from support provided by State medical institutions to State patients.
- 6.1.7 The interest commencement date must be 30 days after the notification letter to the debtor.
- 6.1.8 Should the pension received not be sufficient to redeem the debt amount, the debtor must within 5 working days after receipt of the pension be notified of the outstanding balance and requested to settle the debt.

6.2 When an external debt becomes known the following actions must immediately be taken:

- 6.2.1 Where a debt becomes known after an official's pension claim has been finalised, the debtor must within 5 working days after the debt becomes known be informed in writing of such a debt.
- 6.2.2 Debt acknowledged by Debtor:

Where the debtor responded and agreed to settle the debt by means of instalments, the responsible official shall:

- a) Inform the debtor in writing of the conditions surrounding the acceptance of the repayment by instalments and obtain written confirmation of acceptance of these

conditions from the debtor (a signed ‘acknowledgement of debt’ proforma letter that includes the repayment details is deemed sufficient).

- b) Review the repayment arrangements at least bi-annually to determine whether a higher instalment should be required.

6.2.3 Debtor did not respond:

- a) If no positive reaction is received from the debtor after 30 days, the department’s debt recovery process must be initiated by sending a first reminder to the debtor giving him/her 24 days to respond. An attempt to make telephonic contact must simultaneously be made to enquire when payment will be made or obtain the reason for non-payment.
- b) If still no response is received a 2nd and 3rd reminder must be send within 24 days of each other.
- c) If after a 3rd reminder has been sent, still no positive response has been received from a debtor, the case must be handed over to an attorney at law/debt collector in order to take legal summons on the debtor save for the following:
- d) Debts amounting to less than the amount stipulated in a department’s debt policy that are regarded as uneconomical to pursue, **may** be written off within 30 days after final date of demand, subject to availability of funds.

6.3 Debtor’s Statements

- 6.3.1 Departments must ensure that all debtors’ statements are forwarded to debtors on a monthly basis as notification of the outstanding balance.
- 6.3.2 A debt statement will only be generated per debtor if the “monthly” print statement option is selected on BAS.
- 6.3.3 The physical address (excludes PO Boxes) of the debtor must be maintained in the applicable debtor’s file for tracing purposes.

6.4 When the death of an official becomes known the following actions must be taken^v:

- 6.4.1 When death of an official is made known to the Human Resource section, the unit or delegated official must establish whether the deceased official has any outstanding debt(s) due to the department.

- 6.4.2 The delegated official within the Human Resource section, must ensure that it is in possession of the “Acknowledgement of Debt Agreement” form that was completed by the deceased official, which includes the debt amount and repayment details.
- 6.4.3 The delegated official within the Human Resource section must also ensure that the Debt Clearance Form of the deceased official is completed and signed by the deceased’s supervisor or manager and ensuring that all information such as outstanding guarantees, bursaries, private telephone calls, travel and subsistence claims are accounted for on the form.
- 6.4.4 The amount owing by the deceased must be recovered from the deceased official’s pension fund or leave gratuity allocation; provided that the recovery of the amount owing from the gratuity allocation will not cause undue hardship to the deceased dependants.
- 6.4.5 If the debt cannot be recovered from the deceased official’s pension fund, a claim must be lodged against the deceased’s estate, by the Human Resource section informing the executor of the deceased’s estate of the amount that is owed to the department.
- 6.4.6 The Human Resource section or delegated official must regularly communicate with the estate’s executor as, inter alia, establish the progress of winding up the deceased estate; establishing the prospects of recovery of the debt and inform the finance section of the facts.
- 6.4.7 The Human Resource or delegated official must assess the recoverability of the debt for the deceased official, and if the possibility to recover the debt are slim and uneconomical, then commence with the write-off procedures.

7. IN SERVICE DEBT

7.1 Interest payable

- 7.1.1 As per Notice No. 830 of 2008, the Minister of Finance has determined that no interest must be charged on debt owing by personnel in service with the exception of the following cases:
 - a) Wrongly granted remuneration where mala fide (bad faith) was present;
 - b) Losses and damages which originated as a result of circumstances where mala fide or the intentional causing of losses was present; and

- c) A debt which has arisen due to breach of contract where the contract states that breach is subject to interest e.g. bursary and housing guarantee agreements. The interest rate must be selected either as fixed, as stipulated in a contract; or as prescribed which is subject to fluctuations.

7.2 Loss of cover

7.2.1 The State Attorney's / Department's Legal Services Component verdict must clearly state that mala fides were present before interest can be levied.

7.3 Recovery of debt

7.3.1 When a debt becomes known, the debtor must immediately be informed of the debt in writing.

7.3.2 An "Acknowledgment of Debt" (Annexure C) must be signed in agreement of the conditions imposed regarding the recovery of debts in a lump sum or in instalments, as approved by the departmental Accounting Officer.

7.3.3 Due cognisance must be taken of the financial position of the debtor when determining the period and monthly deduction of the debt recovery.

7.3.4 A monthly income and expenditure statement must be completed for any debt recovery exceeding twelve months (Annexure D).

7.3.5 Debts that are recovered in monthly instalments, via Persal, must commence as from the first pay-day after the debtor has been informed of such debt and the necessary arrangements made.

7.3.6 It is recommended that the monthly deduction for debts recovered in instalments does not exceed 25% of the employees' remuneration.

7.3.7 The debt recovery procedures are attached as Annexure E, Annexure F and Annexure G.

7.3.8 Should such employees leave the services of the state, interest must be charged on the outstanding balances and must be treated as an out of service debt. The debt can be amended on BAS as follows:

On the BAS Main Menu, click on Business; Debt; Agreement Maintenance; Payment Details; change rate to "Prescribed"; and complete "Interest Start Date".

The interest will be programmatically calculated once the daily debt batch run has taken place.

7.3.9 The management of debtors' process flow and debt monitoring are attached as Annexure H and Annexure I, respectively.

7.4 **Debtor's Statements**

7.4.1 Departments must ensure that all debtors' statements are forwarded to debtors on a monthly basis as notification of the outstanding balance. With regard to in service debts, where the appropriate details concerning the debt appears on the debtor's payslip, such payslip may be regarded as a debtor's statement for the purposes of this sub-section.

8. OFFICIALS TRANSFERRED FROM OTHER DEPARTMENTS

8.1 When an official transfer to another department while still owing his former department monies, such debts may not be taken on as a debt in the books of the official's new department subject to the following:

- a) The new department may be requested to pay the outstanding amount of the official's debt that is due to the transferring department. The amount owing must be transferred to the "Claims Recoverable Account" in settlement of and for recovery by the new department. A debt for that amount is subsequently raised by the new department and recovered from the official concerned. The relevant file of the debtor must be forwarded to the new department and a new "Acknowledgement of Debt" letter signed between the debtor and his new department.
- b) The above proviso would also apply to officials who were transferred prior to the implementation of this Provincial Treasury Instruction Note.

8.2 Departments may alternatively request that the amount owing be deducted in instalments from the applicable official and paid over monthly to the transferring department. The onus is on the transferring department to ensure that the outstanding debt is recovered in full.

9. WRITE-OFF OF DEBT

9.1 Upon determination that the debt is irrecoverable, recommendations to write the debt off must be made to the Accounting Officer or delegated official of the department in terms of the department's debt write-off policy. One or a combination of the following factors must be cited as motivation for the approval of the write off and adequate proof provided:

- a) All reasonable steps were taken to recover the debt;
- b) The recovery of the debt would be uneconomical;

- c) The recovery of the debt would cause undue hardship to the debtor;
- d) It would be to the advantage of the department to waive the claim; and
- e) The debt is irrecoverable owing to:
 - The debtor having neither assets nor income;
 - All reasonable efforts to trace the debtor has failed;
 - The amount received from an insolvent estate did not cover the debt and interest; and
 - Where the danger exists that the department will be required to make contribution towards the settlement of an insolvent estate, if a claim is lodged against the state.

9.2 Additional factors for consideration includes the following:

- Debt that has prescribed;
- Lack of source documentation to substantiate or prove the claim, and the Accounting Officer is satisfied that all reasonable steps were taken to locate the source documents; and
- The debtor has emigrated and has failed to settle the debt.

9.3 Debts must be written-off when identified as irrecoverable and are limited to the amount of savings and/or under-spending of appropriated funds.

9.4 The Accounting Officer or delegated official of the respective department in terms of the department's Financial Delegations must approve the write-off of debts.

9.5 Debts must be written-off in terms of legislative prescripts and the department's Debt Write-Off Policy.

9.6 Debts must be written-off against funds in the main division where the debt originated.

9.7 If the main division where the debt originated no longer exists, the debt must be written off against the main division that replaced the original main division.

9.8 If there are insufficient funds in the main division where the debt originated to cover the write off, savings may be transferred from other main divisions to the main division to fund the debt write off, in accordance with Section 43 of the PFMA, within prescribed virement limitations.

9.9 Funds may also be transferred to the main division through the adjustment budget process, in terms of Section 31 of the PFMA.

9.10 Conditional grants or savings in amounts earmarked for a specific purpose may not be utilised to fund debt write-offs.

- 9.11 All debts written-off must be disclosed in the Annual Financial Statements (AFS), as required in terms of the NTR, section 11.4.3.
- 9.12 A BAS report can be requested detailing a list of all debts written-off during a specified period. The report can be requested as follows: **BAS Main Menu** “*Business; Debt; Request report; Debts written off during period*”.
- 9.13 The BAS debt write-off procedure is attached as Annexure J.

10. RECOVERY OF OLD CLAIMS

- 10.1 A department must, in general, use the services of private sector collection agencies to recover debts when it is effective and efficient to do so. This may occur particularly in the event of debts that are outstanding for lengthy periods of time and in danger of being written off as irrecoverable. Thus, where appropriate, as a final resort prior to considering amounts for write-off, the services of private sector collection agencies must be employed in an attempt to recover such monies from debtors.
- 10.2 When utilising the services of a collection agency, the department must:
 - a) Cease active collection on debts that are sent to collection agencies;
 - b) Ensure that the debts are not under appeal or in litigation; and
 - c) Ensure that the only expense it incurs is for commissions payable to collection agencies for the successful collection of debts.

11. GENERAL

11.1 Mora Period

- 11.1.1 Before interest may start to accrue, the debtor must be placed in mora. The debtor must be informed about the debt and given an opportunity to settle the debt. After an interval of 30 days, during which time the debt is not redeemed, interest starts to accrue.

11.2. Contractual Agreements

- 11.2.1 If interest has been arranged for by means of an agreement such as a study contract, housing guarantee's etc., interest starts to accrue on the day that payment is due. No mora period is applicable as such debtor is aware of the debt in terms of the condition of the agreement.

11.3 **Receipt of Cash Monies**

11.3.1 The official responsible for receiving monies from debtors must not have any responsibility for the administration of debts apart from allocating the monies to the Debt Receipt Control Account.

11.4 **Monthly Reporting**

11.4.1 The Head of the Debtors Control Section must provide the Chief Financial Officer with a narrative summary of the department's debtor's position together with the Debt Age Analysis BAS report. The report can be requested as follows: "*Business, Debt, Request report, Debt age analysis*". Appropriate action should be initiated particularly with regard to those debts identified as nearing prescription.

11.5 **Review of Debts**

11.5.1 The periodic review of active debts must be undertaken at least on a bi-annual basis. The review date for each debt must be captured on the Debt Agreement Maintenance dialogue in order that the applicable BAS report, 'List of Debts to be Reviewed', be generated reflecting the list of debts that must be reviewed during a specified period. The report can be requested as follows: "*Business, Debt, Request report, Debts to be reviewed*".

11.6 **Debt Records**

11.6.1 The relevant official must open a debt file once a debt is identified.

11.6.2 Proper accounts and records for all debtors must be kept.

11.6.3 A copy of all correspondence (debt statements, letter of demand, summons, etc.) pertaining to the debt should be placed on the particular debt file in order to maintain proper records and accounts for all debtors, including amounts received as part payments.

11.7 **Claims against an Estate or Insolvent Estate**

11.7.1 Persons responsible for the collection of debts due to a department must examine the estate notices in the Government Gazettes regularly in order to ensure that, where applicable, claims in respect of such debts are lodged in time against deceased or insolvent estates, if such claims are deemed viable. In the case of a claim against an estate or insolvent estate the case must immediately be referred to the State Attorney / Department's Legal Services Component for finalisation.

12. EFFECTIVE DATE

12.1 The amendment to this Provincial Treasury Instruction Note is effective from the date of signature of the Head of Department: KwaZulu-Natal Provincial Treasury.



HEAD OF DEPARTMENT: KWAZULU-NATAL PROVINCIAL TREASURY

DATE: 25/06/24

ANNEXURE A

PRESCRIPTION OF DEBTS

1. Chapter III (sections 10 to 16) of the Prescription Act, 1969 (Act 68 of 1969) governs the prescription of debts and applies to the State.
2. Prescription has the effect that after a prescribed period has elapsed a debt becomes extinguished and unenforceable through legal action in a court of law.
3. The periods of prescription specified in the Prescription Act, 1969 (Act 68 of 1969) are:-
 - (a) *Thirty years in respect of-*
 - (i) *Any debt secured by mortgage bond;*
 - (ii) *Any judgment debt;*
 - (iii) *Any debt in respect of any taxation imposed or levied by or under any law;*
 - (iv) *Any debt owed to the State in respect of any share of the profits, royalties or any similar consideration payable in respect of the right to mine minerals or other substances;*
 - (b) *Fifteen years in respect of any debt owed to the State and arising out of an advance or loan of money or a sale or lease of land by the State to the debtor, unless a longer period applies in respect of the debt in question in terms of paragraph (a) ;*
 - (c) *Six years in respect of a debt arising from a bill of exchange or other negotiable instrument or from a notarial contract, unless a longer period applies in respect of the debt in question in terms of paragraph (a) or (b) ;*
 - (d) *Save where an Act of Parliament provides otherwise, three years in respect of any other debt. "*
4. Should a debtor pay a debt after it has prescribed he or she acknowledges the debt and may not claim return of the payment [S10(3)].
5. If the exercising of reasonable care by the creditor should have made the creditor aware of the debt or the identity of the debtor, then the debt is deemed due and prescription begins to run [S12].
6. Prescription is suspended where the debtor is outside the country and when the debt is the object of a dispute subjected to arbitration (S13).
7. Prescription is interrupted by acknowledgement of liability by the debtor and prescription begins to run anew [S14].

ANNEXURE B

GENERAL NOTICE
MINISTRY OF FINANCE
INTEREST TO BE LEVIED ON DEBTS OWING TO THE STATE

1. Interest to be levied on debts owing to the State

The Minister of Finance has in terms of section 80(2) of the Public Finance Management Act (Act 1 of 1999) approved a single uniform rate of interest based on the repo-rate plus three additional percentage points.

Interest is to be calculated on the decreasing balance of the debt and is not to be capitalised. This implies that the simple interest method is to be used. Interest stops accruing as soon as the interest equals the amount of the capital debt. Once a portion of the interest is paid, the interest again accrues until it equals the amount of the capital debt. If the full amount of the interest, plus a portion of the capital debt is paid, the interest will only accrue until it equals the amount of the then outstanding capital debt.

It must be noted that interest must be charged on all debts to the State with the exception of the below-mentioned exclusions. (Refer to National Treasury's website for updated interest rates – <http://www.treasury.gov.za/legislation/pfma/interest%20rates/default.aspx>)

2. Debts to the State resulting from the service relationship between public servants and the State shall be recovered **without** interest, except for the following:

- a) Wrongly granted remuneration where the person concerned has left the employ of the state, or where the monetary advantage resulted from his or her own fraudulent action;
- b) Losses and/or damages which originated as a result of circumstances where mala fides, or the intentional causing of losses or damage were present, or where the person concerned has left the employ of the State; and
- c) Breach of contract or any delictual claim relating to the contractual relationship.

3. Debts to the State by debtors who are not in the employ of the State shall be recovered **with** interest, except for the following:

- a) Overpayment of amounts paid to a debtor for social and unemployment benefits; and
- b) Debts resulting from support provided by State medical institutions to State patients.

4. Interest Calculation

Interest is charged on a simple basis.

Simple interest is calculated on the outstanding balance on the straight-line basis. Interest is calculated as follows, for example:-

Where the debt is R900, the interest (or last receipt) date is 01/05/200x and the payment is made on 20/07/200x:-

$1/5-20/7 = \text{Capital Debt amount} \times \text{Interest rate} \div 365 \text{ (days of the year)} \times \text{Period interest is calculated}$ (1/5 – 20/7 = 80 days)

5. Interest Date

The date from which interest is to be charged depends on the nature of the debt or contract.

- a) A Breach of Contract debt (e.g. Bursary) is subject to interest from the date on which the contract was breached;
- b) A Housing Loan Guarantee debt is subject to interest from the date of the payment to the Financial Institution; and
- c) All other debts the official must be placed in mora. The official must be informed about the debt and be given a reasonable period and due date by which it must be settled. The debtor must be given at least 30 days in which to pay after which interest must be charged.

ANNEXURE C

ACKNOWLEDGEMENT OF DEBT

Between

And

The KZN Department of _____

I _____

Hereby acknowledge that I am indebted to the Department in the amount of R _____, being the capital sum in respect of _____, together with interest at the prevailing rates in terms of section 80 of the Public Finance Management Act (Act 1 of 1999).

I acknowledge that the debt will be recovered in monthly instalments of R _____, commencing with effect from dd/mm/yyyy _____, being the instalment approved by the departmental Accounting Officer in liquidation of the amount owing (capital and interest) until the debt is fully repaid.

Should I terminate services prior to the liquidation of the debt the following will apply:

- a) The balance of the debt shall immediately become due and payable;
- b) The debt will be recoverable from my pension pay-out, where permissible;
- c) Any other amounts owing to me may be utilised to liquidate the debt owing, where permissible; and
- d) I will notify the Department of any change of address in writing, together with any other details relating thereto.

SIGNED at _____ on this _____ day of _____ year.

AS WITNESS

1. _____
2. _____

EMPLOYEE _____

ANNEXURE D**Details of monthly income and expenditure****(To be completed should recovery exceed twelve months)**

Name : _____

Persal number : _____

Nett income: Self : _____

Spouse : _____

Additional : _____

Total nett income : _____

Rental of house / flat: _____

Electricity: _____

Telephone: _____

Domestic wages: _____

Groceries _____

Transport expenses: _____

Educational expenses _____

Medical expenses: _____

Vehicle, furniture and clothing accounts:

Name	Instalment	Balance

Any other accounts (please specify and include anticipated date that debt will be finalised):

Total of expenses R _____

Signature of applicant_____
Date

ANNEXURE E**DEBT RECOVERY PROCEDURES**

KINDLY NOTE: The onus is on the departments to ensure that all allocations are updated in line with the amended Standard Chart of Accounts (SCOA) issued annually by National Treasury.

1. Introduction

- 1.1 The Persal system makes provision for various deduction codes relating to the recovery of debts.
- 1.2 The deduction type will determine the functions against which the deduction may be advised, which may be viewed using Persal function #6.2.9, Table 002.
- 1.3 A debt deduction is manually advised, using the following Persal functions:
 - a) Persal function # 5.4.1: This function is used to recover debts using deduction code "0231" (Annexure F).
 - b) Persal Function # 5.4.2: This function is used to recover an overpaid allowance, and may be amended, cancelled, terminated or an enquiry done. This function is applicable to deduction codes "0047"; "0048"; "0049"; and "0051" (Annexure G).

2. Disallowance of Allowance: Tax reducing: Partial overpayment**2.1 Deduction code 0047: Disallowance: Ctrl Account**

Previous Financial Year: Recurring

- 2.1.1 This deduction code is used for the recovery of a debt incurred in the previous financial year and recovered in the current financial year.
- 2.1.2 The amount is recoverable in instalments.
- 2.1.3 The BAS debt number must be used as the reference when instating this deduction on Persal.
- 2.1.4 The debt must be registered on BAS, as follows:

Debit: Debt Account: CA

Credit: Recoverable Revenue

- 2.1.5 The debt will be recovered using deduction code **0047**, which will automatically post to Revenue (Rev: FA: Rec: Prv Sec: Con Dept Debt).

2.2 Deduction code 0048: Disallowance: Ctrl Account

Current financial year: Recurring

- 2.2.1 This deduction code is used for the recovery of a debt incurred in the current financial year.

- 2.2.2 The debt will be recovered in instalments.
- 2.2.3 The recovery of the debt will extend over the current and following financial year.
- 2.2.4 The BAS debt number must be used as the reference when instating this deduction on Persal.
- 2.2.5 The debt must be registered on BAS, as follows:

Debit: Debt Account: CA

Credit: Expenditure Allocation

- 2.2.3 The debt will be recovered using deduction code **0048**, which will interface to the suspense account “Debt Receipt Control: CA”.
- 2.2.4 The instalments are automatically posted to the debt account during the evening batch run.

2.3 Code 0049: Disallowance: Revenue

Current financial year: Once-off

- 2.3.1 This deduction code is used for the recovery of a debt incurred in the current financial year, recoverable in one instalment.
- 2.3.2 There is no necessity for the debt to be registered on BAS.
- 2.3.3 The debt will be recovered using code **0049** and any amount recovered using this code is credited to the relevant expenditure allocation under the employee’s objective.

2.4 Code 0051: Disallowance – Income: Once-off

- 2.4.1 This deduction code is used for the recovery of a debt arising from a previous financial year.
- 2.4.2 The debt is recoverable in one instalment.
- 2.4.3 The debt will be recovered using code **0051** and will automatically be posted to revenue (Rev: FA: Rec: Prv Sec: Con Dept Debt).

2.5 Code 0231: New Debt Deduction

Salary Overpayment: Total overpayment

- 2.5.1 The total salary has been overpaid and has been reversed on Persal.
- 2.5.2 Any salary reversed on Persal will automatically correct the IRP5 accumulations, including the taxable benefit.
- 2.5.3 The debt must be registered on BAS as follows:

Current financial year

Debit: Debt Account: CA

Credit: Salary Reversal Control Account

(Nett salary programmatically posted as debit transaction to this account once reversed on Persal).

Previous financial year

Debit: Debt Account: CA

Credit: Recoverable Revenue

- 2.5.4 The debt will be recovered using deduction code **0231**.
- 2.5.5 The instalments are posted as credits to the suspense account “Debt Receipt Control”.
- 2.5.6 These instalments are programmatically allocated to the debt account during the evening batch run.

2.6 Code 0231: New Debt Deduction

Other Debt Types

- 2.6.1 A debt must be registered on BAS for any deduction code having a “debt” type description, with the link code description reading as “Debt: Receipt Control”.
- 2.6.2 These deduction codes may be viewed on Persal using function #6.2.9, Table 002.
- 2.6.2 It is recommended, however, for purposes of proper debt management and control that other debt types registered on BAS are recovered on Persal using deduction code “0231”.
- 2.6.3 The debt will be registered on BAS as follows:

Current financial year

Debit: Debt Account: CA

Credit: Expenditure allocation

Fund: Voted Fund

Objective: As linked on Persal

Responsibility: As linked on Persal

Project: No Proj: Std Alone: Cur

Item: As applicable

Net assets: Non assets related

Infrastructure : Non Infra Project Current

Reg identifier: KZN: Whole Province

Previous financial year

Debit: Debt Account: CA

Credit: Recoverable Revenue

- 2.6.5 All instalments recovered using deduction code “**0231**” are posted as credits to the suspense account “Debt Receipt Control”.
- 2.6.6 These instalments are programmatically allocated to the debt account during the evening batch run.

ANNEXURE F**GENERAL DEBT DEDUCTION****PERSAL FUNCTION #5.4.1****TABLE 1: GENERAL DEDUCTION: INSTATE**

Deduction code:	0231
Recurring:	Recovery in more than one instalment: Y One instalment: N
Start date:	When a singular deduction (non-recurring) is advised, the start date is not advised. When a recurring deduction is advised the start date is mandatory.
End date:	When a singular deduction (non-recurring) is advised, the end date is not advised. When a recurring deduction is advised the end date is mandatory where the deduction extends over a specific period.
Monthly amount: Balance:	A monthly amount is advised if the deduction is a fixed monthly amount. A combination of the monthly amount and balance can be advised; one of the two is mandatory.
Start date: End date: Outstanding balance:	If these items are advised, the monthly amount will be programmatically calculated.
Start date: Monthly amount: Balance:	If these items are advised, the Persal system will programmatically terminate the deduction when a nil balance is reached.
Balance:	The balance must always be advised as the full amount as the Persal system will update it after each debt recovery.

TABLE 2: GENERAL DEDUCTION: AMEND

Start date	May not be before the original instate date.
End date	Cannot be amended; terminate (option 3 on map 5.4.1(01) should be used for this purpose.
Balance	May be increased, decreased or deleted.
Monthly amount	May be increased or decreased.

TABLE 3: GENERAL DEDUCTION: TERMINATE

End date	The earliest date a deduction can be terminated is the last day of the previous salary month; no further deductions will be made. If an end date is terminated at the end of the current salary month, the disallowance will be deducted for that month.
Balance	If a deduction with a balance is terminated, the balance must firstly be deleted using the “amend” option and approved and updated before the disallowance can be terminated. If a deduction with a balance is terminated, the balance must firstly be amended using the “amend” option and this transaction must update before the termination is effected.

TABLE 4: GENERAL DEDUCTION: CANCEL

A transaction advised as a supplementary cannot be cancelled.
A disallowance cannot be cancelled if a salary run has taken place.
A disallowance can only be cancelled before a salary run has taken place, in other words, the transaction appears on the open pay-slip (#5.6.2).
If the salary run has taken place a termination should be done.

ANNEXURE G**DISALLOWANCE OF ALLOWANCE****PERSAL FUNCTION #5.4.2****TABLE 1: DISALLOWANCE: INSTATE**

Deduction code:	As applicable.
Recurring:	Recovery in more than one instalment: Y One instalment: N
Allowance code:	This is the code of the overpaid allowance, obtained from Table 052.
Start date End date Balance	If these items are entered the system will programmatically calculate the monthly amount and recover the debt until the end date is reached.
Start date Monthly amount Outstanding balance	If these items are entered the system will recover the monthly amount until the balance is nil.
Start date Monthly amount	The system will recover the monthly amount until advised differently, e.g. termination date is advised.
Start date Monthly amount: Outstanding balance:	If the start date, monthly amount and outstanding balance are entered, the Persal system will recover the monthly amount until the balance is nil.
Start date: Monthly amount:	If the start date and monthly amount are entered, the Persal system will recover the monthly amount until such time that the system is advised differently, i.e. termination date is advised.
Start date End date	The start and end date need not be completed if a disallowance is entered as non-recurring.

TABLE 2: DISALLOWANCE: AMEND

Start date:	May not be before the original instated date.
End date:	Cannot be amended; terminate (option 3 on map 5.4.2(01) should be used for this purpose.
Balance:	May be increased, decreased or deleted.
Monthly amount:	May be increased or decreased.

TABLE 3: DISALLOWANCE: TERMINATE

End date	The earliest date a deduction can be terminated is the last day of the previous salary month; no further deductions will be made. If an end date is terminated at the end of the current salary month, the disallowance will be deducted for that month.
Balance	If a deduction with a balance is terminated, the balance must firstly be deleted using the "amend" option and approved and updated before the disallowance can be terminated. If a deduction with a balance is terminated, the balance must firstly be amended using the "amend" option and this transaction must update before the termination is effected.

TABLE 4: DISALLOWANCE: CANCEL

A transaction advised as a supplementary cannot be cancelled.
A disallowance cannot be cancelled if a salary run has taken place.
A disallowance can only be cancelled before a salary run has taken place, in other words, the transaction appears on the open pay-slip (#5.6.2).
If the salary run has taken place a termination should be done.

ANNEXURE H

TAKING ON OF DEBT / LOCATE / NOTIFY

- Debt identified.
- Complete debt-take on form.
- Capture and approval of debt on BAS.
- Record debt in register.
- Create a debt file.
- Ensure all debt correspondence is filed.

OUT OF SERVICE DEBTS

- Debt identified.
- Debt instated on BAS.
- Debtor notified within 5 working days.
- Debt claimed from pension benefit.
- If pension benefit insufficient, debtor must redeem outstanding balance.
- Where debt is identified after pension benefit finalised, debtor notified within two days.

Debtor responds

- Acknowledgement from debtor and acceptance of installments.
- *File documents.*

Debtor does not respond

DEBT MANAGEMENT

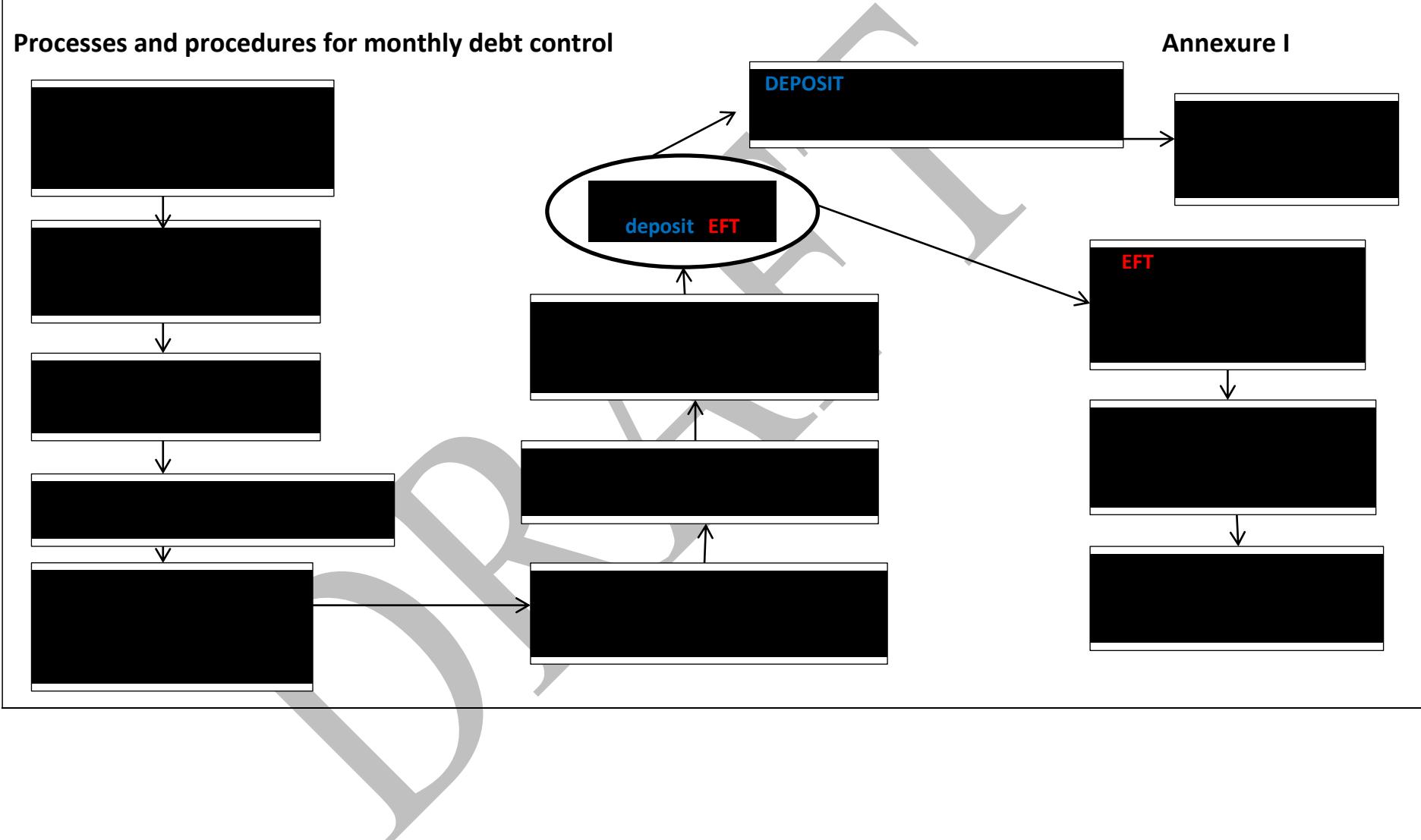
- Send 2nd letter
- Debtor responds – *file documents*
- No response – attempt to contact and locate debtor
- Locate debtor – *file documents*
- No response - 3rd reminder sent to debtor
- No response – obtain approval to hand over to State Attorney / Tracing Agents
- AO/CFO approves handover where economical.
- Debtor unable to be traced or debt is deemed irrecoverable
- Submission for debt to be written-off.
- Write-off approved in terms of legislative requirements.
- *File documents.*

IN SERVICE DEBTS

- 1ST Notification Letter sent to debtor.
- Debtor responds within 30 days.
- Cognisance taken of debtor's financial position.
- Debtor to complete "Acknowledgement of Debt" form.
- Debtor to complete "Income and expenditure statement" if debt exceeds twelve months.
- Persal deduction instated from first pay-day after debtor has been informed.
- Debt instated and recovered as per

Processes and procedures for monthly debt control

Annexure I



ANNEXURE J**BAS DEBT WRITE-OFF PROCEDURE****1. DEBT IDENTIFIED FOR WRITE-OFF**

- 1.1 Once a debt is identified for write-off, the status of the debt must be changed from “Active” to “Doubtful”.
- 1.2 The Debt Transaction Maintenance (DTM) Form must be completed and the new status indicated as “Doubtful”.
- 1.3 The DTM form must be captured and authorised on BAS.

2. TRANSACTION MAINTENANCE: CHANGE STATUS FROM ACTIVE TO DOUBTFUL**2.1 Capturer**

On the BAS Main Menu, click on **Business**, click on **Debt** and select **Transaction Maintenance**

- Enter the debtor number and debt number;
- Click on Status;
- Change the status of the debt to “Doubtful”;
- Click on OK; and
- Click on Done.

2.2 Authoriser

On the BAS Main Menu, click on **Business**, click on **Debt**, select **Transaction Authorisation** and select **Authorise**.

2.3 The daily debt batch run will be processed.

2.4 If the debt write-off is not approved, the status of the debt must be changed back to “Active” from “Doubtful” on BAS.

3. DEBT WRITE-OFF APPROVED

3.1 Once the submission for the write-off has been approved by the Accounting Officer, the DTM form must be completed by the delegated official. The status of the debt must be indicated as “BAD” and the following allocations completed as indicated hereunder:

Fund:	Voted Funds
Objective:	As captured when instating debt
Project:	No Proj S/Alone Pay for Fin Ass
Responsibility:	As captured when instating debt

Item:	Thefts and Losses
Asset:	Non-assets related
Infrastructure:	Assets
Regional Identifier:	Non Pay: No regional Identifier

4. **TRANSACTION MAINTENANCE: CHANGE STATUS FROM DOUBTFUL TO BAD**

4.1 **Capturer**

On the BAS Main Menu, click on **Business**, click on **Debts** and select **Transaction Maintenance**

- Enter the debtor number and debt number;
- Click on Status;
- Change the status of the debt from “Doubtful” to “BAD” (New status);
- Capture the allocation details;
- Click on OK; and
- Click on Done.

4.2 **Authoriser**

On the BAS Main Menu, click on **Business**, click on **Debt**, select **Debt Transaction Authorisation** and select **Authorise**.

- 4.3 The effective date of the transaction is the write-off approval date.
- 4.4 The write-off must be fully allocated prior to authorisation.
- 4.5 The above transaction will result in the capital and interest being written-off to the “Theft and Losses” account.