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**PROVINCIAL TREASURY STANDARD OPERATING  
PROCEDURE GUIDELINE  
ON  
MANAGEMENT OF DEBTORS**

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## 1. DEFINITIONS

In this Provincial Treasury Standard Operating Procedure Guideline, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Public Finance Management Act, 1999 (Act 1 of 1999) [PFMA] and the National Treasury Regulations, 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”* means money owed 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”* 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;

*“Irrecoverable debt”* 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 salary system used by the State;

*“PFMA”* means the Public Finance Management Act 1 of 1999;

*“Standard Operating Procedure (SOPs)”* means the method of functioning that has been established over time to execute a specific task or react to a specific set of circumstances or situation or process. Standard operating procedures document the normal or accepted methodology and help form the basis for evaluating conformance with the regularity framework;

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

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

## **2. PURPOSE**

- 2.1 The purpose of this Provincial Treasury Standard Operating Procedure Guideline is to ensure that appropriate steps are taken to collect all money due to a department and that legal procedures are followed to ensure enforcement of a claim in a court of law and prevent the lapse or prescription of debts.
- 2.2 This Provincial Treasury Standard Operating Procedure Guideline must be read in conjunction with:
- Provincial Treasury Instruction Note No. 2: Management of Debtors; and
  - National Treasury Standard Operating Procedure No. 3: Debt Management.
- 2.3 In the event of any inconsistency between the Provincial Treasury Standard Operating Procedure Guideline and related government legislation, such legislation prevails.

## **3. LEGISLATIVE 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) Must comply with any regulations issued by the National Treasury as per section 76(1)(b), 76(1)(e) and 76(4)(a).
- 3.2 In terms of the National Treasury Regulations, the Accounting Officer must:-
- a) As per Paragraph 11.2.1, take effective and appropriate steps to 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 installments.
  - 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.
- 3.3 This Provincial Treasury Standard Operating Procedure Guideline is issued in terms of Section 18(2)(i) of the PFMA.

#### **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 installments;
  - c) Review installment 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
- l) 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 principal 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 make sure 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.
- 5.4 The standard operating procedure guideline relating to debtors' files is attached as Annexure C.

## **6. OUT-OF-SERVICE AND OTHER EXTERNAL DEBT**

- 6.1 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).
- 6.2 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.

6.3 The standard operating procedure guideline relating to the Recovery of Out-of-Service and other external debt is attached as Annexure D.

## **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.
- 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 The standard operating procedure guideline relating to the Recovery of In-Service Debts is attached as Annexure C.

### **7.4 Debt Recovery Procedures**

7.4.1 The standard operating procedure guideline relating to Persal debt recovery procedures is attached as Annexure H, Annexure I and Annexure J.

## **8. OFFICIALS TRANSFERRED FROM OTHER DEPARTMENTS**

8.1 When an official transfers 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 installments 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.

9.2 The standard operating procedure guideline relating to the Write-off of Debts is attached as Annexure E.

## **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 on BAS 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 on BAS 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. COMPLIANCE CHECKLIST**

12.1 Compliance checklists ensure consistency in application of procedural requirements and financial norms and standards and facilitate compliance monitoring with regulatory requirements, policy and procedural frameworks.

12.2 The compliance checklist, attached as Annexure M, should be implemented or adapted, where applicable, to support departmental requirements.

## 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 a debtor wilfully prevents the creditor knowing of the existence of the debt, prescription will commence when the creditor becomes aware of the existence of the debt. A debt shall not be deemed due until the creditor has knowledge of the identity of the debtor and of the facts from which the debt arises, provided the creditor exercised reasonable care to acquire such knowledge. [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. 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.

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.
- c) For 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**

| <b>MANAGEMENT OF DEBTORS</b> |                               |   |  |                |
|------------------------------|-------------------------------|---|--|----------------|
| <b>GENERAL</b>               |                               |   |  |                |
|                              | <b>Task</b>                   | <b>Process</b>  | <b>Responsibility</b>  | <b>Comment</b> |
| 1.                           | Open and maintain debt files. | <ul style="list-style-type: none"> <li>▪ A debtor’s file must be opened per debtor, once the debt is identified.</li> <li>▪ A hard copy of all relevant documents must be filed in the applicable debtor’s file. This must include, but is not limited to:                             <ul style="list-style-type: none"> <li>▪ Debt number.</li> <li>▪ Debtor’s details; i.e. full names, Persal number, physical address, contact details; etc.</li> <li>▪ Debt Take-on Form.</li> <li>▪ Debt notification letter.</li> <li>▪ Signed “Acknowledgement of Debt” Form.</li> <li>▪ Signed “Monthly Income and Expenditure” Form, where applicable.</li> <li>▪ Copy of monthly debtor’s statement.</li> <li>▪ Copy of receipts issued for monthly payments.</li> <li>▪ Copy of receipt issued for amount recovered</li> </ul> </li> </ul> | Delegated official in Debtors Control or designated component. |                |

|    |                           |  |  |  |
|----|---------------------------|--|--|--|
|    |                           | <p>from pension benefit.</p> <ul style="list-style-type: none"> <li>▪ Any other supporting documentation.</li> <li>• All debtor files must be properly maintained for record and audit purposes.</li> </ul>  |  |  |
| 2. | Maintain a Debt Register. | <p>All debts must be recorded in a debt register, database or spreadsheet. The register must include, but is not limited to:</p> <ul style="list-style-type: none"> <li>▪ Debtor's name.</li> <li>▪ Debtor's Persal number.</li> <li>▪ Type of debt; e.g. salary overpayment, breach of contract; etc.</li> <li>▪ Amount of debt.</li> <li>▪ Details of debt recovery procedures.</li> <li>▪ Outcome; e.g. debt recovered in full; debt irrecoverable; debt written-off; etc.</li> <li>▪ Any other information deemed relevant.</li> <li>▪ The debt register, database or spreadsheet must be reviewed and signed off monthly by the Chief Financial Officer, or delegated official.</li> <li>▪ The debt register, database or spreadsheet must be properly maintained for record and audit purposes.</li> </ul> | Delegated official in Debtors Control or designated component. |  |



|    |                                       |   |  |  |
|----|---------------------------------------|---|--|--|
| 3. | Debt Age Analysis and Reconciliation. | <ul style="list-style-type: none"> <li>A BAS Debt Age Analysis Report must be downloaded monthly as follows:<br/><br/><b>BAS Main Menu</b><br/><i>“Business, Debt, Request Report, Debt Age Analysis”.</i></li> <li>The delegated official must take appropriate action to ensure the recovery of debts, including debts identified as nearing prescription.</li> </ul> | Delegated official in Debtors Control or designated component. |  |
| 4. | Reporting Requirements.               | <ul style="list-style-type: none"> <li>The delegated official must provide the Chief Financial Officer with a monthly narrative summary of debtors and a debt age analysis.</li> <li>The narrative summary must include steps to be taken to address long outstanding amounts.</li> </ul>   | Delegated official in Debtors Control or designated component. |  |
| 5. | Disclosure Requirements.              | <ul style="list-style-type: none"> <li>The delegated official must disclose all debts written-off in the Annual Financial Statements, indicating the policy in terms of which the debt/s was written-off.</li> </ul>  | Delegated official in designated component.                    |  |

| <b>IRECOVERY OF IN-SERVICE DEBT</b> |                             |   |  |  |
|-------------------------------------|-----------------------------|---|--|--|
|                                     | <b>Task</b>                 | <b>Process</b>  | <b>Responsibility</b>  | <b>Comment</b>   |
| 6.                                  | In-service Debt identified. | <ul style="list-style-type: none"> <li>Once a debt is identified the debtor must immediately be informed of the debt in writing.</li> <li>The BAS Debt Take-on Form must be completed and captured and approved on BAS.</li> <li>The details of the debt must be recorded in a register, database or spread-sheet.</li> <li>An individual debt file must be maintained per debtor and all debt correspondence filed in the applicable debt file.</li> </ul> | Delegated official in Debtors Control or designated component. |  |
| 7.                                  | Debtor acknowledges Debt.   | <ul style="list-style-type: none"> <li>The debtor, once informed of the debt by the delegated official in the Debtors Control or designated component, must sign the "Acknowledgement of Debt Agreement".</li> <li>A debtor must complete an "Income and Expenditure Statement" for any debt recovery exceeding twelve months.</li> </ul>   | Debtor.  | <p>Refer to Annexure F:<br/>Acknowledgement of Debt.</p> <p>Refer to Annexure G: Monthly Income and Expenditure Statement.</p> |

|    |                                |  |  |   |
|----|--------------------------------|--|--|---|
| 8. | Recovery of Debt.              | <ul style="list-style-type: none"> <li>• Due cognisance must be taken of the financial position of the debtor when determining the period and monthly deduction of the debt recovery.</li> <li>• The debt recovery must be instated on Persal.</li> <li>• Debts recovered in instalments must commence from the first pay-day after the debtor has been informed of the debt and the necessary arrangements made.</li> <li>• The monthly deduction may not exceed 25% of the employee’s remuneration.</li> </ul> | Accounting Officer.<br><br>Delegated official in designated component. | Refer to Annexure H, I, J: Debt Recovery Procedures.<br><br>Refer to Treasury Regulation 23.3.6(b). |
| 9. | Recovery of Outstanding Debts. | <ul style="list-style-type: none"> <li>• Any outstanding debt balance due to the termination of service must be treated as an out of service debt.</li> <li>• Interest must be charged on the outstanding debt as follows:<br/><b>BAS Main Menu:</b><br/><i>“Business; Debt; Agreement Maintenance; Payment Details; Change rate to “Prescribed”; and complete “Interest Start Date”.</i></li> <li>• The interest is programmatically calculated once</li> </ul>   | Delegated official in designated component.                            |   |

|     |                     |  |   |  |
|-----|---------------------|--|---|--|
|     |                     | the daily debt run has taken place.  |   |  |
| 10. | Debtors Statements. | <ul style="list-style-type: none"> <li>Debtors statements must be forwarded monthly as notification of the outstanding balance</li> <li>Where appropriate, a payslip indicating proper details regarding the debt may be regarded as a debtor's statement for in-service debts recovered on Persal.</li> </ul> | Delegated official in designated component. |  |

**ANNEXURE D**

| <b>RECOVERY OF OUT OF SERVICE AND OTHER EXTERNAL DEBT</b> |                                 |   |  |   |
|---|---------------------------------|---|--|---|
|   | <b>Task</b>                     | <b>Process</b>  | <b>Responsibility</b>  | <b>Comment</b>                          |
| 1.  | Out-of-Service Debt Identified. | <ul style="list-style-type: none"> <li>When an out-of-service debt becomes known, the debtor must be notified of the debt in writing within 5 working days.</li> </ul>  | Delegated official in Debtors Control or designated component. |   |
| 2.  | Instate Debt on BAS.            | <ul style="list-style-type: none"> <li>The BAS Debt Take-on Form must be completed and captured and approved on BAS as follows:<br/><b>BAS Main Menu:</b><br/><i>“Business, Debt; Agreement Maintenance”</i>.</li> <li>The details of the debt must be recorded in a register, database or spread-sheet.</li> <li>An individual debt file must be maintained per debtor and all debt correspondence filed in the applicable debt file.</li> </ul> | Delegated official in Debtors Control or designated component. |   |
| 3.  | Levy Interest on Debt.          | <ul style="list-style-type: none"> <li>Interest must be levied on all out-of-service debts subject to any determinations by the Minister of Finance as per Section 80 of the</li> </ul>   | Delegated official in Debtors Control or designated            | Refer to Annexure B: Interest on Debts. |

|    |                                  |   |   |   |
|----|----------------------------------|---|---|---|
|    |                                  | <p>PFMA.</p> <ul style="list-style-type: none"> <li>▪ The interest commencement date is 30 days after the notification letter to the debtor.</li> </ul>   | component.  |   |
| 4. | Claim Debt from Pension Benefit. | <ul style="list-style-type: none"> <li>• The debt must be claimed from the pension benefit inclusive of interest, as prescribed.</li> <li>• If the pension benefit is insufficient to redeem the debt, the debtor must be informed of the outstanding balance within 5 working days after the receipt of the pension benefit.</li> <li>• Where a debt is identified subsequent to the finalisation of the pension benefit the debtor must be notified within 2 working days of the identification of the debt.</li> </ul> | Delegated official in Human Resource.<br>Delegated official in Debtors Control or designated component. | Debt may only be deducted in terms of Section 21 of the Government Employees Pension Law, 1996 and GEPF Circular dated 6 April 2009, as amended 4 May 2009. |
| 5. | Debt Acknowledged by Debtor.     | <ul style="list-style-type: none"> <li>• Once the debtor has responded and agreed to settle the debt in instalments, the debtor must be informed in writing to complete the “Acknowledgement of Debt Agreement” which must include repayment details.</li> <li>• The repayment arrangements must be reviewed annually and any amendments communicated to the debtor, where applicable.</li> </ul>   | Debtor.<br>Delegated official in Debtors Control or designated component.                               | Refer to Annexure F: Acknowledgement of Debt Agreement.   |
| 6. | Debtor does not                  | <ul style="list-style-type: none"> <li>• If a debtor has not responded to the notification</li> </ul>   | Delegated official in   |   |

|    |                     |  |  |  |
|----|---------------------|--|--|--|
|    | Respond.            | <p>of the debt after 30 days, a 1<sup>st</sup> reminder must be sent which must be responded to within 24 days.</p> <ul style="list-style-type: none"> <li>• If no response is received send a 2<sup>nd</sup> and 3<sup>rd</sup> reminder within 24 days of each other.</li> <li>• If no response is received after the 3<sup>rd</sup> reminder the matter must be handed over to the State Attorney for recovery.</li> <li>• All matters referred to the State Attorney must be followed up regularly.</li> <li>• Debts less than the amount prescribed as uneconomical as per the departmental debt policy may be written off within 30 days of the final date of demand, subject to the availability of funds.</li> </ul> | Debtors Control or designated component.                       |  |
| 7. | Debtors Statements. | <ul style="list-style-type: none"> <li>▪ Debtors' statements must be forwarded monthly as notification of the outstanding balance.</li> <li>• Debt statements will only be generated if the "monthly" print option is selected on BAS.</li> <li>• The physical address of the debtor (excluding post office box addresses) must be maintained in the applicable debtor's file for tracing purposes.</li> </ul>   | Delegated official in Debtors Control or designated component. |  |

**ANNEXURE E**

| <b>DEBT WRITE-OFF</b> |                                   |  |  |                |
|-----------------------|-----------------------------------|--|--|----------------|
|                       | <b>Task</b>                       | <b>Process</b>   | <b>Responsibility</b>  | <b>Comment</b> |
| 1.                    | Debt determined as Irrecoverable. | <ul style="list-style-type: none"> <li>• When a debt is identified as irrecoverable, recommendations must be submitted to the Accounting officer or delegated official, to write off the debt in terms of the department's debt write-off policy.</li> <li>• Submissions for write-off's must contain the following information:                             <ul style="list-style-type: none"> <li>• Detailed background information.</li> <li>• Financial implications.</li> <li>• Legislative and departmental requirements.</li> <li>• Supporting documents to validate that all attempts were made to recover the debt and support the reason/s for the write-off.</li> </ul> </li> </ul> | Delegated official in Debtors Control or designated component. |                |
| 2.                    | Provision for Write-offs.         | <ul style="list-style-type: none"> <li>• One or a combination of factors, as indicated hereunder, must be cited as motivation for the approval of the write-off and adequate proof provided.</li> </ul>  | Delegated official in designated component.                    |                |



|  |  |   |  |  |
|--|--|---|--|--|
|  |  | <ul style="list-style-type: none"> <li>• All reasonable steps were taken to recover the debt; or</li> <li>• Recovery of the debt would be uneconomical.</li> <li>• Recovery of the debt would cause undue hardship to the debtor.</li> <li>• It would be to the advantage of the department to waive the claim.</li> <li>• The debt is irrecoverable owing to:             <ul style="list-style-type: none"> <li>• The debtor having neither assets nor income.</li> <li>• All reasonable efforts to trace the debtor have failed.</li> <li>• The amount received from an insolvent estate did not cover the debt and interest.</li> <li>• Where the danger exists that the department will be required to make a contribution towards the settlement of an insolvent estate, if a claim is lodged against the estate.</li> </ul> </li> <li>• Additional factors for consideration:             <ul style="list-style-type: none"> <li>• Debt has prescribed.</li> <li>• Lack of source documentation to substantiate or prove the claim and the Accounting Officer is satisfied that all reasonable steps were</li> </ul> </li> </ul> |  |  |
|--|--|---|--|--|

|    |                  |  |  |                                    |
|----|------------------|--|--|------------------------------------|
|    |                  | <p>taken to locate the source documents.</p> <ul style="list-style-type: none"> <li>• The debtor has emigrated and failed to settle the debt.</li> </ul>   |  |                                    |
| 3. | Debt Write-Offs. | <ul style="list-style-type: none"> <li>• Debts must be written-off when identified as irrecoverable.</li> <li>• The Accounting Officer must approve the write-off of debts.</li> <li>• Debts must be written-off in terms of legislative prescripts and the department's Debt Write-Off Policy.</li> <li>• Debts written-off must be limited to the amount of savings and/or under-spending of appropriated funds.</li> <li>• Debts must be written-off against funds in the main division where the debt originated.</li> <li>• 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.</li> <li>• 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</li> </ul> | Delegated official in Debtors Control or designated component. | Refer to Treasury Regulation 11.4. |

|    |                           |  |   |  |
|----|---------------------------|--|---|--|
|    |                           | <p>divisions to the main division to fund the debt write-off, in accordance with Section 43 of the PFMA, within prescribed virement limitations.</p> <ul style="list-style-type: none"> <li>• Funds may also be transferred to the main division through the adjustment budget process, in terms of Section 31 of the PFMA.</li> <li>• Conditional grants or savings in amounts earmarked for a specific purpose may not be utilised to fund debt write-offs.</li> <li>• Debts written-off must be disclosed in the Annual Financial Statements (AFS).</li> <li>• A BAS report may be requested detailing a list of all debts written-off during a specified period.</li> <li>• The report can be requested on BAS as follows:<br/> <b>BAS Main Menu</b><br/> <i>“Business; Debt; Request Report; Debts Written-off during Period”.</i></li> </ul> |   |  |
| 4. | Debt Write-off Procedure. | <p><b>Debt identified for Write-Off</b></p> <ul style="list-style-type: none"> <li>• Once a debt is identified for write-off, the status must be changed on BAS from <i>“Active”</i> to <i>“Doubtful”</i>.</li> <li>• A Debt Transaction Maintenance (DTM) Form</li> </ul>   | Delegated official in designated component. |  |

|  |  |   |  |  |
|--|--|---|--|--|
|  |  | <p>must be completed and the new status indicated as <i>“Doubtful”</i>.</p> <ul style="list-style-type: none"> <li>• The Debt Transaction Maintenance (DTM) Form must be captured and authorised on BAS.</li> </ul>   |  |  |
|  |  | <p><b>Transaction Maintenance: Change Status from Active to Doubtful</b></p> <p><b><u>Capturer</u></b><br/> <b>BAS Main Menu</b><br/> <i>“Business, Debt, Transaction Maintenance”</i>.</p> <ul style="list-style-type: none"> <li>• Enter the debtor number and debt number;</li> <li>• Click on Status;</li> <li>• Change the status of the debt to <i>“Doubtful”</i>;</li> <li>• Click on OK; and</li> <li>• Click on Done.</li> </ul> <p><b><u>Authoriser</u></b><br/> <b>BAS Main Menu</b><br/> <i>“Business, Debt, Transaction Maintenance, Authorise”</i>.</p> <ul style="list-style-type: none"> <li>• The daily debt batch run will be processed.</li> </ul> |  |  |

|    |                          |  |   |  |
|----|--------------------------|--|---|--|
|    |                          | <ul style="list-style-type: none"> <li>If the debt write-off is not approved, the status of the debt must be changed back to “Active” from “Doubtful” on BAS.</li> </ul>   |   |  |
| 5. | Debt Write-off Approved. | <ul style="list-style-type: none"> <li>Once the submission for the debt write-off has been approved by the Accounting Officer the Debt Transaction Maintenance (DTM) Form must be completed by the delegated official.</li> <li>The status of the debt must be indicated as “BAD” and the following allocations completed as indicated hereunder:<br/> Fund: Voted Funds<br/> Objective: As captured when instating debt<br/> Project: No Proj S/Alone Pay for Fin Ass<br/> Responsibility: As captured when debt instated<br/> Item: Thefts and losses<br/> Assets: Non-assets related<br/> Infrastructure: Assets<br/> Regional Identifier: Non Pay: No Regional Identifier</li> </ul> | Delegated official in designated component. |  |
| 6. | Amend debt status.       | <b>Transaction Maintenance: Change Status from “Doubtful” to “Bad”<br/><u>Capturer</u></b>   | Delegated official in designated component. |  |

|  |  |   |  |  |
|--|--|---|--|--|
|  |  | <p><b>Bas Main Menu</b><br/> <i>“Business, Debts, Transaction Maintenance”</i></p> <ul style="list-style-type: none"> <li>• Enter the debtor number and debt number;</li> <li>• Click on Status;</li> <li>• Change the status of the debt from <i>“Doubtful”</i> to <i>“BAD”</i> (New status);</li> <li>• Capture the allocation details;</li> <li>• Click on OK; and</li> <li>• Click on Done.</li> </ul> <p><b><u>Authoriser</u></b><br/> <b>BAS Main Menu</b><br/> <i>“Business, Debt, Debt Transaction Authorisation, Authorise”.</i></p> <ul style="list-style-type: none"> <li>• The effective date of the transaction is the write-off approval date.</li> <li>• The write-off must be fully allocated prior to authorisation.</li> <li>• The above transaction will result in the capital and interest being written-off to <i>“Theft and Losses”</i>.</li> </ul> |  |  |
|--|--|---|--|--|

**ANNEXURE F**

**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 installments of R \_\_\_\_\_, commencing with effect from \_\_\_\_\_ 2015, 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 G**

**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:**

| <b>Name</b> | <b>Installment</b> | <b>Balance</b> |
|-------------|--------------------|----------------|
|-------------|--------------------|----------------|

|       |       |       |
|-------|-------|-------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

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

\_\_\_\_\_

\_\_\_\_\_

**Total of expenses R** \_\_\_\_\_

\_\_\_\_\_  
**Signature of applicant**

\_\_\_\_\_  
**Date**



**ANNEXURE H**

| <b>DEBT RECOVERY PROCEDURES</b>  |  |  |  |
|--|--|--|--|
| <b>KINDLY NOTE:</b> 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.   | Overview of debt recovery procedures.                                | <ul style="list-style-type: none"> <li>▪ The Persal system makes provision for various deduction codes relating to the recovery of debts.</li> <li>▪ 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.</li> <li>▪ A debt deduction is manually advised, using the following Persal functions:                             <ul style="list-style-type: none"> <li>▪ Persal function #5.4.1: This is used to recover debts using deduction code “0231” (Annexure I).</li> <li>▪ Persal function #5.4.2: This function is used to recover an overpaid allowance, and may be amended, cancelled, terminated or an enquiry done.</li> </ul> </li> <li>▪ This function is applicable to deduction codes “0047” , “0048”, “0049” and “0051” (Annexure J).</li> </ul> |  |
|  | <b>Type</b>  | <b>Deduction Code</b>  | <b>Process</b>   |
| 2.   | <b>Disallowance of Allowance: reducing: overpayment. Tax Partial</b> | <b>Deduction code 0047: Disallowance: Ctrl Account</b>   | <b>Previous financial year: Recurring</b> <ul style="list-style-type: none"> <li>▪ This deduction code is used for the recovery of a debt incurred in the previous financial year and recovered in the current financial year.</li> <li>▪ The amount is recoverable in instalments.</li> <li>▪ The BAS debt number must be used as the reference when instating this deduction on Persal.</li> <li>▪ The debt must be registered on BAS as follows:<br/>Debit: Debt Account: CA<br/>Credit: Recoverable Revenue</li> </ul> |

|    |   |   |   |
|----|---|---|---|
|    |   |   | <ul style="list-style-type: none"> <li>The debt will be recovered using deduction code <b>0047</b>, which will automatically post to Revenue (Rev: FA: Rec: Prv Sec: Con Dept Debt).</li> </ul>   |
| 3. | <p><b>Disallowance of Allowance: reducing: overpayment</b></p> <p><b>of Tax Partial</b></p> | <p><b>Deduction code 0048: Disallowance: Ctrl Account</b></p> | <p><b>Current financial year: Recurring</b></p> <ul style="list-style-type: none"> <li>This deduction code is used or the recovery of a debt incurred in the current financial year.</li> <li>The debt is recovered in instalments and the recovery of the debt will extend over the current and following financial year.</li> <li>The BAS debt number must be used as the reference when instating this deduction on Persal.</li> <li>The debt must be registered on BAS as follows:<br/>Debit: Debt Account: CA<br/>Credit: Expenditure allocation</li> <li>The debt will be recovered using deduction code <b>0048</b>, which will interface to the suspense account "Debt Receipt Control: CA".</li> <li>The instalments are automatically posted to the debt account during the evening batch run.</li> </ul> |
| 4. | <p><b>Disallowance of Allowance: reducing: overpayment</b></p> <p><b>of Tax Partial</b></p> | <p><b>Deduction code 0049: Disallowance: Revenue</b></p>      | <p><b>Current financial year: Once-off</b></p> <ul style="list-style-type: none"> <li>This deduction code is used for the recovery of a debt incurred in the current financial year and is recoverable in one instalment.</li> </ul>  |

|    |   |  |   |
|----|---|--|---|
|    |   |  | <ul style="list-style-type: none"> <li>▪ The debt does not have to be registered on BAS.</li> <li>▪ The debt will be recovered using code <b>0049</b> and any amount recovered using this code is credited to the relevant expenditure allocation under the employee's objective.</li> </ul>  |
| 5. | <p><b>Disallowance of Allowance: reducing: overpayment</b></p> <p><b>of Tax Partial</b></p> | <p><b>Deduction code 0051: Disallowance Income: Once-off</b></p> | <ul style="list-style-type: none"> <li>▪ This deduction code is used for the recovery of a debt arising from a previous financial year.</li> <li>▪ The debt is recoverable in one instalment.</li> <li>▪ The debt will be recovered using code <b>0051</b>, and will automatically be posted to revenue (Rev: FA: Rec: Prv Sec: Con Dept Debt).</li> </ul>  |
| 6. | <p><b>Salary overpayment: Total overpayment</b></p>   | <p><b>Deduction code 0231: New Debt Deduction</b></p>            | <ul style="list-style-type: none"> <li>▪ The total salary has been overpaid and has been reversed on Persal.</li> <li>▪ Any salary reversed on Persal will automatically correct the IRP5 accumulations, including the taxable benefit.</li> <li>▪ The debt must be registered on BAS as follows:                             <p><b>Current financial year</b></p> <p>Debit: Debt Account: CA</p> <p>Credit: Salary Reversal Control Account</p> <p>(Nett salary programmatically posted as a debit transaction to this account once reversed on Persal).</p> <p><b>Previous financial year</b></p> <p>Debit: Debt Account: CA</p> <p>Credit: Recoverable Revenue</p> </li> </ul> |

|    |                         |  |   |
|----|-------------------------|--|---|
|    |                         |  | <ul style="list-style-type: none"> <li>▪ The debt will be recovered using deduction code <b>0231</b>.</li> <li>▪ The instalments are posted as credits to the suspense account “Debt Receipt Control”.</li> <li>▪ These instalments are programmatically allocated to the debt account during the evening batch run.</li> </ul>   |
| 7. | <b>Other Debt Types</b> | <b>Deduction code 0231:<br/>New Debt Deduction</b> | <p><b>Other Debt Types</b></p> <ul style="list-style-type: none"> <li>▪ 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”.</li> <li>▪ These deduction codes may be viewed on Persal using function #6.2.9, Table 002.</li> <li>▪ It is recommended however, for the purposes of proper debt management and control that other debt types registered on BAS are recovered on Persal using deduction code “0231”.</li> <li>▪ The debt will be registered on BAS as follows:</li> </ul> <p><b>Current financial year</b><br/> <b>Debit:</b> Debt Account: CA<br/> <b>Credit:</b> Expenditure allocation<br/> Fund: Voted Funds<br/> Objective: As linked on Persal<br/> Responsibility: As linked on Persal<br/> Project: No Proj: Stand Alone: Cur</p> |

|  |  |  |  |
|--|--|--|--|
|  |  |  | <p>Item: As applicable</p> <p>Net assets: Non assets related</p> <p>Infrastructure: Non Infra Project Current</p> <p>Regional Identifier: KZN: Whole Province</p> <p><b>Previous financial year</b></p> <p>Debit: Debt Account: CA</p> <p>Credit: Recoverable Revenue</p> <ul style="list-style-type: none"> <li>▪ All instalments recovered using deduction code “<b>0231</b>” are posted as credits to the suspense account “Debt Receipt Control”.</li> <li>▪ These instalments are programmatically allocated to the debt account during the evening batch run.</li> </ul> |
|--|--|--|--|

**ANNEXURE I**

**GENERAL DEBT DEDUCTION**

**PERSAL FUNCTION #5.4.1**

**TABLE 1: GENERAL DEDUCTION: INSTATE**

|  |   |
|--|---|
| Deduction code:                                  | 0231  |
| Recurring:                                       | Recovery in more than one installment: Y<br>One installment: N  |
| Start date:                                      | When a singular deduction (non-recurring) is advised, the start date is not advised.<br>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.<br>When a recurring deduction is advised the end date is mandatory where the deduction extends over a specific period. |
| Monthly amount:<br>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:<br>End date:<br>Outstanding balance: | If these items are advised, the monthly amount will be programmatically calculated.   |
| Start date:<br>Monthly amount:<br>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 instated 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: | <p>The earliest date a deduction can be terminated is the last day of the previous salary month; no further deductions will be made.</p> <p>If an end date is terminated at the end of the current salary month, the disallowance will be deducted for that month.</p>   |
| Balance:  | <p>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.</p> <p>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.</p> |

**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 J**

**DISALLOWANCE OF ALLOWANCE**

**PERSAL FUNCTION #5.4.2**

**TABLE 1: DISALLOWANCE: INSTATE**

|   |   |
|---|---|
| Deduction code:   | As applicable.  |
| Recurring:  | Recovery in more than one installment: Y<br>One installment: N  |
| Allowance code:   | This is the code of the overpaid allowance, obtained from Table 052.  |
| Start date:<br>End date:<br>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:<br>Monthly amount:<br>Outstanding balance:  | If these items are entered the system will recover the monthly amount until the balance is nil.   |
| Start date:<br>Monthly amount:                          | The system will recover the monthly amount until advised differently, e.g. termination date is advised.   |
| Start date:<br>Monthly amount:<br>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:<br>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:<br>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**

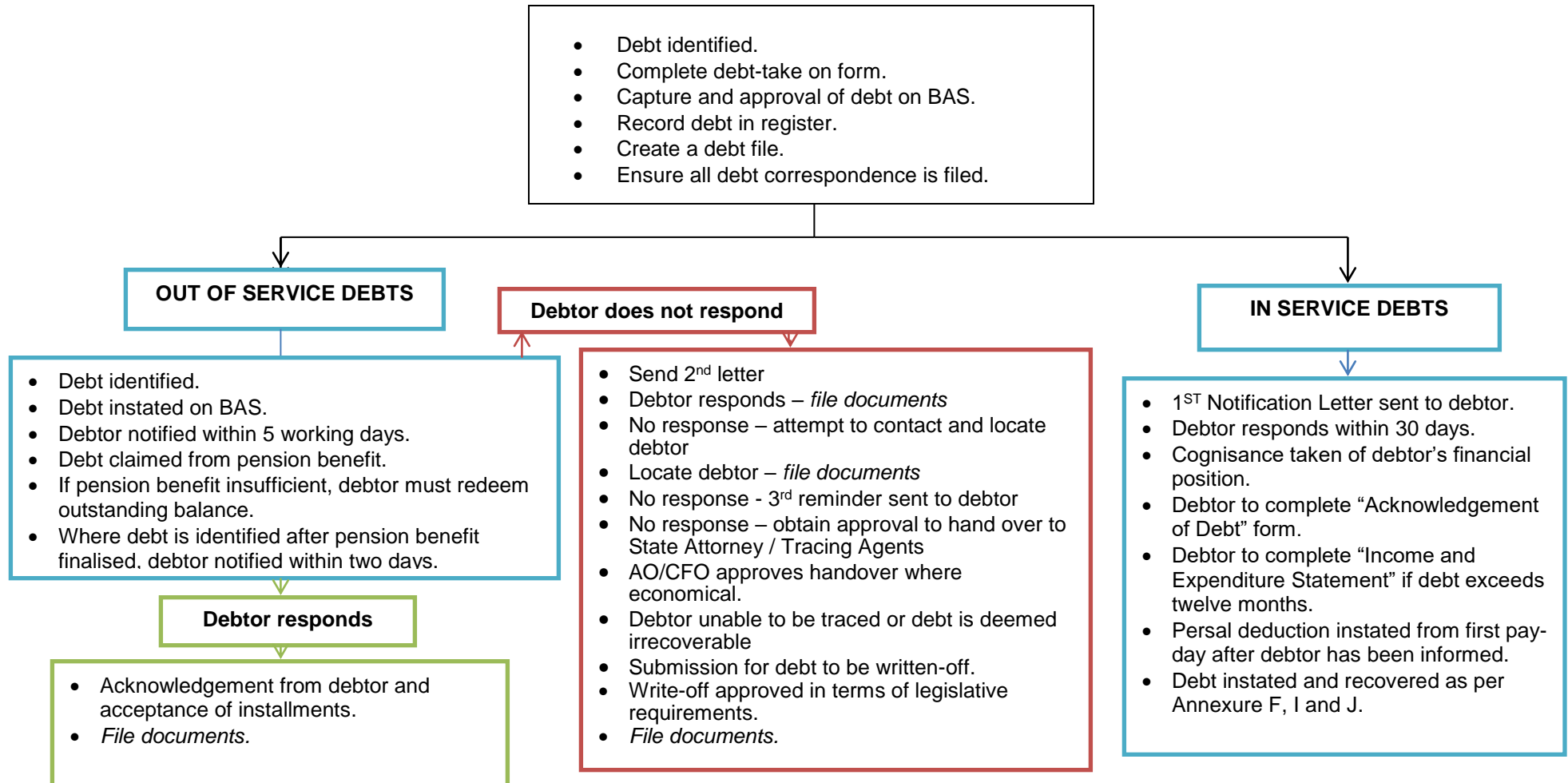
|           |   |
|-----------|---|
| End date: | The earliest date a deduction can be terminated is the last day of the previous salary month; no further deductions will be made.<br>If an end date is terminated at the end of the current salary month, the disallowance will be deducted for that month.   |
| 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.<br>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.  |

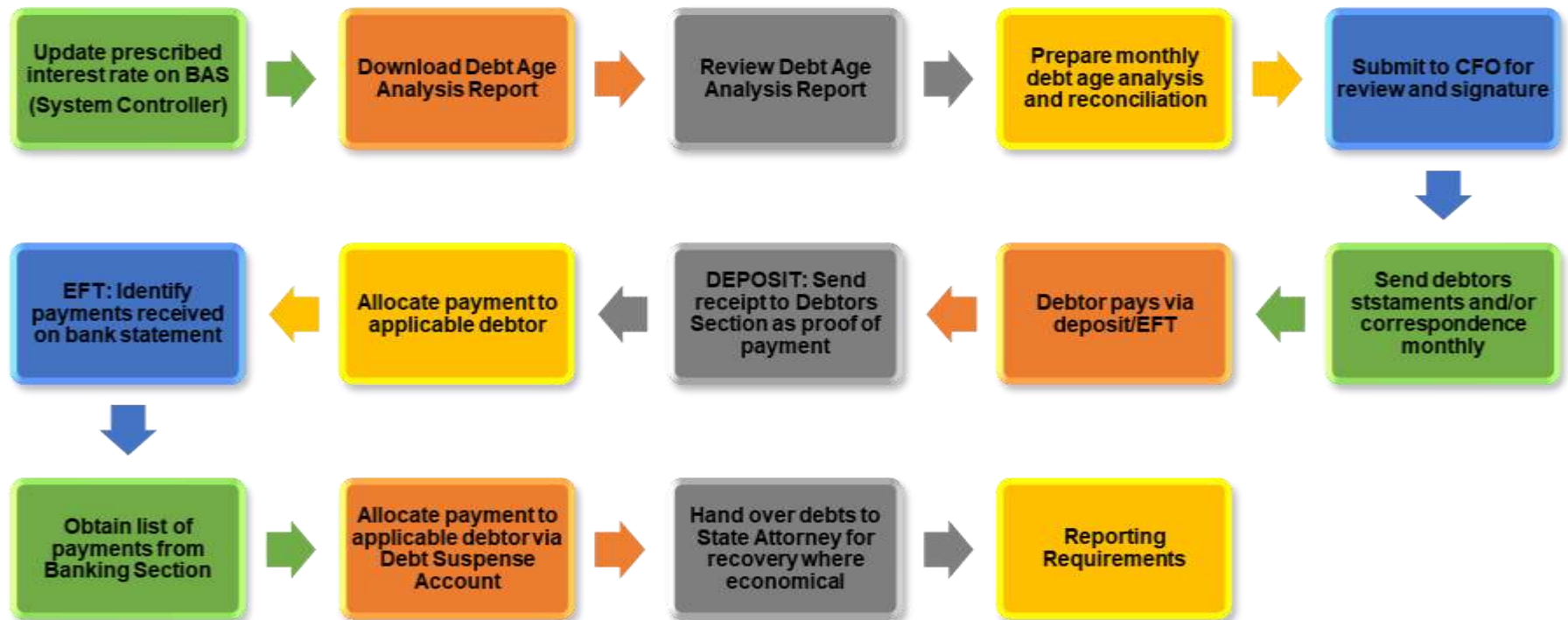
**ANNEXURE K**

**PROCESS FLOW: DEBT MANAGEMENT**



**ANNEXURE L**

**PROCESS FLOW: MONTHLY DEBT CONTROL**



**ANNEXURE M**

**COMPLIANCE CHECKLIST: MANAGEMENT OF DEBTORS**

| <b>ACTION</b> |  | <b>YES/NO</b> |
|---------------|--|---------------|
| 1.            | Debt identified.   |               |
| 2.            | Debtor notified in writing.  |               |
| 3.            | Debt registered on BAS.  |               |
| 4.            | Interest charged as prescribed.  |               |
| 5.            | Debt file maintained per debtor.   |               |
| 6.            | Debts recorded in a register, database or spreadsheet.                       |               |
| 7.            | “Acknowledgement of Debt” agreement signed.                                  |               |
| 8.            | “Income and Expenditure Statement” completed, where applicable.              |               |
| 9.            | Debt recovery instated on Persal for in service debts.                       |               |
| 10.           | Debt recovered from pension benefit, as prescribed for out of service debts. |               |
| 11.           | Debtors’ statements forwarded monthly.                                       |               |
| 12.           | Monthly debt age analysis and reconciliation.                                |               |
| 13.           | Narrative summary of debtors and age analysis provided to CFO monthly.       |               |
| 14.           | Irrecoverable debts written-off, as prescribed.                              |               |
| 15.           | Debts written-off disclosed in Annual Financial Statements (AFS).            |               |

| <b>DEBT TIMEFRAMES</b>      |   |  |
|-----------------------------|---|--|
| <b>IN-SERVICE DEBTS</b>     |   |  |
| 1.                          | Debt identification.  | A debt must be identified once it has arisen.  |
| 2.                          | Debt notification.  | The identified debtor must be immediately notified in writing of the nature and amount of the debt.  |
| 3.                          | “Acknowledgement of Debt” and “Income and Expenditure” forms completed. | The forms must be completed by the debtor once notified of the debt and the necessary arrangements made for the recovery thereof.                        |
| 4.                          | Debt instated on BAS.   | The debt must be registered on BAS on the date the debt originated.  |
| 5.                          | Debt recovery instated on Persal.                                       | Debt recovered in a lump sum, or in installments as approved by the Accounting Officer, from the first payday after the debtor was notified of the debt. |
| <b>OUT-OF-SERVICE DEBTS</b> |   |  |
| 6.                          | Termination of Service.   | Amend debt on BAS immediately to out of service debt, with interest charged as determined.   |
| 7.                          | Recovery of debt.   | Debt to be recovered from pension benefit due.   |
| 8.                          | Debt not fully redeemed due to insufficient funds.                      | Debtor to be notified in writing of outstanding debt balance within 5 working days of receipt of amount from pension benefit.                            |
| 9.                          | Debt identified after pension benefit finalised.                        | Notify debtor in writing within 2 working days of identifying debt.  |
| 10.                         | Debt instated on BAS.   | The debt must be registered on BAS on the date the debt originated and interest charged as determined.   |
| 11.                         | Debt acknowledged by debtor.  | Inform debtor immediately of acceptance of repayment of debt and ensure installments   |

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|     |   | are received monthly, where applicable.   |
| 12. | Debtor did not respond.                                       | Send 2 <sup>nd</sup> reminder if debtor fails to respond within 24 hours of original notification.  |
| 13. | Debtor did not acknowledge 2 <sup>nd</sup> debt notification. | Send 3 <sup>rd</sup> reminder if debtor fails to respond within 24 hours of 2 <sup>nd</sup> reminder.   |
| 14. | Debtor fails to respond to all debt notifications.            | Refer matter to State Attorney for recovery of debt, if economical to pursue in terms of the departmental Debt Write-off Policy.  |
| 15. | Irrecoverable debts.  | Debts uneconomical to pursue in terms of the departmental Debt Write-off Policy may be written-off within 30 days after the final date of demand, subject to availability of funds and adherence to legislative and other prescripts. |
| 16. | Disclosure of debts.  | Debts written-off must be disclosed in the Annual Financial Statements (AFS).   |