



Department of Public Works, Roads and Transport  
**MPUMALANGA PROVINCIAL GOVERNMENT**

**DEBT MANAGEMENT POLICY**

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Issue: ..... 3.0  
Responsible Section: ..... Management Accounting  
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## ABBREVIATIONS

<b>BAS</b>	Basic Accounting System
<b>etc</b>	and others
<b>i.e.</b>	that is
<b>PFMA</b>	Public Finance Management Act, 1999 (Act No. 1 of 1999)
<b>TR</b>	Treasury Regulation



## DEFINITIONS

<b>Accounting Officer</b>	means	a person mentioned in Section 36 of the Public Finance Management Act, 1999 (Act No.1 of 1999) and includes any person acting as the Accounting Officer;
<b>Basic Accounting System (BAS)</b>	means	financial system where money is recorded and accounted for;
<b>Debt</b>	means	money owed to the Department;
<b>Department</b>	means	Department of Public Works, Roads and Transport;
<b>External Debtors</b>	means	any person, company or institution who owes the Department money and is not employed by the it;
<b>“in duplum” principle</b>	means	the interest charged on debt can't be more than the capital amount;
<b>Internal Debtor</b>	means	any employee who owes the Department;
<b>Doubtful debt</b>	means	debt that is due but which might not be recovered; and
<b>Irrecoverable debt</b>	means	debt that is due but not expected to be collected.

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## **1. INTRODUCTION**

Section 45 (b) and (c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) places the onus on each official within a Department of Public Works, Roads and Transport to be responsible for the effective, efficient, economical and transparent use of the financial and other resources within the official's area of responsibility.

This Policy further requires that effective and appropriate steps must be taken to prevent, within the official's area of responsibility, any unauthorised expenditure, irregular expenditure, fruitless and wasteful expenditure and any under collection of revenue due.

## **2. OBJECTIVE**

The objective is to provide a uniform policy on the management and control of debts owed to the Department.

## **3. REGULATORY FRAMEWORK**

- 3.1. National Credit Act, 2005 ( Act No. 34 of 2005);
- 3.2. Prescription Act, 1969 (Act No. 68 of 1969);
- 3.3. Public Finance Management Act, 1999 (Act No. 1 of 1999);
- 3.4. Public Service Act, 1994 (Act No. 103 of 19994);
- 3.5. Public Service Regulation, 2016; and
- 3.6. Treasury Regulations of April 2001.

## **4. SCOPE OF APPLICATION**

The policy is applicable to all employees in the Department and external debtors.



## 5. POLICY STATEMENT

The responsibility for management of debts is assigned in terms of Section 38 (1) (c) (i) and (d) of the PFMA as amended. The Department is required to maintain an effective, efficient and transparent system of financials, risk management and internal controls to mitigate debt.

### 5.1. GUIDING PRINCIPLES

- 5.1.1. Treasury Regulation (TR) 11.2.1 states that the Accounting Officer of Department must take effective and appropriate steps to timeously collect all money due including as necessary, a debt must be recorded in the general ledger as soon as it is discovered;
- 5.1.2. Maintenance of proper accounts and records for all debtors, including amounts received in part payments; and
- 5.1.3. Referral of a matter to the Departmental Legal Services must consider a legal demand and possible legal proceedings in a court of law.

### 5.2. RECOGNITION OF DEBTS

- 5.2.1 In terms of the Prescription Act, (Act No. 68 of 1969), a debt is only deemed to be due when the creditor (or the Department) has knowledge of the identity of the debtor and of the facts from which the debt has arisen. The principle require that the Department identifies all debt within a reasonable period, i.e as soon as practicable, in order to prevent prescription; and
- 5.2.2. Although the Accounting Officer designates officials with the responsibility for the administration of debts, it is the responsibility of each employee of the Department to ensure that any debt arising in the sphere of work is identified and reported to the appropriate officials (Debtors Section) for recognition and collection.



### 5.3 CATEGORIES OF DEBT

**The following categories can be identified when:**

- 5.3.1. The Department has suffered a loss or damage through an act of an official, where the person is still employed;
- 5.3.2. A salary wage or allowance was erroneously paid to an employee;
- 5.3.3. There is a breach of contract;
- 5.3.4. An overpayment has been made to a creditor, institution, etc;
- 5.3.5. An advance is paid or expenditure incurred on behalf of an employee who defaults on the repayments; and
- 5.3.6. A fruitless, wasteful and irregular expenditure has been disclosed on the annual financial statements and findings have been done to recover the money.

### 5.4. CLASSIFICATION OF INTEREST

#### 5.4.1 NON- INTEREST BEARING DEBTS

Debts due resulting from the service relationship between public servants and the Department must be recovered without interest, with the exception of the following categories of debt, which must be levied with interest at a rate as determined by the Minister in terms of Section 80(1) (b) of the PFMA:

- 5.4.1.1. Wrongly granted remuneration, as defined in Section 38 of the Public Service Act, (Act 103 of 1994) where the person concerned has left the employment of the Department, or where the monetary advantage resulted from own fraudulent action;
- 5.4.1.2. Loss and/or damage which originates as a result of circumstances where mala fides (evil intention) or the intentional causing of losses or damage were present, or where the person concerned has left the employment of the Department;

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5.4.1.3. Breach of contract or any delictual claim relating to the contractual relationship; and

5.4.1.4. Fruitless and Wasteful expenditure as a result of financial misconduct and it depends on the nature of the findings.

#### 5.4.2 INTEREST BEARING DEBTS

Debts due to by debtors who are not in the employment of the Department must be recovered with interest at a rate as determined by the Minister in terms of Section 80(1) (b) of the PFMA, with the exception of the following categories of debt, which must be recovered without interest:

5.4.2.1. Overpayment of amounts to a debtor for social and unemployment benefits;

5.4.2.2. Interest only starts to accrue after the 30 day specified period. The notice to the debtor must state that interest starts accruing 30 days after the date of the notification or another time period stated in any arrangements.

#### 5.5 INTEREST CALCULATIONS

Interest is calculated on the decreasing balance of the debt and must not be capitalized, nor may it exceed the original amount (refer to the "in duplum" principle).

#### 5.6 DEBT RECOVERY

5.6.1 The Department may recover outstanding amounts in instalments. The collection period must be realistic taking the financial position of the debtor and potential hardships into account. Realistic refers to a period between twelve (12) and thirty six (36) months; except debts on overpayment of salary and debts by deceased employees.

5.6.2 The Department must effectively manage and control all debts and the following recovery procedure must be followed in the management of debts:

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- 5.6.2.1. Where the Debt originated the programme manager must ensure that the debtor is informed in writing within 30 days a notice of debt.
- 5.6.2.2. Debts owing to the Department may at the discretion of the Accounting Officer be recovered by means of instalments, except in cases where the condition of payment are determined by law, agreement and provided that due cognizance are taken of the debtor's standing and financial position in determining the period of payment;
- 5.6.2.3. The debt must be recovered as soon as possible, at a maximum of 30% of net monthly salary, where net salary is defined as gross salary less statutory deduction;
- 5.6.2.4. When it appears that the Department has suffered a loss or damage through an act of an employee, whether or not the person is still in the employment of the State, the Accounting Officer must recover the value of the loss or damage from the person responsible;
- 5.6.2.5. An overpayment to creditors, institution or private entity and persons must be disallowed and recovered. Where regular payment is made to suppliers – the amount must be recovered from the first subsequent payment; and
- 5.6.2.6. An amount that is not legitimate charge against a vote account must immediately be disallowed and be recovered accordingly.

## 5.7 HANDING OVER THE DEBT TO LEGAL SERVICES

- 5.7.1 In terms of paragraph 11.2.1 (b) of the Treasury Regulation, 2001, in cases where it's necessary and economical to enforce the recovery of the debt by means of legal steps and after consultation with Legal Services;
- 5.7.2 Debts are handed over to Legal Services after 90 days after all appropriate steps to recover has been followed by Debtors section as and when the estate has been concluded. All supporting documents for the debtor must be available as and when the matter is handed over to Legal Services for further handling and recovery for the Department.

## 5.8 WRITING OFF DEBTS

In terms of Section 11.4 of the Treasury Regulations, 2001 Section 76 (1) (e) and Section 76 (4) (a) of the PFMA any debt written off by the Accounting Officer must:

- 5.8.1 Only be written off after all reasonable steps have been taken to recover the debt;
- 5.8.2 Recovery of the debt would be uneconomical;
- 5.8.3 Recovery would cause undue hardship to debtor or the dependants;
- 5.8.4 The amount must be disclosed in the Interim Financial Statements and the Annual Financial Statements of the Department, indicating the terms of which the debt was written off;
- 5.8.5 Debts that were not recovered from ex-employees(deceased), where their pension benefits have been finalized and recovery of the debts is not possible;
- 5.8.6 It would be to the advantage of the Department to effect a settlement of the claim or to waive it;
- 5.8.7 The debtor has neither attachable assets nor income, or has no reasonable expectation of future income;
- 5.8.8 Debts are legally without merit; and
- 5.8.9 It is not possible to collect any substantial amount.

## 5.9 DELEGATED AUTHORITY TO WRITE OFF DEBT

The Accounting Officer delegates the write off of debts as per the Department's Delegations of Powers.

## 6. ROLES AND RESPONSIBILITIES

- 6.1 The Accounting Officer is accountable for this policy and must ensure adherence thereto; and
- 6.2 All employees in the Department must be responsible to ensure compliance and properly execute their duties in line with the implementation of this policy.



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## 7. MONITORING AND EVALUATION

The Management Accounting Section must monitor and evaluate the implementation of this policy.

## 8. POLICY REVIEW

The policy must be reviewed to factor changes in legal frameworks, organizational developments, political and economic trends, and envisaged outputs of the Medium Term Expenditure Framework as well as outcomes of monitoring and evaluation.

## 9. DEVIATIONS

Any deviation from this policy must be subject to the approval of the Accounting Officer.

## 10. IMPLEMENTATION DATE

This policy must come into effect from the date of approval of the Accounting Officer.

## 11. APPROVED



MR MC MOROLO  
HEAD: PUBLIC WORKS, ROADS AND TRANSPORT  
DATE 20/09/2022.