



**co-operative governance
& traditional affairs**

**MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA**

Debt Management Policy

2018/19



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1. PURPOSE OF POLICY

The purpose of this policy is to provide guidance on the procedure for the management of debtors and write-off of debts owed to the Department.

2. REGULATORY FRAMEWORK

This policy derives its mandate from the Public Finance Management Act, 1999 (Act No. 1 of 1999) as well as the Treasury Regulations.

2. DEFINITIONS

In this policy, unless the context otherwise indicates:-

"Accounting Officer" means the Head of Department;

"Department" means the Mpumalanga Department of Co-operative Governance and Traditional Affairs;

"Employee" means a person who —

- (a) has been appointed permanently, notwithstanding that such appointment may be on probation, to a post contemplated in section 8 (1) (a) of the Public Service Act, and includes a person contemplated in section 8 (1) (b) or 8 (3) (c) of that Act; or
- (b) has been appointed on contract in terms of section 8 (1) (c) (ii) of the Public Service Act

4. RECOVERY OF DEBTS

- 4.1 The Accounting Officer must take effective steps as outlined in this policy to collect all monies due to the Department.
- 4.2 Where a debt owed to the Department remains unpaid for a period of thirty days after the debt became due, or within such other period as may be agreed with the debtor, the Accounting Officer may issue a reminder for the payment of the debt within a specified time.
- 4.3 In the event that the debt remains unpaid after three reminders have been sent to the debtor, the Accounting Officer must issue a letter of demand in which the debtor is demanded to settle the outstanding debt within a specific period.
- 4.4 The letter of demand referred to above must be sent to the debtor at his or her last known address by registered post and proof of such register must be kept by the Accounting Officer.
- 4.5 If the debtor, after receipt of the letter of demand, proposes a settlement with the department, the procedure set out in clause 5 shall apply.
- 4.6 Where, on the other hand, the debtor fails to honour the demand against him or her, the procedure set out in clause 6 shall apply.
- 4.7 For internal debts, an official who owes the Department the money will have to pay this debt within thirty days otherwise a debt will automatically be created and recovered from his/her salary or other claims due.
- 4.8 If the amount of the debt is such that it will cause financial hardship to the official, if it were to be deducted in one monthly salary, the Accounting Officer may enter into a settlement agreement with such an official for the payment of the debt in installments.
- 4.9 Should an employee resign, retire or die and is entitled to leave gratuity payout. The department will offset all debts owed to the state against the leave gratuity before payout.

5. INTEREST ON DEBTORS

- 5.1 Debts shall be recovered with interest at the rate as determined by the Minister.
- 5.2 Debts owed to the state resulting from service relationship between public servants and the state that resulted out of any act other than fraud shall be recovered without interest, with the exception of the following categories of debts which shall be levied.
- 5.3 Wrongly granted remuneration where the person concerned has left the employment of the state, or where the monetary advantage resulted from his or her own fraudulent action.
- 5.4 Breach of contract or any delectable claim resulting from the contractual relationship.
- 5.5 Interest will not be levied on any overpayment caused by the department where the debtor is not at fault.

6. SETTLEMENT OF DEBT

The Accounting Officer may consider a settlement arrangement with the debtor if the debtor is willing to settle the matter, and may settle to receive the debt in such installments as may be agreed between the parties after taking into account:

- 6.1 The amount of the debt including interests thereon;
- 6.2 The period it will take for the debt to be settled;
- 6.3 The hardship, if any, that would be caused to the debtor or his or her dependants.

7. ACTION FOR RECOVERY OF DEBT

- 7.1 In addition to any other remedy available in law, the Accounting Officer must, if the debtor fails to honour the demand for payment of the debt, instruct the State Attorney for recovery thereof, after taking into account the following: -
 - 7.1.1 The amount of the debt and interest thereof;
 - 7.1.2 The estimated costs for the recovery thereof;
 - 7.1.3 The hardship, if any, it will cause the debtor or his or her dependants; or
 - 7.1.4 Whether it would be to the advantage of the department if the debt would be waived.

- 7.2 In the event that the Accounting Officer is unsure of any of the factors mentioned in 7.1.2, 7.1.3 and 7.1.4 above, the Accounting Officer may consult the State Attorney.

8. TRACING AGENTS

- 8.1 Where it is apparent that the debtor has left his or her last known address, the Accounting Officer, if it is economically viable to do so, may appoint tracing agents to locate the whereabouts of the debtor.
- 8.2 In deciding whether it is economically viable to appoint tracing agents, the Accounting Officer must take into account the following:
- 8.2.1 The amount of the debt;
 - 8.2.2 The estimated costs of the tracing agents;
 - 8.2.3 Whether the debtor, were he or she located, would be able to satisfy the debt against the department.

9. WRITING OFF OF DEBTS

The Accounting Officer may write off the debt owed to the department if -

- 9.1 The debt remains unpaid despite following some or all of the procedures contemplated in clauses 4, 5, 6 or 7; or
- 9.2 The Accounting Officer is convinced that —
- 9.2.1 The recovery of the debt would be uneconomical;
 - 9.2.2 The recovery of the debt would cause undue hardship to the debtor or his or her dependants; or
 - 9.2.3 It would be to the advantage of the state to effect a settlement of its claim or to waive the claim.
- 9.3 All debts to be written off should be made against the department's savings.
- 9.4 The Accounting Officer must disclose all debts written off in the annual financial statements of the department.

10. REVIEW OF POLICY

This policy will be reviewed annually or as and when the need arises and it should be in line with legislations and prescripts.

11. CONTRAVENTIONS

Any person who contravenes or fails to comply with any provision of this policy may be subjected to disciplinary action.

THUS DONE AND APPROVED BY THE ACCOUNTING OFFICER

APPROVED/~~NOT APPROVED~~



MR. T.P NYONI

HEAD: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

DATE: 29/03/2018