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STANDARD OPERATING PROCEDURE: RECORD AND RECOVER DEPARTMENTAL DEBTS

TITLE OF SOP	Record and recover Departmental Debts
SOP Number	FSA-DEB-01
Purpose	To document the Standard Operating Procedure (SOP) to be followed when recording, following up, recovering and writing off debts.
Scope	Applies to all officials and suppliers who owes the department and the officials who are involved in the processing of debts within the Eastern Cape Department of Social Development.
Definitions and Acronyms	<p>CFO Chief Financial Officer DORA Division of the revenue act HOD Head of Department MCS Modified cash Standards MEC Member of the Executive Council NPO Non-Profit Organisation OSD Occupation Specific Dispensation PFMA Public Finance Management Act PSR Public Service regulations</p>
Performance Indicator	Number of credible Financial Statements

STEP BY STEP GUIDE						
RECORD AND RECOVER DEPARTMENTAL DEBTS						
Nr	Task Name	Task Procedure	Responsibility	Time Frame	Supporting Documentation	Service Standard
1.	Report debt	<ul style="list-style-type: none"> Report the loss to Asset Management Depending on the type, it will be referred to Risk management. Report to Debt Management section after the investigation is concluded, if there is any. Issue notification to report the debt by relevant section Relevant section submit all the supporting documentation to debt section. 	User	7 days	<ul style="list-style-type: none"> Memo signed by responsible manager Source document for the lost asset Receive documentation. 	Record and recover all the Departmental Debts as prescribed by Section 38 and Section 40(1) (a) of the PFMA which requires the Department to keep full and proper records of the financial affairs of the Department in accordance with prescribed norms and standards.
2	Record debt	<ul style="list-style-type: none"> Capture the BAS entity form for the debt. Assistant Director / Deputy Director authorize the BAS entity form. Capture the BAS take on form Ensure that debtors are charged interest at a prescribed rate Assistant Director / Deputy Director authorize the BAS take on form. Open files for each debtor and ensure proper filing is in order. Check the debt route form for any outstanding debts. The assistant/deputy director verify the debt route form for any outstanding debts. Maintain proper accounts and records for all debtors. 	State accountant	7 days	<ul style="list-style-type: none"> Received debt documentation BAS debt entity form BAS debt take-on form 	
3.	Draft notification letter	<ul style="list-style-type: none"> Write the notification letter to the debtor indicating the nature and extent of debt within 30 working days. The Director review the drafted debt notification letter before it is submitted to the CFO. 	State accountant	7 days	<ul style="list-style-type: none"> Completed signed BAS new user application form Draft notification letter 	
4.	Sign the notification letter	<ul style="list-style-type: none"> Review and sign the debt notification letter within 30 working days. 	CFO	3 days	<ul style="list-style-type: none"> Draft notification letter Signed notification letter 	
5.	Notify the Debtor about the debt	<ul style="list-style-type: none"> Notify the Debtor by issuing the signed notification letter that indicates the nature and extent of debt. Issue the reminder letter to the Debtor within 7 working days, if there is no response from the first issued letter after the lapsed 14 days. Issue the final reminder letter to the Debtor within 7 working days if still there is no response from the first and second letter issued. Implement deduction, if an employee or supplier has not responded within 30 working days. 	State accountant	7 days	<ul style="list-style-type: none"> Signed notification letter Copy of posted notification with registry stamp Response received 	

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		<ul style="list-style-type: none"> Liaise with salaries section on debts to be deducted on Persal. 				
6.	Draft tracing memo	<ul style="list-style-type: none"> Draft request letter of Persal establishment report from Provincial Treasury to verify the Debtor working address they are government employees. Director review the drafted letter. 	State accountant	7 days	<ul style="list-style-type: none"> Received debt documentation Draft tracing letter 	
7.	Sign the letter	<ul style="list-style-type: none"> Review and sign the request letter of Persal Establishment report. 	CFO	3 days	<ul style="list-style-type: none"> Draft tracing memo Signed tracing memo 	
8.	Trace the Debtor	<ul style="list-style-type: none"> Request Persal establishment report from Provincial Treasury to verify the Debtor working address they are government employees. Do house and work visits if the budget allows during the month of August to October. Issue the notification letter once found. Debtor sign the acknowledgement letter. 	State accountant	10 working days	<ul style="list-style-type: none"> Signed tracing memo Signed acknowledgement letter 	
9.	Hand over the debt to Legal services	<ul style="list-style-type: none"> Write the memo to handover the debt. Director sign the memo. Compile the list of files to be handed over. Submit the file to Legal services 	State accountant	7 days	<ul style="list-style-type: none"> Debt files Handover signed memo 	
10.	Clear the suspense account	<ul style="list-style-type: none"> Clear the Debt suspense account when debt is recovered daily. Compile and capture journals. Assistant Director authorize the transaction. 	State accountant	1 day	<ul style="list-style-type: none"> Journal form BAS Suspense account report 	
11.	Report on Debt management	<ul style="list-style-type: none"> Compile reconciliation and age analysis of debtors on a monthly basis. Monitor and assess debt recoveries, ensuring all deductions implemented have the required approval and are reasonable. Deputy Director: Debt Management and the Director review the report. Submit Management reports to the Chief Financial Officer and Provincial Treasury on a monthly basis concerning the status of all debtors of the Department. Disclose these debts quarterly on Interim and Annual Financial Statement. 	Assistant Director: Debt Management	7 days	<ul style="list-style-type: none"> BAS Debt age analysis report Debt reconciliation report 	

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12.	Compile a schedule of debts to be written off	<ul style="list-style-type: none"> Identify all debts that are more than 2 years without movement as doubtful. Compile a schedule of all debts to be written off together with a motivation memorandum. Submit motivation memorandum for the recommendations of the Director and the Chief Financial Officer and approval to the Accounting Officer. 	Deputy Director: Debt Management	2 months	<ul style="list-style-type: none"> Debt files Approved Memo by the HOD 	

PROCESS RISKS

Risk Name	Risk Description	Probability (H/M/L)	Impact (H/M/L)	Control Description	System / Manual
Poor misinterpretation of the policy	Poor comprehension and misinterpretation of the policy leading to unnecessary tensions and instability.	L	M	Continuous orientation and communication to Departmental employees and suppliers or NGOs on the interpretation and application of the policy towards a common understanding by Debt management.	Manual
Poor communication	Poor consultative communication with the affected officials of the Department lead to disputes.	L	M	Constantly issuing e-mail or circulars informing officials and suppliers or NGOs about processes involved in reporting and recovering Departmental debts by Debt management.	Manual

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REFERENCES (LEGISLATION, POLICIES, PROCEDURES, LEGISLATION & OTHER DOCUMENTATION (i.e. SOPs))



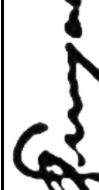

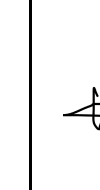
Document Name	Section Description or Document Description
<p>PFMA act 1 of 1999</p>	<p>Section 38 states that the Department must take effective and appropriate steps to collect all money due to the Department.</p> <p>Section 40(1) (a) of the PFMA requires the Department to keep full and proper records of the financial affairs of the Department in accordance with prescribed norms and standards.</p>
<p>Treasury regulations of 2001</p>	<p>Section 11 state the following:</p> <p>Management of debtors</p> <p>11.1 Application</p> <p>11.1.1 This regulation applies to all debts accruing to an institution and includes any amount owing to or receivable by the institution, such as invoices for charges for goods or services, fees or fines outstanding.</p> <p>11.2 Responsibility for the management of debtors [Section 38(1)(c)(i) and (d) of the PFMA]</p> <p>11.2.1 The accounting officer of an institution must take effective and appropriate steps to collect all money due to the institution including, as necessary –</p> <p>(a) maintenance of proper accounts and records for all debtors, including amounts received in part payment; and</p> <p>(b) referral of a matter to the State Attorney, where economical, to consider a legal demand and possible legal proceedings in a court of law.</p> <p>11.3 Recovery of debts by instalments</p> <p>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.</p> <p>11.4 Writing off of debts owing to the state [Sections 76(1)(e) and 76(4)(a) of the PFMA]</p> <p>11.4.1 An accounting officer may only write off a debt if he or she is satisfied that –</p> <p>(a) all reasonable steps have been taken to recover the debt, in accordance with a policy determined by the accounting officer, and</p> <p>(b) he or she is convinced that –</p> <p>(i) recovery of the debt would be uneconomical;</p>

Document Name	Section Description or Document Description
	<p>(ii) recovery would cause undue hardship to the debtor or his or her dependants; or</p> <p>(iii) it would be to the advantage of the state to effect a settlement of its claim or to waive the claim.</p> <p>11.4.2 All debts written off must be disclosed in the annual financial statements, indicating the policy in terms of which the debt was written off.</p> <p>11.5 Interest payable on debts to the state [Section 80 of the PFMA]</p> <p>11.5.1 Interest must be charged on debts to the state at the interest rate determined by the Minister of Finance in terms of section 80 of the Act.</p>
<p>Public Service Act of 1994</p>	<p>Non-reduction of salaries</p> <p>The salary of an employee shall not be reduced without his or her consent except in terms of section 38, an Act of Parliament or a collective agreement</p> <p>31. Unauthorized remuneration</p> <p>(1) (a) (i) If any remuneration, allowance or other reward (other than remuneration contemplated in section 38(1) or (3)), is received by an employee in connection with the performance of his or her work in the public service otherwise than in accordance with this Act or a determination by or directive of the Minister, or is received contrary to section 30, that employee shall, subject to subparagraph (iii), pay into revenue-</p> <p>(aa) an amount equal to the amount of any such remuneration, allowance or reward; or</p> <p>(bb) if it does not consist of money, the value thereof as determined by the head of the department in which he or she was employed, at the time of the receipt thereof,</p> <p>(ii) If the employee fails to so pay into revenue the amount or value, the said head of department shall recover it from him or her by way of legal proceedings and pay it into revenue.</p> <p>(iii) The employee concerned may appeal against the determination of the head of department to the relevant executive authority.</p>
<p>Consumer Protection Act of 2008</p>	<p>Section 8 states that if a consumer-</p> <p>(a) fails to pay an amount demanded in terms of subsection (7) within 10 business days after receiving a demand notice, the credit provider may commence proceedings in terms of the Magistrates' Courts Act for judgment enforcing the credit agreement; or</p>

Document Name	Section Description or Document Description
	(b) pays the amount demanded after receiving a demand notice at any time before judgment is obtained under paragraph (a), the agreement is terminated upon remittance of that amount.
Prescription Act of 1969	<p>10. Extinction of debts by prescription</p> <p>(1) a debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant law applies in respect of the prescription of such debt.</p> <p>(2) By the prescription of a principal debt a subsidiary debt which arose from such principal debt shall also be extinguished by prescription.</p> <p>(3) Notwithstanding the provisions of subsections (1) and (2), payment by the debtor of a debt after it has been extinguished by prescription in terms of either of the said subsections, shall be regarded as payment of a debt.</p> <p>11. Periods of prescription of debts</p> <p>The periods of prescription of debts shall be the following:</p> <p>(d) save where an Act of Parliament provides otherwise, three years in respect of any other debt.</p> <p>12. When prescription begins to run</p> <p>(1) Subject to the provisions of subsections (2), (3), and (4), prescription shall commence to run as soon as the debt is due.</p> <p>(2) If the debtor wilfully prevents the creditor from coming to know of the existence of the debt, prescription shall not commence to run until the creditor becomes aware of the existence of the debt.</p> <p>(3) A debt shall not be deemed to be due until the creditor has knowledge of the identity of the debtor and of the facts from which the debt arises: Provided that a creditor shall be deemed to have such knowledge if he could have acquired it by exercising reasonable care.</p>
Basic conditions of employment act 75 of 1997	<p>34. Deductions and other acts concerning remuneration</p> <p>(1) An employer may not make any deduction from an employee's remuneration unless-</p> <p>(a) subject to subsection (2), the employee in writing agrees to the deduction in respect of a debt specified in the agreement; or</p> <p>(b) the deduction is required or permitted in terms of a law, collective agreement, court order or arbitration award.</p>

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	<p>(2) A deduction in terms of subsection (1)(a) may be made to reimburse an employer for loss or damage only if-</p> <ul style="list-style-type: none"> (a) the loss or damage occurred in the course of employment and was due to the fault of the employee; (b) the employer has followed a fair procedure and has given the employee a reasonable opportunity to show why the deductions should not be made; (c) the total amount of the debt does not exceed the actual amount of the loss or damage; and (d) the total deductions from the employee's remuneration in terms of this subsection do not exceed one-quarter of the employee's remuneration in money.
<p>Labour Relations Act 66 of 1995</p>	<p>Section 8 states that An arbitrator conducting an arbitration in terms of this section may make an appropriate award, including-</p> <ul style="list-style-type: none"> (a) ordering any person to pay any amount owing in terms of a collective agreement; (b) imposing a fine for a failure to comply with a <i>collective agreement</i> in accordance with subsection (13);
<p>Eastern Cape Department of Social Development Draft Debt Management and Recovery policy</p>	<p>To provide guidance on the management of Departmental debts and to provide effective and appropriate steps to collect all money due to the Department including amounts received in part payments; and referral of a matter to the State Attorney, where economical, to consider a legal demand and possible legal proceeding in a court of law. The policy is also intended to reduce the risk of increase in the Debt account.</p>

AUTHORISATIONS

Designation:	Name:	Comments:	Signature:	Date:
Recommended by: Director Financial Systems & Accounting Services	M.Jaceni	this is highly recommended.		6/02/2023
Recommended by: Acting CIO	M.E.Gazi	Recommended		10/02/2023
Recommended by: Chief Financial Officer	S.N.Tutani	Recommended		15 Feb 2023
Recommended by: DDG	Dr.N.Z.G.Yokwana	Recommended as requested		15/02/2023
Approved by: Head of the Department	M. Macheмба	Approved		22/02/2023
Distribution and Use of SOP	All Departmental staff			

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