



**LIMPOPO**  
PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

**DEPARTMENT OF  
ROADS AND TRANSPORT**

## **DEBTORS MANAGEMENT POLICY**

## TABLE OF CONTENTS

|                           | PAGE |
|---------------------------|------|
| 1. Purpose                | 3    |
| 2. Legal Mandate          | 3    |
| 3. Responsibility         | 3    |
| 4. Policy Statement       | 3    |
| 5. Application            | 3    |
| 6. Identification of debt | 4    |
| 7. Debt Creation          | 4    |
| 8. Collection Process     | 4    |
| 9. Debt Administration    | 6    |
| 10. Write-off of Debts    | 6    |
| 11. Reporting             | 7    |
| 12. Conclusion            | 7    |
| 13. Policy review         | 8    |

## **1. PURPOSE**

The PFMA require that the accounting officer manage the assets of the department effectively and efficiently.

- ❖ To provide guidance and clear direction on how to managed this asset in a more efficient and effective way.
- ❖ To maximize revenue collection.
- ❖ To minimize the risk of loss of revenue through irrecoverable debtors.

## **2. LEGAL MANDATE**

- ❖ The Public Finance Management Act no.1 of 1999. (Section 38(1)(c)(i) and (d)
- ❖ The Treasury Regulations issued in terms of the PFMA. Part 5:11

## **3. RESPONSIBILITY**

- ❖ The Accounting Officer delegate in the Department of Roads and Transport must take effective and appropriate steps to timeously collect all money due to the institution by maintaining a proper accounts and records for all debtors, including amounts received in part payment and referral of a matter to the State Attorney, where economical, to consider a legal demand and possible legal proceedings in a court of law.
- ❖ Officers with responsibility for the recovery of debts must pursue all debts for which the Accounting Officer is responsible, except for debts which are uneconomical to pursue, or are waived.

## **4. POLICY STATEMENT**

It is the department's policy:

- To manage departmental receivables as an important asset of the department that need effective and efficient management
- To avoid where possible, the creation of receivables
- To ensure maximum recovery of receivables.

## **5. APPLICATION**

- ❖ This policy applies to all officials within the Department of Transport who are entrusted with the responsibilities of managing and controlling departmental debts.

## 6. Identification of debts

- ❖ The types of debtors that may accrue to the department are as follows:
  - Employee debtors (salaries sub-directorate)
  - Vehicle Licensing debtors (Road Traffic and Safety)
  - Traffic summons debtors (Road Traffic and Safety)
  - Other debtors
- ❖ Each directorate within the department should advise finance, revenue sub-directorate, of any debt that is accruing in the department.
- ❖ Sub directorate revenue should keep an updated debtors age analysis at all time.
- ❖ Create a debtors file which will be updated by all debtors information.
- ❖ Debtors should be created in BAS or any Financial system that is in place
- ❖ All communications to the debtors should be kept.

## 7. DEBT CREATION

### 7.1. Recognition of debts

- ❖ Relevant directorates/sub-directorate within the departments advice finance (revenue and system sub-directorate) about a debt accrued in the department.
- ❖ The responsible officer will then open a debtors file in order to create debt with relevant information pertaining to the referred debt.

### 7.2 Creation of debts in the financial system

- ❖ The debt, which has been recognised, should immediately be created into the relevant financial system within a day after opening a debtor's file. The process of creating a debt in the financial system should involve at least two officials, the capturer and the supervisor.

### 7.3 Debtors diary

- ❖ The responsible official must ensure that there is a diary system in place. All calls made to the debtor should be recorded into the debtor's diary.

## 8. COLLECTION PROCESS

The collection process involved six stages:

- Notice Letters
- Phone calls (Call centres)
- Reminders
- Following up of debts
- Demand debts
- Handing over to debt collector

## 8.1 Letters of Notice

- ❖ The debt management unit will within 30 (thirty) working days, send a standard notice letter, on a departmental letterhead after identifying the debt.
- ❖ The notice must inform the debtor that he/she has an opportunity to get clarity about the debt and also an opportunity to enter into written repayment agreement.

## 8.2 Phone calls (call centre)

The debt management unit will make phone calls, within 7 (seven) working days, after the date of notice letter. The calls made must be recorded in the debtor's diary for phone calls.

## 8.3 Reminders

- ❖ Notice letters, to remind the debtor about his/her debt will be send out and the debtor will be given 14 (fourteen) working days to respond.

## 8.4 Follow-up of Debt

- ❖ The officials entrusted with the responsibility of managing departmental debts ensures that debts owing to the department are collected within 12 (twelve) months.
- ❖ Officials are only given a 12 (twelve) months from the date of recognizing the debt to make follow-ups and reasonable efforts to collect these debts, after which the debtor will be labelled defaulter.

### Action:

- After the issuing of remainders to debtors, officials responsible must then ensures that they contact debtors by phone and try to negotiate with them about payments of money owing to the department.
- Evidence of follow up (debtors diary note etc.) is filed. The official must ensure that he/she maintains this audit trail for future reference.
- The official must ensure that where possible, they visit the prospective debtor in their workplace or residential areas for payment negotiations.

## 8.5 Demand letters/Final letters

- ❖ After convinced that reasonable efforts were taken to collect money from the debtor, but still no positive response was received from the debtor in question, the officer in charge must write a standard letter of demand to a debtor which must cover the following:

- The debtor has become delinquent.
- In the absence of any response, he/she will be given 14 (fourteen) working days to contact the office for the last negotiations.
- Failure to contact the office by him/her the following steps will be taken:
  - (a) In case of internal debtors (employees within the department) decision of stop order payment will be effected by Head of Department whereby the payment will be deducted from their salaries either once off or for a period of not more than twelve months depending on the amount.
  - (b) This will be done in consultation with HRM.

#### 8.6 Handing over to debt collectors

- ❖ In case of external debtors, the debt will be referred to the state attorneys.
- ❖ After writing a final letter, the officials are no longer expected to make any contact whatsoever with the debtor in question .
- ❖ The official must ensure that a period of 30 (thirty) working days is allowed to lapse before handing over the debtor's file to the State Attorneys.
- ❖ This should be done through the Accounting Officer of the department.

### 9. DEBT ADMINISTRATION

- ❖ In cases whereby the debtors have responded positively, the debtors files must be maintained properly and effectively.
- ❖ The debtors must be issued with statements of their accounts which will reflect the original debt, amount paid to date, the total amount due which is either 30,60 or 90 days old and the outstanding balance .
- ❖ The statements to debtors must be issued within 7 days after the end of every month.

### 10. WRITE-OFF OF DEBTS

- ❖ Irrecoverable debtors will be written off in terms of the treasury regulation issued in terms of the PFMA (Part 5 chapter 11). This chapter regulation 11.4 gives accounting officer the power to write off debt if the following have been satisfied
  - a. all reasonable steps has been taken to recover the debt and the debt is Irrecoverable, or
  - b. he or she is convince that
    - (i) recovery of the debt would be uneconomical
    - (ii) recovery would cause undue hardship to the debtor or his/ her dependents, or
    - (iii) it would be to the advantage of the state to effect a settlement of its or to waive the claim.

Debtors will be written off in the following cases:

- ❖ A write-off of moneys or assets will occur when it is considered impossible or uneconomical to recover moneys owing to the department. This means that were the cost of recovering debtors is high than the amount to be recovered.
- ❖ It will also occur when it has not been possible to recover the full amount of moneys owing to the department and partial payment has been received
- ❖ In cases where the recovery should cause undue hardship to the debtor or his or her dependants, write off will be considered at the discretion of the HOD.
- ❖ Debts are not to be written off for current departmental officers (officers still employed by the department) and prompt payment should be pursued for such officers
- ❖ No authorised officer is permitted to approve their own personal write-offs or write-downs, or approve any in which they have a conflict of interest.
- ❖ Action:
  - The likelihood of the successful collection of the debt is considered.
  - The department will consider debts less than R100.00 uneconomical to collect through debt collectors (external debts only), but will still submit such files to the state attorneys.
  - A submission is prepared by the Manager: Revenue and systems requesting that the debt be written off
  - The submission is reviewed by the Senior Manager: Finance and the Chief Financial Officer
  - The submission after review by the above will then be submitted to the Head of Department for approval
  - If the approval is granted the debt is written off.

## 11. REPORTING

- ❖ An officer responsible for the recovery of debts should report progress against performance(status of debts) to the Chief Financial Officer/Accounting Officer on quarterly basis
- ❖ The report must cover the following
  - The total number and global amount of debts in the department
  - The types of debts, which constituted the amount.
  - The age analysis
  - A report on delinquent debts
  - A report on debts which are irrecoverable or which may become bad debts which may have or have been written off

## 12. CONCLUSION

- ❖ The finance directorate and the department as a whole is confident that the officials responsible for debt management will find the policy useful in their ongoing efforts to enhance the management of this important departmental asset.

**15. POLICY REVIEW**

The policy will be reviewed annually and where need arises.

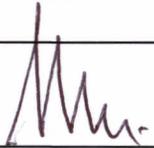
**ENDORSED**

---

---

---

---



**HEAD OF DEPARTMENT**

18/02/09

**DATE**

Note: This policy document is a blue print of the original policy that was approved by Head of Department Ben Mehale on 13.12.04.