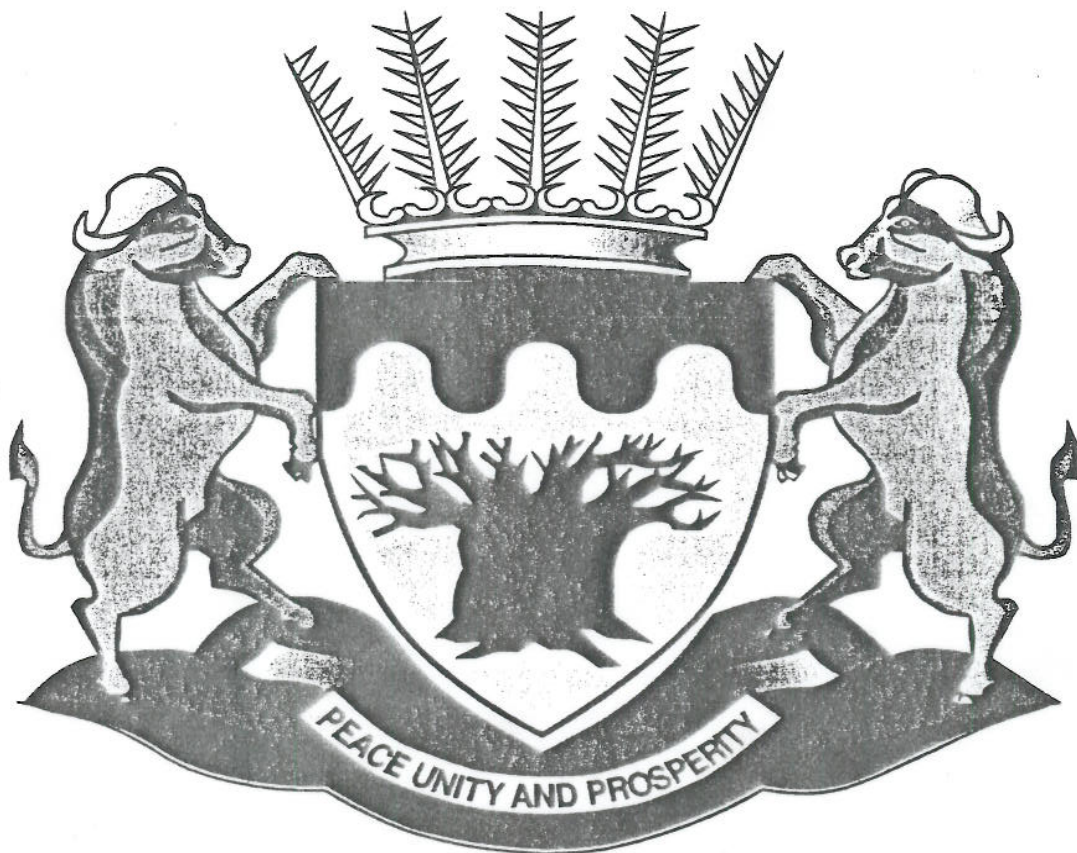


LIMPOPO PROVINCE
DEPARTMENT OF LOCAL GOVERNMENT AND
HOUSING



DEBT MANAGEMENT POLICY

INDEX

1. BACKGROUND	P3
2. MANDATES	P.3
3. TYPES OF DEBT	P.3
4. REPORTING OF AMOUNTS OWING TO THE DEPARTMENT	P.4
5. DEBT ADMINISTRATION	P.5
6. TRACING OF DEBTORS	P.6
7. IDENTIFICATION AND RECOVERY OF AMOUNTS OWING TO THE DEPARTMENT BY RESIGNING EMPLOYEES	P.7
8. INTEREST APPLICABLE TO AMOUNTS OWING	P.8
9. ESTATES OF DECREASED DEBTORS	P.8
10. WRITE-OFF OF DEBTS	P.11
12. IRRECOVERABLE DEBT AS A RESULT OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	P.14

1. BACKGROUND

The prescripts in this policy apply to all debts accruing to the Department and include any amount owing to or receivable by the Department, such as accounts receivable as a result of charges for supplies or services, fees or fines outstanding, and overpayments recoverable by the Department

In terms of paragraph 11.4 of the Treasury Regulations, Accounting Officers may only write off debts owing to the State if he/she is satisfied that:

- All reasonable steps have been taken to recover the debt and the debt is irrecoverable; or
- He or she is convinced that recovery of debt would be uneconomical;
- Recovery would cause undue hardship to the debtor or his or her dependants; or
- It would be to the advantage to the state to effect settlement of its claim or waive the claim.

The Treasury Regulation also require, amongst others that the Accounting Officer ensure that all debts written off are in accordance with a debt management policy, as determined by the Accounting Officer.

2. MANDATES

Public Finance Management Act, No.1 of 1999

Treasury Regulations par.11

Prescription Act 68 of 1969 Section 11

3. TYPES OF DEBT

- Overpayments of salaries and allowances
- Losses to be recovered (e.g. Damage to Gov. vehicle, Machinery, etc.)
- Unauthorised, irregular, fruitless and wasteful expenditure;
- Breach of contract (e.g. Bursary)
- Overpayments to suppliers and providers of a service to the Department;
- Inter-Departmental debts
- Travel and subsistence;
- State guarantees; and
- Debt in respect of shortfalls on deductions payable to other institutions.

4. REPORTING OF AMOUNTS OWING TO THE DEPARTMENT

An employee must, immediately as soon as s/he becomes aware of any amount owing to the Department, inform the Chief Financial Officer in writing or his/her delegate of such amounts. The following details must be included in the report submitted to the Chief Financial Officer or his/her delegate:

- Full name of debtor;
- Identity and registration number;
- Physical and postal address;
- Telephone or cellular number;
- Type of debt;
- Debt description;
- Debt amount; and
- Where applicable, the approval from the Chief Financial Officer.

5. DEBT ADMINISTRATION

5.1 The Chief Financial Officer or his/her delegate must immediately, as soon as s/he becomes aware of any amount owing to the Department, and after it has been confirmed, create a debtor in the financial system.

5.2 The Chief Financial Officer or his/her delegate must immediately as soon as s/he has created a debt account:

- Inform a debtor in writing of any amounts owing to the Department; and
- Request such a debtor to pay the debt within 30 days.

5.3 The Chief Financial Officer or his/her delegate may approve the recovery of amounts owing to the Department in instalments at the request of a debtor, provided:

- The debtor presents an income and expenditure statement
- After reviewing the income and expenditure statement, s/he is satisfied that the recovery of amounts owing to the Department cannot be recovered in one instalment.

5.4 The Chief Financial Officer or his/her delegate may not approve instalments for the recovery of amounts owing to the Department in the following instances:

- Travel and subsistence advances;
- Telephone or cellular phone debt due to private use; and
- Amounts owing to the Department due to an overpayment of a supplier or service provider

5.5 The Chief Financial Officer or his/her delegate may, after s/he has become aware of any negligence or refusal to acknowledge amounts owing to the Department, and where it is economical and in the best interest of the Department, instruct the Office of the State Attorney to recover amounts owing to the Department through a legal process, provided that:

- The debtor received all possible assistance in terms of departmental policy to arrange for payment;
- All possible means were used to get in touch with the person and persuade him/her to pay; and
- Acknowledgement of the amount owing to the Department was not or could not be obtained from the debtor.

5.6. The Chief Financial Officer or his/her delegate must furnish the Office of the State Attorney with all known particulars of a debtor. These include among others:

- Personal information, i.e. full names, surname, address, postal address, telephone and cellular phone number, employer, employer's address, etc.
- Debt details. The amount owed (capital and interest separately) should be stated.
- Steps taken to recover the debt, mentioning any relevant dates.

5.7 The following payment methods should be made available to debtors:

- Bank Guaranteed Cheque
- Electronic funds transfer;
- PERSAL deductions to government employees.

5.8 Payments received from debtors, irrespective of the method, must be allocated to the relevant debtors' account on the day of receipt.

5.9 The cashier must, before a debtor's receipt is captured:

- Obtain the correct allocation from the Debt Section; and
- Ensure that s/he captures the date of the receipt before a debtor's receipt is posted.

5.10 A copy of the receipt must be placed in the relevant debtor's file.

5.11 A debt suspense matching report should be requested monthly to ascertain whether all receipts have been allocated correctly.

5.12 Proper and monthly (continuous) follow-up is necessary to avoid losses as a result of unsatisfactory handling of debt accounts. A debtors report must be prepared on a monthly basis and be submitted to Treasury, consisting of:

- Debtors' number;
- Name, surname, supplier or service provider name;
- Instalments received or not received;
- Partial instalments;
- Settling of debts; and
- Outstanding balance
- Debt Age Analysis
- Debt Category

5.13 As soon as it has been determined that an instalment was not received or a debtor paid less than the agreed amount, the Chief Financial Officer or his/her delegate must:

- In the case of partial payments, send a letter to the relevant debtor requesting immediate payment of the balance of the instalment; and
- In the case of non-payment, send a reminder letter to the debtor requesting immediate payment.

5.14 Should the debtor not be able to pay the full instalment as a result of changed circumstances, the Chief Financial Officer or his/her delegate may at his/her discretion, after considering the circumstances, implement revised monthly instalments.

5.15 Where the payment is not received within 90 days, a letter must be sent informing the debtor that the matter will be referred to the Office of the State Attorney to initiate a legal action.

5.16 If no response is received from a debtor within 14 days after the date of the reminder, the debt must be referred to the Office of the State Attorney to initiate legal proceedings.

5.17 The Chief Financial Officer or his/her delegate may refund a credit balance on a debtor's account, or offset it against other amounts owing to the Department, provided that an amount to be refunded is greater than R25.00

5.18 Money received in excess, and not claimed by the debtor must be surrendered to the Provincial Revenue Fund, provided the excess payment is unclaimed for a period of three months.

6. TRACING OF DEBTORS

6.1 Where a debtor cannot be located and in order to expedite the recovery process, the Chief Financial Officer or his/her delegate is authorised to, and may at his/her discretion, initiate any alternative process as s/he deems fit to locate a debtor, provided that:

- The economical benefits are considered prior to initiating any process; and
- Due consideration be given to the departmental tender process.

7. IDENTIFICATION AND RECOVERY OF AMOUNTS OWING

TO THE DEPARTMENT BY RESIGNING EMPLOYEES

7.1 The Chief Financial Officer or his/her delegate must ensure that:

- The required debt identification form is completed on a timely basis by resigning, retiring or transferring employees;
- All information such as outstanding guarantees, bursaries and private telephone calls, as well as assets such as cellular phones and laptops, are accounted for in the form; and
- The employee's supervisor or manager, and the responsible employees of the relevant support services verify the form.

7.2 The Chief Financial Officer or his/her delegate must immediately, as soon as s/he is informed of any amounts owing by a resigning employee:

- Create a debtor account for the relevant employee;
- Inform the employee in writing of any amount owing to the Department;
- Request such a debtor to pay the debt within 30 days; or

- Alternatively, inform the employee that amounts owing to the Department will be recovered from his/her pension fund contributions.

7.3 The Chief Financial Officer or his/her delegate may, where an employee's pension contribution is not sufficient, or where pension contributions are not applicable, approve the recovery of outstanding amounts owing to the Department in instalments upon request of a debtor, provided that:

- The debtor submit an income and expenditure statement; and,
- After reviewing the income and expenditure statement, s/he is satisfied that the recovery of amounts owing to the Department cannot be recovered in one instalment.

8. INTEREST APPLICABLE TO AMOUNTS OWING TO THE DEPARTMENT

8.1 The Chief Financial Officer or his/her delegate must ensure that the interest rates prescribed by Treasury are applied to all amounts owing to the Department.

Interest will not be charged on debts owed unless:

- The monetary advantage resulted from an employee's own fraudulent action;
- The resulting loss and/or damage was caused deliberately;
- There was breach of contract or a delictual claim relating to the contractual relationship; and
- Debtors are not in the employ of the State.

9. ESTATES OF DECEASED DEBTORS

The Chief Financial Officer or his/her delegate must:

- Subscribe to all government gazettes that relate to deceased estates;
- Review such government gazettes on a daily basis in order to identify deceased debtors and debtors who are insolvent; and
- Submit timeous claims against the estates through the Office of the State Attorney.

10. WRITING-OFF OF DEBTS

10.1 The Chief Financial Officer or his/her delegate may approve the writing off of debt, subject to, and provided that:

- All reasonable steps have been taken to recover the debt, including referral to the Office of the State Attorney;
- Recovery of the debt would be uneconomical;
- Recovery would cause undue hardship to the debtor or his or her dependants (The debtor or his/her dependants would be deprived of their minimum essential means of livelihood)
- It would be to the advantage of the state to effect a settlement of its claim or to waive the claim
- The Department cannot legally prove the claim
- It is not possible to collect any substantial amount
- Statutory requirements prevent debt from being claimed or recovered
- The debtor has neither assets nor income
- All reasonable efforts to trace the debtor have failed
- The State's claim against an insolvent estate or an estate that is being administered as insolvent, had been properly proved and the dividend of the creditors was insufficient to meet the debt;

- On account of the weak financial position of an estate, the danger exists that if the debt is proved, a contribution will have to be paid to the estate;
- There is no possibility now or in the foreseeable future of collection
- The debtor is no longer a resident in South Africa, there are no apparent means of collecting the debt, and there is no evidence that the debtor has family or business concerns in South Africa that could lead to the debtor returning to South Africa;
- The debtor is deceased and there is no known estate;
- The assets of the debtor or of the estate of the debtor are indispensable to the debtor's dependants or are of relatively little value;
- The State Attorney or Head: Legal Services has made a recommendation to that effect and the Department is in agreement therewith; or
- The amount outstanding represents the outstanding balance on the account after payment for the initial service was made, and of which further recovery is deemed to be uneconomical.

10.2 The Chief Financial Officer or his/her delegate must, before a debt is considered to be irrecoverable due to the financial circumstances of the debtor, take the following steps:

- Determine the value of debtor's non-essential assets with the intention to sell such assets at an auction;
- Accept an amount smaller than the current instalment until such time as the debtor's financial position may improve;
- Ascertain whether the stated income and expenditure are correct by contacting the sources; and
- Ascertain whether the recovery would cause undue hardship to the debtor or his or her dependants.

10.3 The Chief Financial Officer or his/her delegate must, before a debt is considered to be uneconomical, perform the following actions:

- A cost analysis must be made on a monthly basis to determine the expenditure incurred, compared to the amount involved. The cost of telephone calls, cellular phone calls, the time spend in Rand, cost of collection agencies, etc. must be considered; and
- The Department will consider debts less than R120.00 uneconomical to collect through debt collectors, but will still submit such files to State Attorney.
- The Office of the State Attorney must be consulted for a legal opinion in cases where it is regarded as advantageous to the state to effect a settlement of its claim, or to waive the claim.

10.4 The Chief Financial Officer or his/her delegate must submit the request for the debt to be written off to the Head of Department, which upon review the approval shall be granted and the debt will then be written off.

11. IRRECOVERABLE DEBT AS A RESULT OF UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The Chief Financial Officer may, after a thorough investigation and approval from Accounting Officer inform Treasury about intentions to write off amounts owing to the Department due to unauthorised, irregular, fruitless and wasteful expenditure

[Signature] 10/10/2005

CHIEF FINANCIAL OFFICER

Approved ~~Not Approved~~

[Signature]

HEAD OF DEPARTMENT

Date: 11/10/2005