

BA-PHALABORWA LOCAL MUNICIPALITY



BAD DEBTS WRITE OFF POLICY

PROCEDURES AND PRINCIPLES ON BAD DEBTS WRITE OFF

2026-2027

- 4.4 To ensure that the Council of the municipality makes enough provision for bad debts in the budget.
- 4.5 To ensure that outstanding monies which have been outstanding for a long period after all attempts have been made in terms of recovering them should then be written off.

5. DEFINITIONS

- 5.1 Arrears - means an unpaid or overdue amount that is due 30 days after the billing date
- 5.2 Bad Debt - means money that is owed to Council but is uncollectible.
- 5.3 Current Debt - means the amount that is due for payment within 30 days to municipal Council.
- 5.4 Debtor - means the municipal Council's customer, whether individual, organization or business entity, who owes money for municipal services.

6. IDENTIFICATION OF IRRECOVERABLE DEBTS

- 6.1 When the municipality identifies customers whose debts appear to be irrecoverable even after the whole credit control and debt collection process have been followed in terms of trying to obtain payments due to Council by customers, then such accounts should be regarded as irrecoverable, the following are some of indicators of debt that is irrecoverable
 - 6.1.1. legal recourse has been exhausted and the municipality is still unable to secure payment of the outstanding debt; or
 - 6.1.2. the success of future legal action by the municipality to recoup the outstanding debt is compromised due to actions or inactions by the municipality or ;
 - 6.1.3. the costs of instituting legal action for the recovery of the outstanding debt would be higher than the value of the outstanding debt; or
 - 6.1.4. the debtor in question cannot be traced and a tracing agency has rendered a non-traceable report on the debtor in question; or
 - 6.1.5. if the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or a deceased estate is insolvent and has no liquid assets to cover the outstanding amount; or

- Each case will receive authorization from the appropriate authorized officer and / or member in accordance with the policy.
- Appropriate records of all authorized write offs will be maintained and reviewed periodically against live caseload.

8. WRITE OFF DELEGATIONS

8.1 The approved delegated levels for write-off are as follows:

- Revenue Manager - Account balance up to R5,000 in consultation with the chief financial Officer
- Chief Financial Officer - Account balance up to R30,000 in consultation with the municipal manager
- Account balance that is R30,000+ must be approved by Council

9. PROCEDURES FOR BAD DEBT WRITE OFFS

The Chief Financial Officer and municipal manager must be satisfied that all avenues for collection of the debt have been fully exhausted before a debt is recommended for write off.

The Council:

- Identifies accounts that are justly uncollectable and should be written off.
- Prepares the write off of uncollectable debts form on which the following is indicated:
 - a) Debtor's name,
 - b) Debtor's address,
 - c) Debtor's account,
 - d) Methods taken to collect the debt,
 - e) Reason(s) why the debt is uncollectable,
 - f) Description of debt,
 - g) Period of the debt and / or date(s) of invoice,
 - h) Amount to be written off,
 - i) Reason for the write off.
- Submits the form in point two above, accompanied by a covering letter signed by the Chief Financial Officer and Finance Committee/Municipal Manager for the Council consideration and approval.
- Upon approval, retains written evidence of the approval by Council at the Debts Collection Unit in a proper form that meets accounts / audit requirements for good record keeping.
- Finally, makes necessary adjustments to the relevant accounts

APPENDIX 1

Ba-Phalaborwa Municipality

Write-off of Uncollectable Debts

To: Council

Date: _____

1. CUSTOMER NAME _____

2. ADDRESS _____

3. AMOUNT _____

4. DATE INCURRED _____

5. NATURE OF ACCOUNT

6. MEASURE(S) TAKEN TO COLLECT

7. REASON(S) THIS ACCOUNT IS DEEMED UNCOLLECTABLE

8. CHECKED AND ENDORSED BY BPM

CHIEF FINANCIAL OFFICER _____

Signature (Printed Name)

9. WRITE-OFF APPROVAL Granted Y/N _____ Declined Y/N _____

MUNICIPAL MANAGER _____

Signature (Printed Name)

Council resolution where possible