

# **BA-PHALABORWA MUNICIPALITY**



**Draft \_ DEBT WRITE- OFF POLICY**

**2026/27**

## **1. INTRODUCTION**

1.1 The Council of Ba-Phalaborwa Local Municipality resolves in terms of Section 97 (1)(d)(ii) of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended and the Local Government: Municipal Finance Management Act, Section 64 (f) to adopt the following as the policy on writing off the bad debts as irrecoverable. Writing off bad debts allows the Council to reclaim VAT output declared and ensures that the level of debtors is not overstated in the Council's financial statements.

## **2. PREAMBLE**

2.1 The Municipal Finance Management Act (MFMA) Act 56 of 2003, aims to modernize budget and Financial Management Practices in the municipality in order to maximize the capacity of the municipality's Service Delivery to all residents, customers and users.

2.2 It also gives effect to the principles of transparency as required by Section 215 and 216 of the Constitution.

2.3 The Council of the municipality in adopting this policy on writing off bad debts recognizes its responsibilities as set out in Chapter 9 of the Local Government Municipal Systems Act, Act 32 of 2000 as amended.

## **3. OBJECTIVE**

3.1 To improve on the Council's accounts and financial records by writing off bad debts irrecoverable.

3.2 To provide the identification of bad debts during the course of the financial year.

3.3 The writing off of bad debts at least before or at the end of the financial year.

3.4 The proper delegation of powers to the Chief Financial Officer to write off bad debts up to a certain amount.

## **4. VISION**

4.1 The vision of the policy is to ensure that the debtors of the municipal Council are not overstated in the books of the Council

4.2 To ensure any long outstanding debt is evaluated in order to determine the possibility of realizing such income as revenue.

4.3 To ensure that where it is evident that a particular debt cannot be turned into revenue such debt be procedurally regarded as irrecoverable and written off.

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

6.1.6. a competent Plea of Prescription has been raised by the defendant in the Plea, or alternatively if the Plea of Prescription is raised *ex facie* the Plea but carries the real risk that it would be upheld if raised properly in the Plea; or

6.1.7. if, as a result of the lack of evidence, it is not possible to prove the debt outstanding; or

6.1.8. if the outstanding amount is due to an irreconcilable administrative error by the municipality; or

6.1.9. if the Sheriff of the Court has rendered a *Nulla Bona* return on movables and the debtor has no immovable property.

6.2 Any cases that fall outside the above mentioned criteria should be submitted to the Chief Financial Officer for further consideration for approval.

6.3 Once the debt is regarded as irrecoverable during the course of the year it must be grouped with others so that at the latest by the 1<sup>st</sup> July every year the report should serve before the Council in order to write off the irrecoverable debts of amounts over the authorized limit.

## **7. DETAIL OF DEBT TO BE WRITTEN OFF**

7.1 The following information needs to be provided for each debt to the officer / member who will authorize the write offs:

- Debtor's name,
- Debtor's address,
- Debtor's account,
- Methods taken to collect the debt,
- Reason(s) why the debt is uncollectable,
- Description of debt,
- Period of the debt and / or date(s) of invoice,
- Amount to be written off,
- Reason for the write off.

7.2 Supporting documentation must be retained and available that shows:

- Evidence to support the write off,
- Recovery history,
- Details of tracing and enquires carried out,

7.3 In considering a debt for write off the following conditions will apply:

- Each case will be considered on its merits,
- Except for bulk write off that may be approved by council.
- Each request will be supported by relevant documentation,
- 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 recommended 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

## **10. RECOVERY OF IRRECOVERABLE DEBTS**

Should there be a payment in respect of the account which has already been written off, such monies must be allocated to the specific vote number designed for the recovery of irrecoverable debts.

## **11. SUNDRY MATTERS**

Council may from time to time implement an incentive scheme which may entitle writing off of certain debts.

The chief financial officer may also negotiate or grant settlement discount or wave interest for clients who want to settle their account.

The municipal accounts not rebating will also be written off before the end of the financial year every year, or when the transfer of property need to happen and whenever the accounts are identified and confirmed to be owned and occupied by the municipality, or its tenants.

## **12. IMPAIRMENT OF DEBTORS (PROVISION FOR DOUBTFUL DEBT)**

The assessment for impairment will be done based on the Methodology

### **12.1 Sale of Land/erven**

Loans were given at a low interest rate of 7,5% per annum to encourage development through the sale of erven since the inception of the MFMA no new loans are granted. These debtor accounts may be assessed individually to establish whether evidence exists for impairment that these debtors are irrecoverable.

## **13. SHORT TITLE AND COMMENCEMENT**

This policy is called the Ba-Phalaborwa Local Municipality's Policy for the writing off of irrecoverable debts.

## **14. REVIEW OF THIS POLICY**

This policy must be reviewed on annual basis to take into account developments of legislation governing financial management in local government as well as accounting standards.

**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