

# **BAD DEBT WRITE-OFF POLICY**

## **1. Preamble**

- 1.1 Council accepts and acknowledges its Constitutional duties towards the community of the Municipality.
- 1.2 Council further acknowledges that in order to deliver services in a sustainable manner, the said delivery of service will have to be conducted within Councils financial and administrative capacity.
- 1.3 Council therefore accepts its duty to prepare financial statements that truly reflects the financial position of the Municipality.

## **2. Debt associated with ownership of property (Rates accounts).**

Debt raised by Council for the services rendered to registered owners of the property/land i.e. Assessment rates, Refuse removal, Sewerage, Basic electricity and Basic water will not be written-off except when the property is disposed off in the liquidation process and the proceeds do not cover the outstanding debt, the balance can then be written-off as irrecoverable.

## **3. Metered Services Debt.**

Debt owed to Council due to consumed metered services, i.e. Water and Electricity consumption will be regarded as irrecoverable in the following instances:

- 3.1 Where the consumer is untraceable;
- 3.2 If the debt has prescribed;
- 3.3 Insolvent estates;

## **4. Sundry Debt.**

Debt owed to Council arising from auxiliary services rendered by Council will be regarded as irrecoverable in the following instances:

- 4.1 Where the debtor is untraceable;
- 4.2 If the debt has prescribed;

## **5. Steps to be taken before writing-off debt.**

Before any debt can be written-off, all the applicable actions as contained in the approved Credit and Debt collection policy of Council should have been

executed/implemented. However, there will be special cases where the Credit and Debt collection policy will not be implemented and replaced by other available administrative procedures.

## **6. Special cases.**

The allocation of stands and now recently RDP houses by the Directorate Planning and Development, has in some instances resulted in debt raised for the property in the name of the person allocated the house, but who never took occupation due to either one of the following reasons:

- 6.1 Occupation taken up by illegal occupants;
- 6.2 Failure to inform the rightful owner about the allocation;
- 6.3 Alteration of allocation not effected in Council records;

In the above-mentioned cases there will never be a need to implement the Credit and Debt collection policy; therefore write-off should take place immediately when the Directorate involved in the allocation of property issues a memorandum that confirms the above. Furthermore the write-off should be effected and later reported to Council for notification purposes.

## **7. Indigent Household.**

This policy deals with all write-offs excluding the Indigent household write-offs which will continue to be sanctioned under the approved Council Indigent household policy.

## **8. Amounts above R1 000.00.**

The writing off of individual debt above one thousand rand (R1 000.00) will take place only after the approval of Council, and the writing off of individual debt amounting to one thousand rand (R1 000.00) and below will be effected after the approval of both the Municipal Manager and Chief Financial Officer.

## **9. Bad Debts Recovered.**

The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated, however, further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

## **10. Interest.**

Interest levied on accounts as a result of an error from Council's side will be written-off.

## **11. Provision for irrecoverable Debt.**

Provision for Bad debt/irrecoverable debt will constitute accounts that are 90 days and more in arrears where there was no payment for twelve (12) months.