

# *Chief Albert Luthuli Municipality*

*The transparent, innovative and developmental municipality  
that improves the quality of life of its people*



## **Bad Debts and Write-off Policy 2019/20**

CONTROL SHEET	
<i>Policy Number</i>	
Policy Name	Debts & Write-Off Policy
Policy Status	Review
Date of last Approval	May 2019
Policy review / Development	Policy to be reviewed
Date of next review	This policy shall remain effective until such time approved otherwise by Council and may be reviewed whenever it is necessary to align it with changes of relevant legislation or operations
Purpose	<ul style="list-style-type: none"> <li>To provide that a municipality must collect all money that is due and payable to it, subject to the provisions of the Act and other applicable legislation.</li> </ul>
Aims and objectives	<ul style="list-style-type: none"> <li></li> </ul>
Policy custodian	Chief Financial Officer
Related Policies and Legislations	<ul style="list-style-type: none"> <li>National Treasury Regulations</li> <li>Municipal Financial Management Act</li> <li>Municipal Structures Act</li> <li>Municipal Systems Act</li> </ul>
Approving authority	Council
Applicability	This policy applies to all CALLM customers
Amendments to the Policy	<ul style="list-style-type: none"> <li>None</li> </ul>
Policy Benchmark and References	<ul style="list-style-type: none"> <li>TCLM</li> </ul>
Stakeholders Consulted	CALM Finance department
Accountability	The Municipal Manager is accountable for the proper implementation of this policy in terms of the Systems Act.

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### 1. Purpose of the Policy

Section 96 of the Local Government: municipal Systems Act, 2000 (Act No 32 Of 2000), provides that a municipality must collect all money that is due and payable to it, subject to the provisions of the Act and other applicable legislation.

It is recognised, however, that circumstances may arise that may make the recovery of certain debts impossible, impractical or financially unfeasible and that such debts may have to be written off.

### 2. Definitions

In this policy, unless the context indicates otherwise -

**“Accounting officer”** means the municipal manager appointed in terms of section 82 of the municipal Structures Act, 1998 (Act No 117 of 1998);

**“Council”** or **“municipal council”** means the council of the municipality referred to in section 18 of the municipal Structures Act.

**“Debt”** means an amount owing to the municipality;

**“Debtor”** means a person who owes the municipality money for services rendered;

**“Municipality”** means Chief Albert Luthuli Municipality;

### 3. Steps to be taken before writing off debt

#### (1) Actions in terms of the credit control and debt collection policy

All the applicable actions as contained in the credit control and debt collection policy of council.

#### (2) Tracing debtors

In the event that the debtor’s address is not known, all reasonable steps must be taken to trace the debtor. A reasonable effort to trace the debtor will include, but is not limited to, the following:

- (a) Utilising all the information available (such as vehicle registration number) to locate the debtor;
- (b) Utilising the telephone directory for the last town or city in which the debtor lived to locate the debtor and/or his/her relatives; and

(c) Contacting the following institutions or persons in order to locate the debtor:

- (i) The Vehicle Registration Authorities;
- (ii) The Department of Home Affairs.
- (iii) Independent Authorities i.e. Icasa; Rica, Post Office, Credit berue etc.

#### **4. Indigent household debt**

- (1) Debt owed to council by an Indigent Household, when registering for the first time in terms of the official Indigent Policy, shall be written off as a once-off concession, subject to a thorough audit investigation and certification to the effect that the household is a bona fide indigent as stipulated in the Indigent Policy.
- (2) Debt owed by the deceased estate of the breadwinner of a registered indigent household shall be written off in instances where the next of kin present proof that the property transfer fees has been paid and the service contract is signed in his/her name.

#### **5. Writing off debt**

- (1) Debt shall be written off once, on an annually basis.
- (2) Debt shall be regarded as written off only upon approval by council and such approval has been recorded in the prescribed way.
- (3) Any debt that is written off shall be done in accordance with GRAP (Generally Recognised Accounting Practices).
- (4) Debt that is irrecoverable shall be identified and each specific debt shall be considered on its merits after having taken into account the results yielded by debt collection mechanisms and procedures.
- (5) Furthermore, the municipality must take into consideration the cost implication of attempting to collect debt that is irrecoverable.
- (6) Prior to writing off any debt, the municipality -
  - (a) Shall have exhausted all measures as provided for in its credit control and debt collection policy;
  - (b) Shall certify that the debt that is proposed to be written off has been pursued diligently and completely;
- (7) If the debtor is untraceable or cannot be identified so as to proceed with further action such debtor;
- (8) If it is not possible to prove the debt outstanding;
- (9) If the amount to be recovered is too small to warrant further endeavours to collect it;
- (10) If the cost to recover the debt does not warrant further action, i.e to summons in another country; or
- (11) Certify that no other foreseeable possibility exists in the recovery of such debt.

#### **6. Information needed for authorisation to write off debt**

(1) Schedules indicating the following must be compiled and presented to council:

- (a) the debtor's name;
- (b) the debtor account number;
- (c) the physical address;
- (d) the amount to be written off per account category; and
- (e) the reason for writing off the amount concerned.

**7. Provision for bad debt**

Provision for bad debt or irrecoverable/impairment debt shall be made in terms of GRAP (Generally Recognised Accounting Practice).

**8. Effective Date**

This policy has been approved by the Municipality in terms of Resolution ---- dated --- and comes to effect

From 1<sup>st</sup> of July 2019