



# MUNISIPALITEIT DAWID KRUIJER MUNICIPALITY

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## POLICY 011/2020 RAADSBELEID

SUBJECT/ONDERWERP:            **WRITING OFF OF IRRECOVERABLE DEBT**

REFERENCE/VERWYSING:        **15.1.B**

RESOLUTION NR/BESLUIT NO:   **16.9/11/2020**

DATE/DATUM:    **24 November 2020**

### **1. INTRODUCTION**

1.1 Despite strict enforcement of the Customer Care, Credit Control, Debt Collection and Indigent Support Policy, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt.

### **2. PURPOSE OF THE POLICY**

2.1 The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalised.

### **3. RESPONSIBILITY / ACCOUNTABILITY**

3.1 The Council has the overall responsibility for adopting and approving the Policy and Principles on Writing Off of Irrecoverable Debt.

### **4. POLICY PRINCIPLES**

4.1 The following are the guiding principles in implementing the Policy on Writing Off of Irrecoverable Debt:

4.1.1 The policy is in accordance with the Local Government Municipal Finance Management Act 2003, Local Government Municipal System Act 2000, as amended and other related legislation.

4.1.2 Before any debt is written off it must be proved that the debt has become irrecoverable. To ensure that recommendations for write off are consistent and accurate, irrecoverable debt will be defined as:

- (a) Where the tracing of the debtors is unsuccessful; and
- (b) All reasonable steps were taken by the officials to recover the debt.
- (c) Where the outstanding debt prescribes in terms of the Prescription Act 68 of 1969.

4.1.3 Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered.

4.1.4 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.

4.1.5 Debt can only be written off if the required provision for bad debts exists in the Municipality's budget and/or reserves.

## **5. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR THE WRITING OFF OF IRRECOVERABLE DEBT**

### **5.1 Balances too small to recover considering the cost for recovery**

5.1.1 Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalisation of any final readings and other administrative costs results in a balance of one thousand rand (R 1,000) or less or the amount determined by Council from time to time during the budget approval process, such amount must be written off with the proviso that:

- (a) When the balance amounts to R 200 or less or the amount determined by Council from time to time during the budget approval process; the account must be forwarded once to the consumer for payment;
- (b) When the balance amounts to R 500 or less or the amount determined by Council from time to time during the budget approval process; the account must be forwarded once to the consumer with a follow-up reminder for payment;
- (c) When the balance amounts to R 1,000 or less or the amount determined by Council from time to time during the budget approval process; the account must be forwarded once to the consumer with a follow-up reminder and a final reminder for payment.

5.1.2 Where such account as stipulated in 5.1.1 (a), (b) and (c) is not paid by the respective consumer within a period of hundred and twenty (120) days such amounts will automatically be written off subject to the provisions of Section 6.1 below.

### **5.2 Insolvency of the Debtor and Insolvent Deceased Estates**

5.2.1 Where a debtor becomes insolvent the Municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds must be written off subject to the provisions of Section 6.1 - 6.3 below.

5.2.2 In case of death of the debtor a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds must be written off subject to the provisions of Sections 6.1- 6.3 below.

### **5.3 Untraceable Debtors**

5.3.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such account must be handed over to a collection agent for recovery of the debt. The Terms of Reference for such collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the Municipality on the actions that were taken to attempt to trace the debtor.

5.3.2 Any amount owed by a debtor that has become untraceable must be written off or sold to a debt collection agency at a discount.

5.3.3 Debt written off in the above instances will automatically result in the debtor being reported to the credit bureau by the Municipality.

#### **5.4 Special Incentive introduced for Consumers in terms of the Approved Revenue Enhancement Strategy**

##### **5.4.1 Residential**

When a debtor who does not want to make arrangements for the repayment of his/her arrear account as set out in the Municipality's Customer Care, Credit Control, and Debt Collection Policy, pays **50%** on his/her arrear account as on 30 June 2020, through a once-off payment, the remaining **50%** on his/her arrear account as on 30 June 2020, will be written off immediately.

##### **5.4.2 Churches, Welfare Organisations and Emerging Farmers**

When a debtor in this category of consumers who does not want to make arrangements for the repayment of their arrear account as set out in the Municipality's Customer Care, Credit Control, and Debt Collection Policy, pays 50% on the arrear account as on 30 June 2020, through a once-off payment, the remaining 50% on the arrear account as on 30 June 2020, will be written off immediately.

##### **5.4.3 Business and Industrial**

When a debtor who does not want to make arrangements for the repayment of his/her arrear account as set out in the Municipality's Customer Care, Credit Control, and Debt Collection Policy, pays **70%** on the arrear account as on 30 June 2020, through a once-off payment, the remaining **30%** on the arrear account as on 30 June 2020, will be written off immediately.

#### **6. DELEGATION OF AUTHORITY**

6.1 The Chief Financial Officer will, after thorough review of any applications in terms of this Policy, be delegated to write off any amounts in the case of a household consumer to the maximum of R10,000 (excluding interest and penalties) per submission or the amount determined by Council from time to time during the budget approval process.

6.2 Any amount in excess of the delegation provided for in paragraph 6.1 above must be submitted together with a recommendation to the Municipal Manager for consideration. The Municipal Manager will, after thorough review of any recommendation by the Chief Financial Officer and in terms of this Policy, be delegated to write off any amounts in the case of a household consumer to the maximum of R20,000 (excluding interest and penalties) per submission or the amount determined by Council from time to time during the budget approval process.

6.3 Any amount in excess of the delegation provided for in paragraph 6.2 above and in the case of a business consumer and other consumers may only be reviewed by the Committee and must be submitted together with a recommendation to Council via the Budget & Treasury Committee.

6.4 All amounts to be written off in terms of Section 6.1 and Section 6.2 above must be considered individually and each case on its own merits must be separately reported to the Budget & Treasury Committee.

#### **7. IMPLEMENTATION AND REVIEW OF THIS POLICY**

7.1 This policy shall be implemented once approved by Council. All future submissions for the writing off of debt must be considered in accordance with this policy.