



DIPALESENG LOCAL MUNICIPALITY

DEBT WRITE OFF POLICY

2026/2027

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1. INTRODUCTION

The Municipal Finance Management Act, Act 56 of 2003 states that the municipality must manage its revenue by ensuring a proper system of internal control exists in respect of debtors and revenue.

The municipality must budget for realistic anticipated revenue less an acceptable provision for bad debts.

The policy aims to ensure that debtors are disclosed in the annual financial statements at the amounts deemed to be collectable and uncollectable debt is written off within the guidelines of existing policies and applicable legislation.

By adopting this policy clear guidelines are set on the treatment of the impairment of debtors and write-off of debtors.

2. OBJECTIVES OF POLICY

The objectives of this policy are to:

- ♣ ensure any long outstanding debt is evaluated in order to determine the possibility of realizing such income as revenue.
- ♣ ensure that where it is evident that a particular debt cannot be turned into a revenue such debt be procedurally regarded as irrecoverable.
- ♣ ensure that the council of the municipality makes enough provision for bad debts in the budget.

♣ ensure that outstanding monies which have been outstanding for a long time after all attempts have been made in terms of recovering them should then be written off.

♣ ensure the identification of bad debts during the course of the financial year.

♣ provide guidelines on the writing off of bad debts at least three (3) months before the end of the financial year.

♣ ensure the proper delegation of powers to the chief financial officer to write off bad debts up to a certain amount.

3. LEGISLATIVE FRAMEWORK

♣ Municipal Systems Act, Act 32 of 2000

♣ Municipal Finance Management Act, Act 56 of 2003 ♣ Standards of Generally Recognized Accounting Practice

4. STATEMENT

This policy be applicable to all categories of debt but not limited to:

♣ Consumer debtors. ♣ Sundry debtors. ♣ Traffic fine debtors.

IDENTIFICATION OF IRRECOVERABLE DEBTS

Debt is identified to be irrecoverable after the whole credit control and debt collection process has been followed and no payments were received towards the outstanding account.

Notwithstanding the statement above traffic fine notices that have been outstanding for more than three (3) years after the date of the issue of the traffic fine are regarded as irrecoverable debts as such written off.

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 April every year the report be submitted to council to approve the write-off of the identified irrecoverable debts.

5. WRITING OFF OF IRRECOVERABLE DEBTS

Where debts are identified as being irrecoverable, the process of writing off

will be treated as follows:

6.1 Amounts equal to or lower than amounts delegated to the chief financial officer (CFO) by council resolution from time to time

The chief accountant estate affairs and credit control must prepare a report within the delegated powers of the CFO containing the following:

- ♣ consumer details;
- ♣ irrecoverable amount broken down by service;
- ♣ details on credit and debt collection processes followed to recover the debt;
- ♣ reasons that led to debt being identified as being irrecoverable; ♣ confirmation that all available avenues to recover debt have been exhausted; and
- ♣ confirmation that further actions would be fruitless and not cost effective.

The report of the chief accountant estate affairs and credit control must be scrutinized by the assistant director treasury office and recommend the writing off to the CFO for consideration.

Upon approval by the CFO, the credit control section will draw a Dipaleseng Local Municipality cheque against the debt impairment provision vote in the income and expenditure ledger and process it against the relevant debtors account.

The chief accountant estate affairs and credit control must annually prepare a reconciliation of debt impairment accounts/votes with supporting documentation to be submitted to the budget office by no later than 20 July of each year to be retained for audit purposes.

6.2 Amounts exceeding the CFO delegated authority

The chief accountant estate affairs and credit control must prepare a report in excess of the CFO delegated powers containing the following:

- ♣ consumer details;
- ♣ irrecoverable amount broken down per service;
- ♣ details on credit and debt collection processes followed to recover the debt;
- ♣ reasons that led to debt being identified as being irrecoverable; ♣ confirmation that all available avenues to recover debt have been exhausted; and
- ♣ confirmation that further actions would be fruitless and not cost effective.

The report of the chief accountant estate affairs and credit control must be scrutinized by the assistant director treasury office and recommend the writing off to the mayoral committee for consideration. The final report to the mayoral committee must be signed off by the CFO.

Upon approval by the mayoral committee, the credit control section will draw a Dipaleseng Local Municipality cheque against the debt impairment provision votes in the income and expenditure ledger and process it against the relevant debtors account.

The chief accountant estate affairs and credit control must annually prepare a reconciliation of debt impairment accounts/votes with supporting documentation to be submitted to the budget office by no later than 20 July of each year to be retained for audit purposes.

6.3 Specific debt write offs

The chief accountant estate affairs and credit control may prepare a report to the mayoral committee from time to time for specific uncollectable debt transactions such as:

- ♣ •liquidations in terms of section 89 of the Insolvency Act, Act 24 of 1936;
- ♣ •erven brought back by Council;

♣ outstanding debts that are older than two (2) years that cannot be recovered during the transfer of immovable property as in terms of section 118(1)(b) of the Systems Act, Act 32 of 2000; and/or

♣ for a specific debt category

The report for specific debt write-offs must contain the following:

- ♣ consumer details;
- ♣ reason for specific debt write-offs;
- ♣ amount to be written off broken down per service;
- ♣ confirmation that all avenues to recover debt have been exhausted; and
- ♣ confirmation that further actions would be fruitless and not cost effective.

Where outstanding debtors that are older than two (2) years could not be recovered during the transfer of immovable property, as per section 118(1)(b) of the Systems Act, Act 32 of 2000, the council must attach the proceeds from the sale of the property, failure to, the debt be written off as irrecoverable.

The report of the chief accountant estate affairs and credit control must be scrutinized by the assistant director treasury office and recommend the writing off to the mayoral committee for consideration. The final report to the mayoral committee must be signed off by the CFO.

Upon approval by the mayoral committee, the credit control section will draw a Dipaleseng Local Municipality cheque against the debt impairment provision votes

in the income and expenditure ledger and process it against the relevant debtors account.

The chief accountant estate affairs and credit control must annually prepare a reconciliation of debt impairment accounts/votes with supporting documentation to be submitted to the budget office by no later than 20 July of each year to be retained for audit purposes.

6.4 Traffic fine debtors write off

According to circular 20 of 2006 of the Magistrates' Courts Judiciary, warrants of arrest issued in terms of section 56(5) of the Criminal Procedure Act, No. 51 of 1977 in respect of traffic offences have a life span of two (2) years from the date of issue thereof.

Consequently, traffic fines that have been outstanding for more than three (3) years after the date of issue of the traffic fine will be regarded as irrecoverable and be written off.

At each reporting date the finance department will initiate an item to council indicating all traffic fines outstanding for more than three (3) years for approval to be written off as irrecoverable.

7. 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

8. SUNDRY MATTERS

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

9. IMPAIRMENT OF DEBTORS

Impairment of debtors will be done in accordance with the Methodology on Impairment of Receivables Policy.

10. SHORT TITLE

This policy shall be called the Impairment of Debtors and Write-Off Policy.

This policy comes in effect on date of approval.

Implementation Date	Council Resolution no.	Adopted Date
1 July 2026		