

**STEVE TSHWETE LOCAL  
MUNICIPALITY  
MP313**



**POLICY ON THE WRITING OF BAD  
DEBTS AS IRRECOVERABLE**

## 1. **Introduction**

The Council of Steve Tshwete 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.

## 2. **Preamble**

The Municipal Finance Management Act (MFMA) Act 56 of 2003, aims to modernize budget and Financial Management Practices in municipality in order to maximize the capacity of the municipality's to deliver services to all residents, customers and users. It also give affect to the principles of transparency as required by Section 215 and 216 of the constitution.

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. **Vision**

The vision of the policy is to ensure that the debtors of the municipal Council are not over stated in the books of the Council.

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

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

To ensure that the Council of the municipality makes enough provision for bad debts in the budget.

To 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.

## 4. **Statement**

This policy aims to set down principles for the implementation of the writing off of bad debts.

## 5. **Objectives**

The objectives of this policy is to provide for :

- The identification of bad debts during the course of the financial year.

- The writing off of bad debts at least three months before the end of the financial year.
- The proper delegation of powers to the Chief Financial Officer to write off bad debts up to a certain amount.

## 6. **Identification of irrecoverable debts**

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 payment, then such accounts should be regarded as irrecoverable unless :

- The debtor is indigent
- Cost to recover exceeds the debt
- Where Attorneys advise the Council not to proceed with the debt

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> April every year the report should serve before the Council in order to write off the irrecoverable debts.

## 7. **Delegations**

The Chief Financial Officer be delegated to write off all irrecoverable debts up to the value of R1 000,00.

That all debts above the value of R1 000,00 be referred to the Executive Mayor for approval to write off as irrecoverable.

## 8. **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.

## 9. **Sundry matters**

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

## 10. **Short title and commencement**

This policy is called the Steve Tshwete Local Municipality's Policy for the writing off of irrecoverable debts.