



DEBT WRITE-OFF POLICY

2024/25

FINANCIAL YEAR

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1. INTRODUCTION

Mohokare Local Municipality is committed to ensuring that debt write-offs are kept to a minimum by taking all reasonable steps to recover money owed to the Council. However, there will be situations where the debt recovery process fails to recover all or some of the debt. In such cases the debt needs to be recommended for write-off. Writing off debt ensures that the level of debtors is not overstated in the Council's financial statements.

2. AUTHORISATION LEVELS

The recommended delegated levels for write-offs are as follows: -

- The Chief Financial Officer to recommend to Management
- Management to recommend to Finance Committee
- The Finance to recommend to Council for final approval

3. DETAILS OF DEBT TO BE WRITTE-OFF

The following information needs to be provided for each debt to the municipal official/committee who will authorize the write-offs:

- Debtor's name
- Debtor's address
- Description of debt
- Period of debt and/or date(s) of invoice
- Amount to be written off
- Reason for the write off

Supporting documentation must be retained and available that shows:

- Evidence to support the write-off
- Recovery history
- Details of tracing and enquires carried out

In considering a debt for write-off the following conditions will apply:

- Each case will be considered on its merits
- Each request will be supported by relevant documentation
- Each case will receive authorization from the appropriate authorized municipal official and/or committee in accordance with policy
- Appropriate records of all authorized write-offs will be maintained and reviewed periodically against live caseload.

4. FURTHER WRITE-OFF CRITERIA

Each case needs to be considered on its own merits, but there are a number of reasons for a debt being passed for write-off as summarized below:

- **Not cost effective to recover** - the amount outstanding is not cost effective

to pursue (de minimis). Collection costs would outweigh the amount recovered.

- **Claimant deceased** - the customer is deceased and there are insufficient funds in the estate with which to discharge the debt.
- **Claimant absconded** - the customer is gone away and tracing proves unsuccessful
- **Bankruptcy** - the debtor is the subject of insolvency proceedings and so recovery action is not allowed
- **Ill health** - severe health considerations
- **Undue hardship** - where the recovery of the debt will cause undue hardship
- **All avenues exhausted** - where the recovery process has been exhausted and there are no realistic prospects for recovery.

Any cases that fall outside of these criteria should be submitted to the Chief Financial Officer for further consideration for approval.

- **Registered destitute and indigents** accounts in arrears to be written-off in full including property rates once the required documentation is completed and approved by Council. Any property sold within 12 months after the write-off is granted the full amount to be recovered from sale. Any default on account after the write-off, the credit control and debt collection processes to follow without further notice.
- **Registered destitute and indigents** who submitted building plans after the write-off is granted the full amount will be reversed.

□ **Incentive for domestic debtors: -**

- Settlement of an account over **R5,000.00 - 25%** discount
- **25%** payment on account over **R5, 000.00 - 25%** discount on account and arrangement for the balance. This applies to a debt as at 30 June 2024. Failure to honour the arrangement will automatically nullify the settlement agreement.

This incentive is valid for a period of six months i.e. 1st July 2024 to 31st December 2024

5. REVIEW OF THE POLICY

The policy to be reviewed and approved by Council annually as part of the budget process.