INGQUZA HILL LOCAL MUNICIPALITY

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BAD DEBT AND WRITE OFF POLICY 2026/27

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REVIEW HISTORY

LAST REVIEW DATE	SUMMARY OF CHANGES
May 31, 2025	• **No amendments**
June 30, 2025	• **No amendments**
May 31, 2026	• **Paragraph 5 amended to remove:** ○ Calculated per debtor type i.e. Residential & Business. ○ No provision should be made for Government debtors

1. INTRODUCTION

The municipality accepts and acknowledges its constitutional duties towards the community of the Ingquza Hill Local Municipality. The municipality further acknowledges that in order to deliver services in a sustainable manner, the said delivery of services will have to be conducted within the municipality's financial and administrative capacity.

2. BAD DEBT WRITE OFF

A debt will be written-off as a bad debt expense when the following criteria has been met:

- It is not economical to pursue the debt further;
- The debt cannot be proved and cannot be located;
- The debt has been prescribed;
- The consumer is registered as an indigent;
- The debt is owed by a liquidated company or an insolvent estate.
- The household is headed by a minor as a result of death of parents.
- The debtor is deceased and the estate is not sufficient to cover the debt.

3. DEBT ASSOCIATED WITH LIQUIDATION OF OWNERSHIP OF PROPERTY

Debts raised by the municipality for the services rendered to registered owners of property (Assessment rates and Refuse removal) will not be written - off except when the property is disposed off in the liquidation process and the proceeds do not cover the outstanding debt, the balance can then be written-off as irrecoverable.

4. STEPS TO BE TAKEN PRIOR TO A WRITE OFF

Prior writing off any debt, all the applicable actions as contained in the municipality's approved credit control and debt collection policy should have been executed.
Each case should be considered separately on its merits.
Each request or consideration to be supported by relevant documentation.

5. PROVISION FOR BAD DEBTS

A provision for bad debts will be made on all debtor accounts based on the following criteria:
The provision for bad debts is calculated as followings:

- All debt outstanding without receipts are provided for by 100%.

- All debts outstanding where there is a receipt are provided for by 100% less the recovery % per debtor type for the year.
- All debts outstanding for traffic fines will be provided for by 100% less the recovery for the total debt of traffic fines.

All outstanding debt resulting from issuance of traffic fines will be calculated on total debt and not on individual traffic fines. This is due to the unavailability of historical information for each fine issued.

For the purposes of financial reporting the provision for the year is pro-rata by service type i.e. rates, refuse, lease rentals and traffic fines.

6. INTEREST

Interest levied on customer accounts as a result of an error from the municipality's side will be written-off immediately upon approval by the Accounting Officer within 30 (thirty) days.

7. APPROVALS

Approval will be effected as follows:

- Approval of writing-off the interest portion that has been incorrectly raised by the municipality will be done by the Municipal Manager.
- Approval of effecting a provision for bad debts as stipulated on item 6 above will also be made by the Municipal Manager.
- Approval to write-off any debtor account in full or in part as a bad debt will be done by the Council.

List of debts to be considered for write off should have the following information:
Debtor's name, address, description of debt, period the debts has been in arrears, amount to be written off, and the reason to write off.

8. CATEGORIES TO BE SUBMITTED FOR WRITE OFF

CATEGORY	REQUIREMENT	ACTION
Not economical to pursue	If the debt is no more than R10 000	Submit for write off
Debtor untraceable	All attempts to trace and recover debt have failed	Submit for write off
Liquidated/bankrupt	Claim against the debtor have been lodged with the administrators	Submit for write off
Child headed home	A minor is responsible for the household with limited source of income.	Submit for write off
Ill health/ deceased	Written submission of one of the following	Submit for write off

	cases: • Terminally ill or old aged accommodation and only sources of income are for maintenance of health • Severely mentally impaired and no financial assistance • Long-term hospitalization, health care center or home based care with no financial assistance.	

9. MONITORING

Monitoring and implementation of this policy will be administered by the Municipal Manager and may be delegated in terms of the delegation's policy to the Chief Financial Officer

10. ADOPTION OF THE POLICY

Policy adopted by Council of Ingquza Hill Local Municipality for implementation.

Approved by Resolution number…… on this ……..day of …….....

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HONORABLE SPEAKER
S.B. VATSHA