



MOGALE CITY LOCAL MUNICIPALITY

WRITE-OFF POLICY

**(Extracted and Reformatted from the Credit Control and Debt
Collection Policy)**

2026/2027

Approved

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1. PREAMBLE

This Write-Off Policy gives effect to Section 96 of the Municipal Systems Act, 2000 (Act 32 of 2000) and forms part of the Municipality's broader Revenue Management Framework. It recognises that despite the diligent application of credit-control and debt-collection measures, certain outstanding debts become irrecoverable due to factors beyond the Municipality's control. To ensure financial integrity and credible reporting, such debts must be written off in a manner that is transparent, accountable, and compliant with legislative requirements.

This policy establishes a transparent framework for the identification, approval, and accounting treatment of irrecoverable debt to ensure sound financial governance and credible financial reporting.

2. DEFINITIONS

Bad Debt: An amount owed to the Municipality that remains unpaid after all reasonable recovery measures have been exhausted and recovery has been deemed uneconomical.

Council: The Mogale City Local Municipality Council.

Mayoral Committee: The committee established in terms of Section 60 of the Municipal Structures Act 117 of 1998, empowered to recommend write-offs to Council.

Consumer: Any person or entity liable to the Municipality for property rates, service charges, levies, or any other municipal fees.

Irrecoverable Debt: Debt that cannot be collected through legal or administrative means, or whose recovery would cause undue hardship or is not cost-effective.

Write-Off: The administrative process of removing irrecoverable debt from the Municipality's active debtors' ledger, without extinguishing the legal right of recovery where applicable.

3. PURPOSE OF THE POLICY

The purpose of this policy is to provide a consistent and transparent framework for identifying, evaluating, approving, and recording municipal debt that is considered irrecoverable.

4. POLICY OBJECTIVES

- a) To determine clear criteria for the classification of debts as irrecoverable.
- b) To prescribe procedures for approval of write-offs in terms of delegated authority.
- c) To safeguard municipal assets and prevent unauthorized write-offs.
- d) To ensure transparency, accountability, and reporting to Council.
- e) Ensure that only realistically collectible revenue is reflected in financial records.

5. LEGISLATIVE FRAMEWORK

This Policy must be read in conjunction with:

- a) The Constitution of the Republic of South Africa, 1996 (Section 195 and 152);
- b) Municipal Finance Management Act 56 of 2003 (MFMA).
- c) Municipal Systems Act 32 of 2000 (Sections 95 to 100).
- d) Credit Control and Debt Collection By-laws.
- e) Council's Delegation of Powers Policy.

6. PRINCIPLES GOVERNING WRITE-OFFS

- a) All reasonable steps must first be taken to recover debt in accordance with the Credit Control and Debt Collection Policy.
- b) Write-offs shall be a measure of last resort.
- c) No debt shall be written off unless recovery is uneconomical, recovery would cause undue hardship to the consumer or dependants, or it is to the advantage of Council to waive or settle a claim.
- d) The Municipality reserves the right to reinstate any written-off debt should recovery later become viable.
- e) All write-offs must comply with Council's delegations and be properly authorized and recorded.

7. CATEGORIES OF DEBT ELIGIBLE FOR WRITE-OFF

The following categories may be considered:

- a) Deceased Estates: Unsuccessful claims finalized under the Administration of Deceased Estates Act.
- b) Insolvent Estates: Unsuccessful claims in terms of the Insolvency Act 24 of 1936.
- c) Liquidated or Business Rescue Entities: Where formal liquidation or rescue proceedings render further recovery uneconomical.
- d) Prescribed Debts: Older than three years where no payment or acknowledgement has been received and legal recourse is barred.
- e) Untraceable Debtors: Despite exhaustive tracing through credit bureaus or agents.
- f) Administrative Errors: Incorrect billings or duplicate charges validated through internal audit.
- g) Indigent Beneficiaries: In line with the approved Indigent Management Policy.
- h) Debt where the cost of recovery exceeds the outstanding amount

8. DEBT RECOVERY ACTIONS PRIOR TO WRITE-OFF

Before a debt may be considered for write-off, the following recovery measures must have been attempted where applicable

- a) Issuing final demand notices
- b) The CFO must certify that all reasonable collection measures have been exhausted.
- c) Disconnection or restriction of municipal services
- d) Handing over accounts to collection agencies or attorneys
- e) Tracing debtors using credit bureaus
- f) Legal proceedings where economically viable
- g) Payment arrangements negotiated with debtors

9. CONDITIONS FOR APPROVAL OF WRITE-OFFS

- a) All supporting documentation must accompany a write-off submission.
- b) The CFO must certify that all reasonable collection measures have been exhausted.
- c) The Mayoral Committee shall review and recommend write-offs to Council for approval.
- d) No delegated official may approve a write-off exceeding their authorised limit.
- e) The write-off of debt does not absolve any debtor from payment if recovery subsequently becomes possible.

10. PROCEDURES FOR PROCESSING WRITE-OFFS

- a) The Debt Management Unit prepares a schedule of proposed write-offs.
- b) The CFO verifies compliance with this Policy.
- c) The schedule, with motivations, is tabled to the Mayoral Committee.
- d) The Mayoral Committee recommends approval to Council.
- e) Council resolution authorizes the removal of such debts from the financial system.
- f) All authorized write-offs must be recorded in the general ledger and audit trail maintained.

11. DELEGATIONS AND APPROVAL THRESHOLDS

- a) Manager Revenue: up to R10 000
- b) Chief Financial Officer: up to R100 000
- c) Mayoral Committee: up to R500 000
- d) Municipal Council: above R500 000

12. ACCOUNTING TREATMENT AND REPORTING

- a) Write-offs must be processed in accordance with applicable GRAP standards.

- b) Write-offs must be recognised as an expense in the Statement of Financial Performance.
- c) A register of all written-off accounts must be maintained by the Debt Management Unit.
- d) Quarterly and annual reports must be submitted to the Executive Mayor and Council.

13. FRAUD PREVENTION AND INTERNAL CONTROLS

No write-off may be approved where fraud, negligence, or misconduct is suspected. Such cases must be referred to Internal Audit for investigation

14. REINSTATEMENT OF DEBT

The Municipality reserves the right to reinstate written-off debt should new information arise or if recovery becomes possible.

15. RECORD KEEPING

A detailed register of all written-off accounts must be maintained including:

- a) Account number
- b) Debtor name
- c) Amount written off
- d) Reason for write-off
- e) Approval authority

16. POLICY REVIEW

This policy must be reviewed at least every three years or earlier if required by legislative amendments or audit findings.

17. EFFECTIVE DATE

This policy shall become effective 1 July 2026.