



CITY OF MATLOSANA

PROVISION FOR DEBT IMPAIRMENT POLICY 2016/17

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PROVISION FOR DEBT IMPAIRMENT POLICY

PURPOSE

To ensure that sufficient provision for bad debt is provided for.

OBJECTIVES

A provision shall be recognized when:

- a) An entity has a present obligation (legal or constructive) as a result of a past event,
- a) It is possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- b) A reasonable reliable estimate can be made of the amount of the obligation

If these conditions are not met, no provision shall be recognized.

SCOPE

This policy applies to the provision for bad debts.

ROLE CLARIFICATION

The Municipal Manager as an Accounting Officer remains the overseeing authority over all the provisions made on behalf of Council.

The Chief Financial Officer must perform the provision management functions as prescribed in Section 97(d)(ii) of the Local Government Municipal Systems Act 2000 and the delegation authority of the Council as prescribed in Section 82 of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

DELEGATIONS

The Chief Financial Officer may delegate the provisions responsibility to either his deputy or the provisions responsibility to either his deputy or the assistant managers as prescribed in Section 82 of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

ADMINISTRATION

The administration shall be done by the Budget and Treasury Office

ADMINISTRATION PROCEDURE

- a) Annual provision for bad debt shall be provided for as follows:
- 90% of all outstanding debts 90+ days and older based on the estimated age analysis of the financial year end of which the financial statements are drawn up for
 - and 50% for 60 days based on the estimated age analysis of the financial year end of which the financial statements are drawn up for.
- b) Provision for bad debt shall be provided for the following services:
- (a) Rates
 - (b) Sewerage
 - (c) Water
 - (d) Electricity
 - (e) Refuse
 - (f) Basic electricity
 - (g) Basic water
 - (h) Sundry Debtors
- c) Debtors will be analyzed in terms of concentrations of individual risk classes showing each individual ageing

RECORDS AND REPORTS

- a) The Chief Financial Officer or the delegated official must keep all provisions transactions in accordance with General Recognized Accounting Practices.
- b) The Chief Financial Officer or the delegated official must report to the Accounting Officer / Municipal Manager the provisions portfolio in a prescribed form as required by the Municipal Regulation and must review and adjust the provisions with the adjustment budget