



PROVISION FOR BAD DEBTS POLICY

DIPALESING LOCAL MUNICIPALITY

2026/2027

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PROVISION FOR BAD DEBT POLICY

1. PURPOSE

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

2. OBJECTIVES

A provision shall be recognized when:

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

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

3. SCOPE

This policy applies to the provision for bad debts.

4. 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).

5. DELEGATIONS

The Chief Financial Officer may delegate the provisions responsibility to the Finance Manager as prescribed in Section 82 of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

6. ADMINISTRATION

The administration shall be done by the Chief Financial Officer or the Finance Manager.

7. ADMINISTRATION PROCEDURE

- a) Annual provision for bad debt shall be provided for as follows:
- 100% 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.
 - 100% for less 90 days based on the estimated age analysis of the financial year end of which the financial statements are drawn up for, this shall relate to consumers whose payment rate is 0% based on analysis.
- b) Provision for bad debt shall be provided for all the services.

8. RECORDS AND REPORTS

The Chief Financial Officer or the delegated official must keep all provisions transactions in accordance with General Recognized Accounting Practices.

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 regulations.

9. EFFECTIVE DATE

This policy comes in effect on date of approval.

| Implementation Date | Council Resolution no. | Adopted Date |
|----------------------------|-------------------------------|---------------------|
| 1 July 2026 | | |