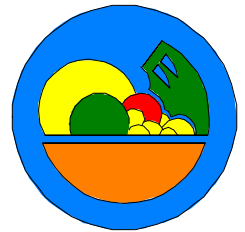




**GREATER TZANEEN MUNICIPALITY  
GROTER TZANEEN MUNISIPALITEIT  
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**DEBT IMPAIRMENT POLICY**

<b>Policy Number:</b>	<b>Approved Date:</b>
<b>Council Resolution: E/C 18 03 2026; C 26 03 2026</b>	<b>Review Date: 2026 03 26</b>
<b>Effective Date: 1 July 2026</b>	

*Notwithstanding the review date herein, this policy shall remain effective until such time approved otherwise by Council and may be reviewed on an earlier date if necessary.*

# **IMPAIRMENT OF DEBTORS POLICY**

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## **1. OBJECTIVES OF POLICY**

- a. ensure any long outstanding debt is evaluated in order to determine the possibility of realizing such income as revenue.
- b. ensure that where it is evident that a particular debt cannot be turned into a revenue such debt be procedurally regarded as irrecoverable.
- c. ensure that the Council of the municipality makes enough provision for bad debts in the budget.
- d. ensure that outstanding monies which have been outstanding for a long time after all attempts have been made in terms of recovering them should then be written off.
- e. ensure the identification of bad debts during the course of the financial year.
- g. ensure the proper delegation of powers to the chief financial officer to write off bad debts up to a certain amount.

## **2. LEGISLATIVE AND REGULATORY FRAMEWORK**

- a. Municipal Systems Act, Act 32 of 2000.
- b. Municipal Finance Management Act, Act 56 of 2003.
- c. Standards of Generally Recognized Accounting Practice.

## **3. SCOPE OF POLICY**

This policy be applicable to all categories of debtors.

## **4. WRITING OFF OF IRRECOVERABLE DEBTS**

Debt shall be identified to be irrecoverable after the whole credit control and debt collection processes have been followed and no payments have been received towards the outstanding account.

Where debts are identified as being irrecoverable, the process of writing off shall be treated as follows:

#### **4.1 Amounts equal to or lower than amounts delegated to the Chief Financial Officer (CFO) by Council resolution from time to time**

The Revenue Accountant must prepare a report within the delegated powers of the CFO containing the following:

- a. consumer details;
- b. irrecoverable amount
- c. confirmation that further actions would be fruitless and not cost effective.

Requests approved by the Chief Financial Officer will be processed in the accounting records against the debt impairment provision and the relevant debtors account.

#### **4.2. Amounts exceeding the Chief Financial Officer delegated authority**

The Revenue Accountant must prepare a report of irrecoverable debts in excess of the Chief Financial Officer delegated powers containing the following:

- a. consumer details;
- b. irrecoverable amount
- c. details on credit and debt collection processes followed to recover the debt;
- d. reasons that led to debt being identified as being irrecoverable;
- e. confirmation that all available avenues to recover debt have been exhausted; and
- f. confirmation that further actions would be fruitless and not cost effective.

The report of the Revenue Manager must be considered by the Chief Financial Officer.

If approved by the Chief Financial Officer, the report shall be submitted to the Finance Cluster Committee and then Council for consideration.

Approvals granted by Council must be processed in the general ledger against the debt impairment provision and against the relevant debtors account.

#### **4.3 Application of Prescription Act**

The provisions of Prescription Act shall apply to all services debt, excluding assessment rates.

Applications and / or claims for prescription from debtors shall only be assessed if no formal credit control or legal actions have been instituted during prescription debt period of three (3) years.

Chief Financial Officer shall assess applications in terms of prescribed requirements. If in compliance with Prescription Act, approval may be granted to write-off prescribed portion of debt.

Approvals granted must be processed against the relevant debtors account and reflected as debit against bad debt provision in the general ledger.

#### **5. Recovery of irrecoverable debts**

Should there be a payment in respect of the account which has already been written off, such monies must be allocated to the specific vote number for the recovery of the irrecoverable debts.

#### **6. Impairment of debtors**

An allowance for impairment of receivables shall be established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables.

Impairment losses shall be recognised in the statement of financial performance.

The municipality shall assess at each statement of financial position date whether there is any objective evidence that a debtor or group of debtors is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the recoverable will enter bankruptcy and default of payments shall all considered indicators of impairment.

Individual classes of loans and receivables are assessed for impairment using the following methodologies:

#### 6.1 Consumer and sundry debtors.

Consumer debtors are evaluated at each reporting date and impaired as follows:

Category of debtor	Percentage of debt provided for as irrecoverable
Individually assessed amounts > R1 000,000	100%
Municipal and Government accounts	Zero
Impair government debtors where the recoverability is extremely remote	100%
Accounts ageing more than 90 days + where no payments have been recorded for the financial year under assessment	100%
Accounts ageing 90 days + where payment is received	Payment rate %

#### 6.2 Other debtors

Other debtors are assessed individually for impairment when necessary to ensure that no evidence exists that these debtors are recoverable.

### **7. Review of policy**

This policy must be reviewed and submitted for consideration by Council annually.