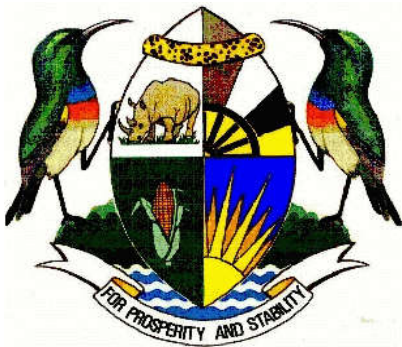


WATERBERG DISTRICT MUNICIPALITY



on the Go for Growth

CREDIT CONTROL & DEBT COLLECTION POLICY

23 May 2024

Preamble

In order to ensure that all funds due to WDM are collected timeously and efficiently, an effective Credit Control policy must be in place. Debt collection is a crucial element of credit control which, if not controlled, impacts negatively on cash balances, borrowing capacity, capital expenditure, and service delivery etc.

Section 96 of the Municipal Systems Act, No 32 of 2000 states that a municipality –

- must collect all money that is due and payable to it, subject to this Act and any other applicable legislation
- for this purpose, must adopt, maintain and implement a credit control and debt collection policy, which is consistent with its rates and tariff policies and complies with the provisions of this Act.

Section 97 of the Municipal Systems Act, No 32 of 2000 stipulates what a credit control and debt collection policy must provide for.

Definitions

Accounting Officer	-	Municipal Manager of WDM
Councilor	-	Member of WDM Municipal Council;
Continued Members	-	Employees of WDM who, after retirement, are still eligible for post-retirement medical aid contributions by WDM;
Municipal Manager	-	A person appointed by the Municipality in terms of Section 82 of the Municipal Structures Act, and who is the Head of Administration and also the Accounting Officer for the Municipality;
Municipal tariff	-	A tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;
WDM	-	Waterberg District Municipality as established in terms of the Municipal Structures Act 117 of 1998.

Scope of Application

This policy is applicable to all employees and Councilors of WDM.

Objective

The Objective of this Policy is to:

- Ensure that all money due and payable to WDM in respect of fees for service, rental, tariffs and interest which has accrued on any amounts due and payable in respect of the aforementioned and any collection charges are collected efficiently and timeously.
- Provide for credit control procedures and mechanisms and debt collection procedures and mechanisms.
- Provide for setting of realistic targets consistent with generally recognized accounting practices for income in the annual budget of WDM less an acceptable provision for bad debts.

- Provide for interest on overdue amounts.
- Provide for collection charges on the payment of overdue amounts, if not recovered from the debtors.

Credit Control Principles

Section 64 of the Local Government Municipal Finance Management Act, No 56 of 2003 states that the accounting officer is responsible for the determination and execution of credit control measures. The following principles should be adhered:

- The main purpose of the credit control policy is to ensure efficient and effective revenue collection – to ensure that all revenue is realized in the period for which it has been budgeted, or with reasonable deviation.
- To improve cash flow of the municipality.
- To serve as a guidance to officials handling credit control and debt collection
- Credit Control must be understandable, uniform, fair and consistently applied – under no circumstances should the duty to collect be compromised. The credit control policy should be applied with all fairness; uniformity and consistency in respect of all debtors, in order to ensure long run sustainability.
- All possible income must be collected within the budgeted cycle or financial year.
- Establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to WDM.

Code of Ethics

All WDM officials shall embrace the spirit of Batho-Pele and treat all debtors with dignity and respect at all times. Employees shall execute their duties in an honest and transparent manner whilst protecting the confidentiality of information in accordance with the Access to Information Act.

Collection Procedures

There are 2 types of debt collection revenues for WDM:

- Abattoir income
- Other income & recoveries

Abattoir procedures

Council renders a service to the community by making the facilities of the abattoir available to businesses and the community within the District. The abattoir operates by charging fees for various services, which are approved by Council. The abattoir is a trading service and should ensure that it does not incur operating losses.

Cash Payments

Before loading of carcasses, a client must pay cash within 24 hours after slaughtering. If the client keeps their stock at the abattoir after 24 hours of slaughtering, cooling charges will be added per 24 hour cycle.

Accounts

For those clients eligible for credit, accounts are issued at the end of each month to the account holder, stating the different fees namely slaughtering, cooling, re-inspection, cleaning of tripe, rentals and freezing fees.

Abattoir Collection Procedures

- An account will be issued at end of each month, stating all fees owed to the Council.
- Interest will be charged on all overdue accounts that are older than 30 days at prime interest rate.
- After 60 days, a final demand will be issued, stating the full amount outstanding, requesting payment.
- After 90 days, if the defaulter fails to adhere to the conditions of the final demand, legal action will be pursued through WDM appointed attorneys.

Other Collection Procedures

- There are certain debts recoverable from other sources, e.g. recovery of personal cell phone / telephone / 3G accounts from councilors and officials or MFMA Section 32 expenditure from councilors / officials / service providers.
- Interest can be charged on all overdue accounts that are older than 30 days at prime interest rate.
- After 60 days, a final demand will be issued, stating the full amount outstanding, requesting payment.
- After 90 days, if the defaulter fails to adhere to the conditions of the final demand, legal action will be pursued through WDM appointed attorneys.
- For personal cell phone / telephone / 3G accounts, the amount of the personal account / amount above monthly rental / limit is deducted from the salaries paid to councilors and officials in the month that the account is due.
- For Section 32 expenditure, the amount is deducted from the salaries of the officials or councilors in the month that the recovery is approved by the Municipal Manager or Council.

Medical Aid contributions on behalf of continued members (pensioners)

- The full monthly amount of the medical aid contributions of continued members is paid by WDM and within the same month the pensioner refunds WDM the pensioner's portion of the monthly contribution to the medical aid. If pensioner's payment is outstanding, process to recover is the same as the above stated Abattoir Collection Procedures, but in addition council must also reconsider the payment agreement with this pensioner for future payments to the medical aid.

Provision for Bad Debt

IAS39, IFRS7 and GRAP104 Financial Instruments require that each individual debtor be reviewed and assessed for future payments. If individual debtors are not reviewed, they should be grouped into risk categories and reviewed accordingly, e.g. consumers and government debts. Consumers can also further be split into wards, if necessary. The payment ratios of these groups will then be

assessed to determine the provision for bad debt. On assessing the future payments indicators such as the history of payments and the % recovery on legal handovers should be considered. Council will endeavor to follow all procedures for recovering of arrears debts prior to writing off debt.

Interest and Tariffs

- Accounts in arrears will accrue interest at prime interest rate.
- Interest will be calculated on a monthly basis.
- A levy will be calculated at the tariff determined from time to time by the Council.
- In case where the debtor present payment via EFT and an payment error occur, the debtor will be liable for the bank charges charged on Council's bank account. Should the Council receive two EFT error payments in a row, the debtor will be relegated to paying cash on his/her account including bank charges.
- Due to the high incidence of fraud and theft relating to cheques, banking institutions discontinued payment via cheques as a payment method from 1 January 2021.
- Waterberg District Municipality clients will not be permitted to use cheques as a means of payment from 1 January 2021.
- Permittable means of payment will only be in the form of cash and EFT via bank payments.

Appointment of Attorneys

The Budget & Treasury Office remain the primary personnel responsible for current debt collection. Internal collection unit should exhaust all the powers at its disposal, to ensure that the council collects any income due. Appointment of attorneys should be seen as a last resort to pursue defaulting debtors to comply. If the debt collection is however handed over for legal action (after 60 days), the primary responsibility lies with the Corporate Support & Shared Services Department Legal Division.

Special care should be taken to ensure that debt recovery remains cost effective in comparison to the debt collected.

In addition to the WDM appointed attorneys, when it is considered sufficient and feasible to use the services of the external agents, such appointment should be done as per Council's Procurement Policy. A formal agreement must be entered into with the external agents.

Role of Council

The role of agents and Council should be clearly defined. Councilors are policy makers and cannot enforce credit control measures. Councilors can however be supportive of the customer management action, in a way that they exercise no undue pressure on the officials with delegated authority. Council will therefore play an oversight role and make recommendations through the policy process. Only Council has the authority to write off long outstanding debtors balances as bad debt.

Legal fees

All legal costs, including attorney-and-own client costs incurred in the recovery of amounts in arrears shall be levied against the arrears account of the debtor and/or recovered directly by the duly appointed agent.

Implementation

This policy aims to ensure effective and efficient revenue collection by the Waterberg District Municipality. This policy must be implemented by all employees of WDM, but managers and supervisors should ensure that this policy is implemented effectively.

Any employee who breaches this policy shall be liable for disciplinary measures.

Policy Review

This policy should be viewed as a dynamic instrument on those aspects of the policy which are informed by legislation and generally accepted accounting practices and will be subject to review annual and revision, as necessary, in response to changes, as and when they occur.

Penalties

Non-compliance to any of the stipulation contained in this policy will be regarded as misconduct, which will be dealt with in terms of the Disciplinary Code.

Adopted by Council at its meeting held on _____ 2024

Council Resolution Number _____

Signed at _____ on _____ 2024

MUNICIPAL MANAGER