WATERBERG DISTRICT MUNICIPALITY

APPROVED PER COUNCIL RESOLUTION A193/2005
DATED 26 MAY 2005

CREDIT CONTROL POLICY

Introduction

In order to ensure that all funds due to the District are collected timeously and efficiently, an effective Credit Control policy should be in place.

Chapter 9 of the Municipal Systems Act legislates a Credit Control policy. Section 96 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.

Credit Control Principles

Section 64 of the Local Government Municipal Finance Management Act, 2003 states that the accounting officer (Municipal Manager) is responsible for determining 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 leviable revenue is realized in the period for which it has been budgeted, or with reasonable deviation.
- To improve cash flow of 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 levy payers, in order to ensure long run sustainability.
- All possible income must be collected within the budgeted cycle or financial year.

Collection Procedures

The collection of revenue at the abattoir requires a policy as well as the collection sundry income due to the municipality.

Levy Income Procedures

The levies are payable by enterprises operating within the area of jurisdiction as prescribed in terms of the Regional Services Council Act 109 of 1985. *However due to the abolishment of the levies as from 1 July 2006, the arrear levies will be collected as follows:*

- *The RSC6 will be issued. The RSC6 will indicate an estimated figure, whilst providing a space for the levy payer to indicate the correct figure.*
- *If no response is received regarding the RSC6, a letter of demand will be issued requesting payment*
- *If no response is received regarding the letter of demand, legal action will be instituted against the levy payer.*

The liability lapses in the event that no summons has being issued against a levy payer after 30 June 2008. In the event that a summons costs in excess of the amount due by a levy payer, the municipality will write off the estimate owing by a levy payer.

Abattoir procedures

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

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 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 a rate determined by the SARS
- after 60 days, a notice stating the full amount outstanding, giving the client 7 days to pay the account will be issued.
- If no response is received from the client, legal action will be pursued.

Provision for Bad Debt

Council will make a provision for bad debt equal to the arrear abattoir debtors above 90 days. Council will endeavor to follow all procedures for recovering of arrears prior to writing off debt.

Interest and Tariffs

- Accounts in arrears will accrue interest at a rate determined by SARS.
- In case where the *debtor* uses a cheque and the cheque R/D, the *debtor* will be liable for the bank charges charged on Council's bank account. Should the Council receive two RD cheques in a row, the *debtor* will be relegated to paying cash on his/her account including bank charges.

Appointment of Attorneys

Income division officials remain the primary personnel responsible for debt collection. Internal collection unit should exhaust all the powers at its disposal, to ensure that the council collects any income due to them. Appointment of attorneys should be seen as a last resort to pursue defaulting debtors to comply. It is the prerogative of the Council to enlist the services of the 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 *Supply Chain Management* Policy. A formal agreement must be entered into with the external agents.

Sundry Debtors

Sundry debtor refers to those debtors for which the municipality currently contributes medical aid. The continued member must ensure that their portion of the contribution is paid over to the municipality by the 30th of each month. It the event that a continued member fails to reimburse Council for his/her contribution, the Municipality will charge interest at a rate as determined by SARS. In the event that a member is two months is arrears, the municipality will notify the member and discontinue to contribute to the medical aid.

Conclusion

This policy aims to ensure effective and efficient revenue collection by the Waterberg District Municipality. It 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 revision in response to changes, as and when they occur.