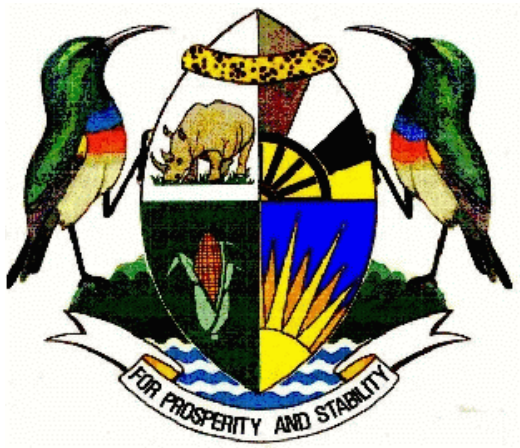


WATERBERG DISTRICT MUNICIPALITY



CREDIT CONTROL & DEBT COLLECTION POLICY

WATERBERG DISTRICT MUNICIPALITY APPROVED 4 SEPTEMBER 2008
--

CREDIT CONTROL POLICY

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;
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 a honest and transparent manner whilst protecting the confidentiality of information in accordance with the Access To Information Act.

Collection Procedures

There is one source of revenue for WDM:

- Abattoir income

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 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.

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 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 uses a cheque and the cheque is 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 of the Budget & Treasury Office 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. Appointment of attorneys should be seen as a last resort to pursue defaulting debtors to comply.

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.

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

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.