

WATERBERG DISTRICT MUNICIPALITY



on the Go for Growth

CREDIT CONTROL & DEBT COLLECTION POLICY

Reviewed 21 May 2019

Debt Collection & Credit Control Policy

Debt Collection & Credit Control Policy

WATERBERG DISTRICT MUNICIPALITY APPROVED BY COUNCIL ON 30 MAY 2019

DEBT COLLECTION & 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
Councillor	-	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 Councillors of WDM.

Debt Collection & Credit Control Policy

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

Debt Collection & Credit Control Policy

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.

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- 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 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

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.

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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 on2019

Council Resolution Number

Signed at on 2019

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Municipal Manager

WATERBERG DISTRICT MUNICIPALITY



INVESTMENT POLICY

Reviewed on the 21 May 2019

INVESTMENT POLICY

WATERBERG DISTRICT MUNICIPALITY

INVESTMENT POLICY

1. Preamble

Management of cash can be ascribed as the performance of various activities, including the handling, safeguarding and banking of cash, processing and reconciliation of transactions, adhering to procedures and policies, recording and maintaining of information whether manually or electronically, and the prudent investment of cash, consistent with the Investment regulations and council policies, etc.

The purpose of the policy is to ensure that all investments made by WDM or its municipal entity comply with the Investment Regulations issued by National Treasury in terms of the Municipal Finance Management Act No 56 of 2003.

Council needs to ensure that monies not immediately required are investment to obtain fair returns without compromising the safety of the surplus cash invested and liquidity.

Core Elements of Investment Policy

The following are elements of an investment policy:

The investment policy must –

- (a) be in writing
- (b) give effect to these regulations; and
- (c) set out –
 - (i) the scope of the policy
 - (ii) the objective of the policy, with due regard to the provisions of these regulations relating to –
 - (aa) the preservation and safety of investments as the primary aim
 - (bb) the need for investment diversification; and
 - (cc) the liquidity needs of the municipality
 - (iii) a minimum acceptable credit rating for investments, including
 - (aa) a list of approved investment types that may be made, subject to regulation 6;
 - (bb) a list of approved institutions where or through which investments may be made, subject to regulation 10
 - (iv) procedures for the invitation and selection of competitive bids or offers in accordance with Part 1 of chapter 11 of the Act;
 - (v) measures for ensuring implementation of the policy and internal control over investments made;
 - (vi) procedures for reporting on and monitoring of all investments made, subject to regulation 9;
 - (vii) procedures for benchmarking and performance evaluation;
 - (viii) the assignment of roles and functions, including any delegation of decision-making powers;
 - (ix) if investment managers are to be used, conditions for their use, including their liability in the event of non-compliance with the policy or these regulations; and

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- (x) procedures for the annual review of the policy.

2. Objective

The objectives of the policy are as follows

- Ensuring that cash resources are managed effectively and efficiently.
- Ensuring that investments are placed with reputable institutions, for the purpose of capital investments and diversification of the Investment Portfolio.
- Ensuring that adequate liquidity is maintained at all times, for management of cash flows.
- Ensuring that WDM receives optimal interest on its investments with financial institutions, at minimal risk.

3. Scope of Application

This policy is applicable to the Council, Accounting Officer, Chief Financial Officer and employees of WDM who have been delegated the authority by the Accounting Officer to invest the funds of WDM.

This policy will also be applicable to any investment manager who acts on behalf of, or assists WDM or municipal entity in managing its investments.

4. Definitions

Accounting Officer	-	Municipal Manager of WDM
Chief Financial Officer	-	A person designated in terms of section 80(2)(a) of the MFMA
Councillor	-	Member of WDM Municipal Council;
Delegation	-	In relation to a duty, includes an instruction or request to perform or to assist in performing the duty;
Investment	-	In relation to funds of a municipality, means— (a) the placing on deposit of funds of a municipality with a financial institution; or (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;
Investment manager	-	A natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, No 55 of 1989, and Stock Exchanges Control Act, No 1 of 1985, contracted by WDM to: - advise on investments; or - manage investments on its behalf.
Investment Regulations	-	The Regulations as prescribed under the MFMA through Government Gazette No 27431 dated 1 April 2005
Liquidity	-	The financial ability of WDM to service its debts when falling due.
Long-term investment	-	Any cash or liquid securities owned by WDM which have a maturity date that is greater than one year.
MFMA	-	The Municipal Finance Management Act, No 56 of 2003
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.
Primary bank account	-	A bank account referred to in section 8(1) of the MFMA;
Short-term investment	-	Any cash or liquid securities owned by WDM which have a maturity date that is equal to or less than one year.
Standards of Generally Recognised Accounting Practice –		

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WDM	-	An accounting practice complying with standards applicable to municipalities or municipal entities and issued in terms of Chapter 11 of the Public Finance Management Act; Waterberg District Municipality as established in terms of the Municipal Structures Act 117 of 1998.
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5. Legislative requirements

In terms of MFMA section 7 (3) A municipality may not open a bank account—

- (a) abroad;
- (b) with an institution not registered as a bank in terms of the Banks Act, 1990 (Act No. 94 of 1990); or
- (c) otherwise than in the name of the municipality.

In terms of MFMA Section 13:

(1) The Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must—

- (a) conduct their cash management and investments; and
- (b) invest money not immediately required.

(2) A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1).

National Treasury, through Government Gazette No 27431, published Municipal Investment Regulations, which municipalities are required to apply as guidelines when preparing a Cash Management and Investment Policy with effect from 1 April 2005.

In terms of MFMA Circular 55 municipalities are required to ensure that account names on all municipal bank accounts (including the primary bank account) are consistent with the municipal name that was gazetted during its establishment or as amended from time to time. Form A of MFMA Circular 61 is provided for this purpose.

6. Authority

In terms of MFMA section 10. (1) The accounting officer of a municipality—

- (a) must administer all the municipality's bank accounts, including a bank account referred to in section 12 or 48(2)(d);
 - (b) is accountable to the municipal council for the municipality's bank accounts;
- (2) The accounting officer may delegate the duties referred to in subsection (1)(c) to the municipality's chief financial officer only.

In terms of MFMA section 11. (1) only the accounting officer or the chief financial officer of a municipality, or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts,(h) for cash management and investment purposes in accordance with section 13;

The delegation to the Chief Financial officer or any other senior financial officials of the municipality will be in terms of Section 79 of the MFMA.

The Municipal Council is vested with the authority to make long-term investments in terms of Section 48 of the MFMA.

7. Standard of care to be exercised

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Investments –

- a) must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;
- b) may not be made for speculation but must be a genuine investment, and
- c) must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality or municipal entity and lastly to the probable income (yield) derived from the investment.
- d) Investments must be placed with credit-worthy institutions.

8. Permitted Investments

The following are permitted investments:

- a. securities issued by the national government,
- b. listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency,
- c. deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990),
- d. deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984),
- e. deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984),
- f. banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990,
- g. guaranteed endowment policies with the intention of establishing a sinking fund,
- h. repurchase agreements with banks registered in terms of the Banks Act, 1990,
- i. municipal bonds issued by a municipality, and
- j. any other investment type as the Minister may identify by regulation in terms of section 168 of the MFMA, in consultation with the Financial Services Board.

9. Investments denominated in foreign currencies prohibited

An investment can only be made if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

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10. Payment of commission

- i. No fee, commission or other reward may be paid to a councillor or official or to a spouse or close family member of such councillor or official in respect of any investment made.
- ii. If Council pays any fee, commission or other reward to an investment manager in respect of any investment made, both Council and the investment manager must declare such payment to council by way of a certificate disclosing full details of the payment.

11. Procedures for Investing funds

- a) Quotations should be obtained from at least 3 financial institutions for the term for which the investment is placed. In the event of one of the financial institutions offering a more beneficial rate for an alternative term, the other institutions should be invited to quote on the alternative term as well.
- b) Upon maturity of an investment, the bank balance is obtained. Future commitments are determined and any money in excess of R 5 million that is not required immediately should be invested.
- c) Investments should be reinvested within 24 hours after maturing.
- d) Written quotations must be obtained from the list of qualified institutions. Interest rates from one institution may not be disclosed to another institution.
- e) The period of investment should be determined in accordance with the liquidity needs and maturity dates of other investments.
- f) The investments of WDM should be spread over multiple qualified institutions as a method of decreasing exposure risk.
- g) The factors taken into account when deciding on an investment thus is the liquidity needs of WDM ensuring that the investment maturity dates are spread over time, the interest rates of various institutions and the total amount invested with the various qualified institutions.
- h) The quotation sheet must be authorized by the Chief Financial Officer or Municipal Manager or other signatories as authorized by Council.
- i) Once an investment is made a certificate or written confirmation must be obtained from the financial institution.

12. Reporting requirements

- 12.1 The Municipal Manager must within 10 working days of the end of each month, as part of the section 71 report required by the MFMA Act, submit to the Executive Mayor a report describing in accordance with generally recognized accounting practice the investment portfolio as at the end of the month and this must be submitted to Provincial Treasury on a quarterly basis.
- 12.2 The report referred to in sub-paragraph 12.1 must set out at least –
 - (a) the market value of each investment as at the beginning of the reporting period,
 - (b) any changes to the investment portfolio during the reporting period,
 - (c) the market value of each investment as at the end of the reporting period, and

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(d) the fully accrued interest and yield for the reporting period.

- 12.3 A register of investments is to be kept in the Budget & Treasury Office reflecting the following information:
- (a) Date of investment
 - (b) Amount of investment
 - (c) Institution invested with
 - (d) Rate of interest
 - (e) Period of investment
 - (f) Amount of return/interest
 - (g) Maturity Date

This register is to be reconciled monthly by Divisional Manager Budget & Reporting and reported on to the Municipal Manager through the Chief Financial Officer in terms of above sections 12.1 and 12.2.

- 12.4 The following reconciliations must be carried out by Divisional Manager Budget & Reporting on a monthly basis and as the investment matures:
- (a) Obtain statements on a monthly basis regarding the investments from the relevant financial institutions;
 - (b) Interest must be recalculated so as to ensure that it agrees to the rates per the statements;
 - (c) In terms of fluctuating interest rates, the interest must be reviewed to ensure that it is reasonable in comparison to reported returns;
 - (d) Interest received must be captured on the financial system and reconciled to the investment register and general ledger;
 - (e) The investment register must be updated on a monthly basis; and
 - (f) The monthly investment register must be submitted to the Chief Financial Officer by the 20th working day of the following month.
- 12.5 In complying with Section 70(2) of the MFMA, the Chief Financial Officer must report to National/Provincial Treasury and Council whenever the consolidated bank balances shows a net overdrawn balance for a period exceeding 14 working days Form F of MFMA Circular 61 is provided for this purpose.

Such report must provide:

- (a) The amount by which the accounts are overdrawn
 - (b) Reasons for the overdrawn accounts, and
 - (c) Steps taken or to be taken to correct the situation
- 12.6 In terms of MFMA section 11(4) the Municipal Manager must table a report to council quarterly providing consolidated details of unbudgeted withdrawals, within 30 days after the end of each quarter and a copy submitted to the relevant provincial treasury, National Treasury and the Auditor-General. (Form D of MFMA Circular 61 is provided for this purpose).
- 12.7 Below is the reporting requirement templates as set out in MFMA Circular 61:

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Reporting obligations – Municipal/Municipal Entity Bank Accounts				
Action	Information to report	To whom	Other	MFMA Section
Opening primary account	Name of bank Type of account Account number	1. Auditor-General 2. National Treasury 3. Provincial Treasury	Must be in writing, original stamp by bank, signed by the AO or CFO (Form A of MFMA Circular 61)	8 (5)
Changing primary account	Name of bank Type of account Account number	1. Auditor-General 2. National Treasury 3. Provincial Treasury	Must be in writing, original stamp by bank, signed by the AO or CFO (Form A of MFMA Circular 61)	8(5); 74
Opening "other" account	Name of bank Type of account Account number	1. Auditor-General 2. Provincial Treasury 3. National Treasury	Must be within 90 days of opening the account and in writing (Form B of MFMA Circular 61)	9(a); 74
Annually before 01 July each year	Listing of all bank accounts (including the primary account): Name of bank Type of account Account number	1. Auditor-General 2. Provincial Treasury 3. National Treasury	Must be in writing (Form C of MFMA Circular 61)	9(b); 74
Annually	Bank accounts to be disclosed in the municipality's AFS		Include bank name, account type, purpose, opening and closing balances	125(2)

13. Credit requirements

- (1) Council must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care set out in paragraph 7, to ensure that it places its investments with creditworthy institutions.
- (2) Council must -
 - (a) regularly monitor its investment portfolio, and
 - (b) then appropriate liquidate an investment that no longer has the minimum acceptable credit rating.

14. Portfolio diversification

Council will take all reasonable and prudent steps to diversify its investment portfolio across institutions, types of investment and investment maturities.

The Chief Financial Officer must ensure that municipal investments are placed equitable amongst the approved financial institutions. No more than 40% of municipal investments must be placed with one institution, assessed as at the time of making the investment, and in instances where valid reasons for deviation exist, that must be done with the approval of the Accounting Officer.

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15. Investment manager/advisor

An investment advisor who is appointed through WDM SCM Policy may be used for investments exceeding R 20 million. However, the institution and type of investments must be approved by Council.

16. Miscellaneous provisions

- (1) The responsibility and risk arising from any investment transactions vests in Council.
- (2) All investments made must be in the name of Waterberg District Municipality.
- (3) Council may not borrow money for the purpose of investment.

17. Implementation

This policy must be implemented by the employees of WDM who have been delegated the authority by the Accounting Officer to invest the funds of WDM and other delegations as stipulated in this policy.

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

Adopted by Council at its meeting held on30 MAY.....2019

per Council Resolution NumberA 222/2019.....

Signed atMEDIMOLLE..... on30 MAY..... 2019


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Municipal Manager

