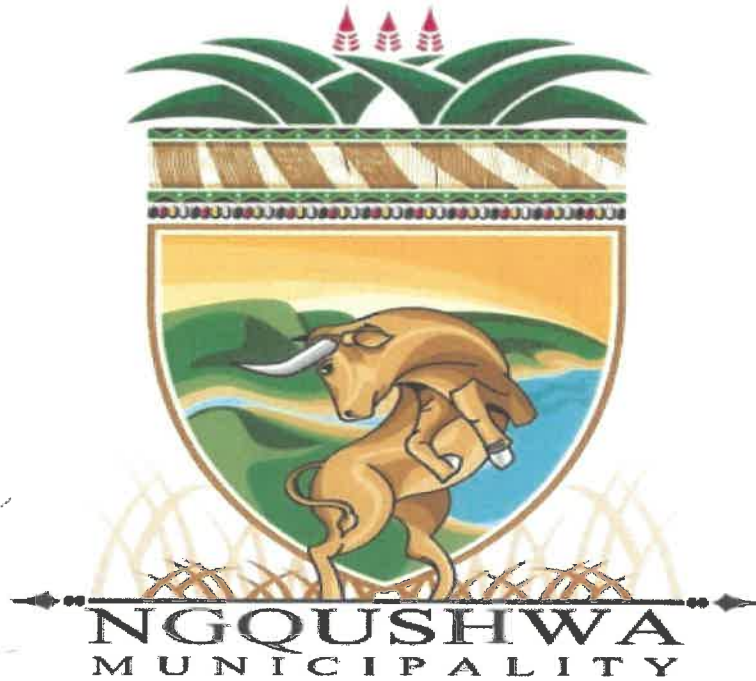


NGQUSHWA LOCAL MUNICIPALITY



**FINAL CREDIT CONTROL DEBT
COLLECTION IMPAIRMENT AND
BAD DEBT WRITE-OFF POLICY
FOR
2021/2022**

Policy Officer (Phone)	040 – 6733 095
Policy Sponsor (Name/Position)	
Department Responsible	<i>BTO</i>
Unit responsible	<i>Revenue Section</i>
Applies to	<i>All employees and Councillors</i>
Key Words	Credit control debt collection impairment and bad debt write-off policy
Status	Reviewed
Council approval date	<i>31st May 2021</i>
Version	<i>1</i>

REVISION RECORD

Date	Version	Revision Description
May 2021	Version 1	Property rates policy – 2021/2022

Credit Control Debt Collection Impairment and Bad Debt Write – off Policy

2. PURPOSE

3. SCOPE

This policy applies to:

- Technicians
- Middle Managers (except managers on CTC)
- Senior Managers/HOD's will be based on CTC breakdown of employee choice
- Councillors (as per the Determination of upper limits for public office bearers)

4. PROCEDURE DETAIL

• PREAMBLE

4.1.1 LEGAL COMPLIANCE

Chapter 9 of the Municipal Systems Act (MSA) No. 32 of 2000 deals with the subject of "Credit Control and Debt Collection" by municipalities in the Republic of South Africa, and states inter-alia the following: -

- (i) Section 95 of the MSA obliges the Municipalities to establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the Municipality,
- (ii) Section 96 of the MSA provides that a Municipality must collect all monies due and payable to it, and for this purpose, must adopt, maintain and implement a Credit Control and Debt Collection Policy which is consistent to its Rates and Tariffs Policy,
- (iii) Section 97 of the MSA provides that the Credit Control and Debt Collection Policy of the Municipality must provide for Credit Control and Debt Collection procedures and mechanisms as well as provision for Indigent Debtors that is consistent with its policies on Indigent Households and any National Policies or Government Regulations on Indigent Households.

4.1.3. OBJECTIVES OF THE POLICY

The objectives of the Credit Control and Debt Collection Policy of the Ngqushwa Municipality are as follows: -

- (i) Ensuring that Households pay for the Basic Services that they are afforded by the Municipality,
- (ii) Ensuring that the Municipality is able to provide services as approved in its Annual Budget or its Annual Integrated Development program (IDP), and
- (iii) Ensuring that the non-payment of services is minimised to an acceptable level.

4.1.4 CREDIT CONTROL PRINCIPLES

The following principles should be considered:

- 1) Enforcement is a local matter subject only to relevant Legislation;
- 2) The Municipal Manager who is entrusted with the determination and execution of Credit Control measures must report to the Municipal Council;
- 3) Enforcement and policy-making must be independent to ensure accountability;
- 4) Credit control must be understandable, uniform, fair and consistently applied;
 - Credit control must be effective, efficient and economical;
 - The Credit control measures employed must be sustainable in the Long term; and
 - A proper Indigence Policy must be in place to ensure that the circumstances of the poor are accommodated.

4.1.5. INDIGENT SUPPORT POLICY

Indigents are defined as those people who, due to a number of factors, are unable to make a full monetary contribution towards basic services such as the following categories :

4.2.2 NOTICE OF DEFAULT

The Municipal Manager will dispatch to every defaulting Account Holder (i.e. an Account Holder who failed to pay in full on the due date or failed to make suitable arrangements with the Chief Financial Officer to settle his/her services accounts in full billed by the Municipality, 30 days of the calendar days after each monthly due date for the payment of municipal accounts for property rates, other services rendered by the municipality and service charges) a notice stating that unless full payment is received or an acceptable arrangement made with the Chief Financial Officer for partial or late payment, the municipal services such.

4.2.3 RECOVERY OF RATES IN ARREARS FROM TENANTS AND OCCUPIERS

If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined in terms of section 26(2), the Municipality may re-cover the amount in whole or in part from a Tenant or Occupier of the property despite any contractual obligation to the contrary on the Tenant or Occupier. The Municipality may recover an amount only after Municipality has served a written notice to the occupier.

4.2.4 RENDERING OF MUNICIPAL ACCOUNTS

All efforts will be made to ensure that municipal accounts are rendered promptly on a monthly basis to all consumers or owners of properties situated within the Ngqushwa Municipal area of jurisdiction. It will also be ensured that accounts are accurate. It must also be indicated that accountholders have a responsibility to contact the nearest Finance Department's offices or the Chief Financial Officer in cases of failure to receive a municipal account, so that such situation can be attended to timeously. Failure to receive a municipal account does not stop the municipality from implementing credit control procedures.

4.2.5 ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS

Allowing defaulting account holders to make arrangements for the payment of arrear accounts shall be at the discretion of the Municipal Manager or his/her designate. Each defaulting account holder shall be allowed a period as determined by the Municipal Manager or his/her designate, with a minimum of 10% (where practically possible, and also consult the Credit Control and Debt Management *By-Law* for more clarity) of gross earnings, within which to pay an arrear account, together with the interest raised on

4.2.7 ASSISTANCE TO THE POOR AND INDIGENCY MANAGEMENT

In regard to the payments expected from the registered indigents and the credit control and debt collection actions contemplated in respect of such residents, this policy must be read in conjunction with the municipality's approved policy on indigent management.

4.2.8 A SERVICE CONTRACT AGREEMENT

A service contract shall be entered into with the municipality for each property to which the municipality is expected to provide all or any of the following services: -

- (i) Property rates
- (ii) Refuse collection.

Such contract shall set out the conditions on which services are provided and shall require the signatory to note the contents of the municipality's Credit Control and Debt Management Policy, a copy of which shall be provided to such signatory, as well as the provision of the Municipal Systems Act 32 of 2000, in regard to the municipality's right of access to property.

Where the signatory is not the owner of the property to which the services are to be provided, a properly executed letter from such owner indicating that the signatory is the lawful occupant of the property shall be attached to the service contract. Current consumers and users of the municipality's services who have not entered into a service contract as envisaged above, must do so within two years from the date on which the by-laws to implement the present policy are published, and failure to do so shall be considered as a default equivalent to non-payment of municipal services.

5. ALLOCATION OF PART- PAYMENTS AND APPROPRIATION OF DEPOSITS

If an account holder pays only part of any municipal account due, the Chief Financial Officer or his/her designate shall allocate such payment according

8. CONTRACTORS/ SERVICE PROVIDERS TENDERING FOR MUNICIPAL SERVICES

As one of the qualification criteria for contractors who apply for any municipal tender, the Chief Financial Officer must provide a certificate confirming that the prospective bidder does not owe the municipality within which it operates, (this applies to any municipality in the Republic of South Africa) for any services rendered to the bidder by the municipality. Such certificate must be signed by the Chief Financial or his/her designate. No tender must be awarded to any_“prospective bidder” whose municipal account is in arrears or with no suitable arrangements having been made with the Chief Financial Officer. Attached as Annexure “A” is a declaration statement that must be obtained from the Finance Directorate relating to the status of the municipal account of a “prospective service provider” before any contract is awarded to the tenderer (this includes any infrastructure contract, services such as B&B accommodation, catering service, etc.).

9. MUNICIPAL EMPLOYEES AND COUNCILORS WHOSE ACCOUNTS ARE IN ARREARS

Section 124 of the Municipal Systems Act (No 32 of 2000) clearly states that municipal employees, whose accounts are in arrears for a period longer than three (3) months, without any acceptable arrangements with the Municipal Manager or his/her designate, will result in such arrears deducted from their salaries without any warning. The same applies to Councillors whose accounts are in arrears for a period exceeding three months, in terms of the “code of conduct” applicable to Councillors. The Municipal Finance Management Act No. 56 of 2003 further requires the Chief Financial Officer to disclose, in the set of financial statements, the name of Councillors whose municipal accounts were in arrears for a period greater than 90 days at anytime during a particular financial year.

It is therefore the responsibility of the Municipal Manager or his/her designate to ensure that such sections of the Municipal Systems Act and Municipal Finance Management Act are at all times applied to all the employees and Councillors of this council.

10. INTEREST ON ARREARS AND OTHER PENALTY CHARGES

In terms of Section 64(2) of the Municipal Finance Management Act No. 56 of 2003, the Accounting Officer must take all reasonable steps to ensure that “(g) the municipality charges interest on arrears, except where the Council granted exemption in accordance with its budget related policies” or the customer has made payment arrangements with the Municipality.

The Chief Financial Officer or his/her designate shall as soon as possible after 30 June of each year present to the **Budget Steering Committee (BSC)** a report indicating the amount of the arrears which is believed to be uncollectible, together with the reasons for this conclusion.

The **Budget Steering Committee** shall then recommend the write-off of such arrears, if all possible steps of collection and legal action have failed. The municipality must also ensure that the provision for bad debts is maintained at an acceptable level, and appropriations must be made at the end of the financial year from surpluses to boost the provision. The budget for bad debts is to be made annually from the operating account. The recommendation for the writing-off of arrear debts can also be initiated by the Chief Financial Officer on an ad-hoc basis (as and when such situation is identified). The municipality may recover the written-off debt if the debtor's position changes (e.g. financially sound, debtor can be traced, etc.).

13. IMPAIRMENT OF DEBTORS

The Municipality must make an objective assessment of its financial assets to determine if there is possible impairment guided by International Accounting Standard section 39. If the objective evidence exists that the receivables are impaired, that carrying amount of receivables shall be reduced through the use of an allowance account known as the provision for doubtful debts.

The red flag that debtors are impaired is evidenced by debtors not paying for services rendered within the required time and age of the debtors.

14. CALCULATION OF PROVISION FOR DOUBTFULL DEBTS

For the purpose of applying ISA sec 39 the municipality has considered categorisation of trade debtors into classes as follows:

Government debtors – These are generally considered to be low risk due to historical experience and engagements that has transpired.

Business Debtors – These represent fairly low risk to the municipality as they are usually financially viable as well as easily traceable and identifiable.

	in to arrangement with the municipality				
4.	Government debtors (No engagement with the government debtors)	0%	0%	0%	0%
5.	Government Debtors (engagement with the government debtors and there are supporting documents)	0%	0%	0%	0%
6.	Business Debtors (No engagement with debtor)	88850%	5%	40%	60%
	Business Debtors (Arrangement with debtor)	0%	5%	20%	50%

15. INCENTIVES APPLICABLE TO ACCOUNT HOLDERS WHO SETTLE THEIR ACCOUNTS ON OR BEFORE DUE DATES

All efforts must be made to ensure that accountholders, who consistently pay their accounts in time, are treated as good payers, 5% may be granted annually.

Those who are in areas of above 90 plus they should settle 80% of the debt and they may receive 20% discount, if the arrangement has been signed, the payment will as per the signed agreement.

16. CONTINUOUS IMPROVEMENT OF METHODS OF PAYMENT FOR SERVICES

In an attempt to improve payment methods for municipal services and encourage payment for services, the Ngqushwa Municipality will continuously improve the payment methods to incorporate all sophisticated methods, and such methods that are available 24 hours a day, such as internet or on-line payment facilities, debit and credit card facilities, etc. and also depending on the cost structure of the recommended payment method.

Lastly, the Municipal Manager must ensure that this policy is listed in the Municipality's website, and is accessible to the general public.

20. REVIEW OF THE CREDIT CONTROL AND DEBT COLLECTION POLICY

This policy will be reviewed at least once a financial year, and such review must firstly be submitted to the Budget and Treasury Standing Committee by the Chief Financial Officer, and be finally endorsed by the Municipal Council before it can be implemented. This policy supersedes any other one adopted by Council previously, including any other resolutions taken.

EFFECTIVE DATE: 1 July 2021

Recommended By:

Municipal Manager/Accounting Officer.....

Signature.....

Date.....

- A report detailing the progress with the implementation of irregular fruitless unauthorised and wasteful policy with specific reference to achievement of this policy has to be compiled every year by the person with the responsibility for implementation and monitoring. The policy must be made available to all consulting parties for perusal and comment and must be circulated to all staff members by means of circulars, notices and notice boards

7. DEFINITIONS AND ABBREVIATIONS

Term	Meaning
Accounting Officer	refers to the Municipal Manager of the municipality
Budget, Treasury Standing Committee	refers to the committee of council dealing with the financial affairs of the municipality,
Chief Financial Officer	refers to the head of the Budget and Treasury Business Unit,
Dishonoured Cheque	Cheque rejected by the bank due to various reasons, such as insufficient funds in the account, incorrect cheque signatory, amount incorrect, etc.
Budget and treasury unit	refers to the municipal department dealing with the financial affairs of the municipality,

8. SUPPORTING DOCUMENTS

NONE

9. REFERENCES

NONE