CREDIT CONTROL AND DEBT MANAGEMENT POLICY FOR JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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Municipal Manager .....

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REVIEWED

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TABLE OF CONTENTS

1. RESPONSIBLE AUTHORITY

2. CREDIT CONTROL

3. EXTENTION FOR PAYMENT

4. COMMENCEMENT AND RESUMPTION OF SERVICES

5. PROCEDURE OF FINAL RESORT

6. DEBT COLLECTION

7. POLICY REVIEW

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1. RESPONSIBLE

AUTHORITY 1.1

Council

The Council is responsible and should review the performance of the Municipality to endeavour to improve the efficiency of the credit control and debt collection services.

The delegated officials to assist the Council accomplish its responsibilities are the Municipal Manager, Chief Financial Officer and officials appointed in the Revenue Unt.

1.2 Municipal Manager

It is the responsibility of the Municipal Manager to report bi-monthly to the full Council on the status of debtors and action taken against them. Furthermore, the Municipal Manager must ensure that obligations under its by-laws and decisions by the Council are enforced by the Municipal Administration.

1.4 Obligation to measure

The Council must ensure that for every municipal services provided, a charge or tariff for that service s established.

1.7 Rendering of accounts

Although Municipalities must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay the amount. Accounts must reveal the following:

a) Details of the type of services for a certain period

b) The amount due in terms of each services rendered.

c) The amount due for each remaining service.

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(d) The amount due for property tax where applicable.

1.8 Final date of payment

1.9.1 Services Accounts

The invoice/account must state the final date of payment, which must not be later than the 25th of the following month after date of the invoice.

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2. CREDIT CONTROL

2.1 Purpose

The purpose is to ensure that credit control forms an integral part of the financial system of the Municipality, and ensure that the same procedure be followed for each individual case.

2.2 Arrears

An amount due after the final due date for payment, shall be an amount in arrears, the account following the month when the arrears occurred, should reflect the amount in arrears.

2.3 Action after failure to pay

2.3.1 If a debtor fails by the demand date -

2.3.1.1 To pay the arrears amount

2.3.1.2 To lodge an appeal (query the amount of the account)

2.3.1.3 To conclude an agreement with the Municipality for payment of the arrears in installments.

2.3.2 The Municipality may without further notice -

2.3.2.1 Institute legal action for the recovery of the arrears amount within a period not exceeding thirty days from the demand date

2.5 Right of appeal

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An appeal must be submitted in writing to the Municipal Manager prior to the final due date for payment of the contested amount, and must contain details of the specific item(s) on the account which are the subject of appeal, with full reasons.

2.6 Payment during appeal

Once an appeal is lodged, the debtor's obligation to pay that portion of the total amount due represented by the items appealed against is suspended until the appeal has been finalised. The debtor must however immediately pay the balance of the account together with an amount representing the average cost of the item appealed against over the preceding three months, or an amount determined by the Chief Financial Officer. In the meantime, the debtor will remain due and liable for all other amounts falling due during the adjudication of the appeal.

2.7 Adjudication of appeal

2.7.1 The debtor should be informed in writing of the results of the test of the instrument, and of any adjustment to the amount due by him, together with the costs of the test for which the debtor will be liable if no error could be found with the instrument. If a faulty meter or instrument is revealed, the Municipality will bear the costs thereof.

3. EXTENTION FOR PAYMENT

3.1 Policy

3.1.1 Municipal services and other debtors

If a consumer or other debtor reacts on a written reminder on outstanding or arrears amounts; the Chief Financial Officer may/can arrange that the debtor pay the outstanding amount in equal monthly installments over a period not exceeding 24 months.

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3.1.3 Interest must be charged on the arrears which appears on the account

3.1.4 Interest raised on arrears at a rate of 1% above prime rate

3.1.5 Interest may only be reversed under the following circumstances;

- Exemptions as determined by council.
- If the municipality has made an administrative error on the account.
- Where the council approves such reversal from time to time
- No interest on organs of state to be considered.

3.3 Continuous default

If a debtor fails to comply with the terms of any agreement providing for an extension of time for payment, then the total of all amounts due including interest costs, shall immediately become payable without further notice to the debtor.

3.4 Extended repayment periods

3.4.1 If the overdue amount is outstanding for longer than 12 months, a minimum payment of 50% of the outstanding balance must be made immediately. The remainder of the balance could be made over a period not exceeding 12 months.

3.4.2 If the overdue amount is outstanding for less than 12 months, a minimum payment of 25% of the outstanding balance must be made immediately. The remainder of the balance could be made over a period not exceeding 6 months.

3.4.3 The debtor should request such arrangement and shall agree to the conditions attached thereto.

3.4.4 Interest shall be levied as in 3.1.3 above.

3.4.5 If the conditions as agreed to be not adhered to normal credit control procedures will be implemented.

3.4.6 When a debtor applies for further extension/arrangement, services will be discontinued until final payment is received.

3.4.7 All future current accounts must be paid on due date.

COMMENCEMENT AND RESUMPTION OF SERVICES

4.1 New service connections

Connections and supply of a new service may only be made after all charges in respect of deposits and correction fees have been paid.

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4.2 Resumption of discontinued services

4.2.1 If the debtor has -

4.2.1.1 Paid the full amount outstanding; or

4.2.1.2 Made an agreement with the Municipality for the payment of the amount in arrears, the services will be resumed.

4.3 Unauthorised consumption, theft, damages and penalties

When established that a water or electricity meter has been tampered with by a transgressor (a consumer), the following actions are applicable:

4.3.4 If the suspended condition of service delivery is not acceptable for the transgressor/consumer as mentioned in paragraph 4.3.3, the service delivery to the transgressor/consumer will only be restored if conformed to the following conditions:

4.3.4.1 A minimum penalty fee payment of R1 000;

4.3.4.2 The payment of a full connection fee applicable for the delivery of the services; and

4.3.4.3 The payment of an additional levy in respect of calculated average consumption since the date of deviation in consumption occurred on the account of the property involved.

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53 **Write-off of Irrecoverable Debts: Conditions**

5.3.1 Where the debtor is untraceable.

5.3.2 Insolvency of debtor.

5.3.3 Where a contribution obligation may exist on sequestration of a business or individual.

5.3.4 The debtor has no movable or immovable property at his disposal.

5.3.5 The cost of collection exceeds the debt.

Debt will only be considered as irrecoverable if it complies with one or more of the following criteria;

5.3.6 All reasonable notfcatons and cost effective legal avenues have

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been exhausted to recover a specfc outstanding amount.

5.3.7Any amount equal to or less than R500, or as determined by council from time tme, wll be considered too small, after havng followed basic checks, to warrant further endeavors to collect the debt.

5.3.8 The cost to recover the debt exceeds the debt

5.39 It has been proven that the debt has prescribed

5.3.10 the debtor s untraceable

5.3.11 t s not possible to prove the debt outstanding.

5.3.12 The debtor s insolvent

5.3.13 A court has ruled that the clam is not recoverable

5.3.14 The muncpalty has resolved that the debt s rrecoverable

5.3.15 The outstanding amount s as a result of an administratve error

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6. DEBT COLLECTION

6.1 Procedures for the collection of outstanding debt on all debtors

6.1.1 Includes the provisions of the Institution of Legal Proceedings against Certain Organs of State, Act 40 of 2002

6.1.1 Dispatch of accounts and payment thereof by the debtor within the prescribed time indicated on the account.

6.1.2 A summons must be issued to those concerned, which did not react in terms of paragraph 6.1.2

6.1.3 Where a written finale notice yields no response, the account may be handed over to external debt collectors and/or attorneys for collection

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6.1.4 Government accounts (national, provincial and local) will not be handed over to external debt collectors and/or attorneys in terms of section 41(1)(h)(vi) of the constitution of the republic of south Africa.

The below are the GRAP standards;

- Grap 104
- Grap 104.57
- Grap 104.58
- Grap 104. 61
- Grap 104. 62
- Grap 104.63

7. **POLICY REVIEW**

- This policy will be reviewed annually.

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