

NTINGA OR TAMBO DEVELOPMENT AGENCY SOC LTD



CREDIT CONTROL AND DEBT COLLECTION POLICY

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RESPONSIBLE MANGER	Chief Financial Officer

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1. FOREWORD

Ntinga O.R Tambo Development Agency SOC Ltd was created as a vehicle to implement development projects aimed at poverty alleviation and job creation of the District Municipality. In the process of implementation of these projects it established and acquired trading enterprises aimed at supplying commodities and developing the communities within the O.R Tambo region. These enterprises are trading like any trading business and from time to time they sell on credit. Hence the credit control policy had to be developed.

2. INTERPRETATION, PURPOSE, AND REVIEWAL

Interpretation and definitions of terms in this policy have the following meanings, unless the context indicates otherwise: -

“Board”	means the Board of Directors of the municipality entity,
‘Code of Conduct’	(1) Board member, means the Code of Conduct set out in the Terms of Reference for Board Members, (2) Staff member of an entity means the Code of Conduct set out in Schedule 2 of the Systems Act (Act No 32 of 2000)
‘Constitution’	refers to the Constitution of the Republic of South Africa (Act No 108 of 1996),
‘Delegation’	in relation to a duty, includes an instruction to perform the duty and delegate has a corresponding meaning,
‘Key stakeholders’	refers to those individuals, group of people and or organisation that are directly affected by the policy, including those responsible for implementation and compliance monitoring and must be consulted during development or revision of the policy and its associated procedures. Key stakeholders may include management and other staff

	members, Board of Directors, parent municipality, business partners or member of the community.
'Local Government'	refers to category A, B and C municipalities as enshrined in section 155(1) of the Constitution (Act 108 of 1996) including municipal entities.
'MFMA'	refers to the Municipal Finance Management Act, 2003 (Act No 56 of 2003).
'Municipality entity'	a company referred to in section 86B(1) of the Municipal Systems Act 32 of 2000.
'Ntinga'	stands for Ntinga O.R. Tambo Development Agency SOC LTD.
'Parent Municipality'	in relation to a municipal entity, means the municipality which established that particular entity;
'Policy'	a concise formal and mandatory statement of principle which provides a framework for decision-making and a means by which the entity reduces its institutional risk. Policies support the entity's course for the foreseeable future and should therefore not frequently be changed;
'Responsible manager'	Responsible Manager refers to the management position that is responsible for the development, review, implementation of the policy and procedures in the work area. It also refers to the management position of body responsible for monitoring implementation of and compliance with the policy and its associated procedures and is also the contact person for queries about the policy.
"CFO"	Person appointed as the Chief Financial Officer of the Municipal Entity
'Credit Control'	Functions relating to the collection of monies owed by the customer.
'Customer'	Any person or company that has agreed to acquire goods and services on credit.

'Interest'	A charge levied with the same legal priority as services fees and calculated at the existing prime interest rates on arrear accounts.
'enterprise'	trading enterprises of the entity.
'service provider'	means a person or institution or any combination of persons and institution which provide services or supplies goods to the entity.
'staff'	in relation to a municipal entity, means the employee of the entity, including the Chief Executive Officer (CEO), all managers and other staff members (including volunteers, interns, trainees and students doing experiential training).
'Systems Act'	refers to the Local Government; Municipal Systems Act,2000(Act No.32 of 2000) as amended

3. PURPOSE OF THE POLICY

- a) The primary objective of a sound debtors management, or credit control, is to ensure that all monies owed to the enterprises are collected at a reasonable period and all debtors owing money to Ntinga and its enterprises are treated in a fair and equitable manner.
- b) This Credit control and debt collection policy are mechanisms designed to assist Ntinga and its enterprises in collecting outstanding debts from the customer.
- c) The purpose is to ensure that credit control and debt collection forms an integral part of the revenue collection process of the entity.
- d) It will enable the enterprises to run an efficient and effective method of credit control management.
- e) The long terms aims of the policy are:
 - i) To minimise the risk and proactively manage the debt so as to have no long outstanding accounts on the debtors ledger.
 - ii) To create a new credit control ethos within the entity that will build strong working relationship with customers.
 - iii) To provide services on the credit worthy customer's through the following procedures:

- Determine pre-credit approval procedures;
- Procedures to write off bad debt;
- Debt collection procedures;

4. GENERAL PRINCIPLES

In relation to the sales of goods and services by the enterprises, within its financial and administrative capacity, the responsible manager must:-

- i) establish a management system that aims to create a positive and reciprocal relationship between entity and the customer,
- ii) establish effective accounting system that produces timeous, clear and understandable account for customer,
- iii) ensure that persons liable for payments, receive regular and accurate accounts,
- iv) apply reasonable terms for collection, payments of arrears and the imposition of penalties,
- v) ensure improvement of accountability, efficiency and effective administration.

5. OBJECTIVES

This policy will aim at assisting the Enterprises in the implementation of relevant legislation regarding credit control by:

- i) Ensuring that money due and payable is collected and used towards the sustainability of the enterprise.
- ii) Setting realistic targets for debt collection, and
- iii) Outlining credit control policy and debt collection procedures and mechanisms.

6. APPLICATION AND SCOPE OF THE POLICY

- a) Once this policy has been approved by the Board, its content applies and is binding to:-
 - i) All employees of Ntinga and related parties over which Ntinga Board has authority on.
 - ii) Engaged consultants, suppliers, contractors and other providers of goods or services to Ntinga.
 - iii) Non- Governmental Organisations (NGO'S) and other parties receiving financial and non-financial benefits from Ntinga.
 - iv) All organisations that have partnerships with Ntinga and their areas of partnership relate to some parts of this policy
- b) In the event of any inconsistency or contradiction between a section of this policy and the Constitutions, Act or By-Law, the Constitution, Act or By-law prevails or takes precedence.
- c) In effecting and implementing this policy the following will have to be taken into consideration
 - i) The financial viability and sustainability of Ntinga from time to time as determined by the available resources, and:-
 - ii) Avoiding wasteful and fruitless expenditure.

7. PERIODIC REVIEWAL OF THIS POLICY

- a) This policy shall be reviewed on a regular basis. Due to the dynamic and developing nature of local government, twelve months would be an acceptable review period for this policy.
- b) Minor editorial updates that do affect the title or substance of the policy (purpose, scope, policy statement) shall not go through the formal approvals process. These include correctional of typographical errors or changes to:
 - i) stakeholders
 - ii) responsible manager
 - iii) conflict person, and
 - iv) key words and definitions,

- c) This policy review must follow the following process:-
- i) The CFO shall circulate the existing policy to senior staff members and other relevant stakeholders inviting any proposed amendments.
 - ii) Request for amendments should be in writing with a cut off submission date not less than 14 working days from the date of request. Amendments may be due to changes in:-
 - Legislation
 - other related policy
 - mandate of the entity
 - mode of operation
 - implementation strategy
 - internal and external environment where operations take place, and
 - community needs
 - iii) Proposed amendments shall be consolidated, evaluated, inserted in policy document highlighting revised areas in red colour.

8. APPLICABLE LEGISLATION AND RELATED POLICIES

- a) This policy is to be read in conjunction with the following Acts:-
- i) Constitution of the Republic of South Africa (Act No.108 of 1996),
 - ii) Local Government: Municipal Structures Act, 1998 (Act No.117 of 1998)
 - iii) Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000),
 - iv) Municipal Finance Management Act ,2003 (Act No.56 of 2003)
 - v) Promotion of Access to Information Act, 2000 (Act No.2 of 2000)
- b) The following policies, strategies and publications are relevant to the development and implementation of this policy:-
- i) Local Economic Development policy and strategy of O.R. Tambo District Municipality,
 - ii) Code of Conduct for Municipal Employees,
 - iii) Ntinga Financial Policies and Procedures
 - iv) Ntinga Human Resources Policies,
 - v) Ntinga Risk Management Policy,
 - vi) Ntinga Records Management Policy.

9. CREDIT APPROVAL PROCEDURES

The customer risk profile should be assessed by performing the following activities:-

- a) Identification and demonstration customers' sources of repayment.
- b) Obtain credible audited financial statement and or any other relevant documents and sources in order to perform financial analysis to determine the prospects of credit being repaid according to approved terms and conditions.
- c) Check customers' credit with relevant credit bureaus to verify the customer's outstanding balance, credit applications, repayment records, and total debt service coverage ratio.
- d) Determine whether the customer has a legal capacity to assume the credit. The Entity should avoid association with individuals involved in fraudulent activities and other crimes and should ask references from known parties, access credit registries, and become familiar with individuals responsible for managing a company through inspection of company registration documents etc.
- e) Determine the terms and conditions for the credit e.g. the credit limit, repayment periods etc.

10. DELEGATION OF AUTHORITY ON CREDIT GRANTING

- a) The Enterprise manager is allowed to approved credit granting up to R5,000
- b) The Senior Manager shall approve credit between R5,000 and R15,000.
- c) The Chief Executive Officer with the recommendation of the Chief Financial Officer, shall approve credit from R15,000 but not exceeding R100 000.
- d) No credit above R100 000 may be granted.
- e) Chief Executive Officer may, with a clear motivation from a relevant Senior Manager and recommended by the Chief Financial Officer, approve credit terms extending beyond 7 days but not exceeding 30 days.

11. PROCEDURES FOR ADDITIONAL CREDIT

Credit sales shall not be made to a debtor whose account is in arrears unless approved by the Senior Manager: Trading enterprise in consultation with the Chief Financial Officer.

12. PROCEDURES TO WRITE OFF DEBT

- a) All debt to be written off shall be approved by Ntinga's Board of Directors.
- b) Debt should only be written off after exhausting all available means of recovering the money.

13. DEBT COLLECTION PROCEDURES

- a) No cheque shall be accepted unless it is bank guaranteed.
- b) The payment terms should be clearly reflected on the invoice e.g. "This invoice is payable within 7 days".
- c) Statements should then be sent to customers by the 20th day of the month.
- d) The statement must show the age analysis of the account and total amount payable.
- e) If the payment is not received from the customer by the due date, a telephone call must be made to the customer on the 4th day following the day on which the payment was supposed to have been received, to remind the customer of the arrears.
- f) This four day allowance is given in order to allow clearance of direct deposits made by the customer through electronic funds transfer from different banks.
- g) The arrears must be settled within 7 days from original due date.
- h) If the arrears debt is not settled within 7 days, a polite letter notifying customer that credit has ceased must be sent on the 10th of the month as a reminder of obligation to pay and to tell him/her that the interest will be charged at current prime interest rate plus 2% per annum on Arrears.
- i) Long outstanding debtors should be forwarded to the credit control office to follow up and reports must be submitted to the CFO and the Senior Manager: Trading Enterprises.
- j) Monthly reports should be submitted on the collection progress of all long outstanding debts and the action taken by management to recover these debts.
- k) If the customer fails to pay all the amount in arrears on the last day of the following month without proper and acceptable arrangement, a letter must be sent to the customer on the 10th day stating that his account will be handed over to debt collectors.
- l) If the customer fails to pay all the amount in arrears on the last day of the second month from the due date, the enterprise manager must advise the Senior Manager: Trading Enterprises for consideration of handing over the customer per agreed contract.

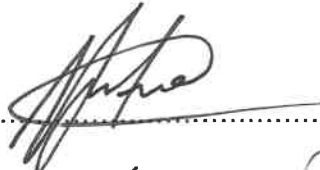
- m) All accounts handed over must be approved by Senior Manager: Trading Enterprises.
- n) No further credit shall be allowed if the customer account is in arrears.
- o) A file containing all correspondence between the customer and the entity must be maintained by the responsible manager.
- p) Monthly debtors' reconciliations statements must be prepared by the enterprise accountant. They must be reviewed and authorized by the Manager: Reporting, Revenue and Expenditure. This will assist in identifying long outstanding accounts.

14. PENALTY CLAUSE

A responsible manager or an official of the entity to whom a power or duty was delegated in terms of this policy, is guilty of an offence if the manager or official deliberately or in a gross negligent way contravenes or fail to comply with a condition of this policy.

Ntinga's disciplinary action may be invoked against such person.

15. APPROVAL AND SIGNATURES

Formulated by:.......... Date: 28/04/22.....

CEO Recommendation: ..... Date: 28/04/22.....

