Optimizing cash flow: “Credit control process through clean and fair system”

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18 June 2026

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Systems vs Payment Culture

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“Culture is built slowly and lost quickly.”

- We are an Original Equipment Manufacturer (**OEM**) who supplies solutions to Municipalities as well as various implementing agents within the local government space

- Proud supplier of leading-edge Revenue Management business solutions.

- Most effective way to manage your Revenue is through dedicated business process management systems

“Changing Municipalities one payment at a time”

Payment Culture

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“Culture is built slowly and lost quickly.”

Developing a Positive Payment Culture takes 3 – 5 years

- **Consistent** credit control enforcement.
- **Visible** service delivery improvements.
- **Accurate** billing and customer trust.
- Political **support** and leadership **stability.**
- **Effective** indigent management and targeting of subsidies.
- **Regular** communication with residents.

✓ Bills are accurate.
✓ Everyone is treated fairly.
✓ Defaulters face consequences.
✓ Paying customers receive reliable services

Payment Culture

“Culture is built slowly and lost quickly.”

Developing a Non-Payment Culture takes 6 Months to 3 years

- Credit control is **suspended**.
- Large arrears are written off **without conditions**.
- Political leaders publicly **discourage enforcement.**
- Residents see others not paying **without consequences**.
- **Service delivery deteriorates** while tariffs increase.

Where is your Munic in the Queue ?

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MTN

mr price

vodacom

Jet

House & Home
Making Your House a Home

Edgars

Your Municipality

Payment Culture

"Culture is built slowly and lost quickly."

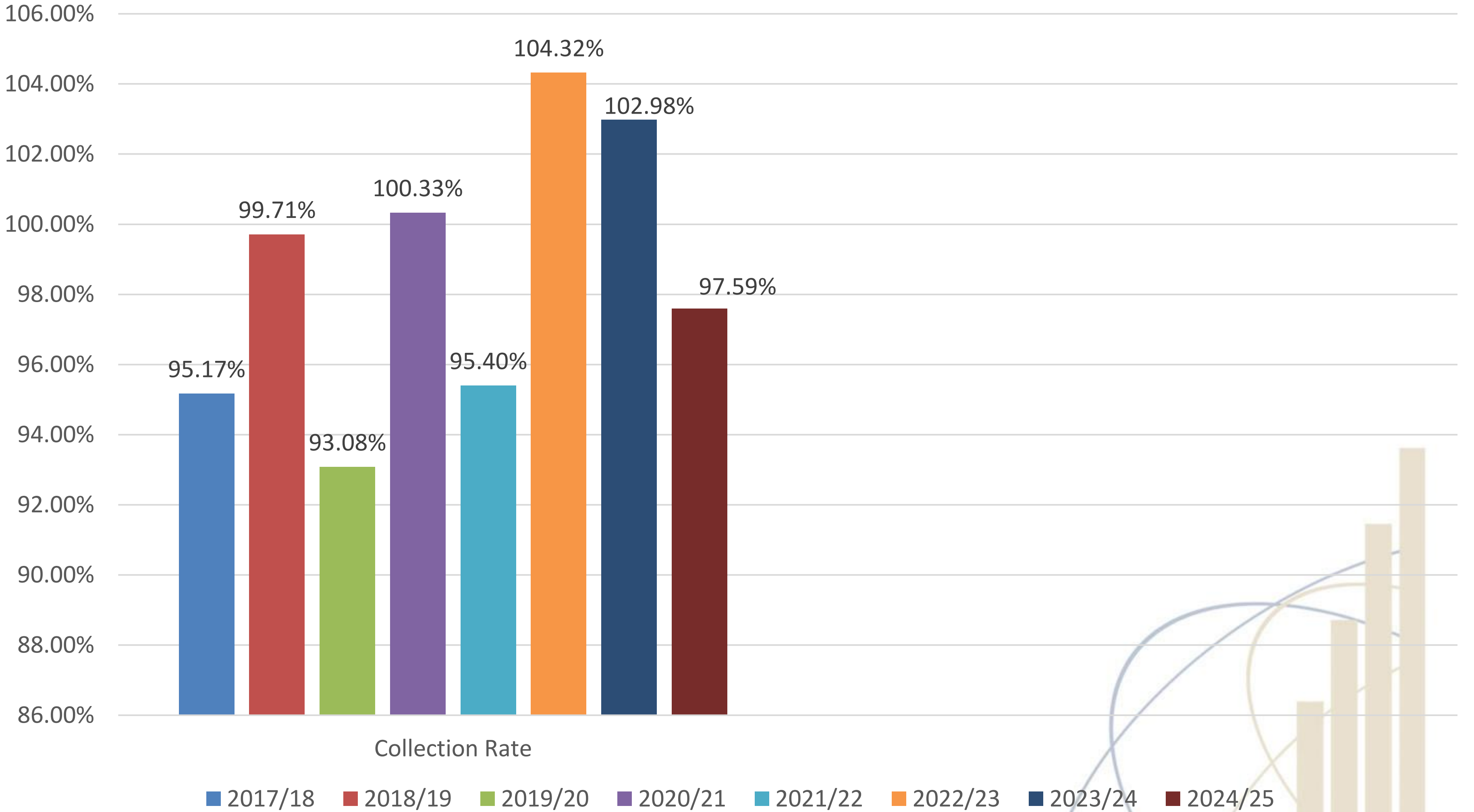
Undoing a Non-Payment Culture takes 3 to 15 years

- ✓ Strong Political Will
- ✓ Fairness
- ✓ Accurate Data and Billing
- ✓ Targeted Indigent Support
- ✓ Consistent Enforcement
- ✓ Service Delivery Improvements

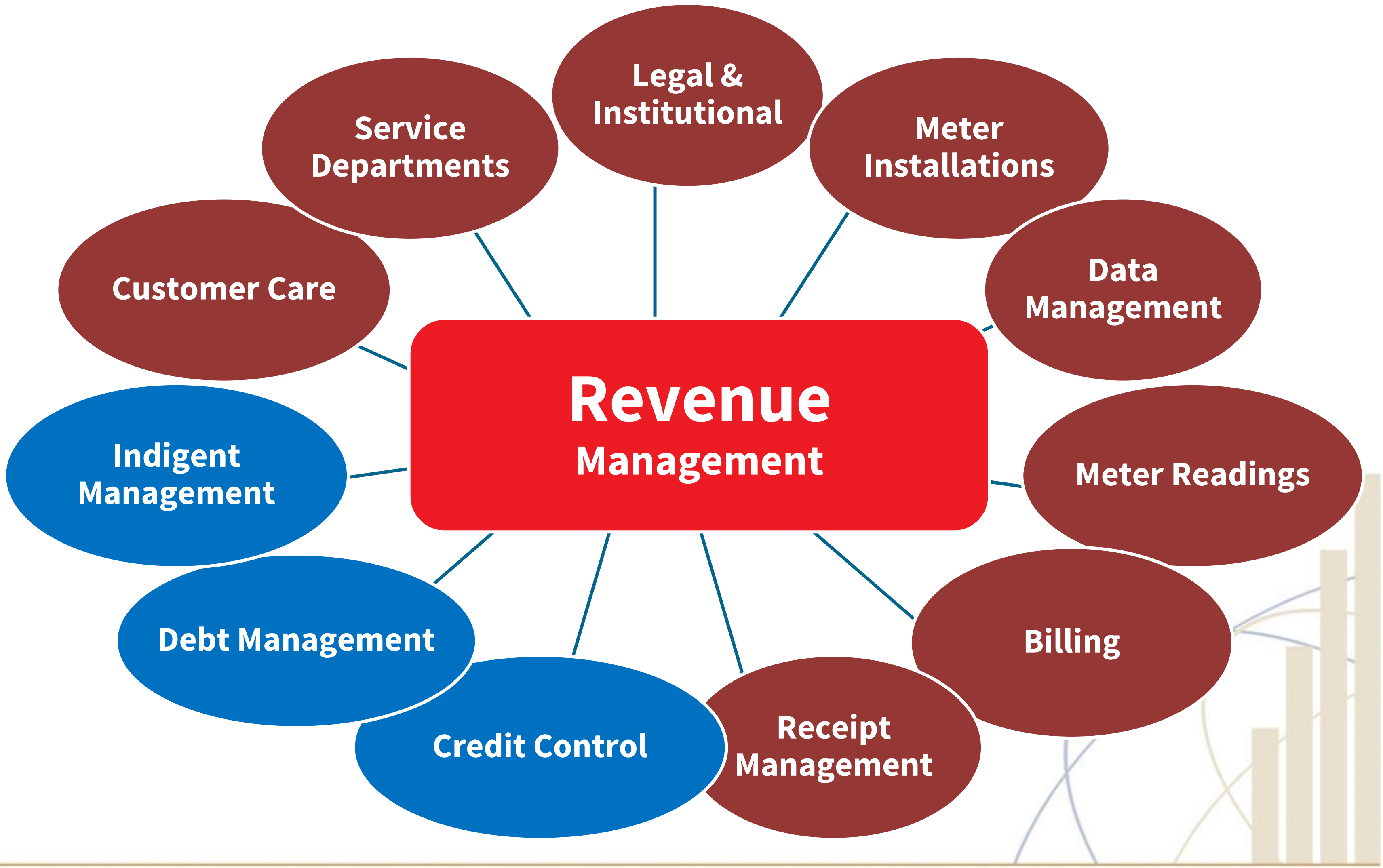
"Residents adapt faster to the removal of consequences than they do to the introduction of consequences."

A payment culture is not a billing issue; it is a trust issue.

Payment Culture – Good Example



Understanding the Revenue Value Chain



Clean and Fair Credit Control System

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- Municipalities do not fail because they lack revenue. They fail because they are **unable to convert billable revenue into collected cash.**
- Effective revenue management is therefore not about billing more—it is about collecting **fairly, consistently, and sustainably.**
- Cash flow is the lifeblood of every municipality

Why Municipalities Experience Cash Flow Challenges

Internal Causes	External Causes
Incorrect billing	Economic hardship
Poor meter reading practices	High unemployment
Outdated customer information	Rising cost of living
Weak debt collection processes	Community resistance to payment
Lack of consequence management	
Political interference	

Clean and Fair Credit Control System

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What is Credit Control?

Credit control is **not** punishment.

The purpose is:

- Protect municipal cash flow
- Promote fairness
- Encourage compliance
- Support service sustainability

Clean and Fair Credit Control System

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Principles of Effective an Credit Control System

Fairness

- Residents
- Businesses
- Government departments
- Councillors
- Municipal employees

Transparency

- What they owe
- Why they owe it
- Consequences of non-payment
- Available assistance

Accuracy

- Data cleansing
- Meter audits
- Account verification
- Property ownership verification

Consistency

- Greatest enemy of collections
- Applied today and suspended tomorrow

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Legislation that gives effect:

Municipal Systems Act, 2000 (Act 32 of 2000)

- **Section 96** – Collection of Money Owed
  - "must collect all money that is due and payable to it."
- **Section 97** – Credit Control and Debt Collection Policy
  Every municipality must adopt and implement:
  - A Credit Control Policy
  - A Debt Collection Policy
- **Section 102** - Consolidate separate accounts of a debtor
- **Section 118 (1)** - A property cannot be transferred unless municipal charges for a prescribed period have been paid.

MFMA – Municipal Finance Management Act

- **Section 62** - The Accounting Officer must ensure:
  - Effective, efficient and transparent systems of financial and risk management and internal control
- **Section 64** – Revenue Management - The Accounting Officer must ensure:
  - The municipality has and maintains an effective revenue collection system.

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Legislation that gives effect:

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GRAP 104 – Financial Instruments

- Accounting Impairment
  - Not legal abandonment of debt.
  - A municipality may impair debt because collection is doubtful.

Important Principle

A debt may be:

- Fully impaired
- Fully written off in the accounting records yet still remain **legally** recoverable.

"An accounting write-off removes debt from the balance sheet. It does not necessarily remove the debt from the debtor."

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Indigent Management

The Constitution and Municipal Systems Act

Require municipalities to provide support to poor households.
However:

- Indigent Support Must Be Targeted
- Municipalities must distinguish between:

Cannot Pay
and
Will Not Pay

"Indigent is about the Household and not the person"

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Why was a system created ?

- **Remove** the human emotions out of the process
- **Policy driven**
- Accountability and **full Audit Trails**
- **Performance monitoring** of internal staff as well as field workers
- Efficient **communication** to consumers
- **Evidence** of work performed to customers and auditors
- **Integration** back to FMS for levy charges
- **Automated workflow** for increasing of intensity of actions
- Identification of **technical challenges** when performing of Credit Control Actions
- Effective management of **restricted areas** as well as restricted accounts
- **Cash allocation** to action performed (SMS, Final Demands, Cut Actions etc)

Clean and Fair Credit Control

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- Scheduling of various credit control and debt collection actions according to the approved Credit Control and Debt Collection policy.
- This will include, ***Pre-legal*** (SMS, Final Notice, Electricity disconnections, Water restrictions/disconnections, Illegal Consumption Inspections),
- ***Legal*** (Final Demand, Summons, Warrant of Execution, Judgements) as well as other ad hoc actions. This is especially important for the “non service: related Municipalities

“A municipality’s greatest asset is not its infrastructure or its technology. It is the trust of its customers.

When citizens trust the bill, trust the process, and trust that everyone is treated fairly, payment culture flourishes.

Optimizing cash flow is just a financial exercise—it is the outcome of a clean, fair, consistent, and transparent credit control system.”

Thank You!

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