

PREPAID ELECTRICITY VENDING POLICY



**MALUTI-A-PHOFUNG LOCAL MUNICIPALITY
PROPOSED PREPAID ELECTRICITY VENDING POLICY - 2020-21 FINANCIAL YEAR**

CONTENTS

DEFINITIONS.....	2
SECTION 1: OBJECTIVES	3
SECTION 2: LEGISLATIVE BACKGROUND	3
SECTION 3: POLICY PRINCIPLES	4
SECTION 4: VENDING SYSTEM & ENVIRONMENT.....	5
SECTION 5: APPOINTMENT OF PRIVATE VENDORS.....	5
SECTION 6: OBLIGATIONS OF VENDORS.....	6
SECTION 7: OBLIGATIONS OF MALUTI-A-PHOFUNG.....	7
SECTION 8: DEPOSIT / BANKING OF SALES PROCEEDS.....	7
SECTION 9: SHORTAGES AND SURPLUSES.....	8
SECTION 10: PAYMENT OF COMMISSION TO VENDORS.....	9
SECTION 11: INTEREST ON LATE DEPOSIT OF SALES PROCEEDS	10
SECTION 12: INSURANCE.....	10
SECTION 13: REPORTING	11
SECTION 14: REVIEW AND APPROVAL.....	11

DEFINITIONS

“Maluti -a- Phofung Finance Office” means any office controlled by Map under the authority of the Chief Financial Officer.

“Consumer” means the user of electricity supplied via an energy dispense.

“Coupon” means a computer generated meter specific coupon whereon is recorded an encoded number by means of which a consumer can activate and control his/her energy dispenser.

“Energy Dispenser” means the metering device utilized to measure and control electricity consumed at a consumer’s premises.

“Equipment” means credit dispensing unit and all other apparatus, material and software supplied by Map for the purpose of processing of coupons and the negotiation of transactions in respect of the energy dispenser.

“Premises” mean the location where the equipment to be operated by the vendor is located and where equipment will be housed for the duration of vending agreement.

“Asset Verification” means the process undertaken by Map staff or appointed contractors to verify the equipment of Map that is installed at the vending points / station.

“Vending” means the sale of electricity to customers with prepayment electricity meters connections.

SECTION 1: OBJECTIVES

- a. To provide clear guidance to the entity's revenue management employees and electricity vendors on the required level of compliance regarding pre-paid electricity vending.
- b. To provide for a consistent approach when dealing with different vendors / merchants engaged by the entity; and
- c. To empower management of the entity with an efficient management system to ensure optimum revenue protection while at the same time ensuring consistent access to basic electricity by communities.

SECTION 2: LEGISLATIVE BACKGROUND

Section 97 of Municipal Finance Management Act, 56 of 2003 (MFMA) stipulates that the accounting officer of a municipal entity must take all reasonable steps to ensure:

- a. that the entity has and implements effective revenue collection systems to give effect to its budget;
- b. that all revenue due to the entity is collected;
- c. that any funds collected by the entity on behalf of a municipality -
 - i. are transferred to that municipality strictly in accordance with the
 - ii. agreement between the entity the municipality; and
 - iii. are not used for the purposes of the entity;
- d. That the municipal entity has effective revenue collection systems consistent with those of the parent municipality;
- e. That revenue due to the entity is calculated on a monthly basis;
- f. that accounts for service charges are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
- g. That all money received is promptly deposited in accordance with this Act into the municipal entity's bank accounts;
- h. That the municipal entity has and maintains a management, accounting and information system which:-
 - i. recognises revenue when it is earned;
 - ii. Accounts for debtors; and
 - iii. accounts for receipts of revenue;

**MALUTI-A-PHOFUNG LOCAL MUNICIPALITY
PROPOSED PREPAID ELECTRICITY VENDING POLICY - 2020-21 FINANCIAL YEAR**

- i. That the municipal entity has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed; and
- j. That all revenue received by the municipal entity, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis.

Furthermore, section 155(6)(a) and (7) schedule 4 b of the Constitution of the Republic of South Africa, 1996(Act No. 108 of 1996) lists electricity reticulation as a functional matter of local government in South Africa. Each municipality is a service authority for the electricity reticulation function for the whole of its jurisdictional area. This means that the municipality is responsible for ensuring that electricity reticulation services are provided to all customers within its area/s of jurisdiction. It further states that each municipality has the right to set tariffs in respect of electricity in its area/s of jurisdiction.

SECTION 3: POLICY PRINCIPLES

The following principles shall apply in dealing with pre-paid electricity vending system:

- a. All vending stations must be accessible to customers and fully operational during the operating times and days as specified for each vendor.
- b. All vendors must ensure that persons who are operating vending machines / credit dispensing units are properly trained to operate the machine / credit dispensing unit.
- c. All vendors must treat all customers with courtesy and respect while upholding the principles of Customer Care Policy of the entity and must in particular be sensitive to the inherent needs of disabled people and the elderly.
- d. All vending stations and vending equipment must be accessible to Maluti-a-Phofung's officials for the purpose of the performing of their duties during normal working hours.
- e. The Chief Financial Officer shall have the discretion to determine an amount of a bank guarantee or a deposit amount to serve as a security for the purpose of the vendor's fulfilment of its financial obligations towards the vending agreement.
- f. The Executive Manager: Engineering Retail shall assume total responsibility for the operation and maintenance of the vending system, with the exception

of the handling of cash, reconciliation of accounts, and the staffing of the various vending stations.

- g. There shall be differentiation between in-house (municipal) vendors and private vendors regarding appointment procedures and other related requirements.

SECTION 4: VENDING SYSTEM & ENVIRONMENT

Maluti-a-Phofung shall use on-line based vending system with operator driven devices / equipment, which typically include normal PCs and a printer.

Devices / equipment must be at a fixed location and address contractually agreed upon between Maluti-a-Phofung and the Vendor.

Devices / equipment must always be operated by an identified and trained operator. The operator shall be contractually bound by the vendor and not Maluti-a-Phofung.

SECTION 5: APPOINTMENT OF PRIVATE VENDORS

Upon application as pre-paid electricity vendors for Map, prospective applicants shall be required to meet certain minimum requirements as approved by the board of Council from time to time.

Map shall appoint vendors on a non-exclusive basis for the purpose of pre-paid electricity vending/distributor of pre-paid electricity coupons.

In cases of non-natural persons being appointed as vendors, Map shall require a duly authorized natural person to act in a capacity of a representative for a non-natural vendor.

Representatives shall be responsible for the signing of any agreement between Map and the appointed vendor, furnish the required surety / security, take responsibility of all the administrative and other aspects associated with the vending system located at the premises of the vendor so as to ensure smooth operation of the vending station/ outlet.

Private vendors shall initially be appointed on an initial period of one (1) year subject to the terms and conditions of the agreement to be entered into with Map. The above provisions are not applicable to in-house (municipal) vendors.

SECTION 6: OBLIGATIONS OF VENDORS

- a. On the signing of vending agreement, the vendor/vendor representative shall furnish Maluti-a-Phofung with a bank guarantee, in a format as prescribed by Maluti-a-Phofung from time to time, or a deposit amount as determined from time to time by Maluti-a-Phofung to serve as security for the purpose of fulfilment of the vendor's financial obligations for vending purposes.
- b. At own cost, install and maintain at all times at least a Category 2 safe on the premises for the purpose of safekeeping of cash received from sales of pre-paid electricity.
- c. Ensure that any operator of the vending equipment is properly trained in its operation and that he/she discharges his/her duties in a competent, efficient and responsible manner.
- d. Take all reasonable steps to safeguard the vending equipment on its premises against theft, loss, damage or abuse.
- e. Co-operate at all times with any Maluti-a-Phofung official for the purpose of performance of their duties in relation to the vending activities such as, inspection of equipment, generating of report, transmission of data, upgrading of vending equipment, auditing of sales generated, etc.
- f. Ensure that sales proceeds are at frequent intervals dropped in a locked up safe so as to keep cash in the till to the minimal. For this purpose, it is expected that at any given time, cash available in the till should not exceed a maximum of R 1 000.00 (one thousand rand).
- g. Deposit on a daily basis, all electricity pre-paid sales proceeds into Maluti-a-Phofung bank account as provided for in the vending agreement or as otherwise communicated by the Chief Financial Officer in writing. In cases where the next day falls on Sunday or public holiday, deposit must be made on the first succeeding business day thereafter.
- h. Have no authority to grant credit or provide any undertaking either expressly or implied or make any representation on behalf of Maluti-a-Phofung.
- i. Not misappropriate any resources (e.g. stationery) provided by Maluti-a-Phofung towards any other business that is not related to electricity vending business. The vendor shall also be responsible for timeous requisition of the relevant vending stationery.

- j. Report to the Chief Executive Officer any misconduct by any Maluti-a-Phofung official while performing their duty at a vending station.
- k. Not charge any additional fee or amount to any customer other than the tariff and /or any fee/charge automatically generated by the vending system at the point when the customer purchases a coupon.

SECTION 7: OBLIGATIONS OF MALUTI-A-PHOFUNG

Maluti-a-Phofung shall:-

- a. Supply and install all the necessary vending equipment and other associated ancillaries in order to establish an effective vending station/outlet.
- b. Undertake routine maintenance, repairs and servicing of the vending equipment.
- c. Train and/or re-train at own cost, a reasonable number of employees of the vendor to effectively operate the vending equipment.
- d. Be responsible for and bear any costs of any necessary telecommunication link required by the vending equipment, provided that the decision as to whether such as communication links are to be established shall fall within the sole discretion of Maluti-a-Phofung.
- e. Supply all the relevant resources such as vending stationery, at own cost, to the respective vendors for the purpose of effective operations.
- f. Responsible for regular downloading of daily sales report at the time agreed upon with vendors from time to time.
- g. Reconcile vendors account on a daily basis and provide respective vendors with commission statements on a monthly basis.
- h. All the equipment installed at the vending stations shall be tagged and be verified in terms of Asset Management Policy of the entity.

SECTION 8: DEPOSIT / BANKING OF SALES PROCEEDS

Vendors must deposit/bank the previous day's sales proceeds the next day into Maluti-a- Phofung bank account where possible and at least once per week in areas

where it is impractical to do so. Should the next day fall on Sunday or public holiday, deposit must be made on the first succeeding business day thereafter.

Immediately after depositing moneys into Maluti-a-Phofung bank account, submit or fax a copy of the deposit slip as well as the related shifts sales reports in respect of the amount deposited to Finance Office. In cases where the foregoing is not complied with, this result in temporary suspension of the vending system until such time that the deficiency has been rectified.

The bank account into which deposits should be made shall be communicated to vendors in writing at a point of conclusion of a vending agreement. Thereafter, any changes to banking details shall be communicated in writing to respective vendors by the Chief Financial Officer.

At no stages should any vendor hand over any amount of cash from the proceeds of sale of pre-paid electricity to any of Maluti-a-Phofung officials or at any of Maluti-a-Phofung offices.

Vendors are not allowed to deposit cheques into Maluti-a-Phofung's bank account to cover for proceeds of sale of pre-paid electricity.

SECTION 9: SHORTAGES AND SURPLUSES

9.1 Shortages

As a principle, vendors are not required to deposit any sales proceeds with shortages as this is against honest and sound financial management practices that underpin the relationship between Maluti-a-Phofung and its vendors.

Should it appear, through a process of reconciliation of accounts, that a vendor has a shortage on the deposit made, the vendor / vendor representative shall be required to immediately make good of such shortage, failing which may result in temporary suspension of the vending system until such time that the short-fall has been rectified.

At no stage shall vendors be allowed to incur shortages with an expectation of such shortages to be recovered from any commission due as this is tantamount to forbidden granting of loans by Maluti-a-Phofung.

9.2 Surpluses

Similarly to shortages, vendors are not required to deposit any sales proceeds with surpluses. However, should it appear, through a process of reconciliation

of accounts, that a vendor has surpluses on the deposits made; such surpluses shall be refunded to the vendor only after final reconciliation and closure of monthly accounts.

Any surplus to be refunded shall be reflected on the monthly commission statements for the month in which surpluses were deposited and shall be paid together with monthly commission payable, if any.

SECTION 10: PAYMENT OF COMMISSION TO VENDORS

Maluti-a-Phofung shall pay vendors, excluding in-house (municipal) vendors, a commission on a monthly basis based on the total sales for a particular calendar month at a percentage rate to be determined by the board of Council from time to time.

The Council shall have the discretion to vary percentage rate of commission payable amongst vendors.

The Council shall also have the right, to increase or decrease the percentage rate at which commission is calculated, and in any such instance, the vendor/vendor representative shall be given thirty (30) days prior notice of the decision to increase or decrease the percentage rate of commission.

Commission shall be paid only in respect of sales proceeds deposited as at the first working day of the next month to cover for sales of the last day of the previous calendar month. Any sales proceeds deposited after the first working day of the next month relating to the previous calendar month shall be carried over and indicated in the following month's account and commission paid accordingly.

Based on substantive evidence (e.g. reconciliation statements), if Maluti-a-Phofung is not satisfied that all the sales proceeds collected by the vendor and due to Maluti -a-Phofung has been paid into Maluti-a-Phofung's bank account on due date as provided for in this policy, Maluti-a-Phofung reserves the right to withhold any commission due to the vendor until such time that the full amount owing to Maluti-a-Phofung has been paid and proof of payment thereof furnished to the Chief Financial Officer or his/her duly delegated official.

In addition to the foregoing; Maluti-a-Phofung may deduct from any commission due to the vendor the following:

**MALUTI-A-PHOFUNG LOCAL MUNICIPALITY
PROPOSED PREPAID ELECTRICITY VENDING POLICY - 2020-21 FINANCIAL YEAR**

- any amount of sales proceeds that has not been deposited by due date and time as provided for in this policy;
- any shortage
- any amount which the vendor and/or vendor representative may be owing to Maluti-a-Phofung in respect of arrears of electricity or other services; and/or
- any amount which the vendor and / or vendor representative may be owing to Maluti-a-Phofung Municipality in respect of arrear water, rates, refuses removal, sanitation or other services.

Payment of any commission due shall be made within thirty (30) days from the end of a calendar month, provided that the vendor has complied with his / her obligations in terms of this policy and other provisions as may be applicable and communicated in writing to the vendor from time to time.

SECTION 11: INTEREST ON LATE DEPOSIT OF SALES PROCEEDS

In the event that any amount in terms of this policy becomes due to Maluti-a-Phofung for a period exceeding thirty (30) days, the vendor shall be liable for interest charged on such amount.

Interest charged shall be computed and compounded monthly from the date of breach until the date of payment of any such amount. Interest shall be calculated at prime rate chargeable from time to time by entity's primary banker plus one percent (1%). Interest shall be payable by the vendor on demand by, or deducted from any commission payable to the vendor.

SECTION 12: INSURANCE

Maluti-a-Phofung shall obtain at its own cost the necessary insurance to cover for the following:

- Loss, theft and / or damage to vending equipment at vendor's premises; and
- Loss or theft of money related to sale of pre-paid electricity on the vendor's premises and/or in transit, for an amount as may be determined by the Chief Financial Officer from time to time.

The vendor shall not be relieved on any of its obligations in terms of this policy merely by virtue of the fact that Maluti-a-Phofung has taken an insurance cover for the aforesaid.

SECTION 13: REPORTING

Reporting on vendors accounts shall be incorporated to the reporting requirements in terms of Municipal Finance Management Act.

SECTION 14: REVIEW AND APPROVAL

This policy and underlying strategies will be reviewed at least annually, or as necessary, to ensure its continued application and relevance.

Approved by the Council on:

Signed: _____

Date: _____