Analysis of The Municipal Sector Revenue and Debt Management in South Africa

by

Dr Peter Masegare

of

Boikano Accountants Inc

Submitted in Fulfilment of the Research Project for the Local Government Sector Education Training [LGSETA]

2020
ABSTRACT

For a municipality to be trusted by and accountable to the public, it needs to implement an effective governance process. However, the absence of the municipal capacity building interventions poses a major sector challenge for municipalities. For example, poor basic service provision, could also gave rise to municipalities not receiving clean audit opinions from the Auditor-General of South Africa. In addition, it has become clear that the municipal revenue staff members charged with the management of revenue, lack the practical experience to perform their functions. This can be evidenced by the fact that the majority of them needs training and development in various corporate governance dimensions, such as finance, strategic financial management, just to mention a few. Utilising the various legislatives and with the King IV Report as a conceptual framework, this study sought to analyse the municipal sector revenue and debt management in South Africa. The ultimate aim is to provide municipal revenue staff members with the skills and knowledge that will eventually translate into increased and sustainable development and good governance. The study used a combination of research approaches, where the quantitative approach was used to generate statistical data and reports, while the qualitative paradigm was used to substantiate numerical data. Data was collected by means of a questionnaire and interviews. Quantitative data was analysed through SPSS v.22 for factor analysis, descriptive and correlation analysis while qualitative data was transcribed and loaded into a qualitative data analysis software application known as NVivo. It was then coded and grouped into categories or themes. The data interpretation was done by illustrating different points with quotes, either verbatim or paraphrased. The study revealed that the challenge that municipal revenue staff members face is that they do not understand their governance role, resulting in service delivery protests as programmes are not implemented. In addition, the absence of a sector-specific capacity building program is also a major contributor to ineffective administration and negative audit outcomes. The study proposes a model that municipalities can customise when implementing revenue management capacity building interventions, it concludes that by adopting and utilising the revenue management capacity building programme can dramatically improve. As a result, the staff will therefore be empowered and skilled in good governance practices. A further empirical study on how the specific sector governance implementation framework can be incorporated into educational institutions’ study programmes is highly recommended.

Key words: Municipal Governance, Revenue Management, Debt Management, Local Government, Municipal System, Municipal Structure, Corporate Governance, King IV Report, Public Sector Governance Implementation, MFMA, Audit Reports, Clean Audits,
TABLE OF CONTENTS

ABSTRACT ii
LIST OF TABLES ix
LIST OF FIGURES x
LIST OF ACRONYMS AND ABBREVIATIONS xi

CHAPTER ONE
INTRODUCTION AND OVERVIEW

1.0 INTRODUCTION .................................................................................................................. 1
1.1 BACKGROUND TO THE STUDY .......................................................................................... 1
1.2 PROBLEM STATEMENT ...................................................................................................... 5
1.3 PURPOSE OF THE STUDY AND THE RESEARCH OBJECTIVES ........................................ 5
1.4 RESEARCH QUESTIONS .................................................................................................... 6
1.5 JUSTIFICATION FOR AND ORIGINALITY OF THE RESEARCH ....................................... 7
1.6 SIGNIFICANCE OF THE STUDY ......................................................................................... 8
1.7 SCOPE AND DELIMITATIONS OF THE STUDY ................................................................. 9
1.8 RESEARCH METHODOLOGY ............................................................................................. 9
  1.8.1 Proposed Research Conceptual Framework ................................................................. 10
1.9 DEFINITIONS OF KEY TERMS .......................................................................................... 10
  1.9.1. Revenue management & enhancement strategies ..................................................... 10
  1.9.2 Municipal Tariff ......................................................................................................... 10
  1.9.3 Credit Control ............................................................................................................ 10
  1.9.4 Debt Collection .......................................................................................................... 11
  1.9.5 Corporate Governance .............................................................................................. 11
  1.9.6 Generally Recognised Accounting Practices ............................................................ 11
  1.9.7 By-Laws and Policies Enforcement ........................................................................... 11
1.10 STRUCTURE OF THE THESIS ......................................................................................... 11
1.11 SUMMARY ....................................................................................................................... 12
CHAPTER TWO
LITERATURE REVIEW

2.0 INTRODUCTION ………………………………………………………………………………………………………13
2.1. STRATEGIC REVENUE AND DEBT MANAGEMENT WITHIN THE MUNICIPAL SECTOR……………………………………………………………………………………………………………………14
  2.1.3 Analysis of Billing and Revenue Collection…………………………………………………………………17
  2.1.4 Debt Management ………………………………………………………………………………………………..17
    2.1.4.1 Improving debt management………………………………………………………………………………..18
    2.1.4.2 The related benefits of debt collection………………………………………………………………………18
    2.1.4.3 Dedicated debt collection staff recruitment…………………………………………………………………19
2.2. THE DEVELOPMENT OF THE INTERNAL REVENUE MANAGEMENT CAPACITY OF THE REVENUE STAFF MEMBERS QUALIFICATIONS AND EXPERIENCE ……19
  2.2.2 Reasons for the Accountability Failures ………………………………………………………………………...20
  2.2.3 Capacitating the Municipal Billing Systems Staff Members ……………………………………………21
  2.2.4 Understanding the Dynamics of the Capacity Challenge at Local Government Level…………………………………………………………………………………………………………23
2.3 APPLICATION OF THE PRINCIPLES AND DIMENSIONS OF EFFECTIVE REVENUE COLLECTION IN LOCAL GOVERNMENT……………………………………………………………………25
  2.3.1 The Principles of the Municipalities’ Own Revenue and Accountability …………………………………26
  2.3.3 Credit and Debt Collection Policy …………………………………………………………………………………27
  2.3.5 Revenue Linked Services ………………………………………………………………………………………….29
2.4 IMPROVEMENT OF REVENUE COLLECTION AND DEBT RECOVERY THROUGH IMPROVING CORE REVENUE PROCESSES, SYSTEMS, DATA QUALITY, SKILLS AND ORGANIZATIONAL STRUCTURE………………………………………………………………………………………..32
  2.4.1 Data Cleansing and Analysis / Asset Verification ………………………………………………………………..33
    2.4.1.1 Data cleanse ………………………………………………………………………………………………………33
  2.4.2 Analysis of International Municipality Revenue and Debt Management …………………………………33
    2.4.2.1 Tanzanian revenue collection strategies …………………………………………………………………….34
2.5 APPLICATION OF THE STATUTORY AND REGULATORY FRAMEWORK FOR REVENUE COLLECTION AND DEBT RECOVERY……………………………………………………………………36
  2.5.1 Sustainability of its Operations …………………………………………………………………………………37
  2.5.2 The Constitution of South Africa……………………………………………………………………………………38
2.6 SUMMARY………………………………………………………………………………………………………………39
CHAPTER THREE
RESEARCH DESIGN AND RESEARCH METHODS

3.0 INTRODUCTION ............................................................................................................. 42
3.1 THE REASONS FOR CONDUCTING EXPLORATORY RESEARCH INCLUDE: ..... 42
3.2 POPULATION AND SAMPLING..................................................................................... 42
3.3 SAMPLING ..................................................................................................................... 43
3.4 DATA COLLECTION INSTRUMENTS............................................................................. 43
   3.4.1 Questionnaire ........................................................................................................ 43
   3.4.2 Likert Rating Procedures ....................................................................................... 44
   3.4.3 Procedure for Data Collection .............................................................................. 44
   3.4.4 The Pilot Study ...................................................................................................... 44
3.5 DATA ANALYSIS........................................................................................................... 45
3.6 ETHICAL CONSIDERATIONS....................................................................................... 45
CHAPTER FOUR
ANALYSIS AND PRESENTATION OF FINDINGS

4.0 INTRODUCTION ............................................................................................................ 47
4.1 RESPONSE RATE ......................................................................................................... 47
4.2 DEMOGRAPHICS DESCRIPTIVE ANALYSIS ................................................................. 48
4.3 DATA ANALYSIS ........................................................................................................... 55
  4.3.1 Strategy to Ensure Efficient and Effective Revenue Collection, Debt and Audit .. 55
  4.3.2 Development of the Internal Revenue Management Capacity of the Revenue Staff
       Members’ Qualifications and Experience .................................................................. 58
  4.3.3 The Principles and Dimensions of Effective Revenue Collection in Local
       Government .............................................................................................................. 60
  4.3.4 Improvement of Revenue Collection and Debt Recovery through Improving Core
       Revenue Processes, Systems, Data Quality, Skills and Organizational Structure. ...... 63
  4.3.5 Statutory and Regulatory Framework for Revenue Collection and Debt Recovery
       ................................................................................................................................. 64
  4.3.6 General Comments ................................................................................................. 65
CHAPTER FIVE
DISCUSSION AND INTERPRETATION OF RESEARCH FINDINGS

5.0 INTRODUCTION .............................................................................................................................................. 66
5.1 STRATEGY TO ENSURE EFFICIENT AND EFFECTIVE REVENUE COLLECTION, DEBT AND AUDIT ........................................................................................................................................ 66
5.2 THE DEVELOPMENT OF THE INTERNAL REVENUE MANAGEMENT CAPACITY OF THE REVENUE STAFF MEMBERS QUALIFICATIONS AND EXPERIENCE .............. 67
5.3 APPLICATION OF THE PRINCIPLES AND DIMENSIONS OF EFFECTIVE REVENUE COLLECTION IN LOCAL GOVERNMENT ................................................................. 69
5.4 IMPROVEMENT OF REVENUE COLLECTION AND DEBT RECOVERY THROUGH IMPROVING CORE REVENUE PROCESSES, SYSTEMS, DATA QUALITY, SKILLS AND ORGANISATIONAL STRUCTURE .............................................................................................. 70
5.5 STATUTORY AND REGULATORY FRAMEWORK FOR REVENUE COLLECTION AND DEBT RECOVERY ...................................................................................................................... 71
5.6 SUMMARY .......................................................................................................................................................... 72
CHAPTER SIX
SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

6.0 INTRODUCTION ........................................................................................................... 74
6.1 SUMMARY OF RESEARCH FINDINGS ....................................................................... 75
6.2 CONCLUSIONS ABOUT RESEARCH OBJECTIVES ..................................................... 76
   6.2.1 Conclusions on the Strategy to Ensure Efficient and Effective Revenue Collection, Debt and Audit ................................................................. 76
   6.2.2 Conclusions on the Development of the Internal Revenue Management Capacity of the Revenue Staff Members’ Qualifications and Experience ................................................................. 77
   6.2.3 Conclusions on the Application of the Principles and Dimensions of Effective Revenue Collection in Local Government ................................................................. 77
   6.2.4 Conclusions on the Improvement of Revenue Collection and Debt Recovery Through Improving Core Revenue Processes, Systems, Data Quality, Skills and Organisational Structure ................................................................. 78
   6.2.5 Conclusions on the Application of the Statutory and Regulatory Framework for Revenue Collection and Debt Recovery ................................................................. 78
6.3 RECOMMENDATIONS ABOUT RESEARCH OBJECTIVES .................................... 79
   6.3.1 Recommendation on the Strategy to Ensure Efficient and Effective Revenue Collection, Debt and Audit ................................................................. 79
   6.3.2 Recommendation on the Development of the Internal Revenue Management Capacity of the Revenue Staff Members’ Qualifications and Experience ................................................................. 79
   6.3.3 Recommendation on the Application of the Principles and Dimensions of Effective Revenue Collection in Local Government ................................................................. 79
   6.3.4 Recommendation on the Improvement of Revenue Collection and Debt Recovery Through Improving Core Revenue Processes, Systems, Data Quality, Skills and Organisational Structure ................................................................. 80
   6.3.5 Recommendation on the Application of the Statutory and Regulatory Framework for Revenue Collection and Debt Recovery ................................................................. 80
   6.3.6 Prosed Revenue Improvement Model .................................................................. 82
      6.3.6.1 Integrated Development Plan (IDP) .............................................................. 82
      6.3.6.2 Service Delivery and Budgetary Plan (SDBP) .............................................. 82
6.4 IMPLICATION FOR THEORY, POLICY AND PRACTICE ....................................... 82
6.5 FURTHER RESEARCH ............................................................................................... 83
6.6 FINAL CONCLUSION ................................................................................................. 84

REFERENCES / BIBLIOGRAPHY .................................................................................... 86
APPENDIX A: LIST OF CRITICAL LEGISLATIVE FACTORS USED IN DEVELOPING GOVERNANCE FRAMEWORK .............................................................................. 95
LIST OF TABLES

Table 1.1 The Correlation Between Research Objectives and Questions................................. 7
Table 2.1 Debt Management Challenges.................................................................................. 18
Table 2.2 Priority functions of local government...................................................................... 30
Table 2.3 Revenue Strategic Approach .................................................................................... 31
Table 2.4 The Impacts of Internally Generated Revenue in Local Government .................... 32
Table 2.5 Key Data Cleansing Dimensions............................................................................... 33
Table 4.1 Provincial Municipal Information............................................................................. 48
Table 4.2 Level of the Municipalities....................................................................................... 49
Table 4.3 Gender ..................................................................................................................... 50
Table 4.4 Age Group ............................................................................................................... 51
Table 4.5 Highest Level of Education....................................................................................... 52
Table 4.6 Racial Group ........................................................................................................... 53
Table 4.7 Level of Municipal Experience ................................................................................ 54
Table 4.8 Financial Distress .................................................................................................... 55
Table 4.9 Level of Satisfaction ............................................................................................... 56
Table 4.10 Debts, Revenue Projection, Auditor General, Skills Audits .................................... 57
Table 4.11 Staff Members’ Qualifications and Experience ....................................................... 58
Table 4.12 Municipal Officers’ Competency Levels............................................................... 59
Table 4.13 Effectiveness of Revenue Collection ..................................................................... 60
Table 4.14 Simplified Revenue Plan Project (SRP) ................................................................ 61
Table 4.15 Attributes to be Improved by Implementing the SRP Within Municipality .......... 62
Table 4.16 Ways to Improve Municipal Revenue Collection.................................................... 63
Table 4.17 Regulatory Framework and Debt Recovery ............................................................ 60
LIST OF FIGURES

Figure 2.1 Critical Components of Capacity Building ......................................................... 23
Figure 6.1 Capacity Building Model for Revenue Improvement (CBMRI) .............................. 82
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>Audit Committee</td>
</tr>
<tr>
<td>AGSA</td>
<td>Auditor General South Africa</td>
</tr>
<tr>
<td>BSC</td>
<td>Balance Score Card</td>
</tr>
<tr>
<td>CBMRI</td>
<td>Capacity Building Model for Revenue Improvement</td>
</tr>
<tr>
<td>CCP</td>
<td>Credit Control Policy</td>
</tr>
<tr>
<td>CIGFARO</td>
<td>Chartered Institute of Government Audit and Risk Officers</td>
</tr>
<tr>
<td>COE</td>
<td>City of Ekurhuleni</td>
</tr>
<tr>
<td>COJ</td>
<td>City of Johannesburg</td>
</tr>
<tr>
<td>COT</td>
<td>City of Tshwane</td>
</tr>
<tr>
<td>CSP</td>
<td>Cities Support Programme</td>
</tr>
<tr>
<td>DORA</td>
<td>Division of Revenue Act</td>
</tr>
<tr>
<td>FFC</td>
<td>Financial and Fiscal Commission</td>
</tr>
<tr>
<td>FMCMM</td>
<td>Financial Management Capability Maturity Model</td>
</tr>
<tr>
<td>GLM</td>
<td>Greater Mutale Municipality</td>
</tr>
<tr>
<td>HSRC</td>
<td>Human Sciences Research Council</td>
</tr>
<tr>
<td>IDP</td>
<td>Integrated Development Plan</td>
</tr>
<tr>
<td>IRBA</td>
<td>Independent Regulatory Board for Auditors</td>
</tr>
<tr>
<td>LGSETA</td>
<td>Local Government Sector Education and Training Authority</td>
</tr>
<tr>
<td>MFMA</td>
<td>Municipal Finance Management Act</td>
</tr>
<tr>
<td>MPRA</td>
<td>Municipal Property Rates Act</td>
</tr>
<tr>
<td>MSA</td>
<td>Municipal Systems Act</td>
</tr>
<tr>
<td>MSA[1]</td>
<td>Municipal Structural Act</td>
</tr>
<tr>
<td>MSCOA</td>
<td>Municipal Standard Chart of Accounts</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plan</td>
</tr>
<tr>
<td>NQF</td>
<td>National Qualifications Framework</td>
</tr>
<tr>
<td>NT</td>
<td>National Treasury</td>
</tr>
<tr>
<td>PFMA</td>
<td>Public Finance Management Act</td>
</tr>
<tr>
<td>RO</td>
<td>Research Objectives</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>RQ</td>
<td>Research Questions</td>
</tr>
<tr>
<td>RSSC</td>
<td>Revenue Shared Services Centre</td>
</tr>
<tr>
<td>SAICA</td>
<td>South African Institute of Chartered Accountants</td>
</tr>
<tr>
<td>SALGA</td>
<td>South African Local Government Association</td>
</tr>
<tr>
<td>SAQA</td>
<td>South African Qualifications Authority</td>
</tr>
<tr>
<td>SDBIP</td>
<td>Service Delivery and Implantation Budget Plan</td>
</tr>
<tr>
<td>SMART</td>
<td>Specific, Measurable, Attainable, Realistic and Timely</td>
</tr>
<tr>
<td>SRP</td>
<td>Simplified Revenue Plan</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION AND THE STUDY BACKGROUND

1.0 INTRODUCTION
This study seeks to explore the prospects for corporate governance in improving revenue management and capacity building within the South African Municipalities. For a municipality to be trusted by and accountable to the public, it needs to implement an effective governance process. In South Africa, there is a corporate governance framework (the King IV Report) that is regarded as a seminal work applicable to both the public and private sectors including municipalities. Despite its existence, municipalities are still struggling to provide services to the citizens due to poor governance of its revenue, as well as the staff members’ level competency. This challenge has led to several issues such as: loss of credibility for local government, little interests from investors to invest in municipalities, service delivery protests from communities, and maladministration, just to mention a few.

1.1 BACKGROUND TO THE STUDY
Section 152 of the South African Constitution, 1996 advocates in terms of the objectives of local government that municipalities must provide services in a sustainable manner. To provide such services, there are influential dimension, such as financials, also in the form of revenue management. The White Paper on Local Government, published in 1998 articulates the following in relation to the subject financial management, the municipalities require access to adequate resources and budgetary powers to fulfil their assigned functions and on average, municipalities have sufficient revenue raising powers to fund the bulk of their expenditure, and finance 90% of their recurrent expenditure out of own revenues. Own revenues include rates (19,89%) and trading services such as electricity (41,4%), water (11,8%), and sewage and refuse removal (8,22%).

From the above, the White Paper made a fundamental assumption regarding the revenue of municipalities, it was assumed that municipalities in the main could raise on revenue that would be adequate to fulfil their assigned functions. However, the opposite is occurring. Although the Municipal Finance Management Act (MFMA), MSA and the King IV Report have very good intentions to improve financial management in local government, most
municipalities still have difficulties with certain aspects of the implementation, as indicated by the AGSA’s (2018/19) reports, that some of the municipalities are under administration due to poor financial standing, as a results of bad revenue management.

In addition to the above issues, there are other critical issues which affect poor revenue management within the municipal sector, for example: non-payment, indigent management and free basic services, budgeting, tariff determination and revenue planning, little to no growth in the rates base, customer data accuracy, meter reading and billing accuracy, debt management and credit control, non-technical losses due to meter tampering and illegal connections, call centre and customer relationship management, cash flow planning and management, high level of outstanding consumer accounts, etc. Without an effective revenue management system in place, municipalities will find it difficult to learn on how to enhance its revenue management and practice good governance (SALGA, 2016/17:9).

Revenue and debt management within the municipal sector in South Africa, forms a cornerstone of good corporate governance practices (Masegare; 2017:17). The King IV Report (2016:46) on corporate governance supports this view when stating that the Board, through its audit committee, should ensure that financial systems, including revenue is accurately accounted for and reported accordingly.

In supporting the above view, the South African Constitution, Section 152, provides the objects of local government as to: to provide democratic and accountable government for local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; to promote a safe and healthy environment; and to encourage the involvement of communities and community organisations in the matters of local government.

Therefore, for a municipality to function effectively in meeting the community needs as articulated above, there must be, among others an effective system of financial management, (Bekink, 2006:40) which could be an indicative of a competitive advantage and confidence creation within its citizens. Brendan (2018/19) supports this view when postulating that good financial management is an indicator of the municipality making sure that they are spending
their finances appropriately and collecting its revenue in order to remain sustainable and managing their infrastructure and assets effectively.

The assumptions underpinning all policy and legislation is that sound financial management enhances the ability of municipalities to deliver essential services and play a developmental role in their communities. These are the critical and essential steps a municipalities should follow and adhere to, however, the South Africans municipalities are still struggling on this aspects as the Auditor-General South Africa (AGSA) (AGSA; 2017:23) reported that on the municipal audit outcomes as at 30 June 2017, the inability to collect debt from municipal consumers is widespread. In these circumstances, it is inevitable that municipalities will struggle to balance their books. De Lange and Dorfling (2017:1) maintain that municipalities must improve revenue management by collecting all monies due to the municipality and protecting its revenue base as well as reducing wasteful expenditure by introducing cost containment measures. This one of the main reasons why municipalities are not in a healthy financial situation, as De Lange and Dorfling (2017:1) further reported that the National Treasury (NT) has reported that municipal consumer debts amounted to R128.4 billion as at 30 June 2017 (compared to R128.3 billion reported in the third quarter). The main and big debtors are the Government accounts accounting for 5.8% or R7.4 billion of municipal consumer debt. The largest component relates to households, which account for 64.8% or R83.1 billion (67.1% or R86 billion in the third quarter). A total amount of R1.7 billion has been written off as bad debt.

With the above as background information, it is very clear that the objectives of the Municipal Finance Management Act, (MFMA), (56 of 2003) which is to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government and to establish treasury norms and standards for the local sphere of government, and to provide for matters connected therewith, should be strictly adhered to. This implies (MFMA, 2003:39), that the accounting officer of a municipality is responsible for the management of the revenue of the municipality and must take all reasonable steps to ensure that a municipality has:

- an effective revenue collection system consistent with Section 95 of the Municipal Systems Act and the municipality’s credit control and debt collection policy;
• that revenue due to the municipality is calculated on a monthly basis;
• that accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
• that all money received is promptly deposited in accordance with this Act into the municipality’s primary and other bank accounts;
• that the municipality has and maintains a management, accounting and information system which, recognizes revenue when it is earned, accounts for debtors, and accounts for receipts of revenue;
• that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;
• that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget-related policies and within a prescribed framework; and
• that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis.

To supplement the above legislation, government has passed additional several pieces of legislation that gave effect to the management of a municipalities and its revenue and debts. For example, the Municipal Structures Act (No. 117 of 1998). This Act establishes a classification system for municipalities and spells out the division of powers and functions between the different categories of municipalities (Republic of South Africa, 1998). The Municipal Structures Act (1998) was followed by the Municipal Systems Act (No. 32 of 2000) that outlined the processes and systems for integrated development planning, performance management, human resource management, provision of municipal services, and credit control and debt collection (Republic of South Africa, 2000).

Although above legislations do not directly deal with the municipal revenue and debt management, however it has a number of dimensions that has bearing to municipal financial management. The MFMA clarified the specific functions involved in financial management. The Act also introduced a range of sweeping reforms that aimed to strengthen budgeting, expenditure management, revenue management, cash and asset management, and debt management. In many respects, certain provisions in the MFMA responded directly.
With the latest global development, and the information technology dynamics, additional regulations were promulgated by the national government to complement the current set of legislations, for example, changes in the accounting standards, which places further demands on municipalities, as well as the expanded scope of municipal audits which now incorporates the auditing of performance information against pre-determined objectives. All this new development calls for a strategic and focused approach in managing the state of financial management in the South African municipalities.

1.2 PROBLEM STATEMENT
The purpose of this study is to build capacity for effective revenue collection and debt recovery for the municipal sector in South Africa. Although the Municipal Finance Management Act (MFMA), MSA and King IV report, have very good intentions to improve financial management in local government, however most municipalities still have difficulties with certain aspects of the implementation, as indicated by the AGSA’s (2018/19) reports, that some of the municipalities, are under administration due to poor financial standing, as a results bad revenue management.

In addition to the above problems, there other challenges, for example; non-payment, indigent management and free basic services, budgeting, tariff determination and revenue planning, little to no growth in the rates base, customer data accuracy, meter reading & billing accuracy, debt management and credit control, non-technical losses due to meter tampering and illegal connections, call centre and customer relationship management, cash flow planning and management, high level of outstanding consumer accounts, etc. Without an effective revenue management system in place, municipalities will find it difficult to learn on how to enhance its revenue management and good governance practices.

1.3 PURPOSE OF THE STUDY AND THE RESEARCH OBJECTIVES
The aim of this is to analyse the Municipal Sector Revenue and Debt Management in South Africa and in order to achieve these aims, the following RESEARCH OBJECTIVES (RO) of this study were therefore to;
RO1. Strategise to ensure efficient and effective revenue collection, debt and audit
RO2. Develop the internal revenue management capacity of the revenue staff members’ qualifications and experience
RO3. Apply the Principles and dimensions of effective revenue collection in local government
RO4. Improve revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organisational structure.
RO5. Apply Statutory and regulatory framework for revenue collection and debt recovery

1.4 RESEARCH QUESTIONS
The research questions pertaining to the study, as reflected in Table 1.1, were informed by the objectives. The study sought to answer the following research questions:

RQ1. How to strategize to ensure efficient and effective revenue collection, debt and audit?
RQ2. How to develop the internal revenue management capacity of the revenue staff members’ qualifications and experience?
RQ3. How to apply the principles and dimensions of effective revenue collection in local government?
RQ4. How to improve revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organisational structure?
RQ5. How to apply statutory and regulatory framework for revenue collection and debt recovery?
Table 1.1 The Correlation Between Research Objectives and Questions

<table>
<thead>
<tr>
<th>Research Objectives (RO)</th>
<th>Research Questions</th>
<th>Related Data Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>To strategise to ensure efficient and effective revenue collection, debt and audit</td>
<td>How to strategise to ensure efficient and effective revenue collection, debt and audit?</td>
<td>Literature Questionnaires</td>
</tr>
<tr>
<td>To develop the internal revenue management capacity of the revenue staff members qualifications and experience</td>
<td>How to develop the internal revenue management capacity of the revenue staff members qualifications and experience?</td>
<td>Literature Questionnaires</td>
</tr>
<tr>
<td>To apply the Principles and dimensions of effective revenue collection in local government</td>
<td>How to apply the Principles and dimensions of effective revenue collection in local government?</td>
<td>Literature Questionnaires</td>
</tr>
<tr>
<td>To improve revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organizational structure.</td>
<td>How to improve revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organisational structure?</td>
<td>Literature Questionnaires</td>
</tr>
<tr>
<td>Apply statutory and regulatory framework for revenue collection and debt recovery</td>
<td>How to apply statutory and regulatory framework for revenue collection and debt recovery?</td>
<td>Literature Questionnaires</td>
</tr>
</tbody>
</table>

Source: Researcher, 2020

1.5 JUSTIFICATION FOR AND ORIGINALITY OF THE RESEARCH

Chadwick, Bahr and Albrecht (1984:31) point out that there are more than three kinds of problems that stimulate social research: problems with policy, problems of social philosophy and problems with developing scientific disciplines. Not many studies have investigated the municipality revenue management in the local government (Kyereboah-Coleman, Adjasi & Abor, 2007). This study attempts to bridge that gap and make a contribution to policy development and review in the area of municipality revenue management strategies for the local government sector, which has been characterised by corruption and service delivery protests in South Africa.

Furthermore, the study is an extension to previous studies undertaken in the Global countries, such as; Zimbabwe (Mandimika, Nyikahadzoi, Matamande & Taderera, 2013), China (Chen & Li, 2019) and Tanzania (Fjeldstad, Ali & Katera, 2019). Although similar studies have been
carried out, there are a relatively small number of aspects of the topic, as those studies focused more on finance revenue aspects, instead of critical drivers of revenue, staff generation of skills, and capacity, as revenue management from finance perspective is the end results.

Therefore, this study developed and proposed a capacity building intervention which will bridge that gap and make a contribution to capacity building policy development. The intensive literature review was also used to integrate ideas to incorporate the formation of the new knowledge and the framework. Even though this study uses tools, techniques and theories that were previously used in other studies, the outcomes will be specific to the municipalities in South African context. In this regard, the results will be original for the best part and its potential contributions are as follows:

This study broadens academic reflection in South Africa about capacity building for revenue governance and control strategy. The dimensions of the capacity building interventions will lend a long-term strategic view regarding sustainability to the municipal staff for the purpose of initiating and implementing good governance practices.

This study attempts to bridge the gap between practice-orientated research and academic research, in particular regarding the municipal sector. The original research will significantly contribute to the methodology for future studies in capacity building and to making its academic findings of value to practice.

This study purports to establish support for the municipal staff members, which could potentially lead to an improved and more appropriate corporate response translating into better corporate governance practices in South Africa. Contributions to the design of a practical educational opportunity aimed at the municipal employees.

1.6 SIGNIFICANCE OF THE STUDY
Revenue governance has become an economic buzzword envisaging a prosperous and thriving South Africa. Quite a significant amount of literature has been written about revenue governance in the last decade. However, most of the literature has been about increasing municipal finance through revenue management, and not how to capacitate the municipal
staff members in order to improve the municipal revenue. Some literature has been produced by the Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO).

This study offers a practical guide for implementing revenue staff capacity development interventions in the municipalities. Recommendations of the study, if implemented, have the potential to help municipalities solve its finances and thereby improve on its service delivery problems. This may equip the municipal staff with the ability to understand, interpret and respond to corporate governance challenges and to conceive and explore different approaches and solutions to current problems. These interventions have the potential to assist and empower the municipal staff members in taking a holistic and strategic approach to revenue governance. It can provide them with the capability to understand, interpret and respond to current challenges, and to conceive and explore yet unimagined approaches and solutions to these problems to ensure effective, efficient and sustainable municipalities.

1.7 SCOPE AND DELIMITATIONS OF THE STUDY
The study was conducted in the entire municipal sector in South Africa within three months. Some of the municipalities have their own small entities and were excluded because their inclusion could have hampered the sample size representativeness. Therefore, it was decided to limit the study to the main municipalities and not include its entities. This was because:

- they are the main decision-makers in the sector;
- of sample size improvement and elimination of dilution;
- revenue governance-related activities are performed at the main municipalities.

1.8 RESEARCH METHODOLOGY
This section provides brief background information on the research philosophy underpinning this study. The research philosophy justification, the sampling process, data collection, pilot testing and more will be detailed in chapter three (research design and methodology). Survey research method was used in order to achieve the project objectives. With our survey research, have used the questionnaires and / or interviews which are suitable for a relatively large groups of people. In this regard, a combination of the two were used, (questionnaires and / or interviews), for ensuring the enhancement of the reliability of the data.
1.8.1 Proposed Research Conceptual Framework
This study sought to investigate, examine, design and develop a capacity building for effective revenue collection and debt recovery for the municipal sector in South Africa.

Based on the above, our research will based on the principles of the Local Government: Municipal Finance Management Act 56 of 2003, Local Government: Municipal Systems Act 32 of 2000, Local Government: Municipal Structures Act 117 of 1998, Public Finance Management Act, Treasury Regulations for departments, trading entities, constitutional institutions and public entities Issued in terms of the Public Finance Management Act, 1999, King IV Report, which will seek to confirm that revenue and debt management can improve

1.9 DEFINITIONS OF KEY TERMS
For the purpose of this research, certain terms have operational definitions and are used uniformly throughout. According to Yusuf and Chell (1998:96; 2005:28) key terms in research are crucial to dispelling confusion and for better understanding, both for those who are new to the subject and those who are familiar with the subject. It is worth mentioning that when examining the issue of governance, it is important to note that there is no single definition which is universally accepted.

1.9.1. Revenue management & enhancement strategies
Revenue management is defined as all the procedures necessary to ensure that the income of a municipality is properly managed and fully accounted for, and that cash once received is safeguarded and banked promptly.

1.9.2 Municipal Tariff
A municipal tariff is defined as processes utilised to arrive at an appropriate municipal services charges, and to assure citizens what it hopes to achieve through its tariffs, and assure them that tariffs are set on a rational basis.

1.9.3 Credit Control
Within the municipal environment, credit control is defined as the business practices of maximizing revenue by making sure that customers are a good credit risk. It also includes the strategies employed by a municipality to accelerate sales of services.
1.9.4 Debt Collection
Debt collection is defined as the process of pursuing payments of debts owed by individuals or businesses to the business.

1.9.5 Corporate Governance
Corporate governance defined as a system of rules, practices, and processes by which a municipality is directed and controlled. It essentially involves balancing the interests of a company's many stakeholders, such as community, shareholders, senior management executives, customers, suppliers, financiers, etc.

1.9.6 Generally Recognised Accounting Practices
Generally accepted accounting principles (GAAP) is defined as a common set of accounting principles, standards, and procedures issued by the Accounting Standard Board (ASB).

1.9.7 By-Laws and Policies Enforcement
The Municipal By-laws, are defined as laws that are passed by the council of a municipality to regulate the affairs and the services the municipality provides in its area of jurisdiction. A municipality derives the power to pass a by-law from the Constitution of the Republic of South Africa, 1996, which gives specified powers and competencies to local government as set out in Part B of Schedule 4 and Part B of Schedule 5.

1.10 STRUCTURE OF THE THESIS
This section provides an outline of the study as detailed below.

The first chapter provides the background, motivation and objectives of the research, research approach and methods used, the framework of the chapters and the definition of key concepts. The overall theoretical context was outlined. The research philosophy and tactics were highlighted as well as the significance of the study.

The second chapter investigates the literature and critically explores the concept of revenue governance in relation to municipal administration. It looks at the nature and characteristics, core indicators of revenue governance, the role and the rationale, citizen participation in
governance and the role of transparency in governance, combined assurance strategy, and the major legislation that has an impact on governance.

The third chapter considers the research methodology and research protocol for the empirical investigation in the study by presenting the procedural framework, the research framework and the research programme. The sequential phases of the research methods are discussed and the use of both the quantitative and qualitative methods is described. It also includes a description of data analysis techniques, documenting and reporting protocols, and research ethics implemented in the study.

The fourth chapter provides data analysis and presentation.

The fifth chapter provides interpretations and discussions of research findings.

The sixth chapter provides a summary of findings, conclusions and recommendations, as well as the critical implication for theory, policy and practice, possible limitations and the summary of the research contributions.

1.11 SUMMARY
This chapter provided an overview of the study. It covered introduction, background to the study, problem statement, purpose and objectives of the study, originality and justification of the study, research methodology and definition of key terms. With this in mind, this research is intended to develop and recommend a municipal revenue enhancement model, called “Capacity Building Model for Revenue Improvement, (CBMRI)”. The related literature can help towards the development of such a framework. It is therefore important to review the literature. The next chapter is devoted to this purpose.
CHAPTER TWO
LITERATURE REVIEW

2.0 INTRODUCTION

Various authors have researched on this area and accordingly we present the literature review, comprehensively done covering published works to show what those others researchers have done, which is a very crucial part of any study. The term “review” describes theoretical aspects and previous research findings related to the problem of this study, (Mouton, 2013:123). The primary function of literature review is to investigate at what others have done in areas that are similar, although not necessarily identical, to one’s own area of investigation (Mouton, 2001:87). Accordingly, Mouton stated that, the following are the most critical and important aspects of conducting a literature review:

- It eliminates duplication of a previous study and increases the researcher's confidence in the topic when it is revealed that others have an interest in it.
- It enables the researcher to discover what the most recent and authoritative theorising about the subject is.
- It assists the researcher in ascertaining what the most widely accepted definitions of key concepts in the field are.
- It assists the researcher in identifying the available instrumentation that has proven validity and reliability.

In this study, five critical revenue and debt management aspects were addressed; 1) strategy to ensure efficient and effective revenue collection, debt and audit, 2) development of the internal revenue management capacity of the revenue staff members' qualifications and experience, 3) application of the principles and dimensions of effective revenue collection in local government, as well as 4) the improvement of revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organisational structure, 5) and the application of the statutory and regulatory framework for revenue collection and debt recovery.
2.1. STRATEGIC REVENUE AND DEBT MANAGEMENT WITHIN THE MUNICIPAL SECTOR

The challenges of the municipalities in South Africa are characterised by insufficient funding which seriously undermines and hampers the notion of a development of Local Government (GLM, 2017/18:14.). Across the country, the majority of the municipalities are dependent almost entirely on grants from national treasury, other national departments and provincial departments. To strengthen their revenue management, municipalities should consider very technical and strategic dimensions, for example:

- Strategy to ensure efficient and effective revenue collection, debt and audit.
- The development of the internal revenue management capacity of the revenue staff members qualifications and experience.
- Application of the principles and dimensions of effective revenue collection in local government.
- Improvement of revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organizational structure.
- Application of the statutory and regulatory framework for revenue collection and debt recovery.

2.1.1 STRATEGY TO ENSURE EFFICIENT AND EFFECTIVE REVENUE COLLECTION, DEBT AND AUDIT

In order to improve on its financial position and the ability to render effective services to the masses, the municipalities in South Africa must therefore collect all monies due to it and protect its revenue base as well as reducing wasteful expenditure by introducing cost containment measures (Dorfling & de Lange, 2018:6). In addition to its inability to raise its own revenue, municipalities around the world, especially in the developing world, are grappling with challenges of raising own revenue for sustainable service delivery, (Dirie, 2005, cited in Slack, 2009:13). The challenges here are very explicit, inability to generate its own revenue, as well as inability collect revenue.

The above scenario cannot be overemphasised, as in other countries like Brazil, researchers postulate that the financial global crisis perceived in 2008 has generated a warning to the
local governments, claiming for actions to guarantee an effective management of public funds (Thesari, Trojan & Batistus, 2019:2), consequently, this impacts heavily on local government finances (Galariotis, Guyot, Doumpos, & Zopounidis, 2016:256). This suggests that optimizing the budget requires the ability to understand, analyse and identify important facts about the environment before making a decision.

2.1.1.1 Revenue Management Strategy

In South Africa economic climate is very poor, which it plays a crucial role in the deterioration of municipalities’ financial health, however many are just not managing their finances as well as they should. It has been proven that the many gaps within the municipal revenue cycle and ineffective revenue protection measures is also contributing significantly to the poor revenue collection.

Despite having access to a plethora of own revenue sources, local governments in South Africa are generally perceived to be hard pressed for revenue or fiscally stressed (National Treasury, 2009 cited in Rakabe 2010:132). Rakabe (2010:137) concurs with this view when postulating that, the capacity of municipalities to generate own revenue, is not simply a function of having a strong economic base, but also for implementing ineffective and inappropriate revenue enhancement strategies. Facts reveal that measures used to increase own revenue are not comprehensive, rather they are carried out on an ad hoc basis without paying attention to important elements of revenue enhancement. It is for this reason why the Auditor General (AG) highlighted the poor financial health of municipalities and indicates that one of the main contributing factors is poor revenue management. It is clear that the many gaps which exist in the revenue management value chain, absence of effective revenue protection measures, and poor internal controls, are also contributing significantly to the current poor financial health of many municipalities (de Lange & Dorfling, 2018:11).

Supporting the above analysis, du Plessis (2017:20) maintains that every revenue practitioner in a municipality should be aware of the value chain for revenue. In addition, the municipalities should be able to implement enhancement strategies which will require close scrutiny of the elements in the value chain, which are, among others; property data, customer data, meter data, contract, legislation, credit control policy, credit control by-law, standing operating
procedures, billing, receipting, credit control and debt collection processes, institutional readiness, technical and non-technical losses, and communication, just to mention a few.

2.1.2. South African Perspective

In our country we have various levels and sizes of municipalities, e.g., Metropolitan, Districts and Locals as per the Chapter 7 of the Local Government, (Constitution of the Republic of South Africa, 1996). The City of Johannesburg is one of the Metros and for it to improve on its revenue management, they have adopted an effective and efficient approach, for example the City of Johannesburg (COJ), the Mayor (Masondo, 2011:9) offers discounts to settle billing problems, when Johannesburg residents affected by the billing problems were provided with a favourable settlement arrangement that includes discounts, (25% discount). This demonstrated the municipality’s commitments to working diligently. The Mayor further stated that “once again, I would like to take this opportunity to apologise for the inconvenience caused to the Johannesburg residents and citizens by our new billing system.”

With the above as background information, the municipal revenue management has to be improved, hence the Revenue Shared Services Centre (RSSC) was created as one of the pivots of the City of Johannesburg and its responsible is to create a good relation between the City and its various customers, and is also to collect the revenues vital to the smooth functioning of Johannesburg as a world-class African city.

It has been reported since then, every month the City sends out accounts to all of its residents, charging for electricity and water supplies, for waste collection, and for property taxes, more commonly known as rates. This process has enabled the municipality to collect and utilised its revenue for a wide range of municipal services, from basic services like the maintenance of roads, refuse collection and water provision, to social upliftment initiatives and education programmes. The RSSC also runs education campaigns to encourage a culture of paying accounts by showing just how revenues are used and how important each contribution is to creating a world-class African city.

The City of Tshwane, (COT) on the other hand, uses the balance scorecard approach (Kaplan & Norton, 1996c:47), in particular the financial perspective, which links to its corporate strategy, and serves as the focus for the objectives and measure in all the other scorecard
perspectives. They have asked themselves questions like, “Is the service delivered at a good price?” This question they have answered based on their approach using measures such as revenue enhancement for its financial improvements. In addition, the City has since 2013, utilised an external service provider (Boffin & Fundi) to manage its credit control process, for which they have adopted data analytics, credit control management system, and significantly improved debt recovery in the metro, and this can be confirmed by Metros’ credit control operations’ ability to recover debt totalling over R800 million. Equally importantly, the project has created 160 jobs for the young people in the jurisdiction of Tshwane Metropolitan Municipality.

2.1.3 Analysis of Billing and Revenue Collection
The collection of revenue effectively calls for the municipalities to design a SMART revenue turnaround strategy. De Lange and Dorfling (2018:14) maintain that revenue generation should be everyone’s responsibility, not just that of the revenue management unit and all the functions that are impacting on protecting and growing their revenue base. They further strongly recommend that the implementation of effective internal controls along the revenue value chain will aid effective data handovers. To implement the turnaround strategy will require getting an in-depth understanding of each particular municipality’s unique challenges, and then define an appropriate response, followed by implementation and results tracking. Municipalities can use two revenue collection strategies, which can be for the municipality’s own revenue collectors and for revenue collecting agents. Kassim (2013:18) maintains that the proposed Municipalities’ revenue collection strategies could include providing education to its revenue staff members, as well as the tax payers, identifying new sources of revenue, to assigning competent revenue collectors, and making regular follow-ups to revenue collecting agents to make sure that they comply with the established tax systems.

2.1.4 Debt Management
Poor debt management within the municipal sector in South Africa is another dimension posing a major financial distress and ultimately poor service delivery to the community. The Auditor-General of South Africa agreed with this view, especially when reporting the inability of the municipalities to collect debt from its consumers (de Lange, 2017:6). It is for the same reasons why municipalities will struggle to balance their books. The AGSA It (Mutale IDP, 2014/15) argues that despite the municipality having a credit control and debt collection policy
in place to ensure that outstanding amounts owed to the municipality are recovered, the revenue collection challenges still persist. It is therefore highly recommended that long outstanding debt needs to be recovered urgently by using innovative approaches. And in order to do that, the municipal management should ensure segmentation of its debt management activities as follows; segment accounts into key accounts:

- Collectable and non-collectable.
- Service analysis.

The accounts segmentation as indicated above, should be followed by an effective data management and cleansing process.

### 2.1.4.1 Improving debt management

To improve debt management in the municipalities, certain challenges they are facing need to be addressed, examples will include, among others;

<table>
<thead>
<tr>
<th>Table 2.1 Debt Management Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Issues</strong></td>
</tr>
<tr>
<td>Income Completeness</td>
</tr>
<tr>
<td>Expenditure</td>
</tr>
<tr>
<td>Outstanding Debt</td>
</tr>
<tr>
<td>Infrastructure-</td>
</tr>
<tr>
<td>Client Data</td>
</tr>
<tr>
<td>Communication</td>
</tr>
<tr>
<td>MIS</td>
</tr>
<tr>
<td>SDP</td>
</tr>
<tr>
<td>Control</td>
</tr>
</tbody>
</table>

*Source: Researcher, 2020*

The above table brought a different picture, in that a complete and valid billing cycles could result in a better outstanding debts collection.

### 2.1.4.2 The related benefits of debt collection

- Increase internal collection effectiveness (New methodologies)
- Hand over problem accounts
- Manage Debt Collectors
- Ensure that debt collectors specializing on soft and litigation
De Lange (2018:31) further postulates that there are available revenue enhancement strategies and improved debt recovery, including; the development and implementation of collection strategies on all debtors; data cleansing and analysis (billing completeness, field visits and data collection); revenue enhancement strategy; value chains, processes and procedures including managing of debt collection; external debt collection management; managing, monitoring & reporting on registered debt collectors; implementing a system (technology) to support the project and the communication & change management strategies.

2.1.4.3 Dedicated debt collection staff recruitment
De Lange (2018) further maintains that effective debt management relies heavily on dedicated collection staff and the best practice; this means it is essential to recruit and train dedicated staff in the revenue management division, who are able to specialize in a specific area, for example dealing with litigation or soft collections. In most municipalities, the end-to-end revenue management process is captured in a visual workflow map that records all the decision points, criteria and gates needed to convert a strategy into a set of policies and procedures to be followed. In conclusion, it is therefore appropriate for the researcher to provide summary and conclusions on revenue enhancement including debt collection and debt recovery programmes in the municipal environment, that urgent attention should be paid to the management of this area, especially in the light of increasing outstanding debt and the recent Constitutional Court decision. In addition, the municipalities should take a long hard look at current revenue management value chains, policies and practices and to initiate innovative debt collection strategies to optimise revenue.

2.2. THE DEVELOPMENT OF THE INTERNAL REVENUE MANAGEMENT CAPACITY OF THE REVENUE STAFF MEMBERS QUALIFICATIONS AND EXPERIENCE
Various capacity building initiatives were introduced to capacitate municipalities in South Africa, for example:
- Capacity building grants - FMG (Since 2004)
- Municipal Finance Improvement Programme (MFIP) Phase II
- Province-specific strategies
- Cities Support Programme (CSP)
- Standard Chart of Accounts for Municipalities (m SCOA)
• The Back to Basics approach (in September 2014) – Creating decent living conditions; Improving Good Governance; Public Participation; Financial Management and Institutional Capacity
• Financial Management Capability Maturity Model (FMCMM) (An assessment was conducted in all municipalities and their entities in 2015)

The challenge here, is the municipalities staff being fully capacitated to handle the various functions, including revenue management? How are the municipalities’ vacancies management being conducted?

### 2.2.1 Municipalities Vacancies
Without a skilled, dedicated and committed leaders with vision and the ability to do the job, there is no municipality or institution that can perform and achieve its goals, For example, It has been reported that the major contributors to the accountability failures and the regression in audit outcomes include (AGSA:2018;24):

- Vacancies and instability in key positions
- Inadequate skills led to a lack of oversight by councils (including the mayor)
- Insufficient implementation and maintenance of financial and performance management systems by the administration.

These issues around vacancy rates contributes significantly on the revenue management within the municipal sector, as illustrated above, the total vacancy rates at municipalities was more than 13% in 2015, which had a negative impact on local governments’ ability to deliver critical services to residents, (Lehohla, 2015:42). The reported highest municipal vacancy rates were in areas such environmental protection (23%), electricity (20%), road transport (18%), and wastewater management (16%). Lehohla (2016) further reported that of all the provinces, the vacancy rate was the highest in the Free State at 25.6% and the lowest in KwaZulu-Natal at 9.2%.

### 2.2.2 Reasons for the Accountability Failures
The AGSA (2018:22) report singles out the following as some of the major contributors to the accountability failures and the regression in audit outcomes within the municipal sector in South Africa:
• Vacancies and instability in key positions slowed down systematic and disciplined improvements.

• Inadequate skills led to a lack of oversight by councils (including the mayor) and insufficient implementation and maintenance of financial and performance management systems by the administration.

• Political infighting at council level and interference in the administration weakened oversight, hindered dealing with consequences and made local government less attractive for professionals to join.

• Leadership’s inaction, or inconsistent action, created a culture of “no consequences”, often due to inadequate performance systems and processes.

• At some municipalities there was a blatant disregard for controls (including good record keeping) and compliance with key legislation, as it enabled an environment in which it would be easy to commit fraud.

• Leadership did not take repeated audit recommendations and warnings of risks for which they needed to prepare seriously.

• Municipalities focused on obtaining unqualified financial statements at a great cost by using consultants and auditors, which was to the detriment of credible performance reporting and compliance with key legislation.

• Provincial and national role players did not sufficiently support municipalities.

2.2.3 Capacitating the Municipal Billing Systems Staff Members

Continuous improving of its revenue stream and collection, municipalities, should continue to ensure that its officials working with the billing systems should be capacitated in order to increase its ability to manage the billing systems effectively (du Plessis, 2012/14:20). Managing its billing systems effectively, data management should be improved, and should include all the collectable revenue streams in terms of the Municipal Systems Act and the policy of the municipality.

The skills shortage in the municipal sector in South Africa, is a national issue of concern, as the Auditor-General of South Africa (AGSA), (2018:6) assert that key officials lacked appropriate skills and competencies for financial reporting, which led to over-reliance on consultants and negatively affected financial planning, record keeping and reporting. According to (Jitsing, Wall, Craig, Thosago & Munro, 2018:30), the SAICA’s capacity building
programme becomes very critical in addressing the skills issues, as SAICA and the Public Affairs Research Institute (PARI) identified a lack of skills among officials in senior positions.

Jitsing et al. (2018) further argued that these lack of skills, among other factors, are causal factors for adverse audit outcomes, hence SAICA has committed itself to help in addressing these by piloting a capacity building and skills development project in 2012 (SAICA, 2012). The project was meant to address lack of capacity among senior officials; however, the project training was attended by junior officials. Although even today the issues have not been addressed adequately as the identification of causal factors of poor revenue management exist, while the current lack of political leadership, cannot confirm that key personnel are trained and capacitated and this will leads to rather somewhat significant impacts. Relevant officials should be trained to strengthen municipal financial management and governance, particularly for specialised skills and minimum qualifications as per stipulation in the Municipal Systems Amendment Act (2011).

Jitsing et al. (2018) further argued that instability or vacancies in key positions or key officials lacking appropriate competencies continued to acknowledge that municipalities with prolonged key vacancies had audit outcomes that were not satisfactory, this is because the majority of the municipalities tend to struggle to timeously appoint and retain officials for key positions, (Koketso & Rust as cited in Jitsing, 2018:27), in addition to the fact that municipalities’ challenge to retain and manage talented officials in key positions is linked to a lack of training, which leads officials to seek better opportunities elsewhere, for which this has a negative impact on a municipality’s’ ability to improve its revenue management processes.

To address the negative impact on its revenue management process, the consideration of the Municipal Regulations on Minimum Competency Levels (2007) Chapter 13 of South Africa’s National Development Plan (NDP) advocates for the formation of a capable state into the country’s growth path. A capable state is one that is “able to play a transformative and developmental role” in realising the NDP’s vision for South Africa. Of utmost importance in such a state is a competent and professional public service. For this reason, the Municipal Regulations on Minimum Competency Levels outlines the basic levels of qualifications, work experience and occupational competencies required by accounting officers, chief financial officers, senior managers, heads of supply chain management units and financial officials,
which could culminate in improving the municipalities revenue and debt management processes.

2.2.4 Understanding the Dynamics of the Capacity Challenge at Local Government Level

To support the above view, Peters and van Nieuwenhuyzen (2013/14:2) maintain that the South African government has budgeted significant amounts of money for capacity building in South Africa. Yet very little research exists on whether such budgets and expenditure have translated into increased capacity and performance, specifically at the local government level. The lack of a formal evaluation component in governmental capacity-building initiatives makes assessing their level of success difficult.

It has become critical to properly define this concept, because there is lack of a common definition of capacity building, its outcomes and its impact which has led to an uncoordinated, directionless approach to capacity building in local government. Williams (2006) presents Figure 2.1. below for the critical components of capacity-building;

![Figure 2.1 Critical Components of Capacity Building](image)


Figure 2.1 above describes an individual capacity as the “potential and competency, or lack thereof, found within a person, normally reflected through his or her specific technical and generic skills, knowledge, attitudes and behaviour, accumulated through forms of education, training, experience, networks and values” (DCoG, 2011). In the local government context, this means appointing appropriate individuals to the post in which their specific capacity can be used to the maximum advantage of the community served. Individual capacity is built
through training, mentoring and establishing learning networks. While institutional capacity on the other hand, is described as “the potential or competency, or lack thereof, found within organisations”. It includes human resource (collective individual capacities), strategic leadership, organisational purpose, orientation, institutional memory, internal confidence, partnerships, inter-governmental relations, powers and functions, resources and support systems, infrastructure and financial abilities, structures, processes, culture and by-laws. The municipal institutional capacity needs to “encompass a broad range of issues, such as policies and procedures, knowledge management and institutional memory, competency profiles of staff, background and experience and organisational ethics” (National Treasury, 2011). Municipalities should ensure that institutional capacity, which includes operational capacity, is maximised for the benefit of service delivery.

The above phenomenon is illustrated clearly by some departments focusing almost exclusively on the formal approach to capacity building, emphasising accredited training aligned to unit standards, which has had an impact on the type of capacity building favoured by local government. An accredited training refers to a learning programme that has been certified by the South African Qualifications Authority (SAQA) against the National Qualification Framework (NQF) registered unit standards or qualifications (SAQA, 2001). In addition, other initiatives have focused on providing technical advisory support in local government over a specific period of time. This has involved the deployment of technical advisors with particular technical skill sets in municipalities, as mentors or as facilitators of internship programmes. The apparent lack of capacity within local government has led to a number of interventions by a range of stakeholders. However, these interventions have treated only the symptoms and not the real cause of this shortcoming (FFC, 2009:1), while all manner of performance failures are often disguised under the label “lack of capacity”.

Capacity building within the municipal sector in South Africa requires an urgent attention and focus in order to improve the quality of services as expected by the community. However, challenges faced by the sector, it firstly requires them to be addressed, for example Peters and van Nieuwenhuyzen (2013/14:2) highlighted the lack of a formal evaluation of governmental capacity-building initiatives which makes assessing their level of success difficult. A lack of baseline data at municipal level also makes it difficult to monitor and evaluate whether the capacity-building initiatives are achieving their intended outputs,
outcomes and impact. Furthermore, high levels of mobility among municipal officials make it difficult to monitor the impact of capacity-building initiatives. Despite an increase in the availability of financial resources for capacity building, municipalities face challenges in accessing these services. These may include time, geographical location, information, grant restrictions, content relevancy and consultants or trainers who are unfamiliar with the local government sector. Capacity building needs to differ from municipality to municipality. It is an ongoing and incremental process, which requires a sustained, flexible and holistic approach to ensure success over time.

It is evidence from other international country such as Greece, that the implementation of the BSC could bring about continuous training, strengthening and development of staff, in particular those in the municipal revenue section and in other municipalities could consider BSC as a strategic tool for better service delivery its citizens (Dimitropoulos, Kosmas & Douvis, 2017:10).

In Albania, government functions have been decentralised with a view to improve employees’ performance, for which such approach adopted has not generated the expected results. As almost 90 percent of the revenues still come from the central government’s unconditional transfers. Therefore, the Albanian Government should build capacities and skills, and train the employees of each level of government that currently benefit from international assistance (Guga, 2018:11).

2.3 APPLICATION OF THE PRINCIPLES AND DIMENSIONS OF EFFECTIVE REVENUE COLLECTION IN LOCAL GOVERNMENT

Public financial management encompasses a comprehensive set of diverse activities regarding budget preparation and execution, control, accounting, reporting, monitoring and evaluation. And one of the key principles of improving revenue management includes consideration of various strategies and tools, for example outsourcing to a third party for debt collection (Fieldstad, 2008:23), but ensures also that the municipality do not forget the risks of outsourcing. In addition, Frank and Zhao (2009:23) believe in the budgeting and forecasting principles as an essential revenue improvement means, when they postulate that forecasting can prove critical to understanding how local governments prepare for uncertainty in revenues while meeting the demands of constituents. As a critical function of the budget
process, forecasting can provide estimates of revenues and expenditures, which can be utilised in the planning process. Fieldstad (2008) further argued that other crucial revenue enhancement principles include the integration of revenue collection database with review of bylaws and the consideration of a stronger punishment for council staff and politicians found guilty of mismanagement.

2.3.1 The Principles of the Municipalities’ Own Revenue and Accountability
The National Treasury (2011:19) clearly articulates on the local government fiscal framework, which is designed to raise municipalities’ level of accountability to residents, and the fact that most municipalities receive the majority of their revenue from service charges and property rates means that they need to ensure that residents receive the trading services (so that the municipality can earn income off them); the general level of municipal services is adequate to maintain property values (so as to maintain the municipality’s rates base) and the residents are generally satisfied with the municipalities’ services (so that they are willing to continue paying their rates and service charges). This means one of the key principles of revenue management is to bear in mind that there is revenue-service link, which has a potential for a strong alignment between the municipality’s revenue interests and the service delivery interests of residents that pay rates and service charges.

According to the White Paper, which recognised that for municipalities to remain sustainable, they must have access to sufficient revenue. Municipalities draw revenue from two main sources: own revenue in the form of service charges and taxes as well as intergovernmental transfers (Jitsing et al, 2018). The White Paper recognised that certain municipalities might be more dependent on intergovernmental transfers, however it encourages municipalities to develop and exploit own sources of revenue. In addition, the paper further introduces the concept of efficiency and effectiveness in the use of resources to local government. It encourages community participation and involvement in the budgeting process and highlights the importance role of communities in holding municipalities accountable for the use of resources.
2.3.3 Credit and Debt Collection Policy

Municipalities are expected to ensure that they have implemented an effective credit and debt collection, one of the smallest municipalities in South Africa has demonstrated the implementation of this strategy, for example, Greater Mutale Municipality (2014:3 and 13) have developed and implemented an effective Credit Control policy (CCP), as they believe that debt collection is a crucial element of credit control which, if not controlled, impacts negatively on cash balances, borrowing capacity, capital expenditure, and service delivery.

To boost its financial health, the municipality has successfully also met the requirements of the relevant legislation, e.g., the Municipal Systems Act (MSA) which states that a municipality; must collect all money that is due and payable to it, subject to this Act and any other applicable legislation for this purpose, must adopt, maintain and implement a credit control and debt collection policy, which is consistent with its rates and tariff policies and complies with the provisions of this Act (MSA, 2000,96), furthermore, Section 97 of the Municipal Systems Act, (No 32 of 2000) stipulates what a credit control and debt collection policy must provide for. It is for this matter that the municipality has explicit policy aims, being to ensure effective and efficient revenue collection by the Municipality and this should be viewed as a dynamic instrument on those aspects of the policy which are informed by legislation and generally accepted accounting practices and will be subject to revision in response to changes, as and when they occur.

2.3.4 Revenue Adequacy

For a municipality to deliver an effective service to its residents and to discharge their expenditure, they need to generate adequate revenues (Pieters, 2012:17). Pieters (2012) further explains that municipal finance is about the revenue and expenditure decisions of municipal governments, as it covers the sources of revenue that are used by municipal government’s taxes, user fees and intergovernmental transfers (Slack, 2009:1). Chauke (2016:75) concurs with this view when explaining the revenue generation from private income, and further stated that government derives revenue from citizens in the form of taxation and from other non-tax sources which includes fees, prices, special assessments and rates etc., this is however not an exhaustive list of all the sources of government revenue (Akintoye & Tashie, 2013:225; Doran, 2009:112; Musgrave et al, 1948:21, as cited in Chauke,(2016).
Chauke (2016) further maintains that the relationship of government and taxpayers is not that of creditor and debtors, and therefore taxes cannot be subject to or regarded as compensation and there is a material distinction that exists between a tax and a debt, debts are due to the government in its corporate capacity, while taxes are due to the government in its sovereign capacity. Emanating from these arguments, it can therefore be argued that it is for this reason that no one is allowed to object to or resist payment of taxes solely because no personal benefit to him can be pointed out as arising from the tax or as concomitant benefit from the taxes paid.

It worth noting the statement by Chauke (2016), when he explains the other source of revenue from state ownership, that a government, even though it is not a business, also receives income from the different assets which it owns, such sources includes money from state buildings, local resources, and other fruitful enterprises and many other properties of the state out of which income could be generated (Gorte, Vincent, Hanson & Rosenblum, 2012:1-2; Hayson & Kane, 2009:5, as cited in Chauke, 2016). In this context the ownership can also be called public ownership, government ownership or state property, and it involves control of any assets or enterprise which might be at different spheres of government, that is national, provincial or local sphere of government and can be used as a source of income for the state.

It has been established that revenue collection should also consider best principles, as the municipalities are also faced with different environments in which they operate and administer their revenue collection responsibilities, as well as their concomitant mandates coming from their government, which arise as the citizenry interacts with his or her nation’s tax administration. Fjeldstad and Moore (2006) maintain that it is the responsibility of every government to ensure that every cent that is collected and when such money is spent, it yields the maximum benefit for citizens, as the principal differentiator of the different revenue collection authorities are the jurisdictions from where they operate which is driven by the policies, administrative practices, culture as well as the legislative environment; however the core competencies for tax administration are the same in every country, which entails informing and educating the taxpayers of their obligations, processing of submission of the tax returns and ensuring that they are accurate.
It must be acknowledged that different revenue collection environments require different complexities to drive the revenue collection, and looking into best practices does not mean that a principle in one revenue collection environment can be cut and pasted onto the other; it however means that the core principles are the ones that can be taken and adopted and adapted to the new environment. In every revenue collection environment, there are certain complexities that are only unique to that particular environment and they are shaped (Chauke, 2016:62).

2.3.5 Revenue Linked Services

Strengthening the municipality revenue protocols require the consideration of various best practices and principles, for example, the revenue-service link between municipalities and residents is key to fostering greater accountability, (National Treasury, 2011:2), this suggests that requiring poor households to pay even very small amounts for services may deepen local democracy and municipal accountability, as the revenue-service link between municipalities and residents is key to fostering greater accountability.

Therefore, the ranking of functions could be a useful principle approach, as it provides a useful framework for a municipality to prioritise its functions in the way their administrations, planning and budgeting are structured and managed. Nevertheless, the specific circumstances within a municipality should also inform the ordering of the priorities and the consequent allocation of resources. Table 2.2 below presents such rankings;
Table 2.2 Priority functions of local government

<table>
<thead>
<tr>
<th>Priority 1 functions</th>
<th>Priority 2 functions</th>
<th>Priority 3 functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaches and amusement facilities</td>
<td>Beaches and amusement facilities</td>
<td>Municipal parks and recreation</td>
</tr>
<tr>
<td>Water (potable)</td>
<td>Air pollution</td>
<td>Local sport facilities</td>
</tr>
<tr>
<td>Sanitation</td>
<td>Cleansing</td>
<td>Public places</td>
</tr>
<tr>
<td>Refuse removal</td>
<td>Control of public nuisance</td>
<td>Local tourism</td>
</tr>
<tr>
<td>Cemeteries</td>
<td>Sell food to the public</td>
<td>Child care facilities</td>
</tr>
<tr>
<td>Fire fighting</td>
<td>Noise pollution</td>
<td>Sell liquor to the public</td>
</tr>
<tr>
<td>Municipal health services</td>
<td>Pontoons and ferries</td>
<td>Markets</td>
</tr>
<tr>
<td>Municipal planning</td>
<td>Pounds</td>
<td>Burial of animals</td>
</tr>
<tr>
<td>Municipal roads</td>
<td>Street lighting</td>
<td>Municipal abattoirs</td>
</tr>
<tr>
<td>Storm water</td>
<td>Street trading</td>
<td>Municipal airport</td>
</tr>
<tr>
<td>Traffic and parking</td>
<td>Trading regulations</td>
<td>Licensing of dogs</td>
</tr>
<tr>
<td>Building regulations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal public transport</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Municipal Demarcation Board (2005)

The above prioritised areas could be seen as a strategic approach in revenue generation and management. According to the local governments in Nigeria, one can observe a different approach, for example, the development of direct taxation in local government in Nigeria, which is traceable back to the British pre-colonial period, where the community taxes are levied on communities. The revenue that accrues to local government is derived from two broad sources, namely; the external sources and the internal source (Adejoh & Sule 2013:2).

It has been reported that an effective Local Government system rests majorly on the availability of human and material resources which the nation could mobilise and harness for local governments development, as most local governments in Nigeria do no longer perform their responsibilities simply because of poor finances arising from inadequate revenue generation and management drive, bearing in mind that there must be alignment between the grand total of money of income received from the source of which expenses are incurred. In addition, this bad financial situation is further aggravated by the prevailing inflationary situation in this country which erodes the value of funds available to render essential social services to the people. Adejoh and Sule (2013) further assert there is a need Local
government system in Nigeria to moderate amount of financial autonomy so that they are able to discharge its responsibilities effectively. To achieve this, Hofer and Schedal (1978, as cited in Adejoh & Sule, 2013:6) maintain that strategy of revenue generation must aim on the following;

- Ensuring the survival of local government as it relates to determine priorities and decision making;
- Enhancing the viability of local government objectives;
- Emphasizing on federal and statutory allocation; tapping all available opportunities in their areas;
- Ensuring effective and efficient management of financial resources and maximizing revenue while minimizing the cost of collection.

Based on the above, Hofer then suggests the following principle strategic approach for effective revenue generation and management;

<table>
<thead>
<tr>
<th>No</th>
<th>Table 2.3 Revenue Strategic Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Taking advantages of business or commercial opportunities in their local areas</td>
</tr>
<tr>
<td>2</td>
<td>Introduction of additional sources of revenue</td>
</tr>
<tr>
<td>3</td>
<td>Efficient and effective collection of existing taxes.</td>
</tr>
<tr>
<td>4</td>
<td>Providing an incentive for extra efforts of the revenue generation staffs.</td>
</tr>
<tr>
<td>5</td>
<td>Tapping all available opportunities in the areas</td>
</tr>
<tr>
<td>6</td>
<td>Periodic raiding by officers of the revenue generation</td>
</tr>
<tr>
<td>7</td>
<td>Public enlightenment and campaign that will educate the tax payer on the importance of prompt payment.</td>
</tr>
</tbody>
</table>

*Source: Hofer and Schedal (1978, as cited in Adejoh & Sule, 2013)*

Table 2.3 above presents a critical revenue management strategy, as (Adeosun, 1991, in Adejoh & Sule, 2013:6) stated that strategy to generate more revenue should be given an adequate attention in local government system. This is because the federal and state statutory allocations are prone to external influence. There are massive benefits related to the above internally generated revenue of the local government, and Table 2.4 below demonstrates such benefits.
Table 2.4 The Impacts of Internally Generated Revenue in Local Government

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Provision of free education in the community to reduce the level of illiteracy in the society</td>
</tr>
<tr>
<td>2</td>
<td>Stability of electricity in the community</td>
</tr>
<tr>
<td>3</td>
<td>Provision of a well-equipped health centre in the community to reduce the death rate of the people.</td>
</tr>
<tr>
<td>4</td>
<td>Construction of good roads for easy movement of transportation</td>
</tr>
<tr>
<td>5</td>
<td>Provision of clean water for the people in the local government area</td>
</tr>
</tbody>
</table>


In addition to the above, there are other strategic ways of improving Local Government Revenue Generation, as Oladeji, Adejoh and Sule (2013:15) share some of them as follows;

- Good Infrastructure
- Staff Motivation
- Establishment of Projects
- Revenue Management
- Loyalty of Tax Payers
- Obtaining 20% of Federal Government statutory allocation.

2.4 IMPROVEMENT OF REVENUE COLLECTION AND DEBT RECOVERY THROUGH IMPROVING CORE REVENUE PROCESSES, SYSTEMS, DATA QUALITY, SKILLS AND ORGANIZATIONAL STRUCTURE.

Effective Revenue management should be supported by accurate billing data, because inaccurate and invalid billing data is subject to debate and challenges by the consumers, (Mafunisa, 2019:11). It is worth noting that revenue management requires the utilisation of a system which can validate data and ensure service level standards which are fundamental to maintaining the integrity of billing data. De Lange (2012/14:48) maintains that municipalities tend to neglect these basics and opt for costly “data cleansing” exercises; however, it is protecting the data integrity at source that will yield longer term benefits. The following are fundamental to maximising the potential of existing revenue sources and debt collection programmes:
• The billing system must correctly reflect all billing data and customer data that is required to issue an accurate invoice on time to the relevant customer;
• All properties within the area of jurisdiction of the municipality must be correctly valued, whether in the general valuation roll or supplementary valuation rolls, and the billing system must be updated with any change in property ownership. This is necessary to grow and protect the property rates base of the municipality.

2.4.1 Data Cleansing and Analysis / Asset Verification
Municipalities’ management should ensure data cleansing and validation in a key revenue generation activity, as demonstrated below;

Table 2.5 Key Data Cleansing Dimensions

<table>
<thead>
<tr>
<th>Property Rates</th>
<th>Prepaid Metering</th>
<th>Water &amp; Electricity</th>
<th>Refuse &amp; Sewer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation Roll</td>
<td>Reconcile with billing system</td>
<td>Asset verification/Field vs Billing</td>
<td>Field vs billing</td>
</tr>
<tr>
<td>Categorisation</td>
<td>Ensure all meters linked to stand/account</td>
<td>Tariffs</td>
<td>Tariffs</td>
</tr>
<tr>
<td>GIS</td>
<td>Baseline analysis</td>
<td>Type/size</td>
<td></td>
</tr>
<tr>
<td>Tariffs</td>
<td>Tariffs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, 2020

2.4.1.1 Data cleanse
• Assess recoverability
• (Debtor profiling)
• Know everything there is available on your customer
• Accurate billing

2.4.2 Analysis of International Municipality Revenue and Debt Management
The municipal revenue and debt management challenges are not only for South African municipalities. According to the Zimbabwe Revenue Authority (ZIMRA), Mandimika et al. (2013:3), stated that revenue management, which is a combination of methods employed to improve the viability of a business, should employ various management aspects such as property rate management, revenue streams management, and should involve a number of disciplines like billing, operations, and financial management into a highly successful new
approach. A revenue manager must work as a team with other departments to be able to come up with successful revenue management strategies.

According to the United State Cities, the above implies that our municipalities are wrestling with the problem of providing a package of goods and services that is acceptable to their residents while operating under increased constraints regarding taxes and spending (Stumm, 1997:3). Stumm (1997) further argues that, although citizens seem unwilling to pay higher taxes, or permit increased municipal spending, they still wish to maintain, or even increase, their standard of living when it comes to the goods and services which they expect their city governments to provide. Similarly, somewhere in China as the economy slows down and fiscal revenue growth decelerates, local governments face increased debt pressure (Chen & Li, 2019:21). This context is clarifying the relation between local government debt and economic growth and it is significant for giving full play to the positive role of local debt in stabilizing growth. It is therefore clear from this study that when the local government is not bound by debt, the crowding out effect of excessive government debt and investment behaviour is more obvious.

According to Fjeldstad et al. (2019:129), inter-organisational cooperation in revenue collection has received limited attention in the tax administration literature and recent experiences from Tanzania offer a unique opportunity to examine opportunities and challenges facing such cooperation between central and local government agencies in a developing country context. The administration of property taxes (PT) in Tanzania has been oscillating between decentralised and centralised collection regimes and one of the key challenges in this regards relates to the local government administrative constraints, reflected in poor preparation, outdated property registers and valuation rolls and inadequate incentives for the involved agencies to cooperate, hampered the implementation of reforms and poor revenue management.

### 2.4.2.1 Tanzanian revenue collection strategies

In Tanzania the functions of Local Government Authorities become a fundamental basis for revenue collection, hence the Tanzanian local councils are responsible for delivering public services, including primary education and healthcare, local roads, water and sanitation, and agricultural extension services. The funds for the supply of services are largely sourced from
grants made from the central government. However, councils also collect various taxes, fees and charges and these locally-generated revenues are applied to the operational costs of councils and the allowances of elected councillors. In his project brief, Fjeldstad found out that some councils have already started to explore methods to reduce the financial gap caused by tax rationalisation by outsourcing some sources of revenue collection to private collectors, and by introducing revenue collection manager with full decision over the revenue sources.

The Balance Score Card (BSC) approached used by the City of Tshwane in South Africa, appears to be a good tool for organisational performance, and creates a critical competitive advantage for firms and improve their sustainability and future prospects (Dimitropoulos, et al., 2017:1); similarly in Greece, the BSC was initially created for profit-oriented organizations, however, it was soon employed for the management of public organisations such as municipalities, hospitals, universities and other forms of public organisations.

According to Northcott and Taulapapa (2012, as cited in Dimitropoulos et al., 2017), the Greece public sector organizations use performance management techniques from the private sector in order to improve and demonstrate their performance and accountability to central governments, including revenue and debt management and the commonly used system for managing performance in public organizations which is the balanced scorecard (BSC). According to Kaplan and Norton (1992, 1996a, b), the BSC intends to facilitate the understanding of corporate goals through balancing financial and non-financial aspects of the corporation, and several public organizations have employed BSC with significant outcomes on their daily operations and overall performance. Specifically, public organisations managed to enhance managerial and employees’ ability by focusing on the planning goals and improved services for citizens despite the fact that local government are faced with serious hurdles in their efforts to meet their daily operation and further to satisfy local citizens and other stakeholders (Dimitropoulos et al, 2017:3). However, Johnston (2005 as cited in Dimitropoulos et al., 2017), argued that the adoption of private sector performance management techniques can help municipalities to accommodate this issue. Under this framework, the implementation of the BSC approach can help public organisations to implement and improve daily practices, raise and manage its revenue, control expenses and
enhance their sustainability (Martelo et al., 2008; Mizuno & Suzuki 2010; Tyagi & Gupta, 2013; Wilson et al., 2004, as cited in Dimitropoulos et al., 2017:3).  

2.5 APPLICATION OF THE STATUTORY AND REGULATORY FRAMEWORK FOR REVENUE COLLECTION AND DEBT RECOVERY  

Section 64 of the Municipal Finance Management Act (MFMA) prescribes the management of Revenue Management. It is therefore correct to say, the collection of the consumer charges is of vital importance in determining the going concern status of the municipality (IRBA; 2016). For the municipality to ensure sustainability of service delivery and infrastructure development, it needs a healthy cash-flow. It is key that the municipality must have a credible, fair and transparent mechanism in its endeavours to increase / improve revenue collection from debtors, while debt collection on the other hand is at the end in the value chain. The debt collection programme must be focused on rehabilitating the debtor, not to punish him or her and upon rehabilitating the debtors, consumers will have to be educated on municipal systems, processes, payment of services, maintaining infrastructure and more.

There are critical Constitutional and legislative frameworks underpinning sources of revenue for South African municipalities which needs to be identified and Institutionalised by all the municipalities in improving its revenues. Mafunisa (2019:8) enumerates those legislative frameworks;
- Constitution of the Republic of South Africa, 1996;
- Municipal Structures Act, 1998;
- Municipal Systems Act, 2000;
- Municipal Finance Management Act, 2003;
- Municipal Property Rates Act, 2004 and;
- Municipal By-laws.

Despite the above, there is still a long way to go before all municipalities are fully functional and sustainable. It is internationally acknowledged that South Africa has some exceptional financial management legislation and practices but these must be institutionalised if overall performance objectives are to be achieved. In addition, the Municipal Property Rates Act (MPRA) should always be considered in order to assist municipalities to improve on their revenue collection, as the Sections 28 and 29 of the Municipal Property Act, (Act,6 of 2004),
make provision for the collection of outstanding rates of owners from their tenants or agents. Many municipalities are not aware of this powerful mechanism at their disposal. The first benefit of these sections is that they allow the municipality to serve a notice on the tenants or the agent without following a legal process. It is therefore not necessary to appoint a lawyer to serve this notice. The Act stipulates key collection focus areas in Section 28 (du Plessis, 2013:27).

The key legislative prescripts which dictate the municipality’s effective and efficient debt and revenue management protocols are, for example; The Municipal Systems Act (2000) which requires all municipalities to collect all monies due to them and establish a credit control policy and The Municipal Property Rates Act (No 17 of 2004) which regulates an important source of own revenue for municipalities – property rates. In contrast, the MFMA (2003) specifies how municipalities should manage their revenue they have collected and received. Furthermore, the Act requires municipalities to produce budgets funded by realistic revenues and cash-backed accumulated funds. The Intergovernmental Fiscal Relations Act (No 97 of 1997) sets out the process for sharing nationally collected revenue between all three spheres of government.

2.5.1 Sustainability of its Operations
The municipal sustainability principle promotes a balanced budget (Jitsing et al., 2018), in other words, it requires municipalities to generate sufficient revenue from their own sources and intergovernmental transfers to cover their operational expenditure. The White Paper is clear on the fact that national and provincial government may not bail out any municipality that mismanages its finances. According to the MFMA (2003), which places an obligation on municipalities to develop annual budgets and prescribes how these should be prepared. It also specifies the role of the mayor and municipal manager in the budget preparation process. Section 51 of the Act prohibits national and provincial government from guaranteeing the debt of any municipality. In effect, this clause removes any perverse incentives for municipalities to mismanage the funds and overspends their budgets, if there was an explicit or implicit guarantee that national government would bail them out of their financial difficulties.
2.5.2 The Constitution of South Africa

The revenue management is not an item to be isolated from the constitutional prescripts, for example, the Constitution and local government's responsibilities. Section 152 of the Constitution sets out the objects of local government.

2.5.2.1 Objects of the local government

The objects of a municipality are to:

- Provide democratic and accountable government for local communities;
- Ensure the provision of services to communities in a sustainable manner,
- Promote social and economic development;
- Promote a safe and healthy environment; and
- Encourage the involvement of communities and community organisations in the matters of local government.

The implies that a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in the subsection above, including an effective revenue and debts management strategies. It is therefore clear that the purpose of Section 152(2) is to direct municipalities to use their available resources to realise the objects of local government and this must be done within its financial and administrative capacity. Section 153 of the Constitution sets out the developmental duties of municipalities, for which a municipality must; structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community, and to ensure participation in national and provincial development programmes. While Section 156 of the Constitution sets out the powers and functions of municipalities, being its possession of the executive authority in respect of, and has the right to administer;

- The local government matters listed in part b of schedule 4 and part b of schedule 5, any other matter assigned to it by national or provincial legislation.
- Right to make and administer by-laws for the effective administration of the matters which it has the right to administer.
- A right to exercise any power concerning a matter reasonably necessary for, or incidental to, the effective performance of its functions.
2.6 SUMMARY

The study conducted a literature review to demonstrate the need for a capacity development in Local Government in South Africa. The importance of revenue to the overall development and functioning of the local government cannot be over-emphasised. The study indicated that there is a relationship between revenue and capacity developmental effort of the local government. It also showed that government could generate more internally generated revenue if staff members are being capacitated on this aspect.

In South Africa, there is a very comprehensive and well-developed policy and legislative governance framework that governs the management of municipal finances, for which municipalities are expected to comply with them. It worth noting the rationale for these pieces of legislation, especially with regards to the fact that many municipalities were in financial distress, has pushed the enactment of this Act in 1996, as well as the consolidation of the municipalities from 278 to the current 257.

This study literature has examined local government’s capacity development for the municipalities, in particular the processes and dimensions of revenue generation and management, and how the legislations impacts on the revenue management etc. It has been found that there is a need for capacity development strategies for the municipalities’ finance staff, in particular those who are responsible for revenue management, together with other staff members whose duties contribute towards revenue management, for example, the billing staff members, data management, metering and so on and so forth should also be capacitated on the legislations and other best practices related to the effective revenue and debt management within the municipal sector in South Africa.

It is evident from the study that the municipal sector could improve its financial performance and practices of corporate governance, if the underpinning capacity building strategy is adopted and implemented as a sector Framework, including integration of these research dimensions during the development of the municipal sector Integrated Development Plan (IDP) which will also facilitate a coherent base for good governance implementation practices.

Despite that our local government legislative framework is rigorous, but there are concerns also that it does not necessarily consider the different capacities of municipalities, as the
municipalities in South Africa operate in a very dynamic environment. This simply means their ability to develop and implement revenue management strategy and to also comply with the regulatory framework differs considerably.

The fact is that over 56.7 million South Africans are relying on the basic services as rendered by the 257 municipalities in South Africa, for which these municipalities are expected to render an effective, efficient and economical (EEE) services to these masses, however there are still massive challenges in rendering the basic services, for example, if about (14.4%) or 40 them are currently placed under Section 139 administration, and many more are dysfunctional or struggling (COGTA, 2019), and unable to resolve their structural, organisational and political problems, this means more operational and sustainable problems for the sector.

The Municipalities placed under Section 139 of the Constitution, implies that, the municipality cannot or does not fulfil an executive obligation in terms of the Constitution or legislation. Despite the commitments made by all municipalities in South Africa in July 2009 (Operation Clean Audit-OPCA) to achieve clean audit opinions by 2014 and to implement and maintain systems in order to sustain good quality financial management systems and management information, this does not seem to be happening, and not surprising, as it can be further confirmed by a series of set of municipal audit results which show an overall decline in audits from one year to the next (Auditor-General, 2018). Despite the various interventions to assist municipalities to improve on its revenue management capabilities, and thereby obtain clean audits, our municipal staff members still lack those basic skills to get the ball rolling, hence their audit outcomes regress significantly (AGSA, 2017/18).

Achieving an effective revenue management governance is a good enough indicator of good overall financial management in a municipality. However, measuring the municipal performance through the so called “clean audit concept” is very unrealistic and unfair, especially when one considers that the clean audit strategy has not produced the desired results, (Masegare, 2017:8). It is a failed 2009 to 2014 Government strategy which is still applicable even today. Masegare (2017) further postulates that the Local Government Back to Basics Strategy seeks to refocus the efforts of municipalities on five basic areas of intervention. Improvements to its revenue management has been identified as one of the five
focus areas. The intention is to get municipalities to improve its financial health, which could culminate into an effective and efficient service delivery, and its audits outcomes. Furthermore, there is a critical further need for the national and provincial treasury to provide support to municipalities in tightening its revenue machine.

Since the promulgation of the MFMA (2003), there have been several capacity building and turnaround strategies developed in response to the problems and challenges experienced by local government. While it is clear that there has been significant progress in building capacity within the top and middle third of functional municipalities however, the capabilities, skills and competences in most of the municipalities remains low. This suggests that different capacity building interventions may be needed for municipalities with different levels of functionality, incorporating the SMART concept in it. Ultimately, targeted training programmes needed for the municipalities and for its sustainability over the long-term might contribute to the development of meaningful capacity in these institutions.

We have extensively discussed the theoretical framework related to this study and our next chapter will examines and provides research methodology utilised in this study and the rationale.
CHAPTER THREE
RESEARCH DESIGN AND RESEARCH METHODS

3.0 INTRODUCTION
Based on the research project aim as demonstrated above, this study used the survey research procedure. There are three most common purposes of research, namely, exploration, description and explanation. **Exploratory research** is conducted for a problem that has not been clearly defined. It often occurs before we know enough to make conceptual distinctions or posit an explanatory relationship. **Descriptive research** is a research study that has as its main objective the accurate portrayal of the characteristics of persons, situations or groups. **Explanatory research** is the third major social research approach that explains things. While **descriptive studies** attempt to answer the what, when, where and how; explanatory studies attempt to answer the why.

This study is **exploratory** as the purpose is to gain new insights, discover new ideas and/or increase knowledge of revenue enhancement within the municipal sector in South Africa. The corresponding literature review was also conducted for this research.

3.1 THE REASONS FOR CONDUCTING EXPLORATORY RESEARCH INCLUDE:

✓ exploratory research tends to tackle new problems on which little or no previous research has been done
✓ exploratory research design does not aim to provide final and conclusive answers to research questions, but merely explores the research topic with varying levels of depth
✓ exploratory research is the initial research, which forms the basis of more conclusive research.

3.2 POPULATION AND SAMPLING
The targeted population of this study, was the municipal officials, in particular those in finance section, from where we have drawn inferences. For this research study our target was people working for the municipalities, and therefore the population was total number of all municipalities (257) that meet the definition of unit analysis.
3.3 SAMPLING
The research sampling was conducted with a view of making certain deductions and generalizations about the population and to accept or reject statistical hypotheses about the population. In order to attain this objectives, the following three aspects must be borne in mind: 1) the unambiguous definition of the population in terms of extent, content and time, 2) the size of the sample, and the 3) extent to which the sample is representative of the population. Assurance was considered to ensure that discrimination in terms of gender, sex, position, qualification or experience are eliminated, as everyone was allowed to participate in this research. The study randomly selected participants, to ensure that each member of the target population has the same chance of being selected for participation in the study.

3.4 DATA COLLECTION INSTRUMENTS
This study used a triangulation of qualitative and quantitative data collection techniques. Triangulation was used in order to integrate multi-methods with the attempt to minimize biases and limitations to the study weaknesses. Therefore, data was collected using the questionnaires and interviews.

3.4.1 Questionnaire
For this study, the researcher found a questionnaire to be more appropriate. A questionnaire is a research instrument that consists of questions and other prompts in order to obtain information from respondents (Kalusopa, 2011:133). This is the most common research instrument used in survey research designs and they exist in different formats; self-administered, online, postal or mail based, interviewer-administered, telephonic or interview schedules (Creswell, 2004:56). Self-administered and interviewer-administered questionnaires were used the most. Self-administered questionnaires include online questionnaires, postal questionnaires, as well as delivery and collection questionnaires. It worth mentioning that there were six parts in the questionnaire, namely:

SECTION A: Demographic information, which provides for biographical information about municipalities and its staff members
SECTION B. Strategy to ensure efficient and effective revenue collection, debt and audit
SECTION C. Development of the internal revenue management capacity of the revenue staff members’ qualifications & experience

SECTION D. The principles and dimensions of effective revenue collection in local government

SECTION E. Improvement of revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organisational structure

SECTION F. Statutory and regulatory framework for revenue collection and debt recovery

3.4.2 Likert Rating Procedures

The Likert scale is the sum of responses to several Likert items and these items are usually displayed with a visual aid such as a series of radio buttons or a horizontal bar representing a simple scale. The Likert item is a statement that the respondent is asked to evaluate in a survey (Bryman, 2012:73-74). Likert Scale is the one of the most common techniques for measuring opinions, beliefs and attitudes. In most parts of the questionnaire (Part B-F), a five-point Likert scale was used. A good Likert item should have a multiple-indicator measure or multiple-item measure and should state the opinion, attitude, belief or other construct under study in clear terms. For this study, the Likert Rating Scale format were as follows:

1. Strongly Agree
2. Agree
3. Neutral/ I don’t know
4. Disagree
5. Strongly Disagree

3.4.3 Procedure for Data Collection

We obtained authorisation from LGSETA to conduct research, which paved the ways for the researcher to commence with the research fieldwork, and upon that the researchers started conducting the pilot study with the individual municipality officials.

3.4.4 The Pilot Study

Our pilot study, is regarded as a small study to test research protocols, data collection instruments, sample recruitment strategies and other research techniques in preparation for a larger study, and is very important. It is one of the important stages in a research project and is conducted to identify potential problem areas and deficiencies in the research
instruments and protocol prior to implementation during the full study. It will also help members of the research team to become familiar with the procedures in the protocol, and can help them decide between.

Mouton (2001:102) maintains that conducting the research by using an untested / unpiloted research questionnaire will result in wasted efforts, for example, there may be ambiguous or vague items and words that are not defined or too vague. With the above conviction in mind, the researcher has piloted the questions, and during this pilot study, various aspects of this project were tested on a small scale. A few respondents possessing the same characteristics as those of the main investigation were involved in the study merely to ascertain certain trends. In this research, a preliminary set of questionnaires was distributed randomly to over 10 people to assess the suitability of a questionnaire. Upon completion of the questionnaire piloting, some minor modifications were made to the questionnaire.

3.5 DATA ANALYSIS
The questionnaire used for this study, was subjected to reliability tests using Cronbach’s Alpha to determine its appropriateness. The purpose was to eliminate questions that were found not to be reliable and valid when compared to the Cronbach’s Alpha value.

Excel and Survey Monkey were used to analyse data. This system is used commonly for research data analysis and it was used on that basis, with its multiple features. On the Survey Monkey (SM) package, the main techniques used were the following; variables, descriptive analysis, standard deviation, Cronbach’s Alpha Test, etc.

3.6 ETHICAL CONSIDERATIONS
In this study, the researcher had to interact closely with the participants and the tutor, thus entering their personal domains of values, weaknesses, individual learning disabilities and the like, to collect data. Silverman (2001:201) reminds researchers that they should always remember that while they are doing their research, they are in fact entering the private space of their participants. Understandably, this raises several ethical issues that should be addressed during and after the research had been conducted. Creswell (2004) states that the researcher has an obligation to respect the rights, needs, values and desires of the informants. Miles and Huberman (1994) list several issues that researchers should consider.
when analysing data. They caution researchers to be aware of these and other issues before, during and after the research had been conducted. Some of the issues involve the following:

✓ Informed consent (Do participants have full knowledge of what is involved?)
✓ Harm and risk (Can the study hurt participants?)
✓ Honesty and trust (Is the researcher being truthful in presenting data?)
✓ Privacy, confidentiality and anonymity (Will the study introduce too much into group behaviours?)
✓ Intervention and advocacy (What should researchers do if participants display harmful or illegal behaviour?)

One of the unexpected concerns relating to ethical issues is cultural diversity sensitiveness. Silverman (2001) argues that the relationship between the researcher and the subject during an interview needs to be considered in terms of the values of the researcher and cultural aspects. Rossouw (2006) states that professional ethics involves the principles and standards that guide members of the profession in their interactions with internal and external stakeholders.

In adhering to the Human Sciences Research Council (HSRC), the researcher has ensured:

✓ that participation is completely voluntary
✓ informed consent: research participants are fully informed about the risks and procedures involved
✓ no harm to participants: participants are not placed in any position that may result in physical or psychological harm
✓ confidentiality and privacy: the participant’s confidentiality is ensured and information obtained from the individual is not made available to anyone who is not directly involved in the study.
CHAPTER FOUR
ANALYSIS AND PRESENTATION OF FINDINGS

4.0 INTRODUCTION
It is very critical to present in this section that the results of the primary data as collected, via questionnaires, interviews and document study. Data analysis is crucial in any research and it helps to make conclusions and generalizations of findings to a problem statement (Creswell, 2009:152). Quantitative data was analysed through the statistical analysis software, SPSS, while qualitative data was transcribed and analysed manually.

4.1 RESPONSE RATE
Welman, Kruger and Mitchell (2005:147) maintain that the lack of control over the completion of the research questionnaire may result not only in a poorly completed questionnaire, but also in a poor response rate (the percentage of questionnaires handed back / returned / posted back. The above is concerning for many researchers in terms of the percentage return rate to be achieved in a study as the response rate is an indication of the representativeness of the sample. Bryman (2012:234-237) rightly states that the higher the response rate, the smaller the chance of significant response bias than with a low response rate. Welman, et al. (2005:147-148) emphasise this by saying that the more robust and rigorous the sample design, the greater the probability that the results will be representative of the true population characteristics. If the overall conclusion does not reflect all population characteristics, it could have a negative impact on the interpretation of the results. Literature states that a response rate of 50% is adequate for analysis and reporting, while 60% is good and 70% is very good (Mouton, 2001:261).

In this study, a number of participants have shown interest in participation, and we have sent the research questionnaires to them via an email link (online questionnaire) during January to mid-March, 2020 and only 26 of the participants did complete the questionnaire and return it to the researcher, despite the limited time allowed for this research. The online analytical tools automatically analyses the results as they trickle in
4.2 DEMOGRAPHICS DESCRIPTIVE ANALYSIS

According to Runeson and Höst (2009), the descriptive analysis is used to better understand the data collected. In this section, we present demographic information about the study participants and information of the participants regarding any differences in the sizes of the municipality, schooling, age, gender and many more was used.

Participants were asked about their provinces, and the results show that the majority (26%) of them were from Mpumalanga province, followed by 19% from Gauteng and KwaZulu-Natal respectively, with the balance (12% each) coming from the other remaining municipalities, as demonstrated in Table 4.1 below.

Table 4.1 Provincial Municipal Information

<table>
<thead>
<tr>
<th>Province</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>12</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>19</td>
</tr>
<tr>
<td>Limpopo</td>
<td>12</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>26</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>0</td>
</tr>
<tr>
<td>Free-State</td>
<td>0</td>
</tr>
<tr>
<td>Limpopo</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Field Data, 2020

The analysis in the above table is not a fair trend of participation, since Mpumalanga has fewer municipalities as compared to KwaZulu-Natal, as shown below; Gauteng Province (12), Eastern Cape (39), Free State (23), Kwazulu-Natal (54), Limpopo (26), Mpumalanga (20) Northern Cape (31), North-West (22) and Western Cape (30).

Except for the provincial municipalities question, there were other questions relating to:

- Gender
- Age group
- Highest Level of education
- Racial group
- Number of years’ experience in the municipal sector

Table 4.2 Level of the Municipalities

<table>
<thead>
<tr>
<th>Level of Municipality</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Municipality</td>
<td>81%</td>
</tr>
<tr>
<td>District Municipality</td>
<td>12%</td>
</tr>
<tr>
<td>Metropolitan Municipality</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2020

It quite interesting to also note the level of the municipality who participated in this study, Table 4.2 above clearly presented what is not strange in South Africa, there are many numbers of local municipalities participants (81%), followed by district (8%), which is quite disappointing as we have more district than the metros. District municipalities support the functioning of the local, and it was therefore expected that the Districts encourage the locals to participate in this important study, for which it appears they did not. The participation by the metros (8%) is regarded as normal considering the fact that there are few of them.
Table 4.3 below provides information on the gender of the respondents. The sector is dominated by the female majority (60%), which is quite in line with the South African populations statics where females are more numerous than their male counterparts. However, the majority of revenue therefore deemed to be faced strongly towards women, hence government and global community calls for women empowerment.

Table 4.3 Gender

![Gender Pie Chart]

Source: Field Data, 2020
Table 4.4 provides information on the profile of respondents’ age. The sector is dominated by middle-aged staff, for example, the majority (54%) of the participants are older than 35 years. This shows that the majority of the staff members are in their late age group and succession planning is critical in this regard, there are no minors employed in the sector (18-24 years), while the over aged representing 4%, are small in number, a clear indication of seriousness of tapping into their skills in the form of skills transfer to the majority class, with the balance representing entry level (25%) in the sector, and the adults, (17%) respectively.

Table 4.4 Age Group

<table>
<thead>
<tr>
<th>Age-group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>0%</td>
</tr>
<tr>
<td>25-34</td>
<td>25%</td>
</tr>
<tr>
<td>35-44</td>
<td>54%</td>
</tr>
<tr>
<td>45-54</td>
<td>17%</td>
</tr>
<tr>
<td>55+</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2020
Table 4.5 Highest Level of Education
To assess the capability of the municipal staff with regards to revenue management, it will require an assessment of a certain level of education. Table 4.4 below presents primary research results in that regard. There were participants holding college / diploma certificates respectively, representing 39% of the population, while university degrees holders represent also 30%, with the balance representing at least 14 and 17% respectively. It is clear from this study that municipal revenue management teams have obtained minimum skills expected of them, but could appear to be a challenge, are the lack therefore, of practical experience of applying their theoretical knowledge to the workplace, (AGSA, 2018:24).

Source: Field Data, 2020

In order to perform revenue management functions, candidates with the minimum level at the operational level should be able to cope with the job responsibilities in particular.
Among the expertise of the municipal officials, the study also analysed the racial group to determine its correlation to the skills issues. It presented that 93% of the participants with the municipal experience are African, followed by 7% being coloured, with the reminder of less than 1% being other races.

**Table 4.6 Racial Group**

Among the expertise of the municipal officials, the study also analysed the racial group to determine its correlation to the skills issues. It presented that 93% of the participants with the municipal experience are African, followed by 7% being coloured, with the reminder of less than 1% being other races.

![Racial groups chart](image)

**Source:** Field Data, 2020
Matching the qualification levels with the practical work experience is critical for this study. In determining those levels, the majority of respondents (28%) indicated that they had municipal experience of 7-10 years, which indicates a healthy and balanced staff member in terms of skills transfers to the inexperienced staff members, which represents over 72% collectively.
4.3 DATA ANALYSIS
This section of the chapter provides empirical findings and analysis based on the data collected by the research questionnaire.

4.3.1 Strategy to Ensure Efficient and Effective Revenue Collection, Debt and Audit
The primary results of the collected data are presented in this section.

Table 4.8 Financial Distress

Table 4.8 above presents critical issues pertaining to the triggers of financial distress which causes revenue management challenges. Eighty (80%) of the participants strongly agreed that their municipalities are in financial distress as a result of poor revenue management, 45% don’t think so. Key issues pertaining to this challenge are presented below from the participants comments”.

“If competent revenue managers were employed that can go back to communities to explain the importance of paying rates and taxes.
Low payment rate by consumers
The main problem is that our expenditure is more than the income generated
Currently several challenges exist that hamper effective and efficient financial management at municipalities. These challenges include among others, a lack of expertise, an inability to collect arrears debt, extensive corruption, exorbitant salaries and bonuses, and so forth. Over spending.”

Participants were asked questions on the level of satisfaction with regards to their revenue collection practices. A number of different views were provided.

**Table 4.9 Level of Satisfaction**

<table>
<thead>
<tr>
<th>Level of satisfaction</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inaccurate/un-updated client billing information</td>
<td>22%</td>
</tr>
<tr>
<td>Data quality</td>
<td>0%</td>
</tr>
<tr>
<td>Unable to generate own revenue</td>
<td>22%</td>
</tr>
<tr>
<td>Wasteful expenditure</td>
<td>33%</td>
</tr>
<tr>
<td>Lack of finance skills in Ability to municipal debt from the available cash</td>
<td>17%</td>
</tr>
<tr>
<td>Lack of budget to collect outstanding amounts owed by...</td>
<td>22%</td>
</tr>
<tr>
<td>Unrealistic budget</td>
<td>6%</td>
</tr>
<tr>
<td>Huge amount of money owed by government...</td>
<td>6%</td>
</tr>
<tr>
<td>Supplier payment affected by revenue collections</td>
<td>22%</td>
</tr>
<tr>
<td>Lack of monitoring consumer/creditor accounts</td>
<td>33%</td>
</tr>
<tr>
<td>Inefficient organisational structure with massive vacant...</td>
<td>6%</td>
</tr>
<tr>
<td>Huge amount of money owed by private business sectors</td>
<td>11%</td>
</tr>
<tr>
<td>Poor or lack of financial control systems</td>
<td>17%</td>
</tr>
</tbody>
</table>

**Source:** Field Data, 2020

Table 4.9 above presents a qualitative analysis of satisfaction with regards to revenue collection within the municipal sector. Participants indicated a variety of challenges in this regard, for example; 48% of the majority feel that they have a poor or lack of dimension as per graph above, financial controls system, while others (36%) also feel that by not paying their suppliers on time is as a result of revenue not marching their expenditure patterns, thereby making the municipal to unable to accomplish its debts obligations (20%). With all its assets and infrastructure, participants (9.6%), feel the municipal unable to generate their own revenue, and at the same time, challenges to its revenue management arise as a results of huge amounts of money owed by private business sectors, as well as the government departments (6%). In addition there is a strong feeling (11%) that inefficient organisational
structure with massive vacant positions contributes, coupled with unrealistic budgets, and wasteful expenditure. As highlighted in the various sections of this study, the inaccurate / un-updated client billing information, also contributed strongly on revenue management. A lack of monitoring of consumer / debtors’ accounts (debtor management), also plays a critical role, while a lack of budget to collect outstanding debts contributes significantly. In addition, the participants were asked question with regards to its practices of revenue collection, as presented below.

**Table 4.10 Debts, Revenue Projection, Auditor General, Skills Audits**

Table 4.10 presents primary data results regarding debts, revenue projection skills and Audit-General of South Africa. The participants were asked to answer various Likert rating statements; for example, 55% of participants agreed that the municipality collect debts in accordance with its policy document, and the same time they agreed (40%) that they have a credible revenue and expenditure project systems in place, however they (40%) agreed about the Auditor General’s certificate to be issued if they failed to collect revenue. Coupled to this,
50% agreed that skills audits are being conducted in their municipalities. It quite surprising to witness that a number of the municipalities remain neutral in all three above aspects (30%, 35% and 30% respectively) while the other balance in all those 3 dimensions (35%, 25% and 20% respectively). This is a very worrying trajectory, especially when one considers the fact municipalities must strive to implement the dimensions to almost 99%.

4.3.2 Development of the Internal Revenue Management Capacity of the Revenue Staff Members' Qualifications and Experience

The municipality revenue staff qualifications and experience plays a critical part on their day-to-day operations. In this study, questions with regard to these asked of the participants so that their views can be obtained, as presented in this section.

Table 4.11. Staff Members' Qualifications and Experience

Source: Field Data, 2020

Table 4.11 above presents the most wanted skills in the management of the municipal revenue, for example, the majority (50%) feels that operational financial management is a key skills required, followed by (33%) the strategic financial management and accounting, economics and finance or related skills (33%) respectively as also key skill, it is also
interesting to see participants also feeling that, (25%) effective and Efficient Financial and performance reporting, as well as (25%) risk governance, supply chain management (25%) skills is quite crucial in the governance of municipal revenue. Practices of good corporate governance cannot be overemphasised, hence participants (17%) feel legislative and stakeholder relations respectively are critical skills required in the industry, and forgetting the critical governance dimension (17%) of audit and quality assurance.

Further analysis, (Table 4.12) of the participants was conducted with regards to some critical revenue management dimensions in the sector, where Likert rating scale were utilised as presented in this analysis.

**Table 4.12 Municipal Officers’ Competency Levels**

On average the participants (63%) agreed on all dimensions that their municipal officers meet the requirements of the municipal regulations on minimum competency levels issued in terms of the Local Government: Municipal Finance Management Act, 2003, while the average (8%) did not agreed, with the balance remaining neutral (29%). It is encouraging to see that at least some of the municipal officers have experience in implementing financial policies (including revenue) and systems, as agreed, including the application of Generally Recognised
Accounting Practice (GRAP-9 / IAS 18). This study presented a very astonishing picture, especially when the majority of the municipal officials remain neutral in all 3 dimensions.

4.3.3 The Principles and Dimensions of Effective Revenue Collection in Local Government

Revenue management involve crucial principles and dimensions, hence participants were asked questions to reflect on these aspects, as presented in Table 4.13:

Table 4.13 Effectiveness of Revenue Collection

<table>
<thead>
<tr>
<th>Source: Field Data, 2020</th>
</tr>
</thead>
</table>

The primary results are being presented as average, where 62% agreed with the above statement, while 22% were neutral, with the balance (16%) disagreeing.

Operating in silos can hinder the effective coordination of various municipal departments, while the issues around the current cost analysis and tariff determination methods are a true reflection of the cost of services. It will remain a serious concern that the participants agreed that there is a lack of procedure manuals or business rules for collections and credit control from the credit policy. Key evidence to these problems can be confirmed by the fact that some of the municipalities have outdated revenue policies and by-laws which affect its debt collections efforts. Revenue management is about the community paying for the services they
received and understand, however, the study participants, reveal that there is inadequate community engagement and involvement in municipal planning activities which leads towards poor revenue management.

The real challenge of the municipality’s revenue management in South Africa is the ineffective debt collectors who contribute towards poor revenue management, as agreed (48%) by the participants, while 52% disagreed.

**Table 4.14 Simplified Revenue Plan Project (SRP)**

![Diagram showing the percentage of participants agreeing and disagreeing with the SRP]

*Source: Field Data, 2020*

It is clear from this result, that the poor service delivery by the municipalities affects payments from its users of their services, as well as the current land tenure practices which affect the revenue base.

In addition to the above, the Simplified Revenue Plan (SRP) could make significantly improves in managing revenue in the municipal sector. Participants were tested their knowledge of this concept, as presented. The implementation of the SRP could reduce municipal consumer debt, for which 59% of the participants agreed to that, when others (17%) feel it will improve revenue management and the balance (33%) feel it will protect the municipal revenue.
Table 4.15 Attributes to be Improved by Implementing the SRP Within Municipality

Table 4.15 presents an interesting picture regarding the qualitative results of implementing the SRP. An overwhelming majority (59%) agree to the improvement of the revenue management, with a further 34% also agreeing that municipal debts could be reduced, while the balance of 7% also indicated the protection of municipal revenue.

Source: Field Data, 2020
4.3.4 Improvement of Revenue Collection and Debt Recovery through Improving Core
Revenue Processes, Systems, Data Quality, Skills and Organizational Structure.
Integrated core business processes are crucial for management of revenue in a municipal
sector, as presented in this section.

The participants were asked questions around this aspect, and the majority (70%) agreed
that pricing and Inventory Management will improve revenue collections effectively, while
others disagreed or remained neutral respectively. In addition, the majority (100%) strongly
agreed that understanding and engagement with clients / markets is very important in
revenue management within the municipal sector in South Africa. There is a convincing
trajectory, that efficient and effective monitoring of delinquent accounts can reduce the
municipal debtor’s book, as agreed by 100% of the participants, while on the other side of the
coin 90% of the participants strongly agreed that continuous improvement of customer online
payment systems can improve revenue of a municipality, and it can (100%) also improve the
accounts receivable reconciliation, and could potentially improve insight results in better
understanding of the total amount owed to the local government.

**Table 4.16 Ways to Improve Municipal Revenue Collection**

![Chart: Ways to Improve Municipal Revenue Collection]

*Source: Field Data, 2020*

Table 4.16 presents an interesting result on all four dimensions in the form of an average.
The majority of participants (88%) on average agreed that pricing and Inventory Management
will improve revenue collections effectively, as well as understanding and engagement with clients / markets. In addition they also agreed on the efficient and effective monitoring of delinquent accounts can reduce the municipal debtor’s book, and the continuous improvement of customer online payment systems can improve revenue of a municipality, and the improvement of the accounts receivable reconciliation, could potentially improve insight results in better understanding of the total amount owed to the local government. It is worrying to learn that some participants (1%) disagreed with these statements, with balance of 5% remaining neutral. However, it must be acknowledged that those agreeing are the majority and therefore the minority response does not carry water.

4.3.5 Statutory and Regulatory Framework for Revenue Collection and Debt Recovery

Revenue management is a cornerstone of good corporate governance practices (King IV Report, 2016); for example, the governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and good corporate citizen. It is within this context that participants were asked question on revenue management within the statutory and regulatory framework.

The majority of the participants (64%) agreed that chapter 3 of the MFMA provides a sufficient base for municipal revenue management, while 32% remained neutral, with the balance of 5% disagreeing. Furthermore, 72% agreed that Section 13(1) of the MFMA deals with cash, investment, asset management and municipal operating frameworks, and a surprising 17% disagreeing; this piece of legislation requires an urgent attention from the municipal officials, with the balance remaining neutral (11%).

The Municipal Finance Management (MFMA) positively impacts revenue management systems and policies, as agreed by 76% of the participants, while 18% disagreed. In addition, Act no 2 of 2013 of DORA provides equitable division of revenue within the municipal sector in South Africa, which the municipal officials should be aware of; indeed (43%) of the participants agreed to this view, while 57% remains neutral. The Public Finance Management Act of the National Treasury is effective for municipal revenue management in the sector, as agreed by 56% of the participants, and the 33% remaining neutral and disagreeing respectively. It is common that the municipal officers are aware of Treasury Regulations for departments, constitutional institutions, public entities, Parliament and provincial legislatures.
Issued in terms of the Public Finance Management Act, 1999, as confirmed by 56% of the participants, when 33% remains neutral and disagreeing respectively. Part of legislative compliance governance involve, the consideration of the municipal Draft Bills, Government Notices Bills, Regulations which can positively impact municipal revenue management systems and policies, participants strongly (56%) agreed with this view, while 33% disagreed and the balance (13%) remained neutral.

The municipalities need assistance for debt recovery they have failed to come up with plans that are effective with consultation of communities, communities are prepared to pay outstanding debts.

**Table 4.17 Regulatory Framework and Debt Recovery**

| Source: Field Data, 2020 |

4.3.6 General Comments

“Please provide any other comments in line with the topics discussed in this survey.”

The following are some of the comments from the participants:

The municipalities need assistance for debt recovery they have failed to come up with plans that are effective with consultation of communities, communities are prepared to pay outstanding debts.
CHAPTER FIVE
DISCUSSION AND INTERPRETATION OF RESEARCH FINDINGS

5.0 INTRODUCTION
The interpretation of results is crucial in any research and it helps to make conclusions from, and generalisations about, the findings related to a problem statement. “Interpretation of results” involves the researcher making conclusions based on the results received from the research questions, objectives and the wider meaning of the results (Creswell, 2009:152). According to Kothari (2007:281), when the researcher presents and interprets the results, he/she can expose relations and processes that underlie the findings.

To critically analyse Municipal Sector Revenue and Debt Management in South Africa, the results of this study will therefore be interpreted and discussed on the basis of the following study objectives: 1) strategy to ensure efficient and effective revenue collection, debt and audit, 2) development of the internal revenue management capacity of the revenue staff members qualifications and experience, 3) application of the principles and dimensions of effective revenue collection in local government, as well as 4) the improvement of revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organizational structure, 5) and the application of the statutory and regulatory framework for revenue collection and debt recovery.

5.1 STRATEGY TO ENSURE EFFICIENT AND EFFECTIVE REVENUE COLLECTION, DEBT AND AUDIT
Revenue management within the municipal sector is critical for successful operations and sustainability. The analysis of the research results shows that, generally, the municipal staff members are required to be capacitated with regards to revenue management in order to improve the level of service delivery. Tables 4.8, 4.9 and 4.10 above respectively present the key dimensions which triggers the municipal financial distress, as well as the challenges. It is clear from these that without paying attention to these dimensions, service delivery will be adversely affected and community protests risks will be increased, which comes with a heavy price. In support of this view, the King IV Report, which has very good intentions to improve financial management in local government, indicated that most municipalities still have
difficulties with certain aspects of the implementation, and also an indication by the AGSA’s (2018/19) reports, agreed that some of the municipalities are under administration due to poor financial standing as a result of bad revenue management.

This study has established the critical dimensions which hinder the accomplishment of an effective and efficient management of revenue which require an immediate attention and be addressed. In addition, participants also indicated a number of challenges regarding the practices of revenue management, and these dimensions as presented in Table 9 above could make a huge difference is addressed as a matter of urgency, including possible training and development on these aspects.

The implementation of good capacity building elements will enable the sector to run and manage municipalities effectively and efficiently. Municipalities are required to exercise, in terms of the new developmental mandate, a representative function with enhanced community participation to achieve service delivery, social and economic development and a healthy environment. In terms of Section 153 of the Constitution, the local government is responsible for setting the developmental interventions in their respective jurisdictions, for example;

- Development of the internal revenue management capacity of the revenue staff members qualifications and experience;
- Application of the principles and dimensions of effective revenue collection in local government;
- The improvement of revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organisational structure;
- Application of the statutory and regulatory framework for revenue collection and debt recovery.

5.2 THE DEVELOPMENT OF THE INTERNAL REVENUE MANAGEMENT CAPACITY OF THE REVENUE STAFF MEMBERS QUALIFICATIONS AND EXPERIENCE

Governance of skills development and management plays an important role in the provision of service within the municipal sector, especially on their day-to-day operations. In this study, there were clear indicators of the those required skills for management of the municipal revenue, for example, operational financial management is a key skill required as it utilises a
multiple approach of analysis and applying different methods to budget and planning on how revenue will be generated and spent on critical services delivery. Echoed by de Lange (2018:9), revenue and debt management rely heavily on a dedicated collection of staff and best practices. This literally means municipalities must recruit and train dedicated staff in its revenue management division, as well as minimising its vacancies, because the AGSA (2018:24) reported that the major contributors to poor audit outcomes are a result of vacancies and instability in key positions, poor implementation and maintenance of financial and performance management systems.

In addition to the above, it has been reported that the lack of strategic financial management and accounting, economics and finance or related skills, which various authors in this study assert this view when postulating that accountability failures in revenue management occurred as a result purely of inadequate skills, which can be proven by the fact that municipalities focus on obtaining unqualified audit outcomes on its financial statement, by using the services of financial consultants. Hence revenue management involves a diverse dimension, for example, effective and efficient financial and performance reporting, risk governance, and supply chain management legislations, just to mention few. It is a fair comment that we shall in the near future see municipalities utilising the expertise of legal experts to help them interpret and apply the accounting related legislation, in order to also achieve good audit outcomes. However, du Plessis (2012/14:14) maintains that staff members working with the billing systems should instead be capacitated in order to manage the systems effectively as it is one of the main contributors towards good revenue management. To support this important view of staff capacity building, SAICA (2012) has already committed to the municipal capacity building and skills development. Despite these interventions, it is also highly recommended that municipalities should address instability in key positions, because the up and down movement in key positions affect the consistency of operational ability, resulting in an adverse audit outcome.

The implementation of the minimum competency framework, has been one of the key sector concerns, as this intervention’s deadline has passed by many months ago and even to date not all municipalities officials meet the requirements of the municipal regulations on minimum competency levels issued in terms of the Local Government: Municipal Finance Management
Act; this has results in basic failures to implement financial policies (including revenue) and systems as well as the application of Generally Recognised Accounting Practice, (GRAP).

5.3 APPLICATION OF THE PRINCIPLES AND DIMENSIONS OF EFFECTIVE REVENUE COLLECTION IN LOCAL GOVERNMENT

In order to further improve revenue management within the municipal sector in South Africa, certain business principles need to adopted and adhered to. There a variety of dimensions relating to the public financial management, including budget preparation and execution, control, accounting, reporting, monitoring and evaluation, as well as improving revenue management. The study found that operating in silos hinders effective coordination of various municipal departments (22%), and thereby revenue in particular. This problem of operating in silos needs to be managed properly, especially if we believe that revenue management is service linked, and should also therefore be strongly aligned between the municipality’s revenue interests and the service delivery interests of residents that pay rates and service charges.

In addition, Fieldstad (2008:23) maintains that effective revenue management principles should consider a variety of dimensions, for example outsourcing to a third party for debt collection, for which if considered, municipal staff should be capable of managing such an outsourced process, hence outsourcing does not abdicate accountability (King IV Report, 2016). Furthermore Fieldstad (2008), argued that there a risk of outsourcing, which needs to managed properly in order improve on revenue management. The Simplified Revenue Plan (SRP) could also make significant improvement in managing revenue, as the majority (73%) of participants has indicated their understanding and knowledge of the SRP, and this plan could reduce municipal consumer debt.

The principles of the municipality’s own revenue and accountability, is critical for all staff members within the sector (National Treasury, 2011:19). This view, as clearly articulated on the local government fiscal framework, sought to raise municipalities’ level of accountability to residents and the fact that most municipalities receive the majority of their revenue from service charges and property rates, meaning that they need to ensure that residents receive the trading services (so that the municipality can earn income off them), the general level of municipal services is adequate to maintain property values (so as to maintain the
municipality’s rates base), and the residents are generally satisfied with the municipalities’ services (so that they are willing to continue paying their rates and service charges). However, the study presented a different view, when participants (72%) agreed that there is inadequate community engagement and involvement in municipal planning activities which leads towards poor revenue management. So, it is not about service provisions and revenue generation; stakeholder’s engagement is also critical, (King IV Report, 2016). Jitsing et al. (2018) warned that own revenue generation should be strategically based, as opposed to intergovernmental transfers. To accomplish this, updated, effective and efficient credit and debt collection policy should be developed and maintained, however, participants (50%) refute that municipalities have outdated revenue policies and by-laws which affect its debt collections efforts. Other sector role players, should learned from other organisations, for example, Greater Mutale Municipality, (2014:3 and 13) have developed and implemented an effective Credit Control Policy (CCP) as they believe that debt collection is a crucial element of credit control which, if not controlled, impacts negatively on cash balances, borrowing capacity, capital expenditure, and service delivery.

5.4 IMPROVEMENT OF REVENUE COLLECTION AND DEBT RECOVERY THROUGH IMPROVING CORE REVENUE PROCESSES, SYSTEMS, DATA QUALITY, SKILLS AND ORGANISATIONAL STRUCTURE

Integrated core business processes is crucial for management of revenue in a municipal sector. There are strong views from the participants that pricing and Inventory management will improve revenue collections effectively, which is a very critical point for consideration if the municipality wish to improve on its service delivery and capacitate its work force, hence they are ones to do the work.

The above does not go alone, as understanding and engagement with clients is very important, especially when the Municipal Act make it explicitly clear that the community consultative process should always be adhered to all the time. This approach is actually supported by the King IV Report (2016), when stating that the board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen. The consideration of the convincing trajectory, with regards to efficient and effective monitoring of delinquent payments cannot be ignored, as it is also a critical dimension towards revenue
improvements, coupled with the introduction of the online payment systems, (City of Ekurhuleni called it the Siyakhokha System), which can improve revenue of a municipality, as well as the improvements of the accounts receivable reconciliation, could potentially improve insight resulting in better understanding of the total amount owed to the local government in its books. The pricing of the municipal services rendered to its clients’ base, should be carefully analysed in order to justify its pricing model.

With the pricing being critical in revenue management, the accuracy of the billing data requires polishing, because inaccurate and invalid billing data is subject to debate and challenges by the consumers. Therefore to avoid questioning your service bill, some of the following dimensions should be considered; the billing system must correctly reflect all billing data and customer data that is required to issue an accurate invoice on time to the relevant customer, as well as all properties within the area of jurisdiction of the municipality must be correctly valued, whether in the general valuation roll or supplementary valuation rolls, and the billing system must be updated with any change in property ownership. This is necessary to grow and protect the property rates base of the municipality; Further there are other aspects for consideration with regard to revenue improvement, for example, in Zimbabwe, they view and believe that revenue management is a combination of methods employed to improve the viability of a business and should employ various management aspects such as property rate management, revenue streams management, and should involve a number of disciplines like billing, operations, and financial management into a highly successful new approach. One such system is the Balance Score Card (BSC), which is believed to be a good tool for organisational performance, and creates a critical competitive advantage for firms and improve their sustainability and future prospects (City of Tshwane, 2010).

5.5 STATUTORY AND REGULATORY FRAMEWORK FOR REVENUE COLLECTION AND DEBT RECOVERY

The municipal staff members should appreciate the laws regarding review management, as King IV above indicated a compliance with its own adopted policies and procedures and non-binding laws. This simply means managing revenue will definitely require a good understanding of the applicable laws regarding that aspects, as well as its application when performing its revenue management functions. This study provided a very good foundation
of those legislations for your consideration when managing revenue, which could also help a lot with regards to auditor general audits.

These pieces of legislations deal a variety aspects of laws pertaining to revenue management, for example; the MFMA, DORA, PFMA, Municipal Draft Bills, Government Notices Bills, Regulations, Determining the going concern status of the municipality (IRBA; 2016) is very critical as most municipalities are under administration, which means the going concern principles is not feasible, as ensuring sustainability of service delivery and infrastructure development, needs a healthy cash-flow, for which a municipality must therefore have a credible, fair and transparent mechanism in its endeavours to increase / improve revenue collection from debtors, while debt collection on the other hand, is at the end in the value chain. The debt collection programme must be focused on rehabilitating the debtor, not to punish him or her and upon rehabilitating the debtors, consumers will have to be educated on municipal systems, processes, payment of services, maintaining infrastructure and more.

5.6 SUMMARY
This chapter has interpreted and discussed the empirical research findings. This was done in the light of empirical data presented in Chapter Four. It has been established that a close working relationship between revenue management and capacity building which can improve the effectiveness of governance of revenue.

It is still within a reasonable reach, that revenue management can still be improved within the sector, only and if all the roles players work together toward one common goal. It is therefore strongly recommended that the municipal leadership should focus on key dimensions such as; strategic financial management, risk governance skills, supply chain management, integrated business processes (billing systems, debt management - in and out source, billing data validity, accurate and valid property valuations systems), operational financial management, relevant recruitment processes, project management, credit control strategies, audit and quality assurance, accounting, economics, finance or related skills, legislative revenue governance, effective and efficient, financial and performance reporting, stakeholder relation.
The next chapter provides conclusions, summary and recommendations of how the municipal sector can improve its revenue management, and thereby obtain clean audit results. It also proposes a model which incorporates all those recommended dimensions.
CHAPTER SIX
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.0 INTRODUCTION
The previous chapter provided data interpretation and discussion of the results. This chapter summarises, discusses and integrates the main findings and implications of this research. Firstly, a summary of the research objectives and questions is presented, next the conclusions and recommendations of the study based on data analysis and interpretation in the previous chapters are given, as well as integration of the literature review in Chapter Two. A proposed model / guide is also presented and discussed. Then implications for both theory and practice are highlighted, followed by a discussion of study limitations, both methodological and theoretical. Finally, directions and avenues for future research conclude the chapter and the study.

This thesis is set out with the aim of adding one new informative and practically relevant model of the municipality revenue management, in South Africa. Therefore, the overall research objective was to analyse the municipal sector revenue and debt management. In Chapter One, Section 1.3, the following research objectives were highlighted: **RO1.** Strategise to ensure efficient and effective revenue collection, debt and audit; **RO2.** Develop the internal revenue management capacity of the revenue staff members’ qualifications and experience; **RO3.** Apply the Principles and dimensions of effective revenue collection in local government; **RO4.** Improve revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organisational structure; and **RO5.** Apply Statutory and regulatory framework for revenue collection and debt recovery. Chapter Two provided a detailed literature review of issues regarding these topics. As Bryman (2012:388) would attest, the interpretation of results is a key component of any research and it helps in drawing inferences and generalisations of findings to a problem statement. This means that the researcher draws inferences from the results for the research questions, hypotheses and the larger meaning of the results. On the other hand, Wilkinson (1991:327) asserts that the conclusion section is the logical outgrowth of the results section, and the focus of discussion is on the interpretation of the results. He further concludes that the objective of the conclusion
is to examine the results, determine whether they solve the research question, compare them within themselves and write other results (from literature), explain and interpret them, and then draw conclusions or derive generalisations and make recommendations for applying the results or for further research. Therefore, the findings presented in the previous chapter are summarised in this chapter, as well as the introduction of the suggested revenue management model.

6.1 SUMMARY OF RESEARCH FINDINGS

This section presents the summary of findings according to research objectives. The study established that in order to improve revenue management, there is a need to capacitate the municipal staff members whom they will be executing the various revenue improvement strategies.

The analysis of the various municipal sectors, as well as the AGSA’s consolidated general reports revealed that in most instances the contribution of negative audit results was lack of effective revenue and debt management, including non-provision of credible audit evidence to that effect. The study also reveals that revenue management is a discipline on its own, but it correlates with the activities within the sector, e.g., billing, water, property, just to mention a few, and working in silos can contribute to poor revenue governance.

The minimum competency framework has not fully implemented by the various municipalities, which if it was, it can also contribute positively towards good revenue management. However, one short fall this minimum competency framework is the lack of the monitoring its impact and effectiveness regarding skills developments. It worth mentioning that on the flipside of the coin, there were some municipalities who have tried in their best level to implement revenue management and capacity building programmes which had yielded some positive results, for which further enhancement is recommended.

The study further reveal that the governance in the municipal sector is quite very weak, for example, revenue management forms part of financial statements, which falls under the control and the direction of the Audit Committee (AC), who have failed to pick it up that the financial statements and audit outcomes are affected by revenue (assets) as it present a critical area which the auditors will perform a substantive audit every year. While on the other
side, the Human Resources Committee, (HRC), also did not picked it up that strategy and human capital interlink. Improving revenue require dedicated and skilled staff members, for which these committee could have picked it up, despite these issues were raised several in the AGSA reports and on the yearly basis. In conclusions and holistically, the relationship between revenue management and staff capacity forms integral corporate governance aspects, and must be managed effectively.

6.2 CONCLUSIONS ABOUT RESEARCH OBJECTIVES

The general purpose of the current study was to analyse the municipal sector revenue and debt management in South Africa, with the underlying assumption that the revenue management model will help local government to improve its service delivery, and thereby contribute also to clean audits. Therefore, the conclusions of the research are guided by the following objectives:

- strategy to ensure efficient and effective revenue collection, debt and audit,
- development of the internal revenue management capacity of the revenue staff members qualifications and experience,
- application of the principles and dimensions of effective revenue collection in local government, as well as
- the improvement of revenue collection and debt recovery through improving core revenue processes, systems, data quality, skills and organisational structure, and
- the application of the statutory and regulatory framework for revenue collection and debt recovery.

6.2.1 Conclusions on the Strategy to Ensure Efficient and Effective Revenue Collection, Debt and Audit

It is clear from the study that revenue management and capacity building are interrelated strategies which can ensure effective service delivery in the sector and thereby improve an audit outcome. Auditors rely on credible audit evidence pertaining to revenue and staff training, for which it can only be confirmed if management has introduced those activities. The issues around organisational sustainability and going concern, also rely heavily on these two aspects.
The sector management, are expected to use the skills audit plan, which it should be aligned to the organisational strategies, including revenue management and then capacitiate staff members around that. These sound like an effective strategic approach; however, its implementation appears to be the issue, this technically due to the fact that revenue management and training and development are sometimes aspects executed by management professionals who were appointed at a low level and lack expertise to implement policies.

6.2.2 Conclusions on the Development of the Internal Revenue Management Capacity of the Revenue Staff Members’ Qualifications and Experience

There are various areas which should be considered during the above skills development phase, including the full implementation of the minimum competency frame. The need to analyse the municipal IDP / SDBIP and align the capacity building programs, especially those recommended in this study, as they show connections to the holistic revenue management strategies. This aspect should also form part of the human resource committee agenda, as capacity development is seen as part of risk mitigation plan. Therefore, human resources risks are also cyclical and iterative. Assigning this function to a senior manager will ensure the likelihood of the municipality achieving its revenue management goal.

6.2.3 Conclusions on the Application of the Principles and Dimensions of Effective Revenue Collection in Local Government

Without doubt, the study has demonstrated that most municipalities don’t have an effective governance committee, especially the two highlighted above. These committees could be critical when it comes to the application of the critical principles of revenue and staff development. In particular the barriers around operations in silos’ as revenue is connected to the entire integrated business processes, (services linked). It can then be concluded a strong alignment between the municipality’s revenue interests and the service delivery interests of residents that pay rates and service charges be considered.

Further, the principles of outsourcing to a third party for debt collection, should managed cautiously especially if the total responsibility lies those charged with the management of the outsourcing process. To conclude, the Simplified Revenue Plan (SRP) should also considered, as it can make a significant improvement in managing revenue.
6.2.4 Conclusions on the Improvement of Revenue Collection and Debt Recovery Through Improving Core Revenue Processes, Systems, Data Quality, Skills and Organisational Structure

What are key drivers of billing systems? They are the level of service delivery and consumers’ satisfaction. To achieve these goals, management must develop and implement an integrated core business processes, which is crucial for management of revenue. The pricing of the service packaged should also viewed holistically, within the context of a municipality wishing to improve on its service delivery and capacitate its work force.

The implementation of the above key integrated business processes should not be undertaken in silos. Understanding and engagement with clients are very important, especially when the municipal Acts make it explicitly that the community consultative process should always be adhered to at all the time (King IV Report, 2016). In other key business process aspects should not left unattended, for example; efficient and effective monitoring, online payment systems, improvements of the accounts receivable reconciliation, could potentially improve insight results in better understanding of the total amount owed to the local government, in its books.

6.2.5 Conclusions on the Application of the Statutory and Regulatory Framework for Revenue Collection and Debt Recovery.

It is quite clear from the study, that to avoid customers’ complaints, protests, etc., the consideration and application of the legislation in respect of revenue and staff development is critical. It is therefore correct to conclude that there should be an appreciation of the laws regarding review management, as King IV above maintains that a compliance with its own adopted policies and procedures and non-binding laws, which simply means managing revenue will definitely require a good understanding of the applicable laws regarding that aspects, as well as its application when performing its revenue management functions. This has provided a very good foundation of those legislations for your consideration when managing revenue, which could also help a lot with regards to auditor general audits. In conclusion, the staff capacity building programme should embed this aspect.
6.3 RECOMMENDATIONS ABOUT RESEARCH OBJECTIVES

In order to enhance the governance of revenue in the municipalities in South Africa the research results have clearly indicated that it is highly possible that the local government can improve the lives of the community by improving its revenue governance process. To do this, the following recommendations are made:

For the municipal board to meet its revenue governance responsibilities effectively, the municipal management should in consultation with its human resources department, develop a capacity building program that is focusing on the dimension raised in this study, Table 4.11, and should report to the audit and human resources committees respectively in this regards.

6.3.1 Recommendation on the Strategy to Ensure Efficient and Effective Revenue Collection, Debt and Audit

It is highly recommended that the municipalities ensure that there are credible evidence pertaining to revenue and staff capacity building, for which it can only be confirmed if management has introduced those activities, as the issue around organisational sustainability and going concern, also rely heavily on these two aspects.

6.3.2 Recommendation on the Development of the Internal Revenue Management Capacity of the Revenue Staff Members’ Qualifications and Experience

The study has found various challenges regarding the relevant skills to management revenue. Hence it is recommended that during the capacity building initiatives, (full implementation of the minimum competency frame), there must also be a need to align the capacity building programs with the IDP / SDBIP strategies.

6.3.3 Recommendation on the Application of the Principles and Dimensions of Effective Revenue Collection in Local Government

The recommended key principles with regard to revenue management, is the establishment of the two governance committees, audit and human resources, which should ensure the enforcement of the applications of the revenue and staff development and ensure that barriers around operating in silos are also addressed.
6.3.4 Recommendation on the Improvement of Revenue Collection and Debt Recovery Through Improving Core Revenue Processes, Systems, Data Quality, Skills and Organisational Structure

Revenue improvement and the satisfaction of the consumer needs rely heavily on effective and integrated business processes. To ensure this, it is strongly recommended that management develop and implement an integrated core business processes, which should address issues around the pricing of the service packaged, efficient and effective monitoring, online payment systems, improvements of the accounts receivable reconciliation, just to mention a few.

6.3.5 Recommendation on the Application of the Statutory and Regulatory Framework for Revenue Collection and Debt Recovery

Revenue management and capacity building does not operate in silos to legislations. It is recommended that during the implementation of these initiatives, management should also consider the relevant legislations and other best practices that have an impact on these two aspects, for example, the King IV Report, MFMA, Municipal Systems and Structural Acts.

In order to implement all the five above recommendations, the below mentioned section presents details of the proposed implementation model.

6.3.6 Proposed Revenue Improvement Model

One of the key objectives of the current study was to analyse the municipal sector revenue and debt management, from staff capacity point of view. It is within that context why this study therefore proposed a model which incorporate key dimensions for staff capacity building with a view of improving revenue and debt management. It is hoped that the proposed model can help reduce ineffective and inefficient management of revenue and contribute also to good audit outcomes. The proposed framework in Figure 6.1 is not intended to be prescriptive but to assist sector to embed capacity building programme into its annual training plans.
The proposed model in Figure 6.1 above is not intended to be prescriptive but to assist the municipal sector to adopt strategies which can improve its business processes. All the model steps are depicted in Figure 6.1 and applicable to both Local, District and Metropolitan municipalities in South Africa.

To adopt and implement the model, management should consider the organisational strategic plan, in this case it is the Integrated Development Plan (IDP), as well as the Service Delivery and Budgetary Plan (SDBP). Revenue is a very critical nerve for organisational success and sustainability, therefore that’s where the good starting point of departure is. Included in these plans, are both the skills development, revenue income and expenditure management.
6.3.6.1 Integrated Development Plan (IDP)
The Municipal Systems Act is the custodian IDP. According to this Act, a municipality must undertake developmentally-oriented planning so as to ensure that it:

- strives to achieve the objects of local government set out in Section 152 of the Constitution;
- gives effect to its developmental duties as required by Section 153 of the Constitution; and
- together with other organs of state contribute to the massive realisation of the fundamental rights contained in the Constitutional sections, read together with other subsection Development Facilitation Act, 1995 (Act No, 67 of 1995).

Therefore, the IDP is a strategic plan which inform the municipalities’ five (5) long term plan and incorporates both the revenue and skills development dimensions. It is the base for the development of the annual performance plan, (SDBIP).

6.3.6.2 Service Delivery and Budgetary Plan (SDBP)
Based on the IDP, Service Delivery and Budget Implementation Plan (SDBIP) sets out performance against the Integrated Development Plan (IDP) for the annual four quarters, starting from the 1st of July to 30th of June of the following year. Performance is accounted based on the delivery of projects and/or services in the IDP and SDBIP for which a municipality is responsible for. The SDBIP identifies strategic performance measures with key projects and/or services that need to be implemented during the financial year. Each Department has its number of performance measures to be implemented, for example; revenue and human resources management.

6.4 IMPLICATION FOR THEORY, POLICY AND PRACTICE
To be useful, research findings must in some way be connected to the larger picture, that is, to what people already know or believe about the topic in question (Leedy & Ormord, 2010:285). The findings of this study may go a long way in influencing policy and practice. If the recommendations of the present study are taken into consideration, they could help local government in South Africa to improve its service delivery, through improved revenue and thereby also obtain and sustain clean audit results. The study will therefore add to the existing theoretical and conceptual issues that form the ongoing discourse on analysis of the municipal revenue and debt governance. The study has presented a model that may provide a basis for embedding revenue dimensions into capacity building programs and it is highly
expected that such a model will help local government in South Africa to improve on its service delivery, including obtaining clean audit outcomes.

6.5 FURTHER RESEARCH

As it has been indicated in the current study, there is lack of empirical studies on revenue management and capacity building initiatives. Most of the studies focuses on service delivery, and looks at the dimensions which contribute to poor service delivery, and also put a blame on revenue management, when in fact they should be looking at the interlinks among the dimensions which contribute to service delivery, revenue management, for which the key dimension is the capability of staff in performing the work. It is therefore within this context why this current empirical study breaks new ground and brings out several issues that would require further in-depth research. This is so because, as outlined in Chapter One and Three, like any research, there are obvious limitations and delimitations to this study that warrant more investigations. Some of these research areas which can also be extended to both public and private sector include, but are not limited to the following:

The current study dwelled much on the revenue management and capacity building initiatives, as key dimensions to improve service delivery. However, another study can be conducted on the specialised training and development around revenue management, as this was not covered comprehensively.

It would seem from the current study that the key dimensions which contribute towards billing for revenue could improve the service delivery, therefore, a further study on the role plays by the billing systems into revenue and debt management function in the public sector which impacts on provision of services is recommended.

This study focused much on the legislative impact on the topic, for which there appears to be little understanding of the related legislation which its impact on the revenue management. As a result, a number of issues were identified that could be addressed by the King IV Report on compliance governance principle. Therefore, a further study on the role of Compliance Governance for revenue and debt management within the public sector in South Africa is also recommended.
It would seem from the study that various stakeholders in the public sector were not happy with the level of service delivery as there appears to be lack of making them to understand how services are being rendered to them and the related payments of such services. For example, the study found that there was inadequate community engagement and involvement in the municipal planning activities lead towards poor revenue management. There is therefore a clear assumption that top management in sector did not see the value of engaging with the its stakeholder in order to improve its revenue, of which this assumption is totally incorrect because community want to know what are they paying for, and are they paying a fair amounts. Therefore, a further study on the perception of stakeholder’s engagement in improving revenue management in the municipalities is highly recommended. This will help sensitise the municipalities about the importance of stakeholder engagement, especially as part of good governance practices, “Our Stakeholders and our Responsibilities to Them”.

This study found that the council committees should be vigilant with regards to revenue and capacity building, and this study found some critical gaps on the function of these two committees in particular. The council should doubtless derive value from its committees, and to strengthen that, a further study to investigate the correlation between audit and human resources committees, towards to effective revenue and capacity of a municipality is recommended.

6.6 FINAL CONCLUSION
This study was organised into six chapters. Chapter One set the scene by putting the study into perspective. Chapter Two reviewed literature regarding the revenue management and capacity building programs, Chapter Three presented research methodology. The methods were explained in detail with regard to the study so that the reader knows exactly what data has been collected, from where and how it was collected to allow a reasonable replication of the study. Chapter Four presented the results of the study outcomes on the topic, as well as the data collected via questionnaires and interviews as analysed. Chapter Five provided a discussion of the findings which offers a broad interpretation of the results. Chapter Six served as a synthesis, a summary of each chapter, including a summary of the results, as well as conclusions with reference to the problem postulation and aims of the study, proving that they have been honoured. Finally, in order to foster a model which incorporates capacity
building dimensions, several recommendations were made in that regard. Furthermore, a proposed model was presented. The study also advanced its implication to theory and practice, as well as areas for further research.

It is clear from the study that a road to successfully implementing the revenue management strategy will improve and enable service delivery, however not as overnight journey. Therefore, the sooner local government start the better as a “journey of a thousand miles begins with one step”. It is evident that local government in South Africa still has a long road ahead towards achieving effective and efficient service delivery, including clean administration.

The study established that revenue management plays a significant role in the service delivery process. It is indeed true that service delivery, revenue management and capacity are complementary disciplines and are not optional processes in organisations. Therefore, service delivery should form an integral component of risk management within the local government in South Africa, because if it is being treated correctly it can also leverage its status and break its narrow roots and marginalisation in the periphery of the public sector. Until such time that revenue management and capacity building dimensions are seriously recognised by public officials and senior civil servants as a management issue, it will not be possible to enforce compliance with them and establish the necessary culture for creating, maintaining and prioritising them.

The delivery of effective and efficient services to the masses cannot be achieved by wielding a magic wand. Without a doubt, revenue management can be managed properly; the local government sector shall continue to be trusted by the community it serves. As a result, proper revenue management saves some audit fees, AGSA will have spent less audit resources on these aspects and concentrated on other types of public sector audits. It is not beyond the South African public sector to address the issues raised in this study, but as long as revenue management functions operate like an unguided missile, it would be a challenge to deliver quality services and sustain clean audit results.


Bekink, (2006): Municipal services and service delivery and the basic functional activities of municipal governments


de Lange, D. & Dorfling, (2017). Revenue management including revenue protection is key to improving the financial health of municipalities


Dlamini-Zuma, N, 2019. Transformational Leadership, an essential drive for financial turnaround (sustainability) in the Public Sector with Integrative Planning and Development between the Public and Private Sector, and between the 3 Spheres of Government.

Dorfin and J de Lange, 2018. Revenue management including revenue protection is key to improving the financial health of municipalities, V [19],[2], p.6-18


Greater Mutale Municipality Revenue Enhancement Strategy 2016/17 – 2018/19,


King IV Report, 2016. Corporate Governance for South Africa


Leedy, P.D. and Ormrod, J.E. 2010. Practical research: planning and design. 9th ed. Boston:

Lehohla, P. 2016. Sustaining municipal viability amidst the economic distress, V [17],[4].


APPENDIX A: LIST OF CRITICAL LEGISLATIVE FACTORS USED IN DEVELOPING GOVERNANCE FRAMEWORK

1996 The Constitution of the Republic of South Africa
1997 Intergovernmental Fiscal Relations Act
1998 Local Government: Municipal Structures Act
1998 The White Paper on Local Government
2000 Local Government: Municipal Electoral Act
2000 Local Government: Municipal Systems Act
2003 Traditional Leadership and Governance Act
2003 Local Government: Municipal Finance Management Act
2004 Local Government: Municipal Property Act