

**THE ADHERENCE TO CREDIT CONTROL AND THE EFFECTIVENESS OF DEBT
COLLECTION TOOLS IN AN ENERGY MUNICIPAL ENTITY**

by

ZOE SHALOOM WILLIAMS

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Supervisor: Mr D. Zidel

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DECLARATION

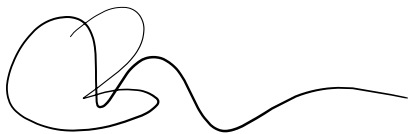
Name: ZOE WILLIAMS

Student number: 2004058711

Degree: MASTER OF BUSINESS ADMINISTRATION (MBA)

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I, **Zoe Williams** (UFS Student number **2004058711**), declare that the field study hereby handed in for the qualification for Master of Business Administration at the UFS Business School at the University of the Free State is my independent work and that I have not previously submitted the same work, either as a whole or in part, for a qualification at another university. The above dissertation is my work, and all the sources I have used or quoted have been indicated and acknowledged using complete references.



SIGNATURE

30 April 2023

DATE



SUMMARY

The Constitution of the Republic of South Africa, promulgated in 1996, describes three government levels, namely national, provincial and local government. The accounting officer of a municipality (at the local level) is accountable for the management of municipal revenues and the enforcement of revenue collection procedures, including the reconciliation and recognition of allowed revenues of the municipal entity.

Over the years, revenue collection – especially by local government – has faced serious financial management challenges, in particular in relation to prudent revenue and debt collection management and has resulted in the pressing predicament of unsatisfying service delivery due to inadequate revenue management by municipalities and municipal entities in their provision of services to their communities. For effective service delivery, a sound revenue system is essential for a municipal energy entity to render services to its customers; to maintain and sustain sufficient income to adhere to service delivery commitments; and/or to render any goods or services as legislatively mandated.

The study discusses a municipal energy entity's credit control measures and debt collection tools, that can assist the South African government in strengthening municipal revenue and maintaining a favourable cash flow, to render good service to its communities. The enhancement of income is conditioned on the effectiveness of two intrinsic elements, namely, billing-rendered services and meter-calibrated service delivery.

KEYWORDS: Debt collection; Credit control; Revenue collection; Municipal services; Non-payment; Government debt; Service delivery; Legislation; Revenue enhancement; Cash flow; Energy



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I am most grateful to the Chief Executive Officer of Centlec (SoC) Ltd, Mr Malefane Sekoboto, for assisting me with the completion of the data instrument in the most efficient and professional manner and for the endless support to make this dissertation a success.



DEDICATION

This humble piece of work is lovingly dedicated to the researcher's parents:

Sanee Dagee Williams, her late father who served as the inspiration;
Ludmilla Belinda Williams, her dearest mother, for her endless prayers,
and to her forever soulmate, James Wesley Vollenhoven,
who forever believes in her and inspired her throughout this study.

To the ALMIGHTY GOD, creator of heaven and earth,
who serves as her guiding star,
and serves as her unveiling source of strength, knowledge and guidance,
as everything else is futile.



LANGUAGE EDITING CERTIFICATION

A professional language editor with extensive experience and qualifications will be utilised for this study. Ms Hettie Human, in a freelance profession as a writer, editor and translator, will certify the language editing certificate for this mini dissertation.



NOTES ON REFERENCE MANAGEMENT PROGRAM USED

This study used an electronic referencing program, the Mendeley Reference Manager application, to ensure that references are centralised, automated, plugin citation functionality, and web-based stored. The Mendeley built-in library feature with a web-importer functionality contributed to incredible efficiency and accurate and complete biographical profiling.



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LIST OF ACRONYMS AND ABBREVIATIONS

AGSA	Auditor-general South Africa
MFMA	Municipal Financial Management Act
MSA	Municipal Systems Act
NERSA	National Energy Regulator of South Africa
POPIA	Protection of Personal Information Act



THE APPLICATION OF NUMERICAL CHARACTERS IN THIS STUDY

All numbers under 100 in this study are written in full, except when the numbers are used as prime numbers in corporate governance ethical codes; chapter numbers; by-law numbers; section numbers; percentages; scores relating to any framework; as part of calculations; and within tables, figures and diagrams.



THE CUT-OFF DATE FOR THIS STUDY

Concerning the dynamics and time constraints in accessing some of the Annual Performance Reports of the municipal energy entity subject to the finalisation of the external statutory audit processes, the cut-off date for the study is 30 June 2022, considering the timeframes for this case study.



CHAPTER 1

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION

The South African Constitution (South Africa, 1996) is endorsed as the country's supreme law, and in its preface it states that it aims to improve the quality of living of all citizens in the country. Furthermore, Section 215 of the Constitution directs that budgetary processes for all spheres of government must foster transparency and accountability through effective monetary management. Notably, local government was established with the prime mandate of delivering services to all the citizens in the republic, accompanied by the White Paper on the Energy Policy of the Republic of South Africa (South Africa, 1998), which validates the proposition of the responsibility allocated to municipalities, to structure and manage systematic budgetary and treasury procedures in order to prioritise the basic rights of citizens. As long ago as 2011, Fourie et al. had warned of the catastrophic risk facing municipalities and municipal entities if they are unable to collect monies owed for rendered municipal services. Subsequently, Section 96 and Section 97 of the Municipal Systems Act (MSA), Act 32 of 2000 (South Africa, 2000) provides for the adaptability of debt collection obligations and the enforcement of credit control policy decisions for municipalities and entities.

In addition, Section 96(a) of the MSA (South Africa, 2000) prescribes that municipalities should collect all monies owed for services rendered, subject to the provisions and/or applicable legislation. Section 96(b) of the MSA affirms that municipalities and entities must embrace, enforce, and sustain effective credit control measures, and viable debt collection tools within the ambit of the regulated tariff determination policy framework as prescribed in the provisions of the MSA. Additionally, Section 97(2) of the MSA provides for differentiation among diverse



categories of consumers, ratepayers, debtors, and taxes, and the implementation of credit and debt management free of any unfair discrimination. That said, all municipalities and entities should propose methods to raise additional revenue streams. This principle is a vital trademark of a democratic government apparatus. Municipal entities must examine seamless, integrated, digitalised approaches to protecting and extending revenue streams; considering the resources at their disposal.

This chapter will provide context on municipal debt, particularly regarding adherence to credit control measures and the effectiveness and impact of debt management at the frontier of local government. This chapter aims to provide background insights on the predicament and informed history of the debt management situation of and challenges facing municipalities and will provide an interrogated (problem) statement that relates to the research objectives.

The Financial and Fiscal Commission (2018) defines consumer debt as debt resulting from consumers consuming municipal services without paying for such services. This phenomenon remains a fundamental problem, and published domain reports validate the consumer behaviour of entitlement, resulting in their failure to pay for consumed municipal services; this failure ultimately leads to the challenge of inability to collect and under-collection of the debt owed to municipalities and municipal entities. Evidence of the rapid growth and magnitude of consumer debt is reported in Section 71, as of 30 June 2021 as submitted by municipalities to the National Treasury (2021a), which faces outstanding debt of R 114 billion owed by consumers to affected municipalities in the country.

1.2 BACKGROUND OF CENTLEC (SOC) LTD

1.2.1 The energy company investigated by this study

Centlec (SOC) Ltd (hereafter referred to as Centlec) is a 100% shareholder-owned energy utility of the Mangaung Metropolitan Municipality, which had been established



in October 2002 by the municipal council. The purpose of its establishment was to create a secure energy entity that provides social-economic assurance by distributing electricity to Mangaung (Bloemfontein, Thaba Nchu and Botshabelo) and part of the southern Free State (Kopanong, Mohokare, and Naledi Local Municipalities) area of supply. The essential mandate of Centlec is to purchase and distribute electricity within its demarcated area of supply. Electricity is purchased from Eskom Holdings (SOC) Ltd (Eskom), distributed under a license permitted through the National Energy Regulator of South Africa (NERSA), and sold at tariffs regulated by NERSA. Therefore, Centlec's ability to collect payment for its distributed electricity and enhance revenue generation is based on its ability to effectively manage electricity sales in the Mangaung Metropolitan Municipality area. Services supplied by Centlec include

- i. Supplying electricity services, such as bulk connections;
- ii. Constructing electrical networks;
- iii. Operating, maintaining and extending networks;
- iv. Doing billing and providing prepaid electricity vending services; and
- v. Providing practical engineering training services to graduates from higher education institutions.

The principal mandate of Centlec is providing energy services to meet the essential needs of all consumers in the licensed area of supply. Centlec trades with approved and auditable revenue and collection policy frameworks, procedure manuals, and digital systems, in compliance with legislation. The sale of electricity is its primary source of revenue, and it supplies a market of 190 477 active consumers on its billing and vending systems. Figure 1.1 illustrates electricity supply by Centlec to its customers in its geographical licensed area.



- iii. Debt Collection and Credit Control Policy; and
- iv. Connection, Disconnection and Reconnection Policy.

Centlec currently outsources collection of debt from hand-over default customers to appointed debt collectors. For the outsourcing of municipal debt, the National Credit Act, 34 (South Africa, 2005), Prescription Act (South Africa, 1969), and the Magistrates' Court Act (South Africa, 1944) all prescribe specific, mandatory processes for recovering handover debts. However, the collection success rate for the past six years has remained low, and the debtor's book increases yearly. Figure 1.2 illustrates the end-to-end revenue management and debt collection cycle of Centlec.



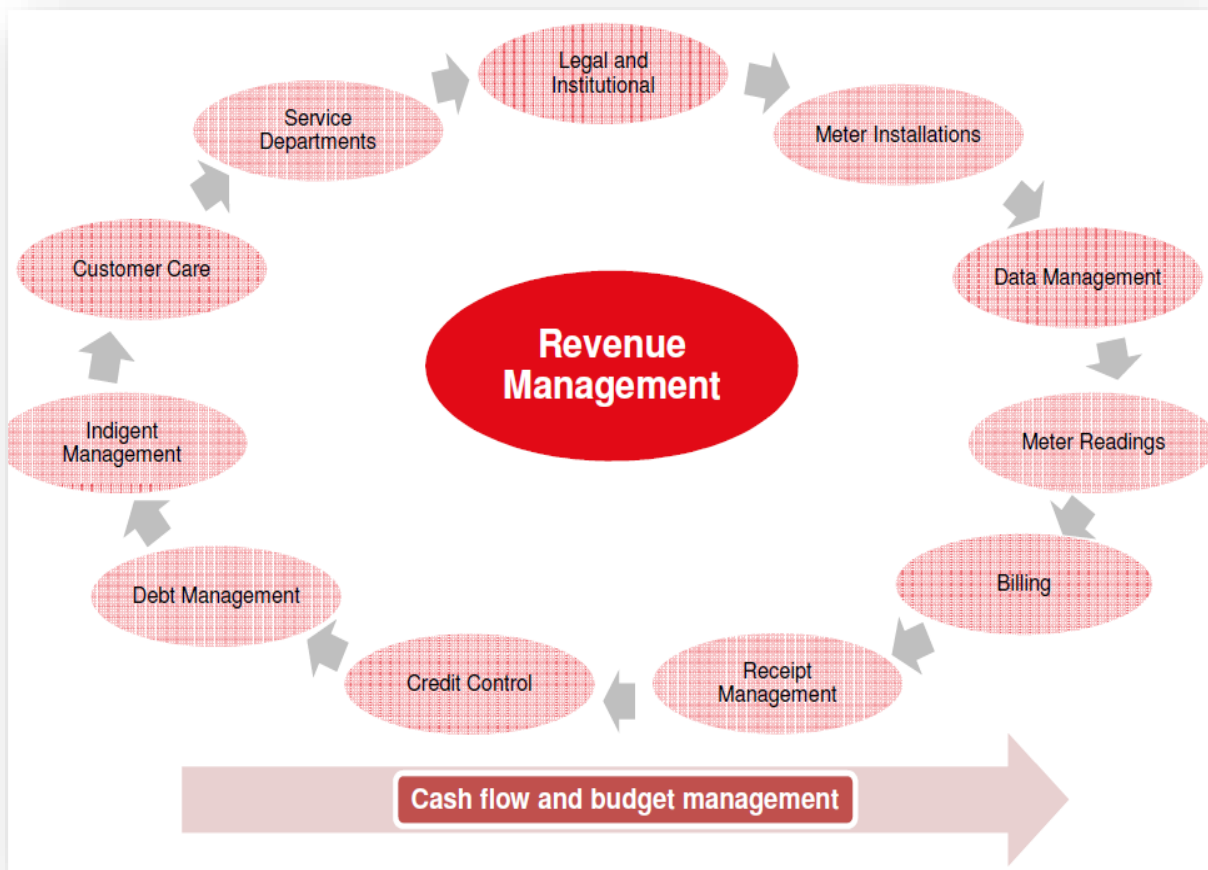


Figure 1.2: Centlec revenue management cycle

Source: Centlec (2022: 13)

Electricity usage is metered using rotational and prepayment meters. Rotational sales refer to sales that are billed using meter readings (after-sales effect), whereas prepayment sales refer to electricity allocated via the in-house vending system (before-sales effect). Different customer groupings, namely government, businesses and households, consume electricity, the amount of which is measured by rotational and prepayment meters. Consumers use electricity for various purposes, and variable rates apply. For instance, households consume electricity mostly for normal living

activities, whereas businesses/industries/government use it for production and operations.

Electricity prices are determined by various tariffs, which are based on the demand requirements of the various customer groupings.

For the past six years, Centlec has strived to maintain and sustain an average billing rate of 95%, equivalent to R 2.5 billion sales per annum. However, the collection rate is decreasing drastically, which raises concerns that debt collection by Centlec does not contribute effectively to its revenue enhancement in the Mangaung Metropolitan Municipality area of supply. This is a critical problem that requires attention, since electricity sales represent a significant source of revenue for Centlec. Table 1.1 lists the average revenue collection rates, based on the annual Service Delivery Budget and Implementation Performance Report for Centlec, which will be discussed below.

Table 1.1: Centlec revenue collection percentage rates (2016–2021)

Year	2016	2017	2018	2019	2020	2021
Percentage of debt collected	98%	98%	98%	91%	61%	50%

Source: Centlec (2021a)

Notably, based on the percentages in Table 1.1, Centlec is increasingly failing to collect and enhance debt collection relating to electricity consumed by its consumers. For the fiscal years 2016 to 2018, Centlec maintained a stagnant average collection rate, with no movement, which was followed by a decrease of 7% from 2018 to 2019, and further downswings of 30% from 2019 to 2020, and 11% for the 2020 to 2021 fiscal years. This reduction in the collection of revenue took place in a time of bleak global economic outlook, which placed severe constraints on municipal earnings, which are dependent on the consumer. Factors that contribute to a lower collection rate are failure by customers to pay for electricity services rendered, and lack of



additional revenue from alternative sources – the sale of electricity is the biggest source of revenue for Centlec. The failure by customers to pay for electricity results in an increased debt book; on 30 June 2021, irrecoverable debt in more than 120 days equalled 78% of the total debt book. This pattern of increased debt in the debt book of Centlec implies serious cash-flow and service-delivery concerns for Centlec. Debt types are government debt, business debt, and household debt. Table 1.2 illustrates Centlec’s increased debt book for the past six years. The biggest debtor is government, which constituted 63% of the total outstanding debt book on 30 June 2021.

Table 1.2: Centlec debtors' age analysis (2016–2021)

Year	Debtor Group			Total debt
	Government	Business	Household	
2016	37 443 673	389 878 925	168 958 437	596 281 035
2017	111 903 248	327 477 622	160 698 411	600 079 281
2018	134 208 676	375 452 985	151 944 781	661 606 442
2019	439 770 000	188 782 353	146 832 252	775 384 605
2020	573 714 939	236 351 118	144 219 613	142 888 944
2021	622 060 388	215 153 514	142 888 944	980 102 846
Debt % age weight in 2021	63%	22%	15%	100%

Source: National Treasury (2021b)

The amount for outstanding debtors cited in the audited Annual Financial Statements ended 31 June 2021 are of great concern (National Treasury, 2021c). The statistics in Table 1.2 show that Centlec has stalled in enforcing credit and debt management to intensify collection measures. This rapid increase in the debt book involves debt that



is unlikely to be recovered; as 78% of the weight falls within the 120-day bracket, and Centlec will have to consider implementing write-off procedures.

1.2.2 Competitors

Currently, only two state-owned electricity distribution companies exist in South Africa, namely, Centlec and City Power Johannesburg. Centlec has noticed a steady migration of its top hundred customers into the space of alternative energy sources, which poses a declining revenue risk to the entity.

1.2.3 Reasons for existence

Centlec was established in 2006 as a full licensee. It generated energy of approximately 120 megawatts for three consecutive years. The transportation of coal led to affordability challenges and abnormal tariff hikes, which resulted in the Centlec power station failing to post a profit since 2009. This, in turn, has led to the only shareholder, Mangaung Metropolitan Municipality, outsourcing electricity service in terms of the cooperative agreement under Ordinance 8 of 1962 (Mangaung Metropolitan Municipality, 2014). Ordinance 8 applies only to the Free State province, which empowers Mangaung Metropolitan Municipality to assist with the electricity function in other districts and/or local municipalities in the province. Subsequently, Centlec applied for infrastructural electrification grant funding and, with remarkable success, managed to provide access to electricity to almost 90% of the domestic households in its demarcated area of supply.

Furthermore, in 2019, Centlec was named the country's best electricity utility regarding electrification. Notably, to enhance service delivery mandates, Centlec decided to supply local and district municipalities in the southern Free State with electricity and engineering functions. The current customer base of Centlec is mainly households, with few businesses and industries, and government in the customer mix. Centlec receives bulk energy from the only energy supplier (Eskom), and resells it to end



users, which number approximately 190 477 consumers – constituting 95% domestic and 5% commercial consumers – in the licensed demarcated supply area.

1.2.4 Strategic objectives of the company

The organisation involved in this study, Centlec, a municipal energy entity located in Bloemfontein, is mandated by its shareholder, Mangaung Metropolitan Municipality, to provide communities in its geographical area of supply access to reliable electricity. Centlec manages services through a comprehensive electronic and tangible value-chain interface to its customers and potential clients (such as developers and investors). Centlec currently offers electricity services, such as billing (conventional metering), prepayment electricity sales, electricity infrastructure development and bulk-to-point connections.

1.3 PROBLEM STATEMENT

Municipalities and municipal entities in South Africa are confronted by with rapidly increasing consumer debt (Table 1.2). Uncollectable consumer debts parallel service delivery backlogs, which has caused unmanageable financial predicaments for municipalities and municipal entities. The inability of Centlec to effectively collect debts from the sale of electricity in the Mangaung Metropolitan Municipality area has a critical effect on its revenue enhancement. Thus, the current situation positions Centlec's revenue generation as at risk and requires urgent attention. While Centlec exerts effort to collect debts to enhance its revenue, the effect is insufficient, due to the declining trend in the percentage of the debt collected annually. The debt collection tools used by Centlec are, given the illustrative statistics in Tables 1.1 and 1.2, evidently not contributing effectively to enhancing the revenue of Centlec, which is a prerequisite for its success and financial sustainability. The credit control measures and debt collection process should collect the entity's outstanding debts from consumers effectively, to maximise and enhance its revenue. Therefore, this study examined the



impact of the current debt collection tools of Centlec, and how they contribute to revenue enhancement.

1.4 RESEARCH OBJECTIVES

The research problem led to primary and secondary objectives that directed this study.

1.4.1 Primary objective

To examine the effectiveness of the debt collection tools of Centlec in the Mangaung Metropolitan Municipality of the Free State province of South Africa.

1.4.2 Secondary objectives

- To examine adherence to the credit control procedures and debt collection policy guidelines by officials; and
- To intensify effective debt management strategies for Centlec.

1.5 LITERATURE REVIEW

Creswell and Poth (2017: 73) define a literature review as a process that the researcher undertakes to obtain reasoned judgements and to organise their thoughts into a written examination; it does so in three ways. The first way involves a preliminary search that assists the researcher to develop and refine the research ideas and draft the research proposal; the second focuses on the context and theoretical frame of the topic; the third involves positioning findings within the overall knowledge structure of the discussion chapter. To apply the theory of Creswell and Poth (2017: 73), it is imperative that the researcher adheres to the project appraisal criteria, which guide them to endorse the current knowledge evolution concerning the chosen concept, the subject matter, its limitations and how the study is positioned in its broader context.



Bryman et al. (2014: 379) define a literature review as an instrument that uses previous research studies to investigate areas of specific interest, whereas McNabb (2013: 411) explains that it is a reproducible and systematic method that can be used to identify, evaluate, and interpret existing structures of recorded work provided by researchers. Colquitt (2013: 1211) reiterates the importance of interrelations between historical, published research studies, and acknowledging “intellectual indebtedness”. For this study, the literature review involved an exploration of extensive knowledge and understanding of the processes and policy frameworks applicable to Centlec, with a core focal point the examination of the credit control measures, to determine whether they were being adhered to, and to determine the effectiveness of the debt collection tools. The literature review will be detailed in Chapter 2 of this study.

1.6 RESEARCH STRATEGY

Leedy and Ormrod (2010: 2) theorise that a formal research study focuses intentionally on themes, to empower the researcher with an extensive perception of a phenomenon. With the application of Leedy and Ormrod’s methodology, it is evident that this study therefore, comprises a research design, sampling design, research instrument and methodological approach to assess the effectiveness of internal controls and tools, which will be demonstrated in Chapter 3 of this study.

1.7 CHAPTER LAYOUT

The chapters in this dissertation will be presented as follows:

Chapter 1: Introduction and background of the study

This chapter provided background to the entity that was studied, to provide the rationale for selecting the topic, and to formulate the problem statement. The research objectives that were adopted as most suitable for the chosen topic were given.



Chapter 2: Literature review of the study

This chapter will prospect the conceptual and theoretical frameworks of policy guidelines related to the chosen topic, to gain comprehensive knowledge and extensive understanding, to enable the researcher to link the problem statement directly to the research instrument.

Chapter 3: Research methodology of the study

This chapter will present the study approach and applicable methodology that was used to qualify data collection, to enable data analysis to produce data saturation.

Chapter 4: Findings and conclusions

This chapter will outline the data analysis procedures that led to specific findings relating to the research topic. The results and conclusions derived from the study will be presented in this chapter.

Chapter 5: Recommendations

This chapter will present a summary of the findings, and recommendations for Centlec to overcome the credit control, debt collection and revenue enhancement challenges it faces.

This study was confined to Centlec, as a registered national key point in South Africa. The study was inclusive and gathered data from Centlec officials. As a result, findings may not be extended to other stakeholders. While there may be common trends associated with credit and debt management within the boundaries of local government in the country, the unique dynamics of each municipality and its municipal entities must be acknowledged.



1.8 CHAPTER SUMMARY AND DEDUCTIONS

From the discussion in this chapter, it is evident that Centlec is not collecting debts effectively, or ensuring the enhancement of its revenue at total capacity, to provide good service to its customers. This problem exists and is impacted by an ambit of constituencies, as highlighted in municipal statutory reports and other documents, but is not limited to the significant increase in bad debts. The lower collection rate, the disregard by both officials and customers of applicable laws and regulations relevant to defaulting consumers, and inadequate enforcement of credit and debt collection processes contribute to the problem.

The researcher examined the impact of the problem and will suggest alternative mechanisms to enhance revenue and debt collection. The next chapter will involve a comparative evaluation of published secondary data in the public domain, extracted from credible government reporting databases, National Treasury portals, specifically, the Municipal Finance Management Act (MFMA) (South Africa, 2003), and reportable links of the auditor-general of South Africa (AGSA).



CHAPTER 2

LITERATURE REVIEW OF THE STUDY

2.1 INTRODUCTION

If municipal services rendered to households are paid for as legislated, all 257 municipalities in South Africa would be in a position to deliver services, as constitutionally mandated, to the citizenry. First and foremost, the Constitution (South Africa, 1996) requires municipalities to provide municipal services, including electricity, to all the citizens of this country, according to respective geographical municipal areas. Furthermore, Chapter 2, Section 75(a) of the MSA, Act 32 of 2000 (South Africa, 2000) bestows on municipalities the inclusive ability to bill and earn service fees and regulated tariffs for any municipal services rendered. In addition, Section 96(a) of the MSA permits municipalities to collect all monies due, subject to the provisions contained in any applicable legislation. As a result, Section 96(b) of the MSA conditions the adoption and implementation of an adequate credit and debt management system to enable municipalities and municipal entities to maintain proactive revenue management units.

In addition to the policy decisions, Mazibuko and Fourie (2013: 141) allude to the complexities of municipal consumer debt that is vested in public finance, and which demand collective efforts from all stakeholders and policymakers in the local government sphere for collection to succeed. Mazibuko and Fourie explain the phenomenon, first, to understand the extent of debt challenges; secondly, to digest and appreciate the circumstances, as drivers of composing ways to manage the current challenges; and ultimately, how to improve the current situation. Enwereji and Potgieter (2018) confirm the dynamics of prompting payment from consumers for services consumed. With a rising municipal consumer debt book, this internal control has always been contentious in local government.



The Financial and Fiscal Commission (2018) clearly defines municipal consumer debt as debt that encompasses late payments of municipal charges levied for municipal services rendered, to collect monies owing for consuming municipal services, and services rendered but not paid for, and deemed irrecoverable. The National Treasury (2020a: 2) provides reasons why municipalities and municipal entities face severe challenges in relation to audit procedures. One of these reasons is that they fail to intensify collection measures for all metered and billed revenue, which results in underperformance in collection processes, and which, in turn, presents a cash-flow risk to the affected institutions.

Bryman et al. (2014: 379) define a literature review as an instrument that uses previous research studies to investigate areas of specific interest, whereas McNabb (2013: 411) explains that it is a reproducible and systematic method that can be used to identify, evaluate, and interpret existing structures of recorded work provided by researchers.

Studies on municipal consumer debt assert that significant contributions to the escalating consumer debt challenge can be assigned to unrealistic inclining regulated tariff structures, the cost of the municipal services, the soaring unemployment rate, the poor quality of service delivery to communities, and the evolving political situation. In addition, Oladipupo and Obazee (2016) state that various suggestions have been proposed to explain the rapid accumulation of consumer debt to consumers through awareness programmes and communication initiatives aimed at communities (Fjijelstad et al., 2012), to educate consumers on the importance of provisions for administering basic services, and the application of the rule of law (Enwereji and Kadama, 2018). Following these propositions relating to the complexities of collecting municipal consumer debt, a literature review assisted the researcher to identify recent trends, patterns, and developments applicable to this specific research study, which relates to a complex problem.



This study examined the adherence to credit control measures, the effectiveness of debt collection tools, and the impact thereof on the revenue enhancement strategy of Centlec. The background and the problem statement guided the literature review to identify the legislative and operational frameworks that relate to administration of the local government sphere, its delegated structures and functions with statutory roles and responsibilities. A discussion will be provided on adherence to credit control management principles, the importance of revenue management, in particular, the administration of debtors, and strategies that can enhance the revenue streams in a local government environment.

2.2 THEORETICAL LEGISLATIVE FRAMEWORKS

This section discusses the pertinent legislative frameworks, commencing with the provisions of the Constitution (South Africa, 1996), which empowers the local government sphere with various sections of applicable legislation that endorse credit and debt administration. Furthermore, it should also be emphasised that the enabling legislative frameworks for credit control and debt collection governance in the local government may not be deprived, considering the tempo at which South African regulations are modernised (Chetty, 2015). Notably, Chapter 7 of the Constitution explains the obligation of municipalities to ensure that basic services are progressively expanded to meet the needs of all citizens in the local government sphere. The commissioning of this responsibility can only materialise if municipalities and municipal entities have sustainable revenue streams that enable them to provide good quality, uninterrupted, basic services to the citizens of the country, as constitutionally mandated.

2.2.1 Constitution of the Republic of South Africa, 1996

The supreme law of the republic is one of the best constitutions in the world, and it aims to improve the living conditions and livelihoods of all citizens. To achieve this



aim, administering prudent financial management within any sphere of government is one of the prime constitutional requirements.

First and foremost, Section 215 of the Constitution (South Africa, 1996) states that the legislated budgetary operating procedures must promote transparency and accountability, to foster accurate financial management mechanisms with systematic, coherent credit control and debt collection policy frameworks.

Secondly, Section 229 of the Constitution (South Africa, 1996) empowers municipal entities to levy a regulated tariff to provide basic services, subject to any regulated adjustments to the applicable prescripts.

Thirdly, Section 229(3) of the Constitution (South Africa, 1996) stipulates that institutions possessing similar fiscal powers and structures, and located within the same geographical boundaries, must consider conforming with national legislation to fulfil identical functions. They should consider the following:

- i. The compliance obligation to all taxation principles;
- ii. The required performance of constitutional mandates by each institution;
- iii. The degree of fiscal capacity of each institution; and
- iv. The ability to raise levies accordingly through effective, efficient, and transparent processes.

Fourthly, Section 214 of the Constitution (South Africa, 1996) sets out the provision for administering equitable revenue segments, subject to allocation conditions. As a result, Section 214(2) states that the following must be considered by the Division of Revenue Act:

- i. Provisions of the national debt and obligations;
- ii. National government requirements that determine the objective criteria for conditions that should be met;



- iii. Enforcement of provincial and local performance to provide allocated basic services to communities;
- iv. Fiscal capacity and efficiency of government;
- v. Developmental requirements of government;
- vi. Economic disparities; and
- vii. Realistic foresight allocations of revenue shares.

In addition to considerations in Section 214(2) of the Constitution, the following objectives of local government are set out in Section 152 (South Africa, 1996):

- i. To advocate for an accountable state;
- ii. To foster sustainable service delivery solutions that enable good service delivery;
- iii. To nurture social and economic success within communities; and
- iv. To stimulate community involvement programmes that achieve local economic upliftment.

2.2.2 Local Government Municipal Systems Act, 2000 (Act 32 of 2000)

Consequently, Section 96(b) of the MSA (South Africa, 2000) makes provision for municipalities to adopt, implement and maintain adequate credit control and debt collection procedures that are directly aligned with the regulated tariff determination. Furthermore, Section 75 of the MSA equips municipalities with permit powers to invoke applicable by-laws for the implementation and enforcement of regulated tariff structures. Section 75A empowers municipalities and municipal entities to levy for services rendered, recover for services consumed and, if consumers default, to charge collection fees and impose interest as per approved policy principles, subject to the provisions in the National Credit Act 34 of 2005 (South Africa, 2005), collectively.



2.2.3 Local Government Municipal Financial Management Act, 2003 (Act 56 of 2003)

Section 229 of the Constitution (South Africa, 1996) directs municipal entities to levy regulated tariffs for services rendered, which, consequently, through Section 60 of the MFMA (South Africa, 2003), remains the prime responsibility designated to the municipal manager and accounting officer, as prescribed by Section 64 of the MFMA, that all municipal managers and accounting officers of municipalities and municipal entities must implement adequate revenue and debt management systems, which include effective credit control techniques and debt collection strategies, through Section 64(a) of the MFMA, to ensure prudent financial management systems are established for precise billing and accurate collecting of municipal revenues.

2.2.4 Electricity Regulation Act, 2006 (Act 6 of 2006)

Notably, the Electricity Regulation Act, 6 of 2006 (South Africa, 2006a) permits municipalities and municipal entities to levy regulated electricity tariffs. In addition, the Electricity Regulation Act mandates municipalities to vend (resell) electricity to their demarcated consumers as licenced, through modelling an adequate return on sales methodology to counterbalance its bulk purchases and ensure sustainability. In turn, the Electricity Regulation Act prohibits municipalities and municipal entities from narrowing the distribution of energy, subject to verification and confirmation of the following:

- i. Consumer insolvency;
- ii. Consumer failure to certify the acceptance or rejection of electricity access or supply acknowledgement confirmation; and
- iii. Contravention by the consumer of the licensees' legislated payment terms and conditions.



2.2.5 The Public Audit Act, 25 of 2004

Section 4 of the Public Audit Act, 25 (South Africa, 2006c) sets out the constitutional functions of the AGSA; amongst others, that they have a constitutional obligation to independently perform an external audit, accompanied by an audit opinion that considers the institutional Annual Financial Performance and Position statements that emanate from approved prudent administrative processes and the application and administration of resources, and to evaluate if all administrative processes are in line with all the relevant legislation and applicable requirements. Furthermore, Section 12 of the Public Audit Act, 25 narrates the role that the AGSA must fulfil during the auditing procedures of municipalities and municipal entities, as follows:

- i. To evaluate if the annual financial statements are fairly presented under applicable accounting standards and legislation;
- ii. To assess if the performance is correctly measured against the approved, predetermined key objectives as approved by council; and
- iii. To report if the resources of the municipality and municipal entity were procured economically and utilised effectively and efficiently to comply with value-adding principles.

2.2.6 Policy Framework for Roles, Responsibilities and Municipal Structures

Section 5 of the Credit Control and Debt Collection Policy of Centlec (2021b: 10) confirms that the implementation authority of all policies is the accounting officer, who must execute the following aspects for sound policy effectiveness:

- i. To enforce and implement council-approved revenue management and debt management policies;
- ii. To establish effective systems to collect all monies for services rendered;
- iii. To ensure progressive improvement of efficiency of credit and debt management.; and



- iv. To establish effective communication channels between the institution and its consumers, and to maintain and secure a positive healthy, professional customer and stakeholder relationships.

Furthermore, Section 8 of the Credit Control and Debt Collection Policy (Centlec, 2021b: 14) conditions the accounting officer to issue a monthly consolidated electricity account for electricity services rendered per consumption cycle, which is determined by metered consumption as calculated by the approved regulated tariffs policy, and which has an accurate, legislated, payable due date, to all consumers who consumed the service. Importantly, for all account balances that remain unpaid after thirty days, the established financial management system selects the issuing date of the electricity account against the last day of a billing month and automatically imposes systematic interest on the arrears portion, regardless of reasons for the failure to pay for services consumed. Last, but not least, the approved policy makes provision for the conditions of electricity supply to a consumer that conditions the payment terms of the municipal energy utility following the obligations of the licensee as contemplated in Section 21(5) of the Electricity Regulation Act 4 (South Africa, 2006b).

The sources quoted in this literature review section specify that municipalities and municipal entities must understand revenue and debt management processes and must be guided by credit control frameworks, to enhance institutional revenue streams, while being considerate of socio-economic factors. These considerations will eventually foster adequate controls for the improvement of debt collection processes through effective revenue management strategies.

We have examined the theoretical legislative frameworks that administer the daily operations of municipalities, and the following section refers to the delegated roles and responsibilities of the municipal structures that are applicable to credit and debt management.



2.3 REVENUE MANAGEMENT IN THE LOCAL GOVERNMENT SPHERE

The consolidated local government audit outcome report issued by the Office of AGSA (2020: 120) refers to the poor performance, in particular, the financial health indicators of the 2019/2020 fiscal year, of twenty-three municipalities in the Free State province. Firstly, the AGSA highlights audited outcomes of fifteen municipalities – the remaining eight municipalities could not be audited as a regression. Secondly, the AGSA provides a performance snapshot that flags the going concern uncertainty of 71% for eleven municipalities, due to a financial loss of R 304 million by five of the eleven municipalities in the 2019/20 fiscal year. Thirdly, the AGSA re-emphasises that the drivers of regression are ineffective internal controls. The economic loss contributes to the average municipal debt not recoverable for all fifteen municipalities and municipal entities at 71%, theorising an average 558 days' debt-recovery period. In evaluating this, it is evident that the regression expression by the Office of the AGSA (2020: 121) manifests.

Furthermore, the AGSA justifies the unwillingness of municipalities and their entities to comply as constitutionally mandated. These material findings have been raised for all fifteen municipalities since 2016. Notably, the AGSA affirms that the performance in the Free State province appears to be the result of a deliberate lack of accountability, accompanied by a failure to address the root causes of these material findings. Regarding this alarming performance of municipalities, the National Treasury (2020a: 61) suggests providing assistance to municipalities to improve the predetermined objectives of revenue management support and municipal entities, as follows:

- i. Strengthen the oversight support of the municipal revenue value chain with a prime focus on protecting and optimising all municipal revenue streams.
- ii. Assess the credibility of the municipal revenue position to determine the revenue generation potential to maximise revenue collection through



cost-reflective valuation rolls and accurate billing data strings that are reconciled in the financial system.

- iii. Determine tariff deficiencies, apply analytical solutions to resolve where required, implement the remedial action processes as legislated and maintain good accounting practices that enable quality service delivery to communities.
- iv. Ensure that all budget-related policies are “watertight” and conform to best-practice principles and relevant prescripts before adoption, including alignment between revenue management strategies and policies.
- v. Improve contractual obligations towards revenue governance.
- vi. Implement effective cash-flow methodologies through policy strategies to maintain favourable cash flow for service delivery.
- vii. Improve all the indigent-management processes to ensure all applications with specific qualified requirements are successfully met and that the approval reflects the tabled Council Indigent Register.
- viii. Improve the financial management performance to enhance efficiency without compromising the quality of services as constitutionally mandated.

2.3.1 Magnitude of the problem

The consistent pattern and trends at a provincial level also apply to the electricity entity of the Mangaung Metropolitan Municipality, Centlec. The increase in consumer debtors over the past six years (see Table 1.1) poses a risk of going concern uncertainty and appears alarming for the financial sustainability of Centlec. Its audited annual financial statements for the period ending 30 June 2021 (Centlec, 2021c: 12) disclosed a R 22 million trading deficit for the 2020/21 fiscal year, which is mainly attributed to an enormous unpaid debt of government, which constitutes 75% of the



total irrecoverable debt above 90 days (Centlec, 2021c: 66–68). Losses on electricity for the 2021 fiscal year are reported as R 182 million – the sale of electricity services is Centlec’s sole revenue source (Centlec, 2021c: 105). The National Treasury Expenditure Review (2021c: 71–74) affirms that municipalities are expected to raise internally generated revenue streams, which the illustrative statistics prove that the municipal energy entity failed to do.

Furthermore, The Expenditure Review (National Treasury, 2021c: 71–74) explains the vested powers given to municipalities and municipal entities that levy for services rendered at less than the actual costs incurred, which eventually leads to a revenue disparity. Nevertheless, the National Treasury confirms through assessment that these imbalances are caused by the frequencies of subsidising services rendered to households that cannot afford the services, through national grant allocations and transfers that compensate for the undesirable revenue collection rate from households that do pay for services consumed.

2.3.2 Impact of the problem

Underperforming debt collection processes with inaccurately billed revenue and failure to pay for services consumed can also be associated with affordability. South Africa’s volatile economy, accompanied by uncertainty in the energy sector, which steer electricity tariff increases and significantly impact consumers’ disposable income, influence the consumer decision to pay for consumption and services. Significantly, as predicted by Mazibuko and Fourie (2013: 141) and confirmed by the National Treasury Financial Management Report (National Treasury, 2020c: 21), these circumstances could affect municipalities and municipal entities, and result in vulnerabilities in the form of low cash coverage, and immense financial challenges that will eventually create an unfavourable cash position and an unfunded budget stance. To avoid this happening, the National Treasury Financial Management Report suggests alerts that should be considered:



- i. Municipalities and their entities should consider their planning and foresight strategies based on the vulnerable and volatile economy as it remains the main driver that impacts the deterioration in revenue collections.
- ii. The consumption behaviour will be evident through transparent changes in the revenue levels based on consumption trends and patterns.
- iii. Rapidly incremental tariffs will affect the disposable income of households and create a sense of conservative affordability.
- iv. Challenges are caused by debtors not paying creditors, specifically for service-delivery projects.
- v. There is an abnormal inclining cost of bulk purchases for electricity, with a prime focus on the sustainability of Eskom.
- vi. There is an inability to enforce and implement credit and debt policy frameworks.
- vii. An increasing number of illegal connections that cause electricity lost.
- viii. Ineffective cash-flow management systems lead to failure of service delivery that is constitutionally mandated.

Furthermore, the rapid increase in the number of consumer debtors is characterised by the following:

- i. The failure to provide political aid for the enforcement of revenue enhancement programmes by executive mayors and Municipal Councils.
- ii. The failure by municipal managers and accounting officers to capacitate revenue-collection sections compromises the implementation of relevant policy frameworks and hampers enhancement of revenue streams.
- iii. Some communities are unwilling pay for municipal services rendered.



2.3.3 Effectiveness of credit control and debt collection policy frameworks

Effective revenue management sustains the financial viability of municipalities and municipal entities, as stated by a USAID South Africa report on the Municipal Infrastructure Investment Unit (n.d.: 31). The credit control and debt collection policy must contain information on the following:

- i. Credit control methodology;
- ii. Debt collection tools;
- iii. Provisions for methodology for indigent consumers that is aligned to the council-approved indigent policy of the municipality and municipal entity;
- iv. Implementation of a creditable funded budget with realistic targets;
- v. Collection threshold ratios and parameters set out in the Municipal Financial Management Circular No. 71 of 2014 (National Treasury, 2014); and
- vi. Ways to terminate goods and/or services in unforeseen circumstances, such as payments in arrears.

2.4 DEBT MANAGEMENT IN LOCAL GOVERNMENT

The National Treasury's *Expenditure Review* (2021c: 23) states that all municipalities and municipal entities have a constitutional mandate to raise their own internally generated revenues to supplement national government allocations. First and foremost, the report explains, the primary sources of municipal revenue are service charges through the sale of electricity, as confirmed through the debt portfolio in the fiscal years 2015 to 2020, where the percentage share of own provincial revenue declined from 3.6% to 3.4%, mainly due to the increase in other revenue sources, such as equitable share and conditional grant funding. Notably, the report predicts that own, internally generated revenue contributions are expected to decline further, to 3% between the 2021 and 2023 fiscal years, due to continuously increasing electricity



tariffs and increasing irrecoverable municipal debt, which must be written off as deemed foregone. Furthermore, the National Treasury's The State of Local Government Finances and Financial Management Report (2020c: 32) claims that, between the 2019 and 2020 fiscal years, for 204 municipalities, the debtors' days during which municipalities failed to collect outstanding debt numbered more than thirty, compared to fifty-three municipalities that contained arrears and collected debt within the prescribed timeframe. Moreover, the AGSA assesses that approximately 79% of local government institutions fail to administer effective credit control measures and debt collection processes.

Additionally, the debt disclosed in Centlec's audited Annual Financial Statements ended 30 June 2021 (Centlec, 2021b: 66–67) supports this theory. In this time, total consumer debt increased from R 960 246 680 (2020) to R 971 016 778 in the 2021 fiscal year. The large ageing bucket in the debt book is debtors in excess of ninety days, reported as R 785 939 809, of which R 588 616 109 is debt relating to electricity services consumed by the Free State government. Failing to pay for services consumed cripples the cash-flow position of the entity, and prevents it from fulfilling its constitutionally mandated responsibilities. The Centlec Annual Performance Report (2021a: 19) states this responsibility as effectively, efficiently and financially prudently managing operations to supply reliable energy as a basic service to the community of Mangaung.

The trend of not paying for services is concerning, particularly if the debtors are the government and business consumers. If the trend persists and stringent internal controls of regular payments are not restored, Centlec will not be able to provide access to and/or supply reliable energy as constitutionally mandated to consumers in its licensed area of supply. This bottom-line effect will directly impact the livelihoods of Mangaung communities. Following the above proposition, it appears that Centlec should radically enforce and implement revenue enhancement programmes and debt



collection strategies to ensure financial sustainability. The drivers that could function to secure, align, improve, generate and optimally transform revenue sources in Centlec will be discussed in the following subsections.

2.4.1 Revenue and debtor cycles

Basic services such as electricity are essential to improve the standards of living of citizens in this country – Sections 152(1) and 152(2) of the Constitution (South Africa, 1996) assign the responsibility to provide these services to the local government sphere. A National Treasury Financial Management Report (2020b: 51) states that liquidity challenges are the most common manifestation of financial distress in municipalities, and municipalities and municipal entities with liquidity challenges commonly fail to effectively fulfil their constitutionally mandated responsibilities, such as optimal service delivery, accurate billing for services rendered and maintaining effective revenue collection systems to ensure a favourable cash-flow position. The National Treasury Financial Management Report (2020b: 52) flags the increasing debt book, which increased from R 134.1 billion in 2018/19 to R 141.8 billion in 2019/20, and which categorically makes it impossible for municipalities and municipal entities to maintain favourable cash-flow positions as legally prescribed. The National Treasury lists the root causes of municipalities and municipal entities not optimally fulfilling constitutionally mandated responsibilities as the following:

- i. Endorsement of unfunded budgets with unfavourable cash-flow positions;
- ii. Failure to implement cost-containment strategies, leading to an inability to realise revenue-collection levels needed to provide services;
- iii. Inability to manage the fragile revenue value chain, the determination of high tariffs, the administration of issuing clearance certificates with property transfers, misalignment of the municipal standard chart of



- accounts for levied tariffs, billing of accounts and credit control procedures with indigent policies;
- iv. The historical inadequate accounting treatment of maintenance costs and asset classification, which has weakened the revenue potential of municipalities and municipal entities; and
 - v. Inadequate controls for improving financial management through cash-flow strategies.

Evaluating the above-mentioned root causes given by the National Treasury's report (2020b: 49) confirms that, for the fiscal years 2018/19 and 2019/20, the Mangaung Metropolitan Municipality was the only metro that adopted an unfunded budget, which implies that Centlec contributed to the municipality's failure to comply with its constitutional mandates. Consequently, on 19 May 2020, the Mangaung Metropolitan Municipality was positioned under a constitutional intervention by the Provincial Executive, conditioned by Section 139(5)(a)(c) of the Constitution (South Africa, 1996). Furthermore, it is the first metropolitan municipality conditioned under mandatory intervention with the implementation of a Financial Recovery Plan (National Treasury, 2020e), which was prompted by the repeated failure to prudently manage the finances of the municipality. Two years later, in March 2022, the metropolitan status rapidly worsened, and led to a National Executive decision to impose additional conditions on the Mangaung Metropolitan Municipality. The additional conditions were promulgated under Section 139(7) of the Constitution (South Africa, 1996). The current state of affairs regarding debtors has caused municipalities and municipal entities to face financial distress, which results in them failing to execute their mandatory constitutional mandates.

2.4.2 Debtors control system

According to Fourie and Opperman (2016: 24), a debtors control system is developed to enable municipalities and municipal entities to record monies due for goods and



services rendered. This is, however, only possible if all the relevant customer information is gathered, captured and updated in the central electronic ledger of the billing system for confirmation and verification purposes. Importantly, the verification process of customer data makes provision in the sub-ledger for the transacting of services consumed against the correct customer account. Furthermore, Fourie and Opperman (2016: 25) claim that the principal objective of a debtors system is to maintain purified consumer debtor accounts for all the municipal services rendered. Notably, it should reach a seamlessly transacting point, to monitor an accurate debt profile of any consumer at any given time. Lastly, Fourie and Opperman (2016: 26) suggest five primary processes that must be considered to ensure reliability and assurance of the customer information and to maintain an accurate debtors system (Figure 2.1).

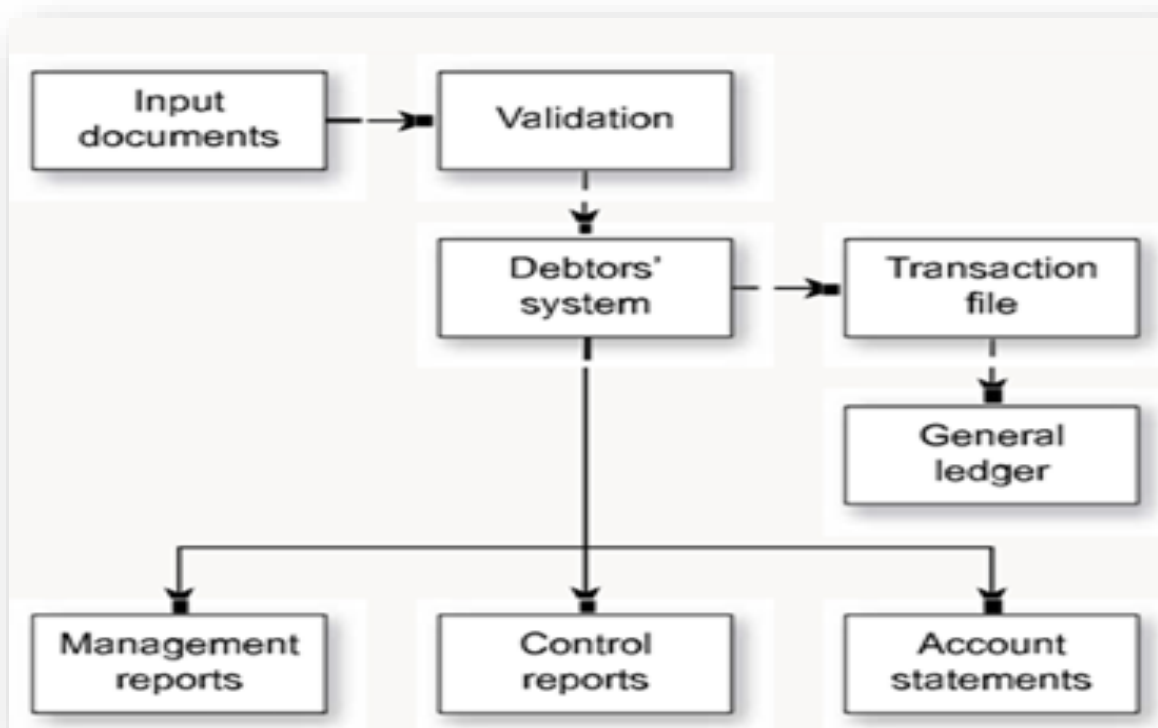


Figure 2.1: Overview of information flow for debt management by a revenue department

Source: Fourie and Opperman (2016: 25)

Figure 2.1 illustrates a high-level flow of information to ensure that the debtors system works on accurate customer information at all times, by considering the following:

- i. **Validation:** The validation of transactions.
- ii. **Transacting:** The determination of cash transacting.
- iii. **Reports:** The updating of primary modules in real time to maintain updated and accurate information.
- iv. **Ledgers:** The continuous maintenance of the general-ledger transactional data strings.
- v. **Account statements:** Extracting of debt profiling at any given time, when needed.
- vi. **Accuracy:** Ensuring that the correct and accredited consumer information and system protocols are accurate will ultimately result in effective credit control processes.

2.4.3 Billing and collection activities

The billing and collecting functions are the prime drivers of cash-flow management at any institution. Updating and maintaining customer information and prudent financial management are imperative for the success and sustainability of any municipality and municipal entity. Nevertheless, maintaining an effective, accurate debtors system that bills consumers on time with the correct usage determination demands effort and measures that ensure that the billing is performed accurately and seamlessly, as required by the relevant legislation. Moreover, accurate and timeous billing statements will eliminate the culture of refusing to pay for consumed municipal services. What is essential is the ability to bill for revenue, collect the debt and ensure that all the



revenue collection processes are effective and efficient – which surely depends on the accuracy and reliability of the customer information captured in the debtors system.

2.4.4 The rationale for non-payment

USAID South Africa (n.d.: 24) claims that failing to ensure accountability for enforcing credit control measures provides consumers with leverage that leads to a feeling of entitlement regarding basic services, which they consume without paying. The following factors contribute to resistance to paying for services:

- i. Using incorrect and inaccurate billing data for credit control measures;
- ii. Dissatisfaction with services rendered by the municipality and municipal entity;
- iii. Political interference, such as ward councillors influencing administration of processes relating to persons who are indigent, and using it as a campaign tool;
- iv. Charging unaffordable inclining tariffs for basic services;
- v. Skills limitations at municipalities, making collecting revenue and outstanding debt difficult;
- vi. Inadequate debt collection and credit control administration systems; and
- vii. Limitations on seamless integration and coordination of financial management controls.

The increasing trend of failure to pay for services rendered proves that a generalised approach does not yield positive results in steering revenue transformation.

2.5 REVENUE ENHANCEMENT IN LOCAL GOVERNMENT

According to USAID South Africa (n.d.: 4), a successful, effective and efficient revenue enhancement programme depends on detailed structural planning and stringent



legislative implementation of processes by relevant management teams. Additionally, the Revenue Management Policy of Centlec, Section 3, POL 13 (2021c: 5) sets out constitutionally mandated responsibilities to manage and enhance revenue sources at Centlec, to secure its financial and economic sustainability:

- i. To maximise income through a realistic revenue basis;
- ii. To improve revenue collection for guaranteed cash flow;
- iii. To ensure the effective functioning of systems and the efficiency of processes;
- iv. To enhance monthly revenue through effective credit control measures that result in regular payments; and
- v. To create a conducive, sustainable development and growth environment to render quality services.

Furthermore, Centlec possesses an ineffective approved revenue enhancement strategy that has not been prioritised. Centlec has implemented drives to improve revenue collection, increase inefficiency, and contain operational cost. Doing so demands a holistic approach to ensure long-term sustainability; the factors that must be addressed simultaneously are discussed in the next subsections.

2.5.1 Credit control procedures

USAID South Africa (n.d.: 32) explains that a credit control programme involves several actionable measures that should be structured to progressively persuade a consumer to pay for the services consumed, and must form part of standard debt management processes. Importantly, drastic actions must be imposed if no actionable measures and procedures convince consumers to pay for services consumed. Section 64 of the MFMA (South Africa, 2003) claims that the constitutional responsibility for revenue management at municipalities and municipal entities is that of the accounting



officer, who should ensure that the following credit control actions are undertaken: disconnection and reconnection processes, and cost reflective tariffs.

2.5.1.1 DISCONNECTION PROCESSES

The Credit Control and Debt Collection Policy of Centlec (2021b: 29) provides three different seals that should be considered during the disconnection process. The red seal applies to failure to pay service accounts, the blue seal is for any tampering with Centlec assets, and the green seal is applicable when a meter is faulty. A specific seal depends on the nature of the defaulted consumer actions, and it must be enforced accordingly to apply the correct measures.

2.5.1.2 RECONNECTION PROCESSES

The Credit Control and Debt Collection Policy of Centlec (2021b) permits a reconnection process to be enforced only if a defaulting consumer acknowledges the debt and has paid for services consumed, and/or if legislation permits special arrangements with the defaulting consumer. In addition, the Credit Control and Debt Collection Policy of Centlec (2021b: 30) suggests consideration of the following vital elements when an electricity supply is subjected to reconnection:

- i. The total outstanding arrears, including the reconnection tariff, must have been paid, and proof of payment provided.
- ii. Where the total outstanding arrears cannot be settled, the appropriate legislative arrangements and processes must be followed.

2.5.1.3 ENFORCEMENT OF AFFORDABLE TARIFFS

Circular No. 67 of the National Treasury (2013) instructs that electricity tariffs must be fair and affordable, as a basic service for all the citizens of the country. This instruction can only be materialised by submitting a creditable, realistic tariff schedule to NERSA, and subject it to a mandatory statutory review with approval processes, including



public participation consultation with communities and relevant stakeholders within the boundaries of the respective municipalities and municipal entities. USAID South Africa (n.d.: 32) lists the following benefits that can accrue to a municipality and municipal entity that maintains an effective credit control methodology:

- i. Outsourcing the credit control functions will yield immediate improvement of the internal capacity, which can consequently focus on improving revenue-collection processes and will eventually be beneficial to the debt collection unit.
- ii. Adequate internal controls and processes create revenue certainty, which leads to the overall budgeting and strategic planning processes being more precise, accurate and realistic.
- iii. Active awareness and communication programmes of debt collection processes of the municipality and municipal entity signal visible actions being taken against defaulters, to encourage them to be more conscientious consumers, and to trigger a desire to be good citizens who pay for basic services consumed.
- iv. Continuous communication and follow-ups with defaulting consumers are crucial for securing a positive attitude, so that consumers acknowledge and agree to pay the monies owed to the municipality and municipal entity.
- v. Improving and updating data purification processes of debtor information in the billing and financial systems will ensure that consumers are billed correctly.
- vi. If the billing systems are constantly updated and accurate, progress and performance reports will be possible, and will provide meaningful information for decision-making.



Therefore, municipalities and municipal entities must have adequate internal financial management controls, with cost-reflective tariffs, to fulfil mandatory constitutional obligations.

2.6 CONCEPTUAL METHODOLOGIES AND FRAMEWORKS OF LITERATURE

According to Dorfin and De Lange (2018: 6), to improve the financial health and build the potential capacity to render satisfactory municipal services, municipalities and municipal entities must collect all monies due to the institution effectively and, crucially, protect all sources of revenue. It is evident from the literature that improvement is required to achieve effective revenue management governance that serves as good, purposeful, prudent financial management in a municipality and municipal entity. The developing areas that must be carefully analysed are described in the following subsections.

2.6.1 Sound revenue management framework

First, as stated in Circular No 99 of 2020, Section 2 (National Treasury, 2020d), all municipalities, municipal entities, and respective communities need to recognise the value of municipal services and make all efforts to pay for services rendered by local government and appreciate the essential basic incentive services rendered to low-income households in the country. Furthermore, the circular clarifies that subsidised services are only sustainable if middle and high-income households can afford and timeously pay for consumed services. Thus, the sustainability of municipalities and municipal entities depends primarily on the measures put in place to generate, collect and manage activities within the operational value chain.

Subsequently, in the MFMA Circular No. 98 of 2020 Section 4 (National Treasury, 2020a), the minister of Finance requested the addition of supplementary revenue sources of allowable taxes to be fully explored by municipalities and municipal entities,



which has not been done before. If subsidised, free essential services continue to be provided, and the revenue forgone is likely to increase, because of a rising unemployment rate and an increasing number of people per household; which may result in unmanageable financial distress for municipalities and municipal entities, which can eventually cause going concerns.

2.6.2 Effective debt collection framework

According to Kumar (2013), the ongoing challenges causing the inability of municipalities to enhance revenue streams are related to fragile economic conditions, increased unemployment, poverty, high energy prices, zero growth in tax and or base rates, ineffective or absent debt collection and credit control procedures, and courts facing a lack of capacity to manage high volumes of debt collection cases.

Furthermore, Kruger (2013) reports that the media use awareness campaigns to publicise the debt profiles of municipalities and their entities, which emphasise their indebtedness; however, the media are silent on the fact that municipalities and their entities are owed by consumers for services consumed without payment.

USAID South Africa (n.d.: 25) clarifies the importance of an active and functioning debt collection strategy, and its dependence on the accuracy of consumer data and the completeness of the debtor system of the municipality and municipal entity. As a result, the USAID South Africa report contests the idea that the limited impact municipalities and municipal entities have when they aggressively enforce debt collection processes is, in most instances, due to unpurified consumer information captured in the debtors (financial) system, and that it results in defective and poor debt collection outcomes.

In addition, the credit control policy of Centlec (2021b: 27) affirms the importance of a “need analysis” through a data purification programme, that must be considered before any debt collection strategy can be enforced and/or implemented. Furthermore, the policy adds the vital task of gathering consumer information before the



commencement of “clean-up” procedures. Importantly, the policy claims that the design of this procedure should primarily establish whether the consumer exists, whether evidence can be provided that the consumer consumed municipal services, whether the consumer has undergone the debt acknowledgement process, and whether the debt review can prove that the consumer is able to pay for municipal services. Once these debt existence processes have been undertaken, the municipality can implement the approved credit control and debt management requirements.

2.6.3 A valuable revenue enhancement strategy

According to Burchell and Listokin (2012: 154), municipal earnings can be classified into revenue sources, namely internally generated income and national intergovernmental transfers. Furthermore, Burchell and Listokin point out that the dependency on grant allocations of most municipalities and municipal entities in the country created the struggle to generate revenue from internal generating cash. In addition, Section 74(2) of the MSA (South Africa, 2000) prescribes the adoption and implementation of a tariff structure through a policy by a municipal council. In addition, the MSA permits charging identifiable consumers for services rendered. Moreover, the MSA defines all user charges as a revenue instrument to generate additional income. Notably, Schreiner and Hassan (2011: 37) emphasise that user charges contribute significantly to municipal revenues. They reinforce concerns related to user charges regulated below economic levels by government – lower than the operational and amortisation costs of infrastructure systems that yield no additional revenue for the municipality and municipal entity, but which is done to alleviate the hardship faced by people who suffer from poverty. Determining pricing for user charges to ensure financial viability and maintain the financial sustainability of urban services remains vital in the municipal environment. Municipalities and municipal entities must revise



tariffs in cases where institutions own the infrastructure equipment, such as in-house vending systems.

Centlec developed a revenue enhancement framework (Centlec Board of Directors, 2020) to recognise and address ongoing consumer debt challenges that the entity faces, while maintaining positive and reciprocal stakeholder and consumer relationships, including enhancing tools and methodologies to expand alternative revenue sources. Centlec has, regrettably, failed to drive this crucial strategic objective for the past two years. The consumption pattern of the top twenty bulk consumers in the 2020/21 fiscal year shows decreased demand and consumption of 4.4% compared to the previous fiscal year; consumers are migrating to the new green world of renewable energy solutions. On the other hand, the revenue transformation methodology approach by PricewaterhouseCoopers (Fick, 2021) theorises that revenue enhancement does not occur by default; instead, it is a living, challenging process that demands a long-term, sustainable vision to stringently implement principles and mechanisms that empower resources to resolve and ultimately eliminate challenges, to attain quality information management. Figure 2.2 provides a high-level synopsis of six crucial steps to follow when enforcing the challenging journey. Perfecting these steps will yield value and financial sustainability to any municipality and municipal entity to execute an effective revenue enhancement strategy.



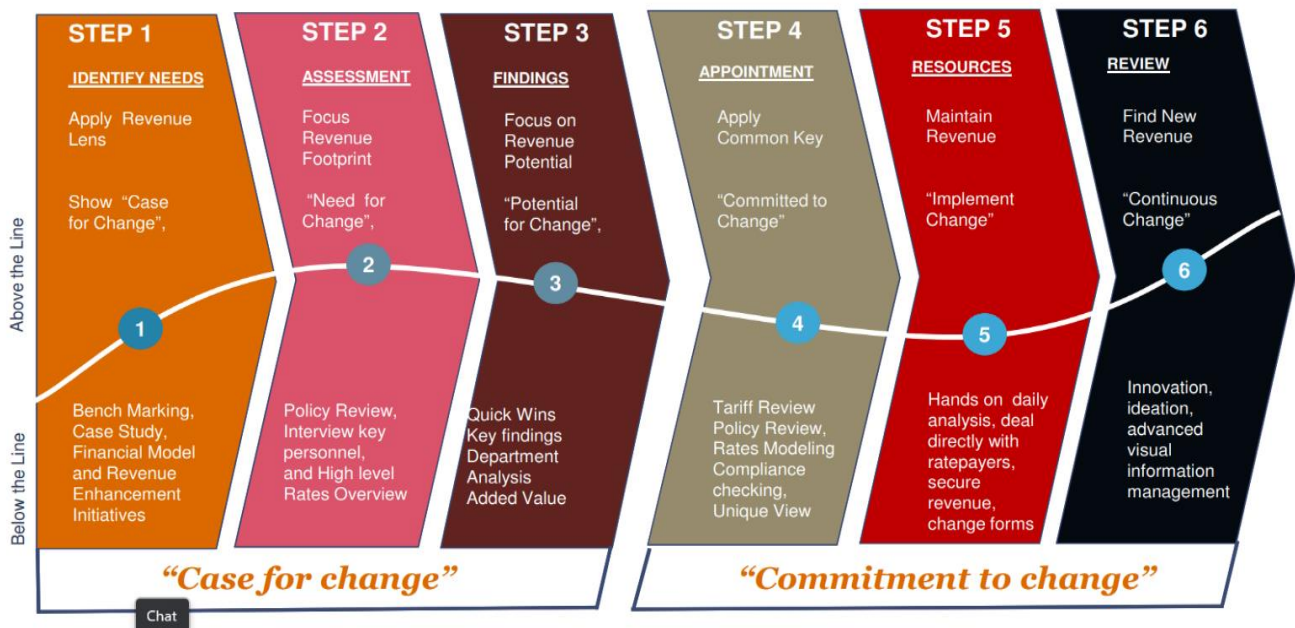


Figure 2.2: A six-step revenue enhancement process flow

Source: PricewaterhouseCoopers Inc. (2014)

In evaluating Figure 2.2, it is evident – based on literature on the theory – that Centlec is not enforcing credit control processes and, as a result, its debt collection measures remain ineffective. All municipalities and municipal entities in the country could benefit from improving communication channels and customer relations to enforce effective credit control procedures that foster debt collection measures, and to maintain an efficient financial system to ensure prudent financial management that can improve the revenue profile.

2.7 CHAPTER SUMMARY AND DEDUCTIONS

Municipalities and municipal entities are tasked with a basket of constitutional mandates, among which improving living standards by providing basic services to each citizen of this country, including access to and supply of electricity. To deliver on this mandate, municipalities and municipal entities must use the ambit of the court of



law, including all applicable legislation, to ensure that mechanisms are functioning effectively, regulated tariffs are charged for municipal services rendered, accurate financial systems are utilised to bill for municipal services consumed, and steps are in place to act against defaulted consumers. Challenges relating to increasing accumulation of municipal debt are complex, and demand multifaceted solutions. This chapter presented a literature review and secondary data to demonstrate the problem facing Centlec. From this chapter, it is evident that, to perfect the balancing act required for revenue transformation, the following elements should be considered when solutions are proposed:

- i. Lack of economic growth in South Africa;
- ii. Shortages of skilled resources;
- iii. Increase in bad debts;
- iv. Inadequate funding models;
- v. Increasing number of indigent people;
- vi. Unfunded mandates;
- vii. Insufficient accountability;
- viii. Inclining irregularities; and
- ix. Lack of consequence management.

The theoretical framework was discussed extensively in this chapter. The next chapter will examine the research methodology that was used, including the rationale, for collecting data for this study.



CHAPTER 3

RESEARCH METHODOLOGY OF THE STUDY

3.1 INTRODUCTION

The previous two chapters provided a synopsis of the theoretical framework and an extensive literature review, which contributed to achieving the research objectives and justify the problem statement. This chapter will explain the methodology that was applied to conduct the study. It will examine how, when and where the study was carried out and will explain the rationale of the methodological choices.

Firstly, the researcher will define the total population following the recruitment strategy for the selection of the target sample. Secondly, the researcher will outline the geographic location relating to the demarcation of the study. Thirdly, the researcher will comprehend the research design, following the techniques to collect and analyse the data to discuss the data quality control. Fourthly, the researcher will explain the reliability and validity of the study and refer to a debate on data analysis, including data reduction and data disclosure. Fifthly, the researcher will outline the ethical considerations and constraints applied in this study. Lastly, the correlation between the core components of the research methodology will be summarised as a conclusion of this chapter.

According to Denzin and Lincoln (2018: 189), a research strategy is a methodological connector between the philosophy and consequential mechanisms for data collection and analysis. This study used a qualitative approach, which Yin (2018) describes as research strategies that deductively build, assess and develop a substantial theoretical perspective on existing literature through qualitative procedures. Saunders et al. (2019: 188) explain that a qualitative method could utilise one data collection instrument, for instance, semi-structured interviews, and corresponding qualitative



analytical procedures. Creswell (2013) explains that a qualitative approach examines a de facto, current bounded network (a case) and/or multiple fixed networks (cases) progressively through comprehensive data collection, which necessitates various information sources, with the primary goal of reporting a case description with case themes. This chapter will provide information on the methodological framework used to conduct the research.

3.2 RESEARCH DEMARCATION OF THE STUDY

Van Schalkwyk (2012) explains that a research study can be performed in several ways. Problems can originate from either the contemporary context of the phenomenon, or from the past or the future; furthermore, the style of the explanation describes several observed events that follow a typical pattern that can be expected to hold truth, even in other contexts. Such a nomothetic explanation is, mostly, scientific and, sometimes, practical. The geographical boundary of the study was the municipal energy entity Centlec, which is situated in the metropolis of Bloemfontein in the Free State province, South Africa. The targeted population was a focal point of the workforce of Centlec. Van Schalkwyk (2012) claims that, in determining the scope of the study, the researcher should decide in advance whether the intention is to examine a general solution to a problem, or to investigate a precise problem-solving solution for a particular area or field.

In this study, the challenges and complications caused by consumers who refuse to pay for consumed municipal services was identified as a serious concern for local government. This study was executed in the Mangaung municipal area, specifically where Centlec is located.

3.3 RESEARCH DESIGN

After demarcating and determining the study scope, decisions about the research methodology are fundamental, as these determine the data collection techniques and



instruments (Van Schalkwyk, 2012). Leedy and Ormrod (2010) describe a study design as a generic approach taken to execute a research study; the research methodology refers to the tools the researcher selects to conduct the research study.

Saunders et al. (2019: 174) refer to the importance of the intended data sources, the proposed data collection approach, the data analysis method, the practical ethical concerns and any practical constraints, in particular, the nature of the researcher's role in the study. These authors affirm that multiple research strategies can be used to establish coherence within a research project.

This study followed a two-pronged approach to collecting data, namely, a descriptive design for semi-structured interviews.

In providing the theoretical rationale, a descriptive qualitative methodological choice, based on the anti-positivism approach, was adopted, which focused on the thematic correlational type. The structured open-ended questions in the interview guide are explorative in nature, which enabled the researcher to gather information on and gain a comprehensive understanding of the credit and debt management challenges faced by the participants, through their views, perspectives and experiences (Salkind, 2012). The thematic correlation examined the relationship between credit control measures and debt collection tools (Salkind, 2012).

3.4 RESEARCH TECHNIQUES

Bryman et al. (2014: 100) theorise that a research method is a data collection technique that could involve semi-structured interviews, observations, and the interpretation of documents.

Bryman et al. (2014: 376) define data collection as the process (tools, techniques, or diverse instruments) exploited to collect data and determine a conclusion. This study



collected primary and secondary data. The research techniques used by this study to understand the research problem will be discussed in the next sections.

3.4.1 Primary data: Semi-structured Interviews

Saunders et al. (2019: 438) point out that the questions of semi-structured interviews are derived from existing theory. In addition, the interview guide highlights that the researcher commenced the data collection deductively, by testing the expected preconceived themes in the research context with reference to existing knowledge.

In this study, the primary data was collected through semi-structured interviews that used an interview guide with specific predetermined themes based on the theoretical literature outlined in Chapter 2. The interview guide comprised open-ended questions with probing follow-up questions, to ensure that the descriptive research method principles were achieved through standardisation.

According to Saunders et al. (2019: 179), in qualitative research design, meaning is derived from words and images of the targeted participants through application of particular research methods. A qualitative design might exploit a single data collection instrument, such as semi-structured interviews, with comparable analytics. Thus, the first part of the research involved conducting semi-structured interviews to gather data that could be analysed qualitatively, as this was a descriptive study.

Saunders et al. (2019: 437) explain that, when using the semi-structured interview technique, the researcher could develop a predetermined thematic index with crucial issues linked to subject matter, and use it as an interview guide. In addition, Saunders et al. (2019: 437) explain that the researcher, with this interview guide may, depending on their philosophical assumptions, adopt the belief that the element of truth can be externally discovered through the interpretations of the intended participants. This approach is structured and consistent, and enables the researcher to systematically explore each topic of the subject matter with each participant. The application of an



interview guide, with open-ended questions on specific subjects relating to the problem, enabled the researcher to achieve concise, cost-effective and timely results. Each response was linked directly to pre-identified themes, to determine the underpinning reality. The interviewer administered structured questions on the interview guide and conducted interviews, which produced primary data that shed light on the views of the respective participants. Hence, this research technique ensured the effectiveness of the processes and tools used in the study.

Saunders et al. (2019: 191) distinguish between two types of questionnaires: self-administrated and semi-structured interviews. Bryman et al. (2014: 191) explain that a favourable response rate is generally possible with semi-structured interview sessions. Furthermore, Saunders et al. (2019: 436) suggest various ways to conduct semi-structured interviews, including but not limited to face-to-face interviews, telephonic sessions and cloud-based virtual software programs using a researcher-completed interview guide. They also highlight that the researcher should ensure that a set of structured questions is repeatedly asked and recorded for each participant during each semi-structured interview session. In this study, the researcher administered a “standardised” interview guide to ensure that a set of identical questions was asked of each participant. Saunders et al. (2019: 444) claim that the main objective of semi-structured interviews is to ensure and maintain consistency between all the critical elements of the methodological choice.

The interview guide of this study consisted of open-ended questions that directed the researcher concerning the predetermined themes. This interview guide was utilised to conduct face-to-face interviews, subject to any circumstances where Covid-19 regulations applied and had to be complied with; in such instances, synchronous electronic interviews were guided through virtual accredited software, namely, MS-Teams. The scheduling of the interviews took into consideration different working hours of participants, and the Covid-19 pandemic at the time of data collection.



The recruitment strategy report was obtained from the office of the chief executive officer; it contained each participant's contact details, email address and cell phone number, which enabled the research to communicate with the participants. The research instrument process entailed three phases with eight steps that demonstrated the relevance and benefits to the researcher of optimising the value of the research instrument to attain a complete record of each interview session with valuable contextual data to achieve the study objectives, as suggested by Bryman et al. (2014: 225–226).

Further information on the application of the research instrument of semi-structured interviews will be given in Section 3.6.

3.4.2 Secondary data

For this study, secondary data were collected from the literature review in Chapter 2. In addition, the study explored certified statutory publications in the public domain, including the following:

- Published annual performance reports of Centlec;
- Certified Audited Financial Statements published by AGSA;
- Tabled directives and applicable municipal budget circulars and practice notices by National Treasury;
- Gazetted publications of the Department of Co-operative Government and Traditional Affairs; and
- Published literature such as research reports, cases, studies, and journals relating to debt and credit management.

3.4.3 Data analysis

According to Saunders et al. (2019: 638), qualitative data can be derived in various ways, among others through verbal data. Notably, oral data must be transcribed into



written text, subjected to structural integrity principles, and transcription errors avoided. Alternatively, Saunders et al. (2019: 638) suggest that textual data can be collected as notes taken during interviews. The analysis of the data should not only lead to an understanding of “what” and “how”, but the emphasis on “why” should be a crucial component of the research approach.

In the study, data was subjected to thematic analysis, which meant that data analysis could only be conducted once all the interviews had been conducted, to provide the density of themes as correlations. Braun and Clarke (2013) theorise that thematic analysis is the medium to establish, examine and narrate patterns (themes) comprehensively (rich) within a data set. Furthermore, they explain the method as an application of deductive logic for a study that converts nominal data into meaning. This study used the thematic analysis method suggested by Braun and Clarke (2013), and the following steps were applied.

3.4.3.1 STEP 1: DATA STIMULATION

Firstly, the researcher and transcriber familiarised themselves with a high-level overview of the audio data before analysing individual themes – this was done through repeatedly listening to the transcription (transcribing digital audio), reading the text and scanning the initial interview summary notes.

3.4.3.2 STEP 2: CODING OF DATA

Secondly, the transcribed data were systematically labelled with shorthand codes across the entire data set to describe the content. Software that is efficient and effective in collating relevant data to the respective shorthand code was used. The three predetermined themes in the interview guide were utilised as the guiding mechanism to ensure that each allocated code described the perspectives and ideas expressed in the particular section of that subject matter. The researcher segmented any relevant potential responses of interest, non-relevant responses and matching



responses for grouping purposes. This provided a condensed overview of the repeating focal pointers with ordinary meaning that recurred throughout all reactions of the representative sample.

3.4.3.3 STEP 3: GENERATING THEMES

Thirdly, by collating shorthand codes into prospecting themes, the grouping of theoretically bounded patterns to each respective prospecting theme was possible. This allowed the researcher to identify irrelevant and unmatching responses, which were eliminated to retain data quality.

3.4.3.4 STEP 4: REVIEWING THEMES

Fourthly, the accuracy and correctness of the themes were evaluated (level 1) to ensure that all the generated themes were applicable and represented the collected data (level 2), through generating a thematic map. The researcher conducted a practical cross-checking exercise to determine if the data set represented the developed themes, to obtain assurance.

3.4.3.5 STEP 5: DEFINING AND NAMING THEMES

In the fifth step, the list of applicable themes were individually labelled to provide in-depth meaning of the respective data. The naming of themes required a concise name for each theme, to enable the researcher to understand the data set extensively.

3.4.3.6 STEP 6: WRITING UP

Finally, the analysis of the data was conducted. The occurrence and meaning of the themes were individually explained, and paradigms from the data set were provided as evidence. The thematic analysis vividly demonstrates the compelling nature of the collected data through a final examination that directly relates to the literature and produced answers to the research questions.



With the preparation of the interview guide, theoretically deduced themes must be consistently applied in each interview session for applicability to the theoretical context, as suggested by Saunders et al. (2019: 438). The data were collected through the responses in the semi-structured interviews. The primary audio data was analysed qualitatively through applying descriptive thematic analysis. Braun and Clarke (2013) define the purpose of an orthographic transcription that assembles a comprehensive record of spoken words in interview proceedings. The researcher utilised this method to achieve sufficient control over the research process.

3.5 POPULATION AND SAMPLE

The researcher provides information on the recruitment strategy that was used to select the study participants and describes the geographic location where the study was undertaken. Cooper and Schindler (2011) define a population as a group. Bryman et al. (2014: 383) define a sample as a population segment, while Saunders et al. (2019: 292) state that a sample is a subset of a population that is the target of a research inquiry. Saunders et al. (2019: 292) explain sampling techniques as enablers that reduce the data volume, so that data can be collected only from a target population, and not from the entire population. Saunders (2012: 317) maintains that a representative sample for a homogenous group would be between 4 and 12 participants, between and 12 and 30 participants from a heterogeneous group. Sample sizes will differ between groups, for different research strategies and complexities, and for different research questions. Saunders et al. (2019: 297) signify that, although the outcome remains unknown, with creditable guidance, the research objectives are attainable from the selected sample. Therefore, the interconnection of the research instrument determines statistical inferences from the population sample as an enabler to respond to the study questions and accomplish the study objectives.

According to Walker (2018), a sampling strategy is the frame used to segment portions from a total population, which will be moulded into a representative sample.



Cooper and Schindler (2011) explain sampling as selecting some elements in the target population to represent the entire population.

Before a researcher can decide on a sampling strategy, it is imperative to determine the data type, which in this study, is qualitative. The preference for a qualitative data type suggested the sampling strategy of non-probability sampling. Saunders et al. (2019: 315) explain various alternative techniques available to select samples, with varying levels of subjectivity. Walker (2018) defines judgemental sampling as purposive sampling, meaning the selection can be made based on extensive knowledge and proficiency experience; thus, purposive sampling, also known as non-probability sampling, occurs when the selection is based on judgment. For this study, purposive sampling was the most efficient method to use to select a sample, considering the small number of officials representing the primary data, and based on the complexity of the research design. This design was appropriate for the determination of this study, which focused explicitly on adherence to credit control measures and the effectiveness of debt collection tools. A non-probability purposive sampling method is indicated for a relatively small population, which directly impacted the problem statement; however, the targeted sample had extensive knowledge and expertise that meant they could provide information and insight into the study problem.

This sampling process comprises four core sampling methodology attributes.

3.5.1 Sample frame

A sample frame can be defined as an accurate and complete discipline of the target population to select a sample (Saunders et al., 2019: 298). In this study, the sample frame was the Revenue Protection Section, which was accountable for the enforcement of credit control procedures, along with the Debt Collection Section, which was directly responsible for collecting and managing debt for Centlec.



Considering the sample frame, the recruitment strategy for this study was inclusive, and represented the primary data source. The internal participants were selected from the Centlec audited staff establishment report for the identified directorates, Retail (credit control) and Finance (debt collection). The recruitment strategy report was obtained from the office of the chief executive officer for authentication purposes, to ensure that the sample was current, accurate, complete and relevant to the target population of the study.

3.5.2 Sample size

Patton (2015) suggests that a representative sample size depends on the study questions and objectives – particularly, what the researcher needs to discover, what is likely to provide the data needed, that is credible and that allows data collection to be completed with the available resources and within the available timeframe. This study's sample size of 15 participants was decided on the basis of participants' knowledge and expertise in the credit control and debt collection fields. This sample size comprised supervisors, managers, general managers, and executive managers of the inclusive identified sample frame. The sample size of 15 participants was agreed upon by factoring that all participants had a direct impact on the problem statement, as described in Chapter 1, possessed the required knowledge and expertise, and would ensure this study was cost-effective and could be completed within the timeframe. The sample size was based on sound scientific and ethical principles of fair selection and avoiding any form of discrimination or other grounds of bias, to allow the researcher to achieve the research objectives.

3.5.3 Sampling techniques

Bryman et al. (2014: 171) define a non-probability sample as a random sample that has not been selected before. The authors explain that some sections of a total population may have a selection privilege to be chosen. Saunders et al. (2019: 207)



list various sampling techniques, namely, probability and non-probability samplings. Adapting a non-probability sampling method assured the researcher that the data that was gathered were credible for investigating the research problem statement and to provide theoretical insights. Thus, the essence of the sampling method was determined by examining the nature and scope of the topics under study, which demanded knowledge and experience.

3.5.4 Representative sample

According to Saunders et al. (2019: 302), a crucial aspect of a non-probability sample is the representation of the target population. Furthermore, Saunders et al. (2019: 321) highlight that, with purposive sampling, the researcher needs to use the skill of independent judgement to determine the themes as an enabler to answer the study questions. Bryman et al. (2014: 186) claim that purposive sampling is assembled in a non-probability formation to restrict the researcher from generalising a population – the objective of purposive sampling is to target the intended sample following a strategic approach with the intention that the selected sample is relevant and pertinent to the research problem. This purposive sample selection ensured that the sample was representative, based on the interrelated knowledge and significant expertise of participants with regard to the debt profile of Centlec.

3.6 RESEARCH INSTRUMENT

3.6.1 Phase A: Preparation of the interview guide

3.6.1.1 STEP 1: SET INTERVIEW GOALS AND OBJECTIVES

This research instrument enabled the researcher to obtain a completed record of each interview session, to conduct a thematic analysis to determine the underpinning reality.



3.6.1.2 STEP 2: DESIGN PERTINENT QUESTIONS BASED ON THE CHOSEN RESEARCH INSTRUMENT

Questions were open-ended and related to three themes, namely, credit control, debt collection, and revenue enhancement, with probing follow-up questions. Open-ended questions prompted the participants to give the best responses, even if the researcher did not have sufficient knowledge to form a close-ended probing query. Allowing participants to explain the detail through answering open-ended questions and probing follow-up questions provided the participants with time to present further information and new insights that could be extremely useful for the study. Giving a platform for participants to feel calm and free to participate in discussions undoubtedly built trust between the researcher and the participants, which lead participants to reveal astonishing information on how they tried to resolve challenges and pressing problems within the organisation.

The interview guide is divided into three sectional themes related to the literature review, to enable the researcher to encourage involvement and elicit contributions from the participants. The segmentation of the themes allowed the researcher to conduct a detailed comparative exercise through a cross-linking process that assisted with data analysis and contributed to accomplishment of the study objectives. The sectional themes are credit control, debt collection and revenue enhancement.

3.6.1.3 STEP 3: ASSEMBLE THE INTENDED PARTICIPANTS

Considering the sample frame with the methodology choice discussed in Section 3.5.1, this study's recruitment strategy was inclusive, and targeted the primary data source. The intended participants were officials at Centlec and were directly accountable for the daily operations and decision-making processes that impacted the problem statement. The intended participants were recruited from the Centlec audited staff establishment report for the identified directorates of Retail (credit control) and



Finance (debt collection). This study's sample size of 15 internal participants was explicitly and purposively considered because of their comprehensive knowledge and extensive expertise in the respective sectors of credit control, debt collection and revenue enhancement. This sample comprised supervisors, managers, general managers, and executive managers at Centlec.

3.6.1.4 STEP 4: DECIDE ON THE BEST MEDIUM

Before commencing the semi-structured interview sessions, an introductory letter (see **Appendix A**) was sent electronically to the 15 intended participants as a written request to participate in the study voluntarily. Details on the background, the intended purpose, and the participatory approach was outlined in the introductory letter, which allowed the intended participants to accept and or reject the written request voluntarily.

All written responses of the intended participants were captured, whether positive or negative. The participants who accepted the written request were requested to acknowledge and sign the written informed consent (see **Appendix B**) and return it to the researcher electronically.

Once the consent of the participants had been received, the researcher contacted all participants who had agreed to participate in this study and scheduled dates with available time slots for the interview sessions, which were held at 30 Rhodes Avenue, Bloemfontein, in a calm, comfortable and safe location at the premises of Centlec.

During the scheduling of the interview sessions, the signed written informed consent form (see **Appendix B**) served as an acknowledgment of participation in this study. It was accompanied by an interview guide that outlined the interview rules, the logistics, housekeeping matters, and proceeding conditions of the semi-structured interviews (see **Appendix C**), together with the electronic, written invitation, which the participant was requested to scrutinise, understand, complete and sign for confidentiality purposes. All personal particulars were anonymised or pseudonymised for this study.



If participants sought to obtain clarity on the explanation, they requested clarification electronically, and the researcher responded within 12 hours of receipt of their questions. The interview schedule was well-balanced, and a minimum of two participants were interviewed daily, subject to their availability. If the total target sample had agreed to participate in this study; the anticipated foresight timeframe for this study was estimated at approximately two months, including any unforeseen events that might have occurred.

3.6.2 Phase B: Conducting the interviews

3.6.2.1 STEP 5: DETAIL THE INTERVIEW PROCEDURES

For each semi-structured interview session, the researcher made allowance for a concise introduction, a short overview of the study and the procedures of the interview proceedings as indicated in the introductory letter and interview guide (see **Annexure A** and **Annexure C**, respectively). Participants accepted that the interview proceedings would be audio-recorded and acknowledged the written informed consent and confidentiality agreements. The researcher requested to take notes during the interview sessions for accuracy, where necessary. The researcher established personal eye contact to create a flexible, calm environment, to build trust and confidence with each participant. The researcher listened attentively when a participant answered questions and/or deliberated on probing follow-up questions, but tried to avoid interruptions, for the sake of easier transcribing of the audio recordings. The researcher maintained consistency throughout all the interviews by following the interview guide with each participant and making allowance for flexibility. The researcher ensured that all questions were answered within the set timeframe; however, where overlaps of time were anticipated, participants were alerted, and their approval to continue was sought. In addition, if any participant needed to isolate as part of Covid-19 regulations, the above rules were still complied with; however, the interview mode was virtual.



3.6.3 Phase C: Analysing the interview data

3.6.3.1 STEP 6: TRANSCRIBING INTERVIEW AUDIO DATA

The researcher allocated a number or pseudonym (coding) for each interviewee for the anonymising purpose stipulated in the introductory letter (see **Appendix A**). After conducting all the interview sessions, the researcher undertook the transcribing process. The final transcription audio data set will be electronically stored with password safeguard protection and file encryption by the researcher. After transcribing audio data, a thematic analysis was conducted to establish the thematic categories, such as frequencies and patterns of responses that stood out.

3.6.3.2 STEP 7: CODING OF INTERVIEW AUDIO DATA

The thematic data analysis was based on the open-ended questions asked in each interview, and the identification of patterns and recurring responses. The coding allocation separated the thematic analysis into categories for more robust, detailed research. Data was closely examined to determine the three themes in the interview guide, shared topics, ideas, or patterns. Doing so assisted the researcher to draw preliminary findings of participants' perspectives, knowledge, understanding and experiences. After examining the data, the participants' responses were read a few times and the data assigned to groupings by their codes. The assigned codes provided a condensed overview of the sectional focal points identified by the thematic data obtained in the interview sessions. Data were categorised by the assigned codes into the preferred themes – themes are generally broader than codes. Lastly, after the preferred themes had been identified, the researcher ensured that these identified themes represented the patterns in the participatory responses appropriately.



3.6.3.3 STEP 8: CATEGORISATION OF PREDETERMINED THEMES

The researcher used the deductive approach to determine the themes in relation to responses given to the open-ended questions in the semi-structured interviews. In addition, the researcher was particularly vigilant about remaining objective, as a thematic analysis can be relatively subjective and lead to reliability issues, especially if the research does not confirm the initial thoughts of the case study.

Saunders et al. (2019: 443) claim that the application of the semi-structured interview technique is an enabler to understanding the interrelationships between all the themes; for instance, themes admitted from the literature, and data gathered directly from participants through recordings of their words during the interviews, detailing their actions during observations, and/or using their words written in research diaries, transcribing the audio recordings of interview responses, observing and making notes during the interview sessions. These sets of identical questions were asked to each participant consistently in each interview, to enable the researcher to produce accurate, comparable data that can validate the applicability in this research context.

Significantly, Saunders et al. (2019: 640) add that the relationship between data collection and data analysis depends on the quality of the research instrument. The researcher believes that using non-probability sample selection enabled them to tap into the populations' knowledge, experience and perceptions and address any analytical implications. In addition, the researcher made use of notes to summarise responses, condense them, code them and categorise the data, which meant each answer could be linked to a thematic category. The research results aimed to produce a richly descriptive text with reference to the themes of the research title, and a clear view of the participants' perspectives.



3.7 ETHICAL CONSIDERATIONS

According to Evans (2004: 202) and Resnik (2011), the essence of an ethical code of conduct is the preclusion of harm, which represents the protection of human dignity, privacy and identity, fundamental rights, public safety, the well-being of participants, researchers, and the research environment. Furthermore, Saunders et al. (2019: 252) point out that ethics relates to a code of behavioural standards that guide conduct concerning the rights of a selected sample. Bryman et al. (2014: 120) explain that ethical research principles remain imperative and should be considered in four main areas, namely:

- i. To assess if there is any harm to respondents and or participants;
- ii. To determine if there is any absence of informed consent;
- iii. To identify if there is an invasion of privacy; and
- iv. To observe if there is any form of deception involved.

According to Saunders et al. (2019: 252), broader social norms of behaviour can be determined through the appropriate conduct, influenced by various social means. These authors explain that a social norm is a behaviour adopted in a specific situation; however, standards that prevail make provisions for various ethical circumstances.

Following the ethical code and principles theorised for this study, permission was requested from Centlec to conduct this study, which was granted. Confidentiality remained a key consideration for this study, as Centlec is a registered national key point structure that should comply with specific approval security protocols. A formal gatekeeper letter from the chief executive officer was obtained to ensure compliance. This study was conducted by considering all standard rules and regulations of Centlec.

Before conducting the semi-structured interviews, all the intended participants were given an opportunity to indicate their voluntary participation by providing individual informed acceptance or consent; they were free to decline to participate. When the



data collection process started, the responses given in the interview sessions were audio recorded, and the interview guide that accompanied the interview proceedings set out the following:

- i. The study purpose;
- ii. How data would be collected;
- iii. How data analysed, and
- iv. How the findings would be presented.

For this study, there is no retraction relating to the institutional denomination; however, to comply with the amended Protection of Personal Information Act (POPIA) requirements the national key point codes remain mandatory. Subsequently, the anonymity of participants working at the municipal energy entity was paramount. The prediction for the study's success rate was 100%, as all participants participated in the interviews. Concerning the interview proceedings, the interview guide included the terms and conditions (rules and guidelines) relating to the protection rights of the participants, the importance of confidentiality, and crucial aspects of anonymity. In addition, an introductory letter (see **Appendix A**) was provided to all intended participants to eliminate any form of deception. Lastly, strict adherence to all agreed ethical considerations and restrictions was complied with from the start until the completion of the study. The following moral norms and standards were considered for this study.

3.7.1 Voluntary participation

Bryman et al. (2014: 122) indicate the voluntary and consensual nature of participants' rights, and their right to withdraw from participation at any stage of a study. Furthermore, Saunders et al. (2019: 264) point out that any individual has a right to privacy and should not feel pressurised or coerced to participate in any study.



For this study, before commencing with the research instrument, the targeted population was sent individual participation informed consent confirmation forms for completion and acknowledgement. Participants were allowed to accept or decline participation in the research process. If prospective participants declined, their decisions were respected and they were not pressurised to participate, because participation in this study was voluntary.

3.7.2 Informed consent

Bryman and Bell (2007) define informed consent as researchers providing adequate information and assurance to participants, so that they understand the purpose of the study. In addition, Saunders et al. (2019: 267) explain that the purpose of informed consent forms is to ensure that members of the target population receive sufficient information and reasonable time to give them the opportunity to ask for clarity where uncertain, to reach a fully informed, considered and freely given participatory decision without any pressure or coercion. Saunders et al. (2019: 264) explain the purpose of using written consent forms to clarify the parameters of approval to comply with all the data protection legislation required by the POPIA.

For this study, no intended participant was required to provide indemnity. All the intended participants who agreed to participate in the semi-structured interviews were required to sign and acknowledge the written informed consent form.

3.7.3 Data integrity

Bryman et al. (2014: 128) define data integrity as the processing of information, lawfully and somewhat transparent regarding its purpose. Saunders et al. (2019: 267) refer to fabrication or falsification of data, which is unacceptable and unethical in a research study. Moreover, the integrity involved in managing all data acquired and used during this study was crucial, as participants could not be exposed to career-related risks.



3.7.4 Confidentiality and respect

Bryman and Bell (2007) define the ethical principle of confidentiality as the action of not revealing publicly what was agreed upon not to be revealed. It is linked to the principles of privacy and anonymity. Furthermore, Saunders et al. (2019: 270) point out the role of the researcher is to maintain an adequate level of confidentiality and respect for the rights to privacy to all participants throughout all the stages of the research study.

According to Sarantakos (2013), the ethical principle of beneficence and non-maleficence is derived from managing the benefits and risks of the research study. Scott et al. (2013) explain that an ethical principle of justice relating to the research procedures is that it should be fair, and the privacy rights of the intended participants must be respected. Therefore, guaranteeing confidentiality and anonymity are essential for gaining access to institutions and their workforce. Once access has been granted, the data that were collected must remain confidential and no elements of personal and sensitive personal data may be made public.

For this study, and because Centlec is an accredited national key point, strict communication and confidentiality protocols were required through the formal approval of the delegated authority.

3.7.5 Objectivity

Bryman et al. (2014: 380) define objectivity as the way a phenomenon or observation is observed without the researcher affecting it. Saunders et al. (2019: 268) explain that it is important for the researcher to maintain objectivity during the data collection stage, to ensure that data is collected accurately and thoroughly, and to avoid exercising subjective selectivity. The researchers' ability to analyse the data accurately will be impaired if the data was not collected objectively.



The researcher analysed and interpreted data that was collected to ensure that independent reality was objective, and not biased. In this study, misleading information or representation of primary data findings in a discriminatory manner was avoided.

3.7.6 Conflict of interest

Pickering and Anderson (2012) highlight that conflict of interest does not depend on possible or actual conflict. Furthermore, the National Ethics Advisory Committee (2012) refers to two crucial conflict of interest concerns that could compromise research integrity through coercion. In this study, the researcher gained access via the employer, as the target population was selected from the employer's total population.

The researcher in this study was independent and had an acceptable level of understanding and moderate knowledge of the study title (see **Appendix E**) and was able to ascertain that the case study complied with all the applicable systematic procedures and permissible provisions for equivocal evidence favourable risk-benefit ratio.

According to Stanley and Korenman (2006), in research, risks refer to the probability of physical, economic, or social harm due to participation in a research study. Stanley et al. (2006) point out that uncertainty involves the trivial, transient and/or severity of the associated benefits of a research study. Therefore, the researcher must take all possible steps to mitigate potential risks for the intended participants. The following two plausible risks were identified, which have been assessed and deemed in a favourable ratio, with no impact on the study.

Firstly, the risk of conflict of interest and harm concerning the designation of the researcher was considered and assessed to have a low degree of uncertainty, as the researcher was independent of the sample frame – the intended participants for this study reported directly to different directorates in separate roles and responsibilities,



which are not in the ambit of the researcher. Secondly, the risk relating to the loss of work time pertaining to the selected 15 intended participants was assessed; and appeared to have a low degree of uncertainty, as formal permission had been granted by the chief executive officer of Centlec, who permitted that the data collection processes, namely semi-structured interviews, be conducted during working hours at the work premises.

Considering the identified plausible risks for this study, a risk assessment was done to determine if the potential benefits are proportionate to, or outweigh, the risks, including mitigation plans to reduce the degree of uncertainty. The risk assessment indicated that the potential benefits outweighed the identified plausible risks, with a low degree of uncertainty, with no impact on the study.

3.8 CHAPTER SUMMARY AND DEDUCTIONS

The introductory letter (**Appendix A**) explained the purpose of the research to the participants, and was accompanied by a written informed consent form (**Appendix B**), which required them to acknowledge that they were willing to be part of the study. The interview guide (**Appendix C**) details the segmentation of thematic, opened-ended questions and contained particulars that enabled the researcher to conduct the semi-structured interviews. All the questions were posed in English, they were short and straightforward, and complied with all the requirements for open-ended questions with relevant probing questions.

To comply with confidentiality protocols, the language editor was requested to sign and acknowledge a third-party confidentiality agreement (**Appendix D**), which ensured that the process was confidential and could not affect the reputation of the municipal energy entity negatively. A detailed resume (**Appendix E**) was considered to validate that the principal researcher possessed a comprehensive understanding



and the requisite knowledge for the research study, and that the researcher remained independent from the selected sample frame.

The theoretical framework related to this study was discussed extensively and linked to the research methodology. The next chapter will present the data collected for the study and discuss the findings achieved through data analysis.



CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

This chapter will present the results of the study, which entail the responses of the participants who comprised the purposive sample that had been selected. The research approach that was used for this study was qualitative research, and data was gathered with semi-structured interviews that were conducted by means of face-to-face discussions, using an interview guide (see **Annexure C**). This qualitative study used the thematic analysis method to analyse the data. This chapter will present the outcome of the data analysis, its interpretation and findings on the factors that influence debt and credit management by Centlec.

Firstly, this chapter will present descriptive data, starting with the response rate and data saturation in Section 4.2, followed by the sample in Section 4.3. The thematic correlation regarding the crucial elements that influence adherence to credit control measures and the effectiveness of debt collection tools that simulate the extent of debt substantively will be discussed in Section 4.4. Information gathered in the semi-structured interviews will be presented and interpreted in Section 4.5, thereby achieving the secondary objectives of this study (see Section 1.4.2).

The transcriptions of participants' interview responses were compiled into thematic statistical matrices to facilitate an analysis and understanding of the perspectives and opinions of the participants concerning their knowledge and understanding of credit control and debt collection management by Centlec.



4.2 RESPONSE RATE/DATA SATURATION

For this study, fifteen experienced and highly knowledgeable participants who worked in debt collection and revenue protection departments were recruited from the audited staff establishment report. The intended participants were given seven days to indicate whether they were willing to participate in the research voluntarily, as communicated in the introductory letter. The participants agreed to participate by signing a formal, written informed consent form for the study. Interview appointments were scheduled via email and confirmed telephonically at times convenient to the participants. All participants consented to have the interviews audio recorded, and that the researcher could capture notes relating to responses in the interview sessions. All semi-structured interviews were conducted in English at the work premises of the participants. A standardised interview guide was used to conduct semi-structured face-to-face interviews comprising thirteen open-ended questions and probing questions, all posed in simple English to collect data. Interviews lasted, on average, an hour.

4.3 SAMPLE

All fifteen participants who participated in the semi-structured interviews occupied positions at middle, senior and executive management levels. This meant that participants possessed extensive knowledge and advanced experience of municipal revenue, debt and credit management.

4.4 DATA ANALYSIS

Qualitative data obtained from the transcripts were analysed manually. Joffe (2011) advocates that thematic analysis is compatible with constructivism for the mere reason that the analysis process provides a vast data range to demonstrate the development of a certain social construct. Following Joffe's theory, this study used a constructivist thematic analysis, through deep thematic concepts within the collected data. Braun



and Clarke (2012) affirm that thematic analysis is a powerful method when the core aim is to seek understanding of diverse thoughts, behaviours, and different experiences across a data set.

This chapter provides the descriptive findings from the standardised thematic concepts as contained in the interview guide.

4.4.1 Debt collection management

4.4.1.1 DEBTORS CONTROL SYSTEM

The majority of the participants indicated that Centlec has a debtors control system and makes use of the approved credit control and debt collection policy of the Municipal Council to effect implementation of the system. Furthermore, some participants argued strongly that, even though the approved policy is implemented, it was not necessarily effective, as the policy needed to be improved, and faced limitations, such as the fact that the disconnection process was not implemented as approved for government institutions or large businesses, such as shopping malls and restaurants. Participants indicated various challenges in this regard; for example, the majority were of the opinion that the approved credit control and debt collection policy, including by-laws, were not implemented equally and transparently for all customer groups. This clearly compromises the implementation of the credit control measures and cannot yield effectual and efficient results as legislated.

Participants suggested that, to improve the adherence to credit control measures, the credit control and debt collection policy should be periodically revised and be adjusted to correspond with the reality of operations. Some participants proposed that it should be considered to replace all rotational credit meters with prepayment meters. The conversion of meter types will have a positive impact, as the sale of electricity will materialise through prepayment transactions via the vending system. Other participants suggested that local government should consider implementing and



measuring a mandatory key performance indicator for all government institutions relating to the payment for basic services consumed. *“This will enforce government heads to prioritise funds to pay for consumed electricity services.”*

4.4.1.2 BILLING AND COLLECTION

Participants indicated that Centlec billed its customers according to connection size, which categorised consumers into specific customer groups; furthermore, based on the required size, the customer is then allocated to the correct sales billing structure, namely rotational sales and/or prepayment sales. The approved tariffs that are billed are applied correctly in accordance with the regulated tariff determination structure of NERSA. Within the sales billing structure, the sales are billed by two different billing methods, namely manual billing and automated billing. Participants indicated that Centlec bills electricity consumption manually for all the rotational meters, for which the process involved one of two procedures: i) Manual readings derived from physical meter readings that were obtained, and meter statements sent to the billed consumers; ii) Alternatively, automated meter readings derived from the remote allocation for bulk time-of-use meters, through an automated meter reading system (AMR). In relation to prepayment sales, Centlec used a vending system and all prepaid sales were vended through the issuing of electronic electricity tokens to the specific consumption meter. It was confirmed that, for manual meter readings, the meter readers provide the readings in a programmed format, which were uploaded on the billing system via an upload meter reading file, for integration. Participants confirmed that, once the integration had been done, the billing system identified all possible default accounts by way of consumption alerts and patterns. Identified default accounts were investigated by means of a deviation report. The participants stated that all identified deviations during a specific billing cycle were corrected through a change control process. The change control processes contain the investigations and validation of the default, accompanied by an adjustment journal known as a BJ20 journal in the



billing system. This adjustment journal is prepared, reviewed and authorised by the specific delegation, as per the approved policy framework, to adjust the identified defaults and/or error accordingly. Subsequently, officials confirmed that, if the identified default and/or error could not be validated, an estimated consumption was levied, based on the historical consumption pattern, and billed for the particular billing period. Once the default error had been validated and confirmed, the estimated consumption levied was reversed, and the accurate actual meter readings for that specific billing period was adjusted with a change control adjustment journal entry for the specific defaulted consumer account on the financial billing system.

In addition, as described in Section 2.4, in the literature review of his study, inaccurate or outdated consumer billing information affected revenue management. As a result, participants affirmed that a once-off data cleansing process was done to purify billing information on the financial system. *“Updating the debtors management system with consumer information is crucial for implementing the disconnection process and to effectively collect debts from defaulters.”* It is, therefore, crucial to perceive that, to maintain effective and accurate billing, the functionality of the technology (billing module) is imperative for a compliant debtors system. Technology not only contributes to effective billing, but also promotes financial integrity and completeness assurance. Precise billing, therefore, depends on the accuracy of the data inputs into the billing module that integrates with the debtors system. Moreover, standard operating internal controls, modules and systems to supplement the financial software disciplines to warrant complete and accurate billing.

4.4.1.3 RATIONALE FOR NOT PAYING FOR SERVICES RECEIVED

All the participants confirmed that government is Centlec’s largest debtor in relation to consumed electricity. Furthermore, participants claimed that the reason for customers not paying for electricity services is political interference, which counters the implementation of the credit control and debt collection processes as approved and



prescribed in the policy and by-laws. Some participants believed that, because Centlec is a municipal entity owned by the Mangaung Metropolitan Municipality, and positioned within the government micro landscape, the notion of services rendered by “government to government”, seemed to provide latitude for government institutions to default by failing to prioritise paying for electricity consumed; instead the defaulters encourage politicians and councillors to misuse their political power to avoid implementation of disconnection processes. Nevertheless, despite political interference, some participants affirmed that Centlec attempted to enforce the approved credit control and debt collection processes as outlined in the policy every month. It is, therefore, introduced that, in any democracy, the interdependency between the legislature and the executive council remains imperative to ensure that the executive council is held accountable, that policy reforms are subject to rigorous deliberations to ensure transparency, and can be implemented effectively. Non-executive councillors should maintain oversight responsibility concerning the executive, and should champion the concerns of citizens. Doing so will promote brand equity that strengthens the stakeholder relationships of trust and understanding between Centlec, the Mangaung Metropolitan Municipality and respective ward communities Centlec serves. Participants presented a convincing and unanimous argument that efficient, effective and transparent monitoring of delinquent consumer accounts can significantly reduce Centlec’s increasing debt book. Alternatively, some of the participants strongly believed that the implementation of a customer online payment system could improve Centlec’s revenue collection rate. It is undoubted that the globalisation of seamless technology evolves rapidly, and an enterprise resource planning system is deemed essential for maximising revenue collection for Centlec.

4.4.1.4 REVENUE COLLECTION

According to the King IV Report (Institute of Directors Southern Africa, 2016), revenue management remains the cornerstone of good corporate governance practices. In



other words, a governing body should govern in compliance with the applicable prescripts and legislation, and adopt non-binding rules, codes and standards, in a way that ensures that an institution is an ethical and good corporate citizen. In this context, participants were asked open-ended questions on revenue management according to the regulatory and statutory policy framework.

Some participants believed strongly that Centlec was unable, at the time of the interviews, to generate alternative revenue streams. At the same time, challenges presented by tampering and cable theft significantly and negatively impacted revenue management. These factors exacerbated the fact that government institutions and large commercial businesses did not pay for consumed electricity services.

Participants confirmed that Centlec is not achieving the prescribed revenue collection threshold of 95% determined by the National Treasury (2014) in MFMA Circular No. 71, instead, the average collection rate is in the range of 75% to 80%. Notably, participants advocated that the major reason for non-performance is that the large, accumulating government debt constitutes approximately, on average, 65% of Centlec's debt management profile. In addition, participants attest to the deviation processes that only apply to government institutions and big bulk commercial businesses, by external political pressures overruling the approved credit control and debt management policy framework. The provision for deviation from the policy, undoubtedly places a burden on the operating cash flow position of Centlec, which eventually has detrimental impacts on service delivery as mandated. The researcher believes that all the directorates of Centlec, and all monitoring and oversight structures on the national and provincial levels of government, should be equally responsible for revenue collection, credit management and debt management on a municipal level.

Participants provided a variety of plausible suggestions to ensure the revenue of Centlec is protected and collected:



- i) The rollout of a robust conversion exercise to ensure that all rotational meters are replaced with prepayment meters. This will ensure that revenue is collected in advance, before the electricity is allocated.
- ii) The alignment of timing differences between the billing cycles and implementation of disconnection processes to ensure that revenue is collected in time.
- iii) The assurance and efficient allocation of required resources (human and equipment) for disconnection processes to be implemented across all default consumers within legislative timeframes and applicable conditions as constituted in the prescripts and Electricity Act (South Africa, 2006a), especially WRS047 and NRS053.
- iv) To consider marketing awareness campaigns relating to the risks of illegal connections, cable theft, and non-payment for municipal services.
- v) To ensure that all policies, standard operating procedures and guidelines are periodically updated to be directly aligned to the reality of the operations. This will reduce disconnection challenges.

4.4.2 Credit control management

4.4.2.1 DISCONNECTIONS, RECONNECTIONS AND DEBT COLLECTION

The majority of the participants attested that external political interference constrains the effective implementation of credit control measures for the largest debtor group of Centlec. Furthermore, participants affirmed that the limitation within the approved debt collection and credit control policy is the provision granted to the accounting officer, as the delegated authority that is allowed to deviate from the approved guidelines subject to the merits of the consumer profile. Participants indicated that the reconnection measures and guidelines are stipulated in the approved disconnection and reconnection policy, under Sections 4, 5, and 6 respectively (Centlec 2021d). Participants confirmed that the detailed guidelines relating to default consumers are



implemented across all default debt categories, except for government institutions and big commercial businesses. Participants reaffirmed that this constraint is based on external political interference. Municipal trading and social economic investment are key drivers in the reshaping of any municipal jurisdiction and political landscape, and Sections 62(1), 64(1) and 96(b) of the MFMA, Act 32 of 2003 (South Africa, 2003), regulate the management and collection of municipal revenue.

Participants expressed their opinions on the costing of the processes that are initiated; however, processes were never completed and resulted in uncollectable overheads for Centlec. Participants were of the opinion that, due to government institutions failing to pay for consumed electricity services, other customer groups that actually do pay for electricity services were indirectly subsidising government. It is, therefore, crucial to comprehend that credit control measures and debt collection processes must be planned, purposeful, strictly controlled, followed diligently and executed successfully as legislated.

4.4.2.2 MUNICIPAL TARIFF DETERMINATION STRUCTURE

Participants confirmed that Centlec is not achieving its mandatory revenue target, mainly because the largest defaulters – government institutions – are not paying for month-on-month electricity services consumed, which has accumulated significantly. Participants were of the opinion that Centlec was achieving an average achievement collection rate of approximately 75% to 80%.

In addition to the defaulters who were not paying for consumed electricity services, participants attested that the inclining high electricity tariffs impacted the affordability reality considering the current economy. Participants corroborated that consumers were becoming smarter about using electricity wisely, and were venturing into alternative renewable sources of electricity. Some participants confirmed that consumers' behaviour change is evident in consumption patterns, which portray a



unfavourable financial impact on the revenue anticipated by Centlec. The study found that several elements contribute to determining the electricity tariff structure in relation to affordability, however, it remains vital that Centlec understands the customer demand and, jointly with consumers, cooperatively sets realistic electricity tariffs through public participation processes for consideration and approval by NERSA.

4.4.2.3 BY-LAWS AND POLICY ENFORCEMENT

Participants confirmed that Centlec utilises the by-laws for tampering and illegal connections as a legal aid to safeguard processes and policy frameworks. Furthermore, some participants claimed that the by-laws were not assisting significantly to encourage adherence to policy frameworks and by-laws and they were not increasing the effectiveness of credit control and debt collection management. Instead, by-laws were utilised as guiding tools in terms of legal parameters for tampering and illegal connections. In addition, some participants affirm that, because the by-laws were directly linked to legislation applicable to Centlec, namely the Municipal Systems Act, Municipal Financial Management Act, and Companies Act, it coerced a more accessible enforcement of the policy framework and procedures for credit control measures and debt collection tools. Centlec must adhere to Sections 95(d) and 95(e) of the MSA (South Africa, 2000), which explicitly requires that reasonable steps are taken to ensure that the customer's consumption of electricity services is measured through accurate and verifiable metering systems, and that consumers are liable for payments received through an accurate monthly statement account that stipulates the basis for calculating the consumption amounts due to Centlec.



4.4.3 Revenue enhancement strategies

4.4.3.1 REVENUE MANAGEMENT AND ENHANCEMENT STRATEGIES

It was confirmed by the majority of the participants that Centlec did have an existing revenue enhancement strategy; however, it was not effectively implemented, monitored, and measured. Considering that the majority of Centlec's revenue is based on the sale of electricity, and if existing revenue streams are inadequate to achieve the demands for local economic growth in Mangaung, it is imperative to commence exploring opportunities with the intention of diversifying revenue sources.

Participants suggested a diverse set of initiatives and uncomfortable decisions that need to be considered to improve the working capital of Centlec, to secure sustainable growth through a realistic, effective revenue enhancement strategy:

- vi) Consider doing a study of supply assessment to determine the customer base.
- vii) Consider doing a feasibility study and outsourcing services to set up a solar plant as a pilot project to supply electricity to indigent consumers.
- viii) Consider implementing seamless debt collection systems that could stabilise the increasing debt book.
- ix) Eliminate any external political interference in debt collection through policy documents.
- x) Develop a new funding model that ringfences government's accumulated debt.

4.4.3.2 CUSTOMER RELATIONS

Participants confirmed that Centlec had established two customer centres. It was confirmed by some participants that one centre was a "walk-in" customer centre for all electricity enquiries, and the second customer centre was a "24/7" call centre that customers contact by telephone after hours with complaints. Furthermore, participants expressed extreme dissatisfaction about the lack of effectiveness and user



friendliness of these customer systems. Some participants claimed that the reason for the customer centres being ineffective was that the customer centres were not centralised, which frustrated the customers and resulted in negative publicity.

Some participants suggested that, to gain public confidence, Centlec should conduct a resourcing exercise to allocate and prioritise risk-based resources that can improve the turnaround times of assistance to customers. Some participants proposed that Centlec should consider a seamlessly integrated customer relationship management system to attain transparency in providing equal services to all customer groups through an effective and efficient approach that would create an attitude of positive customer satisfaction. Brand equity transpires through the willingness to deliver and the quality of customer services and hospitality. It is, therefore, crucial that frontline officials in the customer centre, at all times, build and foster cordial, solid relationships with clients and are equally accountable and responsible for the rendering of efficient and good quality services.

4.5 DATA INTERPRETATION

It is vital that collected data are interpreted, as doing so provides an indication of the underpinning findings regarding the specific topic. Braun and Clarke (2012) affirm that any direct quotation should provide adequate context to understand the underpinning meaning to justify the textual interpretation. In this study, the interpretation of findings extensively analysed the adherence to credit control measures and the effectiveness of debt collection tools by Centlec. The findings of the study were interpreted and examined on the basis of the research objectives.

4.5.1 Debt collection management

The managing of a debt profile by any organisation remains a vital strategic goal towards the sustainable growth of a business. The results of the semi-structured interviews show that resource allocations are required for debt collection processes to



improve the quality of providing reliable electricity services. The thematic data analysis presented in Section 4.4 demonstrated the prime dimensions that trigger the challenges facing debt collection processes, which eventually result in financial distress. The study established that the average annual debt collected against the debt balances is 80%. This indicates that Centlec's debt is not being adequately collected with the available debt collection tools. In addition, the audited Annual Financial Statements for the 2021–2022 fiscal year presents the average debt written off against debt balances as 39%; whereas the inclining debt book figures presented in Table 1.2 validates that there is a chance that the reduced debt may be due to waivers and/or ledger cleaning, instead of consumers settling their outstanding debt.

It is clear that, unless these prime dimensions are prioritised, Centlec will compromise its legal license to fulfil its service delivery mandate and will be adversely affected. In support of this view, the King IV Report (Institute of Directors Southern Africa, 2016) propose strategies to improve prudent financial management strategies within the local government landscape, which can impact Centlec significantly and positively. To address the prime dimensions as stated in Sections 4.4.1; 4.4.2; and 4.4.3, Centlec should revive its revenue value chain. Centlec should focus on the following, among other measures.

- xi) Direct alignment that reflects the interdependence of all debt and credit control activities related to revenue collection;
- xii) Apply criteria of mandatory customer information at the opening of an electricity account;
- xiii) Outline the value of assessment criteria relating to income groups for affordability validation;
- xiv) Propose that government officials lead by example, and the payment of consumption bills through a deduction remuneration method;
- xv) Report all default meters for the purpose of follow up to be rectify; and



- xvi) Emphasise the importance of credit control procedures as a mechanism to secure payments from customers who consumed electricity services.

The study, furthermore, established the prime dimensions that stand in the way of implementation of credit control measures, and improving the effectiveness of the debt collection policy; these dimensions require immediate attention. In addition, it was confirmed in the interviews that billing cycles are not aligned with the revenue collection timeframes and disconnection processes, and the overlap in time creates a financial loss impact which is unrecoverable for Centlec. It appears that the workforce should be capacitated in relation to revenue and debt collection management, to improve the national regulatory standards and the quality of service delivery for its consumers. Based on the data collected, it is clear that Centlec should capacitate the debt collection section with the required resources to prudently and efficiently collect all debt owed to Centlec.

Furthermore, it is evident that, if the key standard operating procedures are not prioritised, service delivery will be adversely affected, which can cause social community instability. In support of this view, the King IV Report (Institute of Directors Southern Africa, 2016) outlines positive interventions to improve financial management within the local government sphere. The report indicates that the majority of metros and municipalities still experience challenges relating to revenue billing and debt management, which demand attention. Importantly, Centlec should prioritise acquiring an electronic debt collection system that seamlessly integrates with the billing module, debtors system and banking institution to ensure the effectiveness of debt collection tools.

In this study, there were transparent indicators that skills are required if the management of the anticipated revenue is to be improved. De Lange (2018: 9) claims that revenue management and debt collection processes rely solely on dedicated, committed and disciplined officials. Du Plessis (2016: 14) affirms that the officials who



operate and maintain financial systems (billing systems) in an organisation should work accurately to ensure that customers are billed correctly for what they consumed.

This study found that the revenue protection department of Centlec requires staff with specific skills in critical positions, which affects the consistency of the operational ability. Lack of these skills results in adverse performance and audit outcome.

4.5.2 Credit control management

To consistently improve the revenue growth within the local government sphere, radical decisions regarding business principles and adherence to policy frameworks should be made. Updating the credit control and debt collection policy so that it is aligned with the reality of operations may significantly improve the management of revenue. The majority of participants suggested that understanding and knowledge of the policy could reduce the increase in municipal consumer debt.

The majority of participants confirmed that external political interference is a constraint that prevents them from successfully implementing approved disconnection and reconnection procedures in order to collect the debt owed to Centlec. Furthermore, participants reported that, even if they enforced credit control measures on government institutions, these measures were guaranteed to be overwritten.

Participants expressed strong views relating to the affordability of electricity. They believed that tariff pricing and inventory management would significantly improve revenue collection. The largest source of revenue for Centlec is the sale of electricity, and derived from the regulated tariff determination. Some participants indicated that the current tariff determination structure may not be adequate to address the financial challenges faced by Centlec, or may not be adequate to meet Centlec's expenditure requirements. It is evident that the electricity pricing determination structure for each customer base should be rigorously analysed, in order to defend its tariff pricing model. Considering that the pricing determination remains one crucial attribute of revenue



management, the accuracy of the billing data requires ongoing purification audits to eliminate inaccurate and invalid billing data that leads to disputes and legal challenges by consumers.

Jitsing et al. (2018) caution that internal own-generated revenue should be strategically established, as opposed to intergovernmental grants and transfers. In order to accomplish this goal, it is crucial that periodic, updated, effective and efficient credit control and debt collection policy framework should be developed and maintained. Some participants claimed that municipalities, in general, have outdated policies and by-laws, which severely affected their debt collections strategies. The majority of participants confirmed that the standard operating disconnection procedure was not included in the approved council policy for government institutions, which contributed to the effectiveness of credit control measures, especially for some government institutions that possessed strong political backing. Furthermore, some participants confirmed that the approved council policy makes allowance for deviating from the implementation processes, subject to the merits of each circumstance. This finding is supported by the fact that the adherence to credit control measures as approved in the policy framework is not implemented equally across all default consumers, and is, thus, not effective.

The King IV Report (Institute of Directors Southern Africa, 2016), states that a board should govern compliance with all applicable laws and regulations approved, and adopt non-binding codes, standards and rules in a methodology that assists the organisation to value ethics and good corporate governance. To support this recommendation, the institution of a debt collection programme must be considered, to enable all stakeholders to understand the policy frameworks and processes, to be educated on relevant financial legislated processes, municipal systems, payment for municipal services, and maintaining and refurbishing infrastructure. Considering the findings related to the adherence to credit control measures, success depends on the



ability of Centlec management to provide competent and experienced officials tasked administratively with the enforcement and implementation of the approved credit control measures, financial systems and internal control procedures, while simultaneously ensuring support of all oversight structures and political will.

4.5.3 Revenue enhancement

Participants indicated that Centlec had adopted a revenue enhancement strategy as a guiding toolkit for the entity to improve the revenue collection rate. Some participants expressed concern and claimed that this revenue enhancement strategy was not being implemented effectively and remains a mere dream. Additionally, some participants expressed strong views on the collection of billing data, which they related to inaccurate, incomplete and unreliable meter readings submitted by meter readers for billing consumers for electricity consumption. This challenge resulted in customers initiating disputes and refusing to pay for electricity consumption, subject to their billing data being corrected. Some participants confirmed that a data purification exercise had been done in the past to purify the billing information, however, it should be repeated periodically, to avoid disputes that cause consumers refusing to pay their monthly electricity bills. The Ducharme Training Institute (2016: 14) asserts that a billing module within a financial system is the core instrument that could navigate the operational cash flow, and subsequently also serve as the main channel for consumer data; it would be integral and cardinal for the success of any municipality and its entities. To enhance the revenue of Centlec, the study found that the following are among the measures that should be considered:

- xvii) To initiate a cooperative initiative with ward communities to assist in applying to NERSA for affordable electricity tariffs;
- xviii) To improve the current automated reading metering system, with the intention to levy accurate billing data that maximises the revenue collection percentage to the desired threshold, as legislated;



- xix) To drive the conversion all credit meters to prepayment meters that guarantee and secure upfront payment for electricity;
- xx) To robustly and stringently monitor and evaluate austerity measures aligned to the collection percentage, to curb non-essential expenditure and maintain a favourable positive operating cash-flow for service delivery; and
- xxi) To prioritise the implementation of an seamless online electronic debt collection system, including the establishment of a fully compliant and functional debt collection section with the prime aim of recovering and collecting all monies owed to Centlec for electricity services consumed through all policy reforms and legal frameworks.

4.6 CHAPTER SUMMARY AND DEDUCTION

The results of this chapter are qualitative, and based on data gathered in semi-structured interviews that followed a standardised interview guide with thematic themes, which were interpreted and examined for the study. The literature review revealed that local government is not financially viable and faces serious backlogs on service delivery issues for their respective communities.

The study showed beyond a doubt that Centlec is faced with serious revenue and debt collection challenges, especially from government institutions and sizable commercial businesses. To assist in resolving these challenges, it is suggested that municipalities and their entities adopt robust revenue management strategies that are continuously aligned with applicable legislation and policies, and to implement good governance and obtain clean audit opinions.

Subsequently, it was confirmed that, even though Centlec adopted a good revenue enhancement strategy, it was not effective. To support the strategy, it was proposed that revenue enhancement processes are divided into immediate short and long-term



key strategic objectives, in order to accomplish the vision and strategic intent of municipalities and their entities.

The next chapter will focus on the conclusions and recommendations to address the findings that were examined in Chapter 4.



CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The previous chapter dispensed the interpretation of the results, and this chapter will discuss and summarise the findings, to reach the conclusions and make recommendations based on the research findings to ensure adherence to credit control measures and the effectiveness of debt collection tools. The chapter will present the research problem, aim and objectives. The theoretical and practical implications of the study will be accompanied by a deliberation on the methodological and theoretical limitations of the study. Lastly, the chapter will conclude the study with plausible directions and avenues for future research.

Chapter 1, Section 1.3, stated the primary research objective as follows:

- xxii) To examine the effectiveness of the debt collection tools of Centlec in the Mangaung Metropolitan Municipality of the Free State province of South Africa.

two secondary research objectives were pursued:

- xxiii) To examine adherence to the credit control procedures and debt collection policy guidelines by officials; and
- xxiv) To intensify effective debt management strategies for Centlec.

5.2 STUDY CONCLUSIONS

This section will provide an overview of findings according to the study objectives. The study found that the effectiveness of debt collection tools was dependent on adherence to all credit control measures by officials. Additionally, it was evident that



the workforce faced skills limitations, and need training and development to enable them to improve their execution of revenue management strategies.

The data analysis of the study, through reference to National Treasury and AGSA consolidated general reports revealed that the negative audit opinion in most of the municipalities and their entities is the result of failing to strictly implement effective revenue and debt management.

In relation to the recommendations of the study, it is vital for government to continuously mobilise municipalities and municipal entities to validate and demonstrate that local government is viable and stable for future sustainability, to the benefit of the citizens of the country.

5.3 RECOMMENDATIONS

The findings of the study should have a significant impact on decisionmakers at Centlec. The inefficiencies relating to financial discipline, standard operating internal controls and policy governance, moreover, compromise debt and credit management. The researcher concludes that there is a strong intercorrelation between credit management, debt management, municipal policies and by-laws, financial systems, internal controls, and service delivery, as expressed in Sections 2.3 and 2.4. It is apparent that the study warrants that the accounting officer, management, and the shareholder (Mangaung Metropolitan Municipality) contemplate these findings in their respective operational areas. The recommendations for the findings in relation to each objective of the study are therefore, as follows.

5.3.1 Recommendations from literature review

Section 96 and Section 97 of the MSA, Act 32 of 2000 (South Africa, 2000) provides for the adaptability of debt collection obligations and the enforcement of credit control policy decisions for municipalities and entities. In addition, Section 96(a) of the MSA



(South Africa, 2000) prescribes that municipalities should collect all monies owed for services rendered, subject to the provisions and/or applicable legislation. Section 96(b) of the MSA affirms that municipalities and entities must embrace, enforce, and sustain effective credit control measures and viable debt collection tools within the ambit of the regulated tariff determination policy framework as prescribed in the provisions of the MSA.

Considering the above, the study found that Centlec does have a credit control and debt collection policy that is directly aligned to the billing module in the debtors system as prescribed by Section 96 and Section 97 of the MSA (South Africa, 2000). In addition, the study established that Centlec does have credit control measures and procedures as required by Section 96(b) of the MSA.

5.3.2 Recommendations for primary objective

Section 64(2)(f) of the MFMA (RSA, 2003) stipulates that ineffective internal debt management controls by authorities, as required, cannot be condoned, as the ineffectiveness of debt management accelerates the disarray of the financial performance and ultimately questions the sustainability of municipal councils and their viability as going concerns. In respect to the effectiveness of debt collection tools, it was demonstrated by the study that it is not effective on the following grounds:

- (i) The approved debt collection process is not equally and transparently implemented for all default consumers, which leads to under collection.
- (ii) It was confirmed that disconnection procedures for electricity services due to non-payment are not implemented for government institutions and big commercial businesses, due to external political pressure and interference –this failure constitutes 63% of the inclining debt book of Centlec.
- (iii) Moreover, it was confirmed that the reason why consumers fail to pay their electricity bills in arears is due to lack of communication between Centlec



and the defaulted consumers, and customers' lacking knowledge on the implications of failing to pay, based on the fact that consumers are not informed on the status of their outstanding accounts and the required procedures to followed.

It is, therefore, recommended that, to improve the effectiveness of debt collection tools, Centlec should consider the following:

- (i) Centlec should document debt collection procedures and consider all relevant legislation, by-laws, best practices in the policy, and draft a debt collection manual that can be used and understood easily by all customers.
- (ii) Periodic adjustments should be enforced, based on operations relating to debt collection tools, to ensure policy frameworks remain aligned to operations.
- (iii) A fully functional debt collection section must be established, and it must be staffed by officials with all the necessary experience and knowledge.
- (iv) Ongoing data purification must be enforced through an advanced metering technology program that can provide accurate billing information, before credit control measures such as disconnection and reconnection of default customers are pursued.
- (v) An electronic debt collection system that enforces segmentation billing (prioritise the current account and allocate the acknowledgement of debt amount to a linked account) that can facilitate the debt collection process must be introduced.
- (vi) Consider converting credit meters to prepaid meters that guarantee upfront payment for electricity and reduces the risks involved in collecting debt.
- (vii) Ensure that debt collection officials that are involved in the legal process and credit control and clearance procedures, understand all judgments that



may have a significant impact on Centlec's credit control and debt collection procedures.

- (viii) Centlec could initiate a debt incentive reward programme with suitable criteria based on the nature of long outstanding debt. This could be a debt collection tool that could encourage consumers to pay for consumed electricity services. The programme could, for instance, allocate units to consumers who pay electricity bills in advance; have a accumulate points system, and points could be converted to units for consumers who show a compliant purchase pattern; or provide incentives to consumers in the form of tangible service delivery benefits.
- (ix) Centlec should be positioned to provide greater emphasis on financial viability and sustainability in its strategic budgeting planning processes, to secure the correct resourcing allocations.

5.3.3 Recommendations for secondary objectives

Section 96 of the MSA (South Africa, 2000) requires all municipalities and municipal entities to collect all outstanding debts. Furthermore, Sections 62(1), 64(1), and 96(b) regulate the collection and management of municipal revenues. Success in these endeavours undoubtedly depend on the ability of a municipality to do so through competent, knowledgeable and experienced officials who are tasked administratively with the implementation and enforcement of approved credit control measures, financial systems and internal control procedures. The study demonstrates that the willingness of officials to adhere to credit control procedures is evident, however, the procedures are not implemented and enforced effectively because of the following:

- (i) It was apparent that the approved policies were poorly designed, and no periodic updates are affected for implementation as required by the reality of the operations.



- (ii) It was demonstrated that the payment terms, in particular for government institutions, are not clearly defined, including when outstanding debts will be handed over to the debt collector for collection.
- (iii) It was confirmed that electricity tariffs are not affordable and, therefore, consumers venture into the culture of illegal connections and tampering.
- (iv) It was apparent that political interference remains a significant constraint to adherence to credit control procedures for government and large businesses, which directly impacts the financial viability of Centlec.

It is, therefore, recommended, that to encourage the adherence to effective credit control measures through effective, efficient and transparent enforcement and implementation, as the prime aim of sustained financial viability, Centlec should consider the following:

- i) To clearly outline detailed procedures, timeframes, and mechanisms in the credit control policy, to encourage payment by consumers for electricity services rendered by Centlec.
- ii) To eliminate deviation from approved processes, as the adherence to credit control policy measures possess value only if it is stringently enforced and implemented effectively. If government institutions and big commercial businesses default on payment for electricity consumed, cut-off processes should be implemented despite political interference.
- iii) To plan the guidelines in the approved debt collection and credit control policy thoroughly, monitor it well and follow it diligently to demonstrate the enforcement for payment is done correctly.
- iv) To establish a credit control compliance checklist in which the following should be established:
 - Extract the consumer details of the customer in arrears daily from the financial billing module in the debtors system.



- Import all the transactions of the default customer into the credit management system daily to ensure that the debt acknowledgement agreement is still valid, arrangements are monitored and paid-up accounts eliminated.
- To ensure that the financial debtors system is updated with accurate data, obtain feedback from the disconnection and reconnection sections to impose the applicable procedure by customer merits, such as meter data, arrangements relating to debt acknowledgement, summonses and accounts handed over to attorneys.
- Do weekly inspections to determine whether the services have been disconnected and consumers are still without electricity services, or whether the consumer has been reconnected illegally.
- Where illegal reconnection and/or tampering is detected, the consumer must be subjected to a much stricter disconnection process. This process should involve the related by-law process of Centlec.
- Where reconnection processes by the customer for electricity persists, the related circuit breaker should be removed, and a harsher penalty and/or sentence should be imposed, such as a permanent removal of energy supply.

Section 64(a) of the MFMA ensures prudent financial management systems are established for precise billing and accurate collecting of municipal revenues. In addition, the Revenue Management Policy of Centlec, Section 3, POL 13 (2021c: 5) sets out constitutionally mandated responsibilities to manage and enhance revenue sources at Centlec, to secure its financial and economic sustainability:

- i) To maximise income through a realistic revenue basis;
- ii) To improve revenue collection for guaranteed cash flow;



- iii) To ensure the effective functioning of systems and the efficiency of processes;
- iv) To enhance monthly revenue through effective credit control measures that result in regular payments; and
- v) To create a conducive, sustainable development and growth environment to render quality services.

It was evident that Centlec does not have an effective debt management strategy that is directly aligned with the applicable policy frameworks and the strategic vision of the entity to render quality electricity services and maintain favourable working capital. This was demonstrated by the following\:

- i) It was confirmed that the billing module possesses inaccurate consumer information, such as personal details and meter data information.
- ii) It was established that by-laws for debt collection exist as a guiding instrument to collect debt, however, no by-laws specifically exist for the adherence to credit control measure to intensify debt management.
- iii) It was confirmed that legacy challenges exist based on the fact that debt information was transferred from Margaung Metropolitan Municipality to Centlec, however, the information has never been purified in relation to closing and opening debt balances.
- iv) It was demonstrated that there is a need for radical improvement in recovering historical and inclining outstanding debts through intensifying the revenue collection.
- v) Strong views were expressed on the enforcement of applicable legislation, irrespective of political influence or interference by the public for default consumers.
- vi) An effective, centralised call centre that provides services manually (walk-in) and electronically (self-service) must be established, to enable Centlec



to respond and resolve enquiries timeously. Presently customers are not directed, assisted and accommodated efficiently when they have queries and enquires.

It is, therefore, recommended that Centlec should improve and embark on the following steps to intensify effective debt management strategies:

- i) Ensure that the billing module correctly reflects all billing details, customer data and meter information required to levy an accurate monthly consumption account, on time, to the respective consumer. This will eliminate unnecessary delays and disputes on the customer account, to secure payment.
- ii) Implement effective business process flows in the billing systems, debtors system, and debt collection system that ensure that the billing records are updated, and that validates that the approved policy frameworks and by-laws are followed as prescribed. However, doing so will require teamwork from the different directorates (Compliance, Internal Audit, Revenue Management) of Centlec.
- iii) Do routine monthly audit checks relating to the correct categorisation of debtor types in terms of the revenue management policy, as this impacts usage of electricity that depends on block tariffs regulated per customer category.
- iv) Ensure that electricity meter data, such as meter numbers, meter patterns, meter alerts and notifications are recorded correctly and linked to the corresponding property on the billing system.
- v) Ensure that electricity meters are adequately maintained to avoid leakages that can minimise losses and/or incorrectly measured consumption.



- vi) Ensure that meter readers read electricity meters with regularity and accuracy, so that the correct consumption data are recorded on the billing system.
- vii) Where access is detected and meter reading estimates are required, the estimation policy prescription methodology should be implemented accordingly.
- viii) Attend to and resolve consumer billing queries within a reasonable timeframe, as stipulated in the revenue policy.
- ix) Ensure that the revenue management and debt collection section is adequately staffed with competent, experienced and skilled individuals who understand the importance of the section requirements and how to render services accordingly, as expected in the best interests of the public.

It became clear that effective, efficient and transparent service delivery to the communities cannot be achieved without effort being expended. Revenue must be managed prudently, and stringent enforcement strategies must be robustly implemented by Centlec.

5.4 LIMITATIONS OF THE STUDY

This study led to several useful insights regarding impact of debt collection and credit control management on Centlec in terms of financial viability and sustaining quality service delivery to the citizens of the Republic of South Africa. However, despite the striving to ensure that the study is reliable and without flaws, several constraints were experienced, and can be addressed in future research studies.

- Because study findings rely on data gathered through semi structured interviews with a restricted pool of respondents working for Centlec, caution should be exercised regarding generalisation of the findings to other municipal entities.



- The study experienced time constraints, and a longer time frame to conduct the research could have provided additional insights that could be used as new and useful knowledge.

5.5 IMPLICATIONS FOR FUTURE RESEARCH

This study is not without implications for future research, as the findings of this study may be refined by conducting research study on similar municipal entities in the country. Future research studies can be undertaken to establish the impact of debt management on the operations of the municipal entity through the establishment of an integrated debt collection model.



5.6 CONCLUSION OF THE STUDY

This study was presented over five chapters. Chapter 1 established the research problem and the study objectives. Chapter 2 reviewed literature relating to the adherence to creditor control measures and the effectiveness of debt collection tools to intensify debt collection strategies. Chapter 3 described the research methodology that was used, the population and targeted sample, and the data collection and data analysis techniques used. Chapter 4 provided a discussion of the findings and interpretation of the results. Chapter 5 presented the recommendations and conclusion of the study.

The study demonstrated that revenue management and debt management play a vital role in achieving the service delivery mandate. The three key disciplines – revenue management, service delivery and capacity – are not optional components of the organisation, and following this proposition, service delivery remains an imperative and integral component of local government in South Africa, and as this discipline can make or break municipalities and their entities.

From the literature review and the findings, it is evident that Centlec faces several challenges relating to collecting billed revenue and collecting debt, which would, if done successfully, enhance the revenue of the entity. It is, therefore, recommended that Centlec considers the recommendations of this study to improve its revenue and debt management, and to become financially viable.



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APPENDIX A
PREPARATION – INTRODUCTORY LETTER



Zoe Williams
Bloemfontein
9300

 073 989 8744
 zoe.williams2112@gmail.com

To: Participant

Dear Sir/Madam,

RESEARCH PROJECT FOR THE DEGREE MASTER IN BUSINESS ADMINISTRATION

I am currently a registered student (Student No.: 2004058711) at the University of the Free State (UFS) for the Master in Business Administration Degree. Upon completing my studies, I plan to submit a mini-dissertation titled: **“The Adherence to Credit Control and the Effectiveness of Debt Collection Tools in an Energy Municipal Entity.”**

As part of this study, I am required to interview selected participants through a semi-structured interview process. Therefore, I kindly request your participation and contribution as a key role player to avail yourself, as the process will not take more than 90 minutes of your time. This research study would not be possible without your participation – hence your cooperation in this regard would be highly appreciated.



All information collected during this interview and research study will be used solely for research purposes. The confidentiality clauses, privacy terms, POPIA Act, and National Key Point requirements (Hereto referred to as **Appendix B**) will be expected to be completed and signed to protect and respect your rights as a participant in this study.

In addition to the research process, I commit myself as the researcher to the following:

1. Your participation and contribution will be treated with the utmost confidentiality and respect;
2. Your participation in the semi-structured interview is entirely voluntary.
3. Your participation will not result in any harm.
4. The audio recordings of the semi-structured proceedings will be kept safe and will not be made available to anyone.
5. You will be anonymised in the data analysis to protect and respect your personal information and human dignity.

Should you have any inquiries concerning this study, please do not hesitate to contact me at the indicated cell number and email address.

I look forward to your response.

Please permit me to express my sincerest gratitude in anticipation of your cooperation.

Yours faithfully



Zoe Williams

RESEARCHER FOR THE SELECTED FIELD OF STUDY



APPENDIX B
PARTICIPATION – INFORMED CONSENT FORM



CONSENT TO PARTICIPATE IN THIS STUDY

I, the undersigned,

_____ (*participant's full names to
be included*), (the "**Participant**")

confirm that I voluntarily agree to participate in the research study referred to as the

_____ (the "**Study**") in relation to

and which Study is being conducted by

(*Insert the name of the Researcher*), (the "**Researcher**").



I, the undersigned Participant, further confirm that–

1. the Researcher has explained the nature, procedure, potential benefits and anticipated inconvenience of my participation in the Study.
2. I have read (or had explained to me) and understood the Study as defined in the attached information sheet.
3. I have had sufficient opportunity to ask questions and am prepared to participate in the Study.
4. I understand that my participation in the study is entirely voluntary and that I am free to withdraw at any time without penalty (if applicable).
5. I voluntarily provide the UFS and the Researcher with my personal information and consent to the UFS and the Researcher collecting, disclosing and processing my personal information to conduct the Study and any related activities about it;
6. I, as a result of this, acknowledge and confirm that I understand the purpose for which the UFS and the Researcher may collect, store, use, delete, destroy, outsource, transfer or otherwise process, as the context and circumstances may require and as contemplated in terms of POPIA, my personal information as set out herein;
7. I am aware that the findings of the Study will be anonymously processed into a research report, journal publications and/or conference proceedings and that my personal information will be aggregated and deidentified at such stage;
8. I also give the UFS permission to share, without notification, the collected data with other researchers at the UFS or other Higher Education Institutions. This permission is dependent on the same principles of ethical research practices, anonymity/confidentiality, safekeeping of information, and other issues listed above applying.



I, the Participant, agree to record the Semi-Structured Interview data collection method.

FULL NAME OF PARTICIPANT:

Signature of Participant: _____ Date: _____

FULL NAME(S) OF RESEARCHER(S):

Signature of Researcher: _____ Date: _____



APPENDIX C

RESEARCH INSTRUMENT – INTERVIEW GUIDE



For this case study, the following elements will be considered for the **RESEARCH INSTRUMENT** processes to ensure that a consistent link between the research questions, objectives, and the strategy is in sync with the data collection and analysis methods decided for this research.

Title:	The Adherence to Credit-Control and the Effectiveness of Debt-Collection Tools in an Energy Municipal Entity
Research Instrument:	The primary research instrument for data collection is semi-structured interviews.
Mode of Interviews:	This interview guide will be used to conduct face-to-face interviews, subject to any circumstances where Covid-19 regulations dictate and must be complied with; in such instances, synchronous-electronic interviews will be guided through a virtual accredited software, namely, MS-Teams.
Participants:	The recruitment strategy for this study is inclusive, representing the primary data sources. Fifteen (15) participants within the municipal energy entity will be purposively considered from the audited staff establishment based on knowledge and expertise within the credit-control and debt-collection fields.
Interview Questions:	The interview guide consists of thirteen (13) open-ended questions that will be asked to each participant based on a thoughtful literature review. The interview guide will be consistently maintained throughout the entire target sample.
Inclusion or Exclusion Criteria:	The sample frame will be the Revenue Protection Section; which is accountable for the enforcement of credit-control procedures; along with the Debt Collection Section, which is directly responsible for the collecting and managing debt for the municipal energy entity, respectively. Considering the sample frame, the recruitment strategy for this study is inclusive, representing the primary data source. The internal intended



	participants will be selected from the Centlec audited staff establishment report for the identified directorates, Retail (credit-control) and Finance (debt-collection), considering their extensive expertise and comprehensive knowledge in the respective directorates.
Interview Timeframe:	An allocation of ninety (90) minutes per interview session will be allocated and will be given accordingly. The researcher will ensure that the recruitment schedule is balanced and a minimum of two (2) participants interviewed daily. This will allow the researcher and participants reasonable time for preparations. If all fifteen (15) intended participants accept and acknowledge participation in this study, the primary data collection process is planned for approximately two months. This includes the interviews to be successfully conducted, the data collection process to be evaluated and the data analysis process to be completed.
Data Collection:	All interviews will be audio-recorded, subject to permission from the intended participants. The researcher will use a digital audio recorder for ease of use, including taking notes during the interview proceedings where necessary for ease of understanding.
Data Analysis:	Thematic Analysis.



The Interview Guide for the semi-structured interviews consists of thirteen (13) open-ended questions with probing questions that will be asked to each of the intended participants, as follows:

Section POA-1: DEBT-COLLECTION MANAGEMENT

No.	Questions	Yes / No	Participant Comments	Action Required
POA/1. EFFECTIVENESS OF DEBT-COLLECTION TOOLS				
POA1.1	<p>Debtors' Control System</p> <p>Does the entity have a council-approved debt-collection and credit-control policy?</p> <p><i>If YES, are these two policies implemented effectively?</i></p> <p><i>If NO, what adjustments can you suggest to improve the effectiveness of credit-control and debt-collection in the municipal entity?</i></p>			
POA1.2	<p>Billing and Collection</p> <p>How does the municipal entity bill its consumers?</p> <p><i>If, by way of manual readings, does the municipal entity have a debtors' system?</i></p> <p><i>If YES, how does the municipal entity bill defaulted accounts?</i></p> <p><i>How is this monthly billing and collections reviewed and authorised within the debtors' system?</i></p>			
POA1.3	<p>Rationale of Non-Payment</p>			



No.	Questions	Yes / No	Participant Comments	Action Required
	<p>In your observation, which customer groups owe the municipal entity a large debt?</p> <p><i>Why is that the case?</i></p> <p><i>What safeguards are taken to reduce the risk of non-payment?</i></p>			
POA1.4	<p>Revenue Collection</p> <p>In your opinion, does the municipal entity achieve the minimum prescribed collection rate?</p> <p><i>If YES, why do debtors owe an enormous debt to the municipal entity?</i></p> <p><i>If NO, how can you assist in ensuring that revenue is protected and collected?</i></p>			



Section SOB-2: CREDIT-CONTROL MANAGEMENT

No.	Questions	Yes / No	Participant Comments	Action Required
SOB/2. ADHERENCE TO CREDIT-CONTROL PROCEDURES AND DEBT-COLLECTION POLICY GUIDELINES				
SOB2.1	<p>Disconnections</p> <p>In your observation, is it true that politicians contribute to the poor implementation of credit-control processes?</p> <p><i>If YES, How?</i></p>			
SOB2.2	<p>Reconnections</p> <p>What are the processes/strategies you undertake when a customer (e.g., Government, Businesses, Households) defaulted and did not pay for consumed electricity services?</p> <p><i>Are these processes/strategies aligned with the approved policies and implemented equally for all customer groups?</i></p> <p><i>If NO, why not?</i></p>			
SOB2.3	<p>Affordable Tariffs</p> <p>Is the municipal entity attaining its estimated collection rate targets approved by the council?</p> <p><i>If NO, what rate are they achieving?</i></p>			
SOA2.4	<p>Policy Compliance</p> <p>Is anything constraining the municipal entity from adhering to</p>			



No.	Questions	Yes / No	Participant Comments	Action Required
	<p>the credit-control policy measures?</p> <p><i>If YES, what are those constraints?</i></p>			
SOA2.5	<p>Policies By-Laws</p> <p>Does the municipal entity have council-approved By-Laws enforcing the Debt Management Policy?</p> <p><i>If YES, how is that assisting/contributing to the collection rate of the municipal entity?</i></p>			



Section SOC-3: REVENUE ENHANCEMENT STRATEGIES

No.	Questions	Yes / No	Participant Comments	Action Required
SOC/3. INTENSIFY EFFECTIVE DEBT MANAGEMENT STRATEGIES				
SOC3.1	<p>Data Purification</p> <p>Does the municipal entity have a council-approved credit control and debt-collection policy?</p> <p><i>If YES, is it implemented?</i></p> <p><i>If YES, did the municipal entity ever envisage a data cleaning process?</i></p>			
SOC3.2	<p>Debt Acknowledgement</p> <p>What processes/strategies are in place when a defaulted customer wants to make any payment arrangement?</p> <p><i>Is this process/strategy implemented equally per the approved policies for all debtor groups?</i></p> <p><i>If NO, why not?</i></p>			
SOC3.3	<p>Revenue Enhancement</p> <p>What would you suggest for improving the municipal entity's debt management and working capital (cash flow)?</p> <p><i>Elaborate on how it will improve debt management.</i></p>			



No.	Questions	Yes / No	Participant Comments	Action Required
SOC3.4	<p>Customer Relations</p> <p>Does the municipal entity have a customer services centre?</p> <p><i>If YES, is it effective?</i></p> <p><i>If NO, explain why not.</i></p>			



APPENDIX D
THIRD-PARTY CONFIDENTIALITY AGREEMENT



CONFIDENTIALITY AGREEMENT

This Agreement is between:

ZOE WILLIAMS, RESEARCHER, Student No.: 2004058711

and

LANGUAGE EDITOR

for the research project, with the title

**THE ADHERENCE TO CREDIT CONTROL AND THE EFFECTIVENESS OF DEBT
COLLECTION TOOLS IN AN ENERGY MUNICIPAL ENTITY**

In the **BUSINESS SCHOOL** Faculty of Economic and Management Sciences

At the **UNIVERSITY OF THE FREE STATE**

LANGUAGE EDITOR

with a primary role and responsibility to:

Providing the Researcher with a language editing declaration certificate after conducting medium and heavy editing procedures, cross-checking the reference lists to the references cited, eliminating redundant language use and ambiguity, improving readability through smoothing transitions between sentences, suggesting structural changes and implementing any additions or deletions at sentence and paragraph level.




I HS Human agree to:

1. Keep all the research information shared with me confidential. I commit to not discussing or sharing the research information with anyone stakeholder except the Researcher.
2. Keep all the research information secure while it is in my possession.
3. Return all the research information to the Researcher when I have completed the research tasks or upon request, whichever is earlier.
4. Destroy all the research information regarding this project that is not returnable to the Researcher after consulting with the Researcher.
5. Comply with the Researcher's security protocols aligned with the municipal energy entity's policy regarding the requirements to physically and electronically secure records (including password protection, file/folder encryption, etc.).
6. Not allow any personally identifiable information to which I have access to be accessible from outside (unless specifically instructed otherwise in writing by the Researcher) and comply with all requirements of the POPIA Act promulgated.
7. Other (specify): _____

LANGUAGE EDITOR:

Print Name: Signature: Date:

HS Human



24 April 2023

I HS Human agree to:

1. provide direction through instructions on my expectations for maintaining the confidentiality of research information so that *[Language Editor]* can comply with the above terms.
2. provide oversight and support to the *[Language Editor]* in ensuring confidentiality is maintained under all the applicable clauses.



APPENDIX E
CURRICULUM VITAE – RESEARCHER



Abbreviated Curriculum Vitae

BIOGRAPHICAL SKETCH

Personal and Current Employment Information			
Name	Zoe	Surname	Williams
Title	Miss	Nationality	South African
Department/Division	Finance	Position	Manager: Financial Management and Support
Email address	Zoe.williams2112@gmail.com	WEB ADDRESS	www.centlec.co.za
<p>Short Overview of Research and Scientific Background/Experience/Training (Where, in terms of research, have you come from, in what are you interested, and where are you now?)</p>			



THE ADHERENCE TO CREDIT-CONTROL AND THE EFFECTIVENESS OF DEBT-COLLECTION TOOLS IN AN ENERGY MUNICIPAL ENTITY

WHERE IN TERMS OF RESEARCH DO I COME FROM?

My passion for operational excellence and seamless, innovative tools that drives efficiency strikes my interest in the title mentioned above, mainly when the statutory reports start to reflect a decline in revenue, however a spike in operational expenditure, in addition to inclining debtors' age analysis and worse the trend of non-payment for consumed electricity services. After a detailed analysis and comparatives to gain factual and accurate records from the related statutory reports, I then decided to track the debt and income profiling of the municipal entity. In 2020, the financial performance and financial position proved that the performance deteriorated; besides, that the entity's primary revenue source is through the sale of electricity which is a mandatory rendered service to the consumers; however, not honoured to pay the entity as per the approved payment terms of the entity. Notably, the in-balance in revenue opposite to bulk electricity purchases with a below consumer price index (CPI) average growth to month-on-month and annually remained a "black swan" reality with great concern towards the financial sustainability of the municipal energy entity.

In 2022, two years later, I decided to discuss the performance statistics and debt profiling status quo, which still reflect a deteriorating trendline with the Chief Executive Officer and the Acting Chief Financial Officer of the municipal energy entity. The following high-level focal points were part of the discussion:

1. The revenue rapidly declined, whereas regulated tariffs increased and cost containment was implemented;
2. The customer profiling shows an appetite because of new connections for new developments, whereas the energy consumption pattern declines;
3. The disconnections and reconnections statistics in the performance reports present an effective internal control mechanism and are proven with the increasing overtime payments claims by additional teams, whereas the debt accumulation remains skyrocketing high;
4. The monthly billed revenue cannot be matched with the same monthly income received in the bank, considering default customers;



5. The treatment of estimated billing accounts significantly increases, whereas reports show that defaulted consumers are disconnected without electricity for months.

WHERE AM I NOW IN TERMS OF KNOWLEDGE & EXPERTISE?

Based on my expertise and knowledge in this title, I would undoubtedly claim that I have built extensive expertise and comprehensive understanding relating credit and debt management in various dimensions, such as but not limited to the budgeting process, the statutory reporting frameworks and being previously allowed to participate in executive management committee meetings as well as strategic planning sessions, that contributed to understanding the research topic.

During the scientific review process, about the background, literature review and research methodology of this study, including the insightful webinars, I have gained enormous value, which is so helpful with this mini-dissertation process.

WHERE AM I NOW, AND WHAT DO I ENVISION?

With my shared vision to promote manual processes for innovative digitalised improvement to foster profitability and secure sustainability to achieve effective, efficient and transparent operating organisational systems that can improve the financial and economic viability to provide essential constitutional services that will uplift the standard of living for the citizenry. This vision will undoubtedly gain public and market confidence in governance to secure futuristic sustainability momentum for the success of local government, particularly the municipal energy entity. In achieving that, I do not doubt that the municipal energy entity will be able to promote the smart-city initiative as part of the national sustainable development goals (SDG) for the new smart-revolution 21st century.



RECENT EMPLOYMENT HISTORY

Employer	Position	Period
PricewaterhouseCoopers Inc.	Assistance Manager	2006 – 2012
Dinatla Advisory Services	Middle Manager	2012 – 2013
Centlec (SOC) Ltd	Middle Manager, Acting General Manager	2013

HIGHEST ACADEMIC QUALIFICATION(S)

Degree	Field of study	Higher education institution	Year received
National Diploma: Cost & Management Accounting	Finance	Central University of Technology	2003
Diploma: Public Municipal Finance Management and Administration (NQ Level 5) MFMP Certificate	Finance	LG Seta (Local Government Program)	2017
Master In Business Administration (MBA)	Finance	University of the Free State Business School	2020 Current Enrolment

POSTGRADUATE SUPERVISION

Degree	Current Number of students	Completed Number of students
PhD	None	
Masters		



MEMBERSHIPS OF PROFESSIONAL COUNCILS AND/OR REGISTRATIONS

Tick Where Applicable	Name Of Council / Type of Registration	Period Of Registration	Membership/ Registration Number
	Health Professions Council of South Africa		
	South African Council for Social Services Profession		
	Law Society of South Africa		
Other: Please specify below			
	South Africa Institute of Chartered Accountants (SAICA) – Completion of Articles	2011	10002002

RESEARCH PUBLICATION OUTPUTS

Full References of Peer-Reviewed Articles in the last five years
None




APPENDIX F(I)

CENTLEC (SOC) LTD – PERMISSION CONFIRMATION

UNIVERSITY OF THE
FREE STATE
UNIVERSITEIT VAN DIE
VRYSTAAT
YUNIVESITHI YA
FREISTATA



 AT THE HEART OF IT ALL	 ESTD 2003/12/20	30 Rhodes Avenue Oranjesig Bloemfontein 9301 www.centlec.co.za @centlec @centlecutility
Contact Person: Malefane Sekoboto	Date: 09 May 2022	
E-mail: Malefane.sekoboto@centlec.co.za	Tel: 051 412 2255 Fax:	
Our Ref.: Permission Granted for Research Field Study – MBRP 7900	Your Ref.:	

THE UNIVERSITY OF THE FREE STATE
BUSINESS SCHOOL: MBA
205 Nelson Mandela Drive/Rylaan
P.O. Box/Posbus 339
BLOEMFONTEIN
9301

CHIEF EXECUTIVE OFFICER
30 Rhodes Avenue
Oranjesig
BLOEMFONTEIN
9301

To Whom It May Concern

RE: PERMISSION GRANTED FOR RESEARCH FIELD STUDY – MBRP 7900


The purpose of this letter is to grant Zoe Williams, Student Number (2004058711), permission to conduct a research field of study at CENTLEC (SOC) Ltd for the study titled:

"THE ADHERENCE TO CREDIT-CONTROL AND THE EFFECTIVENESS OF DEBT-COLLECTION TOOLS IN AN ENERGY MUNICIPAL ENTITY".

Directors: KM Moroka (Chairperson), T Ngubeni (NED), Y Skwintshi (NED), R Tsiki (NED), T Mazibuko (NED), T Manye (NED), MS Sekoboto (CEO), T Maliga (Company Secretary)

Page 2 of 2

I hereby grant permission for Zoe Williams to conduct the research field study at CENTLEC (SOC) Ltd.

Yours sincerely,

Mr. MS Sekoboto
CHIEF EXECUTIVE OFFICER

Email: ceo@centlec.co.za



APPENDIX F(II)
CENTLEC (SOC) LTD - GATEKEEPER PERMISSION

UNIVERSITY OF THE
FREE STATE
UNIVERSITEIT VAN DIE
VRYSTAAT
YUNIVESITHI YA
FREISTATA



				30 Rhodes Avenue Oranjesig Bloemfontein 9301 www.centlec.co.za #centlec @centlecutility	
OFFICE OF THE CEO					
Contact Person: Malefane Sekoboto		Date: 21 June 2022			
E-mail: Malefane.sekoboto@centlec.co.za		Tel: 051 409 2255			
Our Ref.: Research Study – Gatekeeper Permission Granted		FAX: 051 xxxxxxx			
Your Ref.:					

UNIVERSITY OF THE FREE STATE
Business School: MBA Program
205 Nelson Mandela Drive / Rylan
PO BOX 339
BLOEMFONTEIN
9300

CHIEF EXECUTIVE OFFICER
30 Rhodes Avenue
Oranjesig
BLOEMFONTEIN
9300

To Ms Z Williams

RE: RESEARCH STUDY – GATEKEEPER PERMISSION GRANTED

This letter refers to your request dated 14th June 2022 for the research study titled, **The Adherence to Credit-Control and The Effectiveness of Debt-Collection Tools in An Energy Municipal Entity**, requesting gatekeeper permission.

As the **Chief Executive Officer** of Centlec (SOC) Ltd, I give **Ms Zoe Williams**, student number **2004058711**, permission to conduct the research data collection and data analysis on **Centlec (SOC) Ltd** premises, located at **30 Rhodes Avenue, Oranjesig, Bloemfontein**, which entails, but not limited to the measuring of employee engagement levels within the organisation by way of **semi-structured interviews**.

Directors: KM Moroka (Chairperson), T Ngubeni (NED), Y Skwintshi (NED), R Tsiki (NED), T Mazibuko (NED), T Manye (NED), MS Sekoboto (CEO), T Mulgas (Company Secretary)

Page 2 of 2

If you have any questions, don't hesitate to contact my office.

Yours Sincerely,



MS Sekoboto
CHIEF EXECUTIVE OFFICER
email: ceo@centlec.co.za



APPENDIX G

LANGUAGE EDITING – CERTIFICATION CONFIRMATION

Declaration

30 April 2023

PO Box 4
Otjiwarongo
Namibia
+264 813359120
hettie.human@gmail.com

Master's dissertation: The adherence to credit control and the effectiveness of debt collection tools in an energy municipal entity

Student: Zoe Shaloom Williams

I confirm that I edited the document, checked that the reference list contains the references cited, and recommended changes to the text.



MA Language Practice



+264 813 359 120 | hettie.human@gmail.com

