CIGFARO - BCMM and NMBM MUNICIPAL REVENUE MANAGEMENT 9TH MAY 2022

PRESENTATION BY: BCMM AND NMBM SENIOR DIRECTORS

1. Introduction

Municipal Revenue Management function are embodied in:

- revenue raising,
- improving core revenue processes and policies,
- financial management systems,
- data quality,
- skills and competencies,
- organisational structures,
- > cash management methods,
- > and tariff determination/implementation.



2. **Discussion**

Revenue Management for Local Government

Revenue management is the set of synchronised activities that a municipality must undertake to manage its revenue in fulfilment of its mandate. Own revenue (trading services, property rates and sundry revenue) or fiscal transfers,

It requires the achievement of legislative compliance, while considering risks, costs and benefits.

Improving municipal revenue management entails:

- improving core revenue processes and policies,
- financial management systems,
- data quality,
- > skills and competencies,
- > organisational structures,
- > cash management methods;
- > and tariff determination and implementation.

An integrated approach to municipal revenue management is required to maximise its revenue generation potential by improving coordination across the various departments in municipalities.

One element of coordination is the introduction of a Multidisciplinary team representing each of the stakeholders that have a vested interest in ensuring financial viability in the institution. The primary stakeholders are:

- Political leaders Members of Mayoral committee and the ward councillors
- Administration leaders City Manager and Executive Directors
- ➤ Directorates Service delivery departments i.e. Human Settlements, Infrastructure and Engineering, Electricity and Energy, Budget and Treasury, amongst others.

The Single and integrated Revenue Management Framework (SIRMF) is geared towards addressing both the short term and long term revenue management challenges facing the local sphere of government.

National Treasury, CoGTA and the Auditor General that have repeatedly shown that a significant number of municipalities are in distress and that a number of these municipalities are in danger of financial collapse.

The distress is due to a multiplicity of factors including a lack of:

- oversight and accountability management,
- good governance and institutional arrangements,
- planning and budget management, systems / processes and procedures,
- human resource capacity.

Both National Treasury and CoGTA have identified the need for an integrated approach to revenue management required to address operational inefficiencies within the municipal environment.

National Treasury through its Technical Committee on Finance (TCF) developed a discussion document titled "Integrated Approach to Municipal Revenue Management". An integrated approach to revenue management is required to address operational inefficiencies within the municipal environment. It supports collaboration among stakeholders in support of revenue management initiatives.

National Treasury and CoGTA in collaboration commissioned the development of a single and integrated revenue management framework. This framework integrates key drivers that have influence on a municipality's financial sustainability from a spatial planning, infrastructure / services quality, and operations, as well as revenue management perspectives. The Single and Integrated Revenue Management Framework (SIRMF) integrates and expands on the revenue management frameworks previously developed and includes the impact of trading services on revenue management.

It is important to understand opportunities for improving revenue management across the revenue management value chain. The establishment of clear operational processes amongst stakeholders within the revenue value chain is key in ensuring that effective Revenue Management takes place in local government. This includes the implementation of service level agreements across the value chain which outline performance standards and timelines, which will enable early detection of anomalies and ability to implement corrective actions. This will avoid recurring audit findings and improve operational efficiency within the revenue value chain.

Internal Audit and External Audit (Auditor General) plays a critical role to access the effective alignment of the operational processes and the performance outcomes that need to be produced in line with the legislative requirements and guidelines.

The revenue management challenges from Audit Reports benchmarking with BCMM and NMBM:

2020/21: BCMM	Remedial Action: BCMM	2020/2021: NMBM	Remedial Action: NMBM
Receivables: Income foregone - Differences between schedule and debtor statements	will be recalled and reversed.		Comment: Daily Reconciliations are done in respect of charges billed to consumer accounts and the information sent to the General Ledger.
	Module), which will integrate to the ledger.		Any anomalies are investigated and corrected timely.

Audit Fi	<u>ndings</u>	Remedial Action: BCMM	Audit	findings	Ren	medial Action: NMBM
2020/21: BCM	<u>M</u>		2020/202	21: NMBM		
Electricity and Meters: No audit per or report signification that the department validate ments and the ground variable system. Meters on the register do not to the meters.	water rformed gned by I of to ters on s meters n the em. e meter ot equal	submitted to the Finance	Material Revenue for sanitation	Irregularity: or water and services not on a monthly	2.	The service level agreement (SLA) between Budget and Treasury, Infrastructure and Engineering and Human Settlements Directorates was signed on 7 July 2021. The SLA outlines the value chain process between Human Settlements, Infrastructure and Engineering Directorate and Budget and Treasury Directorate in respect of the installation of new water meters, as well as linking them to the billing system. Monthly reporting by Budget and Treasury (RMCC) to identify properties without water related services on the billing system.

Audit Findings	Remedial Action: BCMM	Audit findings	Remedial Action: NMBM
2020/21: BCMM		2020/2021: NMBM	
Inadequate integration	a. Properties - Integration		
of Systems	process flow was developed		
	and finalised in the first quarter		
	of 2021/2022. Testing of the		
	processes was finalised in the		
	second quarter of 2021/2022.		
	The integration process flow is		
	being transferred to the		
	production databases of the		
	two systems (Solar and the		
	Valuation System) and has been		
	finalised in March 2022		

Audit Findings	Remedial Action: BCMM	Audit findings	Remedial Action: NMBM
2020/21: BCMM		2020/2021: NMBM	
Service charges:	1) A joint approach put in place	Not an item that was	Comment: NMBM Revenue
Sewerage (pans) -	between the Revenue	raised for NMBM	Management Department is
Differences between	Management department and		continuously interacting on
Solar and physical	Planning department on the		business processes relating to
verifications	standard operating procedure.		the raising of charges from
			various Directorates, to ensure
	2) Development and		that the charges are raised in
	implementation of a project		relation to the service charged.
	plan to update the Solar system		
	and Building plan system.		Monthly meetings specifically
			with the Service Delivery
	3) On a monthly basis the		Directorates are conducted to
	Project Team will submit a		align where anomalies have
	report to the Management and		been identified.
	the AIP Coordinator		

A current process is underway to record all meters in the Asset Management System which will integrate into the financial system to avoid the delay in the linking of meter changes or new water connections onto the financial system. Material Irregularity: Revenue for water and sanitation services not calculated on a monthly basis Material Irregularity: Revenue for water and sanitation services not calculated on a monthly basis 5. The service level agreement (SLA) between Budget and Treasury, Infrastructure and Engineering and Human Settlements Directorates was signed on 7 July 2021. 6. The SLA outlines the value chain process between Human Settlements, Infrastructure and Engineering Directorate and	A current process is underway to record all meters in the Asset Management System which will integrate into the financial system to avoid the delay in the linking of meter changes or new water connections onto the financial system. Material Irregularity: Revenue for water and sanitation services not calculated on a monthly basis 5. The service level agreement (SLA) between Budget and Treasury, Infrastructure and Engineering and Human Settlements Directorates was signed on 7 July 2021. 6. The SLA outlines the value chain process between Human Settlements, Infrastructure and Engineering Directorate and Budget and Treasury Directorate in respect of the installation of new water meters, as well as linking them to the billing system. 7. Monthly reporting by Budget and Treasury (RMCC) to identify properties without water related services on the	Service charges: Sale of water: Unbilled water (current year) A current process is underway to record all meters in the Asset Management System which will integrate into the financial system to avoid the delay in the linking of meter changes or new water connections onto the financial system. Material Irregularity: Revenue for water and sanitation services not calculated on a monthly basis Material Irregularity: Revenue for water and sanitation services not calculated on a monthly basis Material Irregularity: Revenue for water and sanitation services not calculated on a monthly basis Settlements Directorates was signed on 7 July 2021. 6. The SLA outlines the value chain process between Human Settlements, Infrastructure and Engineering Directorate and Budget and Treasury Directorate in respect of the installation of new water meters, as well as linking them to the billing system. 7. Monthly reporting by Budget and Treasury (RMCC) to identify properties without	Audit Findings	Remedial Action: BCMM		Remedial Action: NMBM
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Directorate in respect of the installation of new water meters, as well as linking them	7. Monthly reporting by Budget and Treasury (RMCC) to identify properties without water related services on the	7. Monthly reporting by Budget and Treasury (RMCC) to identify properties without water related services on the billing system. 8. The monthly report will be sent to the Infrastructure and Engineering Directorate for	Service charges: Sale of water: Unbilled water	record all meters in the Asset Management System which will integrate into the financial system to avoid the delay in the linking of meter changes or new water connections	Material Irregularity : Revenue for water and sanitation services not calculated on a	 (SLA) between Budget and Treasury, Infrastructure and Engineering and Human Settlements Directorates was signed on 7 July 2021. The SLA outlines the value chain process between Human Settlements, Infrastructure and Engineering Directorate and Budget and Treasury Directorate in respect of the installation of new water meters, as well as linking them

Audit Findings	Remedial Action: BCMM	Audit findings	Remedial Action: NMBM
2020/21: BCMM		2020/2021: NMBM	
Service charges –	Review of the affected	Not an item that was	
Incorrect treatment of	transactions to effect or align	raised for NMBM	
income foregone for	such with the current reviewed		
other services	Credit Control Policy.		

3. Conclusion

Over the past few years, the Auditor-General of South Africa has performed an indepth review of the Revenue Management function, with key focus on revenue completeness, debt impairment and the Indigent Register.

In view of the audit findings, the Revenue Management Department has had to review its operations in conjunction with the various service Directorates. Also, the municipality has compared the billing required per stand to the General Valuation roll to ensure completeness of revenue. Incorporating Service Level agreements between various service Directorates will enhance early detection of anomalies and timely corrective actions.

In addition, the municipality still has a challenge in the accuracy of the Indigent register as account holders do not update their status with the municipality. Where Indigent debtors are deceased, those are not reported. In addition, the municipality does not have access to external data sources, such as the Department of Home Affairs and SARS, therefore it cannot address anomalies effectively. This matter has been raised with the Auditor General of South Africa.

Innovation in respect of information gathering and the accessibility of information requires further investigation. Noting the implementation of the **Protection of Personal Information Act** (or POPI Act or POPIA) promulgated to protect personal information and one's right to privacy and its impact on local government in verifying information in an effective manner.

Revenue Management is an institutional challenge and not isolated to the Revenue Management Department. Collaboration and alignment between all municipal stakeholders (political and administrative) will assist in effective revenue management in the future.