

**Midlands State University**



**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING HONORS DEGREE**

**An Investigation of Revenue Collection from Tenants**

**A case study of the Department of Public Works – Mashonaland East Province**

**By**

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**Visiting**

**A Dissertation submitted in partial fulfillment of the requirements for the  
Bachelor of Commerce Accounting Honors Degree with Midlands State  
University**

**2014**

**DECLARATION**

The researcher, Judith Shamuyarira does hereby declare that the study is original and has not been previously submitted to this or any other university.

.....

.....

Student's Signature

Date

## **APPROVAL FORM**

The undersigned certify that they have carefully read the dissertation entitled: An investigation of Revenue Collection from Tenants (A case study of the Department of Public Works : Mashonaland East Province) and they recommend it to the Midlands State University for acceptance. The dissertation is submitted in partial fulfillment of a Bachelor of Commerce Accounting Honors Degree; Midlands State University

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Date

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Supervisor's Signature

Date

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Chairperson's Signature

Date

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Signature of the examiner(s)

## **DEDICATION**

The researcher dedicates this successful dissertation to husband Lewis Shamuyarira and two sons, Kwame Wilson and Ntabiso Panashe for the undying support and above all God the father for sailing the researcher through.

## **ACKNOWLEDGEMENTS**

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## **ABSTRACT**

*This research focused on investigation on revenue collection from tenants using a case study of the Department of Public Works, Mashonaland East Province from 2009 to 2013. The researcher mainly used the primary data extracted by the use of questionnaires and Interviews. Results of the study show that procedures used by the department in selecting lessees were not uniform as the department did not have standing, documented and systematic policy in place. The study also highlighted on the factors leading to escalation of outstanding rental revenue. Having analyzed all the factors, the greatest of them all was inadequate screening of prospective tenants by the department. The issue on trends in outstanding rental revenue was highlighted by the researcher. The only action taken by the department on defaulting tenants was by means of negotiations. Measures were non-existent for defaulting tenants and the tenants ended up having a culture of nonpayment of rentals. This prejudiced the Department of regular monthly rental income. The researcher recommends that the Department comes up with a documented and systematic evaluation policy that is uniformly applied to every prospective lessee.*

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# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This chapter covers the background to the study, the statement of the problem, main research question, sub research questions, research objectives, significance of study, delimitations, limitations, assumptions, and definition of terms, as well as the summary.

### 1.1 Background of the study

The Department of Public Works became a full-fledged Ministry in 2008 from being a Department in the Ministry of Local Government, Public Works and National Housing. It then became a department again in July, 2013 under the Ministry of Local Government, Public Works and National Housing. Its provincial headquarters are situated at number 212 Birmingham road, Industrial sites, in Marondera. It was mandated to be responsible for the construction and maintenance of government buildings and leasing out of offices and canteens to non-government departments.

The provincial office has two sections which deal with the leasing and payments of rentals on leased government offices and canteens. The Estates and Valuations section prepares and compiles lease agreement forms to tenants and the Finance section account for the payment of rentals by tenants. The reason for leasing out property was to generate revenue for the state so as to construct and maintain government properties.

From 2009 to date, the department has been collecting rentals from tenants, however, since the inception of the programme, a lot of resistance has been faced from the tenants and effecting remedial action is becoming a challenge. The Permanent secretary of the ministry highlighted the issue during his tour of the provinces in 2010 in a management meeting citing the decline in revenue collection as shown in table 1.1.

**Table 1.1 Trend in revenue collection – 2010 to 2013**

Year	Revenue Collected (\$)	Increase in percentage %
2010	64 000.00	-
2011	58 000.00	(09.38)
2012	49 000.00	(15.52)
2013	34 000.00	(30.61)

**Source: Consolidated Exchequer Account Annual Return – Mashonaland East Provincial Office 2010, 2011, 2012, 2013**

According to the Auditor General’s report of 2010, \$1 280 000.00 was outstanding in rentals for the ten provinces visited. This was also cited in the current ‘Value for Money Audit Report’ from the office of the Auditor General of 10 February 2014. The amount outstanding in rentals which is owed to the State for seven provinces visited by the audit was \$1 582 300.00

**Table 1.2 Debtors as at end of each year – Mashonaland East Province**

Year	Debtors (\$)	Percentage Increase (%)
2010	76 000.00	-
2011	84 000.00	10.53
2012	97 000.00	15.47
2013	120 000.00	23.71

**Source: Outstanding Debtors Annual Return – Mashonaland East Provincial Office 2010, 2011, 2012, 2013.**

Table 1.2 above shows the trend in amounts receivable by the end of the stated years.

## **1.2 Statement of the problem**

The Department of Public Works has been experiencing a decline in revenue collection and increasing level of amounts receivable from sitting tenants. This has prompted this research to be undertaken.

## **1.3 Main research topic**

An Investigation of Revenue Collection from Tenants – Mashonaland East Province.



## 1.4 Sub-Research questions

The main topic covers the following sub-research questions.

- What guidelines are followed before granting tenants occupation of the property?
- What implementation guidelines are in place over the granting of tenancy?
- What controls are in place over the implementation guidelines?
- Are the controls reviewed regularly?
- What would be the best practice in revenue collection from tenants?

## 1.5 Research objectives

The sub-research questions give rise to the following research objectives.

- To find out what guidelines are in place and how guidelines are implemented.
- To obtain an understanding of the implementation guidelines.
- To establish what controls are in place over the implementation guideline.
- To establish the frequency of review of internal controls.
- To consider what best practice may be put in place in revenue collection.

## 1.6 Significance of the study

### **To the researcher**

The research is a partial fulfillment of the Bachelor of Commerce Honors Degree in Accountancy. It also develops the ability to research and resolve the department of Public Works challenges in collecting revenue for the State. The researcher will gain valuable practical experience on the operation of debtors control system and at the same time enable the application of theoretical skills to be acquired during the study to solve work related problems.

### **To Public Works department**

The department would benefit from the recommendations that would be made in improving operations.

### **To the University**

Academic and other future researchers in this similar subject matter would find it a reference source.

## 1.7 Delimitations

The study will be conducted in Mashonaland East Province, in Marondera industrial sites at the Department of Public Works provincial offices. The research will focus on the period from 1 January 2010 to 31 December 2013.

## 1.8 Limitations

- **Financial constraints.** The researcher faced difficulties in accessing funds for stationery, printing and transport. Some of the tenants were geographically dispersed hence costly to the researcher to contact them for interviews. This challenge was overcome as the researcher once in a while travelled to the districts on work related issues.
- **Time constraints.** The time of study posed a challenge to the researcher as the researcher was employed on a full time basis and some tenants lived in the districts. This was addressed by way of utilizing weekends to reach out to tenants with the questionnaires.
- **Confidentiality.** Some of the information was confidential and was difficult to solicit as there is an Official Secrecy Act which was in place at the department. The researcher made use of the information that was freely disclosed and assured the department that the information was to be used for academic purposes only.

## 1.9 Assumptions

The research is based on the following assumptions:

- There will be continued availability and accessibility of data for use in the study.
- There will be optimum cooperation from the respondents who would be targeted to provide information.
- Prevailing revenue collection regulations are not going to change over the research period

## 1.10 Abbreviations and Acronyms

**Lease.** This is a transfer of right to enjoy property made for a certain time in consideration of a price paid or promised

**Lessor.** An owner of a property who rents it to another party ie. A landlord

**Lessee.** A person who rents property from its owner ie. A tenant

**Lease rate.** Is the periodical rental payment to the lessor for use of an asset.

**Lease term.** The period of time for which a lease is made. A contract granting use or occupation of a property during a specified period.

**Sub-collectors schedule report.** A document showing rental revenues collected on behalf of the department by the accounting personnel.

**Bad debts.** This is the amount owed to the department, but is no longer recoverable

**Debtors.** This is the amount owed to the department.

**Debtors' age analysis.** This is the statement showing categories of debtors according to the time they remain unpaid after the due date.

### 1.11 Summary

This chapter focused on the introduction to the study by highlighting on the background of the study as well as the statement of the problem, main research topic, sub research questions, research objectives, significant of the study, delimitations, limitations and assumptions to this study. Technical terms are also defined in this chapter. The next chapter will look at the literature review and find out what other authors said on the topic under study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter looks at various knowledge exhibited and produced by persons and authorities related to the investigation of revenue collection from tenants. Literature review discusses or treats some ideas already in books, journals or websites that throw light on the topic under research. An attempt is also made to examine carefully some time tested procedures and the conditions under which revenue mobilization may be implemented effectively. These include the evaluation of a prospective lessee, debts screening, 5 C's in client screening, escalation of outstanding revenue, internal controls implementation guidelines, debt management, best practices in BRICS countries and the summary

#### **2.1 The definition and concept of public revenue**

The Oxford Advanced Learner's Dictionary defines public revenue as the money that a government receives from taxes and other sources. In simple terms, revenue is income that a company receives from its normal business activities, usually from sale of goods and services to customers. In countries, such as the United Kingdom, revenue is referred to as turnover. Some companies receive revenue from interest, dividends or royalties paid to them by other companies Carcello, (2008). Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time. In accounting, revenue is often referred to as the 'top line' due to its position on the income statement at the very top for the state enterprises.

#### **2.2 Importance of revenue**

Ziria, (2008) outlines the importance of local revenue to government institutions as financing administration costs e.g. Employee costs, financing maintenance costs and thus promoting ownership of projects. It also permits the collection of localized and low yielding revenues, guarantying sustainability of service delivery and autonomy of government departments. The importance of revenue is that it also regulates businesses and provide important infrastructure and services such as markets and public conveniences at a charge and reducing pressure on central governments and reliance on donors.

### **2.3 Revenue mobilization in government departments**

Theories, concerns and views have been put out by various scholars on the revenue mobilization ability of government departments and how these monies mobilized are spent. Among the reasons assigned by such concerns and opinions is that, the effectiveness of the government administration is to be blamed on ineffective revenue mobilization such as lack of comprehensive functional role, lack of proper structure, low quality of staff and low funding Gupta, (2007). He further reiterated that, these problems led the institutions into vicious circle of poverty because inadequate functions lead to inadequate funding which results in the employment of low skilled and poorly paid staff.

According to [www.zimra.co.zw](http://www.zimra.co.zw) (30/07/2014 ; 1445 hours) –( internal control manual), the only factor which gives evidence to the effectiveness of internal controls in revenue management is the authority’s ability to meet and exceed targets set by the Ministry of Finance every year.

### **2.4 Contract Terms**

These are terms which rendered the contract between the Department of Public Works and the tenant. These are valid and should be abided by both parties without failure. Paragraph ‘15’ of the lease agreement form states that, *‘In the event of non-payment of rent, or any portion thereof on its due date, or of the breach of any other terms, clause or conditions of this lease, the lessor shall have the right to forthwith cancel this lease and to take possession of the premises without prejudice to any claim which the lease may have against the lessor for rent already due or for any damage which he/she may suffer by the reason of the termination of this lease; no waiver by the lessor of any terms, conditions or clause of this lease on any one occasion shall constitute a waiver on any subsequent occasions’.*

According to [www.landlord.com](http://www.landlord.com) (30/07/2014 ; 1530 hours), the tenant must understand that rent payment, from the landlord’s view point, is the heart of the matter in the rental agreement. The policy must specify that if adequate arrangement for late payment is not made by the end of the 1<sup>st</sup> day rent is due or by end of the grace period, a termination notice will follow. If satisfactory arrangements are not made in response to that, eviction proceedings can be initiated.

### **2.5 Evaluating a Prospective Lessee**

Jayne, (2007) states that vetting of prospective tenants so as to establish that they have the capacity to pay rent reserved under the lease is a long accepted practice. The most common

measure is to request copies of the firm's trading accounts, usually a minimum of three years in order to determine the amount of rent 'cover' provided by the net profit on the trading account.

Jayne, (2007) argues that the amount of cover required by a landlord will vary, both in respect of the type of property to be leased and the nature of the prospective tenant but, landlords normally might be expecting to see the net profit being between 2.5 to 4 times the rent payment under the lease.

Jacobus, (2009), agrees to the evaluation of the prospective lessee's credit, including references from past and present lessors as the most important step in the screening process. He further suggests that in its larger sense, credit means the degree of confidence the lessor feels that the prospective tenant will fulfill the obligations under the lease agreement. This means all the commitments, from the promise to pay rent on time, to the agreements to keep the property clean, respect the rights of neighboring lessees and to use the property for legal purposes.

The rental obligation is unique. Smith, (2010) states that property is only as strong as the tenant and thoroughly scrutinising and endorsing the prospective tenant's previous lessors reference can produce more information about the future of the current lessor/lessee relationship than anything else.

According to [www.landlord.com](http://www.landlord.com) (30/07/2014 ; 1515 hours), there are two most important quick payment qualifiers, that is, the tenant's ability to pay rent and justifiable landlord references. The prospect must not only have a strong ability to pay rent by way of a justifiable good paying job or business, but he must also have created a good rent payment history with present and past landlords. An up to date consumer credit report, which should always be obtained, usually does not include residential rent payments, although it usually includes eviction judgments. Also in respect of landlord references, going through the motions of calling past and present landlord references won't be enough.

Hutchinson et al, (2010) state that the strength of landlords is in lease negotiations and calculation of deposits are an essential approach to reduce income risk. It is however relevant to state that the success factors of a residential investment depend in the effective management of property and residents.

According to [www.landlord.com](http://www.landlord.com) (30/07/2014 ; 1530 hours), there is need to institute a rent collection policy and procedure. This is to ensure instant rent payment and is important in setting up sound screening standards and policies. It states that the policy must be simple, easily understood and uniformly administered. It further says teaching the tenant this policy starts when he is only a candidate. It must be explained to the tenant that, 'rent is due on the first and will have to pay a late charge if received after the 3<sup>rd</sup> of the month.'

## 2.6 Evaluating financial soundness of a lessee

According to Cacciapaglia, (2011), analyzing a prospective tenant's financial statement is one of the important preventive measures as companies that do not have enough working capital can run into all kinds of difficulties and are not likely to be good long term lessees. He draws attention to two important ratios when evaluating the prospective lessee's statement of financial position. These are current ratio and quick ratio.

The current ratio measures how well a company is positioned to handle its short term cash needs. It is dividing the company's current assets by its current liabilities. The answer needs to be greater than one (1), and the larger the number the better. He is however, quick to point out that a current ratio greater than one does not necessarily mean less risk as one portion of a company's current assets can be made of inventory which is not quick to dispose of. He goes further to say then there is need to look at the company's quick ratio. This is done by subtracting inventories from a company's current assets and dividing the remainder by its current liabilities.

## 2.7 5 C's in Client Screening

This is the method used to assess the credit worthiness of a client. It incorporates both qualitative and quantitative measures.

According to [www.smetoolkit.com](http://www.smetoolkit.com) an organization can use the 5 C's to assess the credit worthiness of its client by using the following procedures;

**Capacity** refers to the ability of the client to pay the rentals and in the application to lease the property, the client must discuss with the lessor on how and when they would be paying the rentals. The amount and the timing of cash flows need to be indicated with regard to payments.

**Collateral** refers to forms of security the client can provide. It may be buildings or equipment owned by the client that may help when the client fails to pay rentals.

**Capital** represents the client's investments. The lessor need to look carefully at the amount and quality of capital the client has to offer as payments in advance can lessen the chances of default.

**Conditions** may refer to the overall economic climate and external environment surrounding the client and the lessor. It may also refer to the intended purpose of the lessee in leasing the property.

**Character** is often a subjective judgment made by the lessor about the prospective client. The lessor may have to decide if the client is trustworthy with regard to paying rentals. This is where the education and experience of the client comes into picture. It also brings in the issues of references and background, reputation that a lessor needs to consider.

Gitman, (2013) state that a firm can assess the creditworthiness of a client by considering the capacity of the client to pay the rentals in a timely fashion and making sure that the client has some form of collateral as this can be used to secure a lease which a lessor can use to claim rentals in case of default. He goes further to say capital is the amount of unencumbered assets owned by the client. The capital is used as another indicator of the client's ability to pay rentals. The conditions are considered in the extent to which the prevailing economic conditions could affect the client's ability to pay rentals. The character of a client needs to be taken into consideration as the key factor in defining the client's willingness to live up to the terms of the agreement.

Bose, (2010) concurs by saying that capacity denotes the ability of the client to operate successfully as indicated by the client's profit record. He says collateral refers to the security available with the client in paying debt and the issue of capital refers to the financial soundness of the client as indicated by the financial statements. He agrees in saying the condition denoted the economic position of the client while the character relates to the reputation of management for honest and fair dealings.

## **2.7 Debt Screening**

Tenant blacklisting is the term used in debt screening as it applies to the practice of landlords who screen prospective tenants and refuse to rent to those who have been brought to Housing courts in the past, [www.org/tenant-blacklist](http://www.org/tenant-blacklist) (11/08/14 ; 1220 hours). It goes further to say that the office of the court administration complies and sells the data on the open market. The data is



purchased by management companies and owners of companies to screen out undesirable tenants who would be on the ‘tenant blacklist’.

According to [www.tenancybureau.com](http://www.tenancybureau.com) (11/08/2014 ; 1230 hours), Canada has the largest and most widely used tenancy data base. The tenancy bureau’s new debt collection system helps in recovering unpaid rent or unpaid property damage. A tenancy agreement form and other proof such as photos or documentation need to be produced and a fee is charged for the collection of the amount due.

## **2.8 Commercial leasing**

Commercial leasing is an arrangement where one party gives out an asset it owns (typical business space or equipment) to another party, for the second party to use for a pre-agreed period of time. This occurs in exchange for up front or regular payments from the second party to whom the property is leased. [www.ehow.com/commercial](http://www.ehow.com/commercial) leasing (29/07/2014 ; 0944 hours)

Jacobus, (2009) states that, one of the key challenges in commercial property is the complexity involved in evaluating potential small business tenants. He points out that the strength of any potential lessee depends on such a wide range of factors and each lessee’s business and industry is unique. He further states that understanding how to evaluate prospective lessees is important to ensure that they will contribute to making a project a success.

Murphy, (2008), states that it is obvious that rental adjustments between different lease structures are hardly supported by strong market indications in many property markets, as one structure tends to control the other. He goes on to say that the unavailability of established methods to value lease structures with little market evidence could have possible negative implications for the valuation advice provided to landlords and tenants. He further argues that, the accuracy of the valuations of net leased properties in a market influenced by gross leases would be more based on value judgment and therefore be probable more open to error than gross lease valuations.

## **2.9 Escalation of outstanding revenue**

On the issue of outstanding revenue in the form of unpaid rents, Scheffer, (2010) states that, the question arises whether the high rental defaults are a characteristic of the market as a whole and will improve as the economy improves or whether the non-payment of rentals reflects a deeper underlying problem ie. a broader culture of non-payment and defaulting lessees.

Jayne, (2007), adds that, when property managers are apprehensive with the recovering of unpaid rent, seeking to secure the renewal of leases or seeking to review rent, they may need to be more watchful in respect of cleanliness of the property. He further goes on to say that there must always be a tenant's handbook and management regulations provided for each property.

Loubser and Dickens, (2010), state that it is normally a combination of factors. It could be the result of an economic downturn resulting in a fall in the amount of business and an increase in the national rental default rate. However, they are quick to point out that some lessees also have a culture of non-payment, particularly of the last month's rent and a calm attitude towards rent arrears. They also argue that lessees' behavior is a key issue to be managed by adequate screening to prevent issues like lessee threatening not to pay rent as it becomes due, lessee threatens to abandon the premises before the end of its term under the lease, lessee actually failing or refusing to pay rent when it is due and lessee actually deserting the premises.

Schaefer, (2010) adds that while it is easy to blame the economic conditions, regulatory environment and the tenants, it is important to realize that lessors also play a crucial role in preventing rentals defaults. He argues that many lessors contribute to the problem of rental defaults by not managing their rentals properly. Prospective lessors should take responsibility by putting in place risk mitigation strategies such as thorough screening of prospective lessors, water-tight lease agreements and taking swift action in the case of late payments or defaults.

Hutchinson et al, (2010) adds that income return depends on tenants paying their rent in full and on time. He says the stability of the income return is one of the key features of real estate both as an investment and as a security, but this stability is threatened by tenant default particularly during the down phase of the cycle. This, he says, introduces the potential for considerable loss of income as consequence of income and housing satisfaction. He further considers that the strength of landlords and tenants in lease negotiations and calculation of deposit level are an essential approach to reduce income risk and the deposit is a tool to handle tenants' default.

### **2.10 Trend analysis in outstanding rentals**

Loubser and Dickens, (2010) agree that lessors or letting agents who act quickly to limit non-payment of rent by following their lease agreement breach clause process are able to demand rent, cancel the lease and demand the lessee to vacate the property at month end. They further

state that in most cases tenants who are in arrears by only one month are more likely to vacate the premise than the tenant who has been allowed to fall two or more months in arrears.

They also go on to say that if proper credit records are kept, lessors and agencies can assess prospective lessees' credit-worthiness more accurately. They also mention that, the problem with a large number of lessors and agencies is that they give the tenant too much time to remedy their breach of contract and as a result, they eventually sit with a squatting lessee.

Schaeffer, (2010) argues that the length of lease agreement will also affect the value of the income flow associated with a property. The longer the lease, the more assured it is, the more valuable the income stream is. He also mentioned that in practice, many commercial leases have periodic break clauses to allow either party to give notice and it is assumed that these will be exercised by one party when assessing the future value of a lease.

### **2.11 Litigation as the last resort**

According to Smith, (2010), litigation is quite often a bad business decision. It is expensive and usually gives a poor economic return on investment. It takes tremendous emotional and psychological toll on all involved and it is much easier to start a law suit than to end one. He further says that, litigation can be extremely effective and in many cases, it is the only action that gets a lessee's attention.

### **2.12 Internal Controls**

According to [www.aabri.com/manuscripts](http://www.aabri.com/manuscripts) (30/07/201 ; 1445 hours), internal control systems are set of organizational policies and approved internal processes crafted by management of an organization to ostensibly achieve management's primary objective of ensuring that the business operates flawlessly.

Miley, (2007) states that the internal control process helps to ensure that the system is working well and that all the employees involved will be performing as expected.

According to [www.ehow.com.Business](http://www.ehow.com.Business)(29/07/2014 ; 2140 hours), cited some of the principles of internal control as follows;

### **Responsibilities**

Companies must clearly establish responsibilities. Assigning specific responsibilities to individuals so as to be certain that they understand what their part is in maintaining internal control system and making it clear as to who will be performing assigned duties.

### **Record Keeping**

Having correct record keeping procedures enables companies to have an accurate history of transactions on hand.

### **Asset Records and Custody**

People who have physical access to cash and other assets must not be the same people who are supposed to keep records relating to that asset. If the person responsible for keeping petty cash records has the access to the key to petty cash box, it would be easy for that person to help themselves to the cash while falsifying the petty cash record.

### **Independent Review**

Companies should review their internal control systems regularly. That should be done by an individual who did not perform any of the work being checked. An independent evaluator can objectively report on the work being done throughout the internal control process and that independent person has no reason to cover mistakes or be overly optimistic about the control procedures.

According to [www.aabri.com/manuscripts](http://www.aabri.com/manuscripts) (30/07/2014 ; 1445 hours) puts down the principles of internal control as follows;

**Segregation of duties.** This states that if certain aspects are performed by one individual, there is a chance that the person can unlawfully change the assets of the organization to own self and also falsify the accounting records. As such, responsibilities must be shared amongst personnel.

**Custody of assets.** These are measures to protect the company assets. The measure is meant to ensure that only those authorized personnel have access to the organization's assets.

**Authorization.** This is the obligation to safeguard the revenue of the organization and requires transactions that are entered into the system to be authorized by the appropriate individual and

that each transaction conforms to the terms of its authority. Formal limits should be established for each supervisor's authority so as to reduce the risk of fraudulent activities.

**Internal Audit.** This is one of the important aspects of internal control. Internal audits should be carried out regularly with the final external audit being carried out once every year.

**Records controls.** Accounting records are such that all transactions that occur are recorded on time, at the correct value and properly accounted for in the accounting records.

**Management supervision.** These are controls over the controls like conducting surprise counts of cash. This minimizes revenue leakages. Staff should be monitored at all levels and responsibilities should be clearly communicated to the person under supervision.

([www.zimra.co.zw.-internal](http://www.zimra.co.zw.-internal) control manual), (30/07/2014 ; 1445 hours).

According to, [www.general.southafrica](http://www.general.southafrica). Dept of Public Works, (29/07/2014 at 1510 hours), the Auditor General of South Africa cited that the Department of Public Works lacked internal controls, that is, the lateness of submissions to regulatory bodies, failure to follow up debt collection and non compliance. The Auditor General further said this caused concern and frustration at the Department's failure to complete the asset register. This also caused a major challenge which required interdepartmental cooperation as well as cooperation between national, provincial and local Government and other role players.

The Auditor General of South Africa also conducted Internal Audit controls to audit good governance practices, to audit whether the Government was getting value for money in supply of chain management and payroll, a compliance audit, an asset management audit and performance audit.

### **Review of effectiveness of the internal controls**

According to [www.ecg.org/codes/document](http://www.ecg.org/codes/document) (30/07/2014 ; 2013 hours), states that Turnbull requires that the Board should regularly receive and review reports on internal controls. In addition, the Board should undertake an annual assessment exercise for the purpose of making its statement in the annual report to ensure that it has considered all the important aspects of internal

control for that accounting period and the period up to the date of approval of the annual report and accounts.

### **2.13 Internal controls' implementation guidelines**

According to [www.deloitte.com](http://www.deloitte.com) (30/07/2014 ; 2100 hours), the implementation guidelines for companies contribute to raising the standard of financial reporting and reducing the risk of fraud. However, many companies find it difficult to opt for the standards because of lack of implementation guidelines which cover different angles of business operation and management, and also provide clearer guidance for companies to improve on their internal controls. Furthermore, the guidelines built up best practices in corporate governance which has become more important in the wake of growing outbound and inbound investment in China.

### **2.14 Debt Management**

According to [www.investowards.com](http://www.investowards.com) (11/08/2014 ; 1250 hours), debt management is a remarkable plan developed to help a debtor manage their debts. This plan is usually developed and implemented by an outside company or organization on behalf of the debtor, usually because the debtor is unable to sufficiently manage their debt on their own due to lack of understanding or because they are overwhelmed by the amount of debt.

[www. financial dictionary.com](http://www.financialdictionary.com) (11/08/2014 ; 1255 hours), define debt management as any plan that assist a debtor to pay back or otherwise administer their debt better. Debt management may necessitate working with creditors to restructure debt or helping the debtor manage payment more effectively. It goes further to say a debtor may plead with a debt management company if the debtor does not know how to manage the debt or if there is so much debt that outside management becomes necessary. A payment plan can also be brought up as a strategy to make payments.

Mendonqa and Nunes, (2011) state that, public debt management involves a trade- off between the cost of debt servicing and the risk of financing. The cost of public debt service is related to

the average maturity of public debt while the risk point to the possibility of default. They go on to say that the last years have seen the Brazilian economy choosing a monetary policy separate from fiscal policy. With a monetary policy which is active, the public debt cannot be extreme over some time and due to the gains of feasibility the interest rate tends to decrease. They say the trust of public in the favorable outcome of the public debt management indicate a decrease in risk premium concerning long term bonds.

Mudan, (2007) states that in the case of developing economies, the Treasury bond risk premium required by an investor conducts an important role for public debt management as it bring to light the risk in these economies and thus work as a credibility index. He however says the problem for policy makers is to identify what variables influence the risk premium, permitting them to adopt plans capable of certifying it.

Mendonqa and Nunes, (2011) in addition say that Brazil represents a potential laboratory experiment for studying the risk premium on public debt management. They say Brazil is working towards improving the structure of public debt and to strengthen the average maturity. It then becomes relevant to consider the Brazilian case for examining how macroeconomic changes affect the Treasury bond risk premium.

According to Paul, (2007) the cost of taking charge of late payments can slowly eat away profit, especially if profit margins are firm. Unlike statutory interest provisions, firms have a full meaning of agency regarding management of debtors. He goes on to say that it has been argued that late payment problems are increasing due to the fact that firms do not send invoices or statements on time or in some cases the invoices are never sent at all.

According to Wilson, (2008), late payment is seen as a greatest contributory factor to businesses' financial suffering, failure, hampered growth and transformation. The intention of legislation in this regard is that companies would pay the agreed terms and possibly change payment behavior by creating a level of 'paying' field. He goes further to say, prior to legislation, the companies considered the introduction of statutory penalties to control late payments as the most important factor associated with improving the performance of their businesses, and with this they were

confident about the legislation potential. These laws would be accompanied with other measures such as the establishment of the best practices group on late payment and it would call for the 'naming and shaming' of late payers.

Wilson, (2008), goes on to say, the problem of late payment cannot be totally eliminated since payment behavior is to some extent, a function of a firms' *financial health and management professionalism*. He says improvements in credit management can be expressed in the following aspects; strong and dependable policies to assess risks, qualified personnel and processes, visionary and productive practices.

The Financial Times, (2008) argues that the combination of a worsening late payment problem over the past decade and the failure to take up statutory interest legislation, clearly suggests that the legislation approach has failed to change the payment behavior.

## **2.15 Best Practice in Leasing**

Jayne, (2007), states that there may be procedures which should be adopted as best practice in leasing;

(i) Leasing of premises

When premises have been previously occupied, reference should be made in the leasing particulars as to the nature of previous activities carried out.

(ii) Vetting Prospective Tenants

The usual financial checks in the trading account, bank statements and statement of financial position must always be done.

(iii) The Lease

Consideration should be given to effectiveness of standard lease clauses. Provision should be made in leases for tenants to commission, from an independent consultant, a decommissioning audit to be undertaken in the last year of tenancy and for all recommended works to be carried out before the end of the demised term.

(iv) Managing Commercial Buildings



All leases should contain provision for the landlord or managing agent to undertake periodic inspections of the premises upon giving reason with notice and these inspections should be carried out preferably twice yearly.

### **2.16 Best Practices in BRICS Countries**

BRICS countries refer to Brazil, Russia, India China and South Africa. Panina and Berman, (2013), state that professionalism is an essential informal institution that encourages trust in legal systems and supports its formal institutions in the process of development that has been assumed in BRICS countries. The agents of professional socialization such as the state educational institutions, professional bodies and organizations play different parts in development of professionalism.

Terrel, (2009) state that the core professional values of expertise, autonomy, collegiality, commitment to public service and societal impact are presumed to be universal as they indicate the ideals for legal professionalism and are necessary to the competent, responsible and effective delivery of legal services.

Hurn and Farnham, (2013) state that issues to be considered for best practice include strategic, geopolitical issues, working effectively in multi-national teams, ethical and environmental considerations. They go on to say the vulnerability of global supply chains, the ever-present requirement for wider understanding of cultural background and training required also include language skills, special competencies and the development of global leadership skills.

In addition they go on to say, the growth of the BRICS is forecast to be much higher over the next decade than that of Japan, the United States of America and the Western Europe, all of whom continue to experience inactive and painful growth as they try to come out of the recession which began in 2008/2009.

Tome, (2007) says there is need for changes associated with upgrading competences, managing change, the meaning of core competences, the importance of knowledge and the consideration of

risk and uncertainty. Competences should be upgraded and more qualified workers needed in different areas of specialization.

Safo, (2012) states that critical success factors which include funding, government support, institutional support, complementary technology, expertise, mutual respect and strong commitment from leadership are needed for economic growth. He goes further to say, one critical success factor include a soft but critical ingredient which is the bilingual expertise of facilitators who managed to bridge the gaps between both intellectual capital technical expertise and cultural differences, the case study of the Chinese and Australians.

Chandrashekar et al, (2007), state that in China customer commitment means customers have a favorable opinion of a company regarding its services, products and brands and intend to continue buying its products and services. Ramanathan, (2012) in addition says, it is reasonable that if companies treat their customers with respect, deal with customer complaints appropriately, and provide full information about after sales services, then customers will tend to feel more satisfied and thus have greater loyalty.

Koltsov, (2013), gives emphasis saying, corporations should realize that compliance is not a simply regulatory requirement but can also provide a unique added value to their overall businesses. Strong internal controls, accurate accounting records and a compliance program that deters and detects misfeasance will aid in future market sustainability. In addition an anti-corruption compliance program should be supported through leadership, always monitored and successful procedures understood by all parties with a clear communication license to allow for proper communication. Furthermore, he says, unless management control violators in a regular and impartial way, employees will regard that policies will not be binding and confidence will decrease.

Fagan, (2013) adds by saying that there is need to subscribe to development of International Standards on International Taxation and Transfer Pricing taking into account the expectations of developing countries and BRICS countries in specific. This he says could be done through strengthening the enforcement procedure by taking suitable actions for non-compliance and

putting more resources on international cooperation, sharing best practices through capacity building and encouragement of effective exchange of information.

### **2.17 Contracting-out of properties and management of services**

Terence, (2008) says that contracting out public services are now a worldwide dominant policy and strategy to deliver public services. He further argues that in the interest of public option, market competition is crucial to accomplishing efficiency and effectiveness which can be improved by better working methods and better organizational structure.

Palm, (2013) in Pricewaterhouse Coopers, confirms that housing maintenance and management of services are commonly contracted and assert that the service providers can offer standard work at a reasonable price.

Palm, (2013) goes on to say, when making strategic plans for a company; the commercial leasing industry has two strategic pathways to look at regarding real estate management. The first pathway is to choose whether to have its own frontline personnel or to outsource this responsibility. The second is to decide how the leasing task should be treated, either by a real estate manager or should it be a function of its own in the organization. He goes on to say that the organization can be structured using both pathways, and the firm can still be successful, arguing that top-level managers are the same regardless of how their organization is structured.

### **2.18 Summary**

This chapter focused on reviewing what the available literature has to offer on revenue collection, and the importance of guidelines to follow when evaluating tenants before occupation of the property to mitigate the risk of default. The importance of lease screening in the effective management of commercial leasing is highlighted as well as the internal control systems. The following chapter looks at the research methods to be used in obtaining data relevant to the study.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter looks at the methods in data collection, analysis and the staging plan for the research. Dealt with in this chapter are the research designs, population, sample, data types and research instruments used to gather data during the study, types of questions, validity and reliability, data presentation, data analysis and the summary.

##### 3.1.0 Research design

According to Cresswell, (2008) research design is preparation of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. He goes further to say, research design is the conceptual structure within which research is conducted and it constitutes the blueprint for collection, measurement and analysis of data. The design includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data.

According to Saunders and Lewis, (2009) research design is an arrangement of conditions for collection and analysis of data. It is a blueprint for the collection, measurement and analysis of data. It deals with at least four problems, that is, which question to study, which data is relevant, what data to collect and how to analyze results. The researcher selected the most suitable research design to come up with an approach that addresses the research problem in the best possible way within the given constraints.

##### 3.1.1 Case Study

According to Swanborn, (2010) a case study is carried out within the boundaries of one social system such as organizations in which the phenomena to be studied enrolls. It is a comprehensive description and analysis of a single situation. It is also achieved by monitoring the phenomenon during a certain period or by collecting information afterwards with respect to the development of the phenomenon during a certain period. Several data sources are used which include available documents, interviews and participatory observations.

#### **Advantages of a case study**

According to [www.psud43.wordpress.com](http://www.psud43.wordpress.com) (04/09/2014 ; 1157 hours), a case study allows a lot of detail to be collected that would not normally easily be obtained by other research designs which is a lot richer and of greater depth than can be found through other experimental designs.

Olusoji, (2011) adds that instead of studying a large sample, only a manageable sample will be studied. This makes carrying out of a study easier and saves a lot of time yet the study would have been carried out with its in-depth and the results will be reliable and valid.

### **Disadvantages of a case study**

According to [www.psud43.wordpress.com](http://www.psud43.wordpress.com) (04/09/2014 ; 1200 hours), data collected cannot necessarily be generalized to the wider population and that can lead to data being collected over longitudinal case studies not always being relevant or particularly useful.

Naumes and Naumes, (2010) in addition say that this is true when environmental factors are taken into consideration as there is the difficulty to generate the results from the study as sometimes it is difficult to extrapolate from results of a single research.

### **3.1.2 Descriptive research design**

According to Shuttlework, (2008) descriptive research design involves the observation and description of the behavior of a subject without influencing it in any way. It comprises of interviews, questionnaires and observations which enable the researcher to obtain information on the existing situation. Mellenberg and Hanch (2008) defined descriptive research as studies designed to obtain information concerning current studies of the phenomenon to describe ‘what exists’ with respect to variables or conditions in a situation.

The study is descriptive in nature as it seeks to investigate on revenue collection from tenants in the Department of Public Works, Mashonaland East Province.

### **Advantages of descriptive research design**

Shuttlework, (2008) says that it is often used as a pre-cursor to quantitative research design, and the general overview giving some valuable pointers as to what variables are worth testing. It also gave the researcher room for both explanation and analysis of data using historic qualitative and quantitative evidence.

## Disadvantages of descriptive research design

Shuttlework, (2008) cites that there are no ways to statistically analyze the results as there are no controlled changes. The results of observational studies are not repeatable and so there can be duplication of the experiment and analyzing of result

### 3.1.3 Population

Pullissier, (2008) defines population as the entire set of components under study. Cost and time have to be considered as they have an effect on whether the components would be accessed on time and within reasonable costs. According to Grafton and Jones, 2010, population refers to any persons who share the characteristics designed and defined by the researcher as relevant to the study.

[www.free dictionary.com/population](http://www.free dictionary.com/population), (6/8/2014 ; 1530 hours), define population as all elements, individuals or units that meet the selection criteria for a group to be studied, and from which a representative sample is taken for detailed examination. The population under study was put in into strata as the Department of Public Works officials and general tenants.

**Table 3.1 Table of population samples**

<b>Section</b>	<b>Population</b>	<b>Sample</b>
Valuation and Estates Management	11	8
Finance/Accounting	7	7
Planning Officers	2	2
Audit	5	5
General Tenants	35	15
<b>Total</b>	<b>60</b>	<b>37</b>

## 3.2 Sample

Kotler et al, (2008) defines a sample as a segment of the population selected to represent the population as a whole. Ideally, the sample should be representative of the population so that the researcher can make estimates of the thoughts and behaviour of the larger population. The researcher's samples were made up of Department of Public Works officials and general tenants.

### **3.2.1 Sample size**

According to [www.ehow.com/facts](http://www.ehow.com/facts) (13/08/2014 ; 1055 hours) a sample size is defined as the number of observations used for calculating estimates of a given population. The researcher interviewed tenants, officials of the Department that included Audit, Accounting, Planning, Estates Management and Valuation departments as indicated in table 3.1. The sample size was based on the relevant subgroups of the population and proportional allocation of the subgroups was done to get a true and fair presentation of the population.

### **3.2.2 Sampling Techniques**

According to [www.ehow.com/facts](http://www.ehow.com/facts) (13/08/2014 ; 1100h0rs) sampling techniques are methods which are used to select a sample from within a general population. Sampling involved collecting, analyzing and interpreting research data from a chosen representative number of respondents from the study population. In this study the researcher used judgemental sampling and convenience sampling.

#### **3.2.2.1 Judgmental Sampling**

According to [www.chegg/homework](http://www.chegg/homework) (13/08/2014 ; 1105 hours) judgemental sampling is based entirely on the expertise of the investigator, who uses their judgement to select a sample they consider representative. The researcher used a non probability sampling technique whereby the target sample was collected by picking sitting tenants of the Department of Public Works.

#### **Advantages**

The technique did not need labeling of population components, which is often difficult since it was a probability technique. It ensured that data collected could be generalised to the target population.

#### **Disadvantages**

Significant attributes were subjectively selected. It was costly in terms of time and financially.

#### **3.2.2.2 Convenience Sampling**

The elements of the sample were selected on the basis of their proximity to the researcher, which is being at the right place at the right time. The researcher chose the population members who were good prospects for accurate information. This sampling technique was also used in the research because it enabled the researcher to pick respondents who were conversant with the

research topic and whose day to day work activities were in areas covered by the research topic which involved the awarding of leases and collecting revenue.

### **Advantages**

It was less time consuming since only those respondents who were present had the chance to be interviewed. The relative time and cost required to carry out a convenience sample compared to a probability sample. It also enables the achievement of the required sample size in a relatively fast and inexpensive way.

### **Disadvantages**

There was an element of response bias since only those respondents who were present had a chance to be interviewed

## **3.3 Types of data**

### **3.3.1 Primary data**

Primary data means original data that is collected and gathered directly from the respondents.

There are several methods of collecting data according to Kathari, (2004), particularly in surveys and descriptive researches.

The researcher made use of interviews and questionnaires to employees of the Department of Public Works, Mashonaland East Province and tenants on the system of revenue collection from tenants.

Data obtained was presented in different ways which included graphs, pie charts and tables. The responses collected were so varied in content and context which resulted in a lot of information being obtained in relation to the research topic.

### **Advantages of primary data**

According to [www.science.blurtit.com](http://www.science.blurtit.com) (04/09/2014 ; 1315 hours) the researcher has the control of the research being undertaken. Primary data focuses on specific issues and this means the researcher will only set out to find information that is needed. The researcher is presented with original and unbiased data as the researcher would be directly interacting with the source of information.



Mooi and Sarstedt, (2011) in addition state that the information being collected will be recent, specific for the purpose and will be proprietary.

### **Disadvantages of primary data**

According to [www.science.blurtit.com](http://www.science.blurtit.com) (04/09/2014 ;1315 hours) primary data consumes a lot of time. Preparations by the researcher need to be done in order to handle different demands of the processes and at the same time manage time effectively. There are also large volumes of data to be collected.

Mooi and Sarstedt, (2011) in addition state that even though the information is recent, primary data is more expensive and take longer to collect.

### **3.3.2 Secondary data**

According to Kathari, (2004), secondary data means data that is already available. This is data which have already been collected and analysed by someone else. This data may either be published data or unpublished data.

According to Saunders et al, (2007) the information gathered may not be in full version to gain the full value of the study. This is due to the fact that some reports are rarely accessed freely on the internet. Websites usually publish insufficient information and sometimes publish only part of the research such that if you want the whole document you then need to subscribe to a Website.

Saunders et al, (2007) goes further to say, whenever using data which has been presented as part of the research, it is important to find out its purpose and the impact it will have on the data being presented.

The researcher obtained secondary data within the Department through completed lease agreement forms debtors' ledger cards, audit reports, sub collectors' reports and minutes of meetings from period January 2010 to December 2013. Secondary data also helped the researcher to improve on the understanding of the problem, providing a basis for comparison with primary data and making its collection more specific as the information was stored in files.

### **Advantages of secondary data**

According to Mooi and Sarstedt, (2011) secondary data tend to be less expensive and the sample size tends to be greater. It also tend to have more authority and easily accessible and can be compared with other researchers.

### **Disadvantages of secondary data**

Mooi and Sarstedt, (2011) argue that even though secondary data is less costly, it may be outdated and may not completely fit the problem under research. It is sometimes difficult to access data quality and usually contains only factual data that may not be available.

### **3.3.3 Documentary Evidence/Organisation Records**

These were internal departmental written policy documents, minutes, memorandum, Internal Audit reports, and lease agreement forms. Such information was useful in determining whether a respondent's perception of the situation was consistent with what was actually on the ground.

## **3.4 Research Instruments**

These are tools that are used in collecting data for research as outlined by Saunders and Lewis, (2008). In this research, questionnaires, interviews and internal documents were used to gather research data.

### **3.4.1 Interviews**

Interviews involve oral questioning of respondents either individually or as a group. An Interview guide was used which contained a list of questions for the respondents. It consisted of both closed and open ended questions.

### **3.4.2 Face to face Interviews**

Interviews enabled the researcher the opportunity to have an in depth discussion with respondents in regards to how tenant screening had affected revenue collection, to establish what controls were in place and to consider what best practices could be put in place.

The study figured out important information from the respondents' incidental comments, voice tones, attitudes, reactions and gestures. Misunderstandings and misinterpretations were cleared out instantly. The interview approach was adopted because it permits a higher degree of confidence in the respondents.

### **Advantages of face to face interviews**

The method involved direct interaction and therefore provided a chance for probing for more information which allowed the flow of new useful ideas. The researcher managed to get more information from facial expression as well as emotions displayed by the respondents during the discussions. Direct interaction also ensured that most questions were answered and allowed the collection of results on the spot.

### **Disadvantages of face to face interviews**

Interviewees know that they can be identified and as such they may be unwilling to give out sensitive information and fear of victimization may lead the interviewee to give only the theoretical aspects of the problem rather than the practical aspects since theoretical aspects are supported by written brochures. In some cases it may be difficult for the interviewer to be allocated interview time during busy schedules and this impact negatively on the quality of responses.

### **3.4.3 Questionnaires**

A questionnaire is a designed set of questions used to gather data from respondents or direct from primary resources. Muranda, (2004) defines a questionnaire as a general form to encompass all data collection techniques in which each person was asked to respond to the same set of questions in a predetermined order. The questionnaire for this research study is shown in Appendix 3 and Appendix 4. Questionnaires were administered to officials of Audit, Planning, Accounting, Estates Management and Valuations, and sitting tenants. The questionnaire consisted of open ended and close ended questions. Closed questions were meant to collect responses for which frequencies could be drawn. Open ended questions were meant to collect explanations or reasons behind a response. The use of questionnaires reduced manipulated or corrupted responses since respondents gave a personal opinion without the researcher's response.

### **Advantages of Questionnaires**

Data collected was easy to quantify and analyze. Questionnaires are more standardised than interviews and this enabled the collection of more objective data. According to Muranda, (2004), the study uses questionnaires because they cover a large number of people and no prior arrangements are needed. He goes on to say respondents can consider responses and there is possible anonymity of respondents.

## **Disadvantages of Questionnaires**

There was no assurance that respondents understood the questions. The researcher did not have control over the respondents' environment and therefore could not verify whether it was the intended respondent who responded or if it was someone else. There were also delays for questionnaires to be collected as some respondents took their time in answering the questionnaire.

## **3.5 Types of Questions**

### **3.5.1 Open-ended questions**

According to [www.yourdictionary.com](http://www.yourdictionary.com) (04/09/2014 ; 1320 hours) open-ended questions are those that require more than one word answers. The answers could come in the form of a list, a few sentences or something longer. They also require a response with more depth and lengthier which helps to find out more about a situation.

### **Advantages of open-ended questions**

According to Kumar, (2010) respondents are provided with the opportunity to express themselves freely resulting in a great variety of information being collected. Martyn, (2010) adds by saying that information gathered reflects the full richness and complexity of the views held by the respondents as it provides the respondents with an opportunity to be creative in their responses.

### **Disadvantages of open-ended questions**

Martyn, (2010) states that open-ended questions are related to the amount of space and time it takes to review individual responses, making it difficult to compare answers. It also make coding responses difficult as they demand more effort on the part of the respondents. They leave the researcher with data which are quite raw that require a lot of time consuming analysis before they can be used.

### **3.5.2 Closed Questions**

According to [www.yourdictionary.com](http://www.yourdictionary.com) (04/09/2014 ; 1320 hours) closed questions are those which can be answered by a simple 'yes' or 'no'. They can be answered in only one word or very short phrase and have the potential to end a conversation.

### **Advantages of closed questions**

Martyn, (2010) states that the structure imposed on the respondents answers provides the researcher with information which is of uniform length and in a form that lends itself nicely to being quantified and compared. Morelize and Jody, (2009) also say closed questions minimize discrimination against less literate or less articulate people. They are easy to record and to analyze the results.

### **Disadvantages of closed questions**

According to Martyn, (2010) the respondents get frustrated by not being allowed to express their views fully in a way that accounts for any inconsistencies in their views. There is also less scope for respondents to supply answers which reflect the exact facts or true feelings on a topic if the facts happen to be complicated.

#### **3.5.3 Likert Scale**

According to Jackson, (2011) likert scale is a type of numerical rating scale developed by Renis Likert in 1932. He goes further to say that the rating is easy to analyse statistically. Monette et al, (2013) in addition state that likert scale consists of series of statements with each statement followed by a number of ordered response alternative.

### **Advantages of likert scale**

According to Monette et al, (2013) likert scale offers respondents a range of choices rather than the limited 'yes/no' alternative of other scales. Data produced are considered to be ordinary level which enables the researcher to use more powerful statistical procedure.

### **Disadvantages of likert scale**

Monette et al, (2013) state that when data is summarized, there is likelihood of losing information. The summary score might hide information about patterns of variation in responses.

## **3.6 Data presentation**

The researcher quantified the data and grouped it accordingly. The data from interviews was scrutinized, analyzed and summarized. Quantitative data which takes into account the use of figures was presented graphically through pie charts, bar graphs and tables. Quantitative data

was also analyzed by checking all returned questionnaires for completeness and reviewing the questionnaire for maximum accuracy and precision.

Data is presented in simple Tables as this involves putting data into frequency distribution and showing how frequent each response occurred. This enables data in other forms like pie charts, bar graphs and line graphs to be used to facilitate interpretations.

### **3.7 Data Analysis**

The section briefly describes the approach that was used to organize, describe and analyze the collection of data. Questionnaires and interviews were used in collecting primary data. The secondary data was obtained from the internal records of the department. The sources included reports, minutes, policy documents and internal memoranda. Authority was sought from relevant authorities to use certain information for this study which often would not be allowed for fear of the information being misused.

Percentage calculations were also used as it makes it easier for readers to follow the computed data and its presentation. This is shown when a certain number of respondents gave their responses; the number would be expressed in a percentage to improve on clarity.

### **3.8 Summary**

This chapter dealt with the research methodology adapted for the study. It involved the research design, types of data, population, sample, research instruments, data presentation, data analysis and the summary. The next chapter focuses on data presentation techniques, discussions and interpretation of findings.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.0 Introduction

This chapter focuses on presentation and analysis of the responses obtained from the research instruments which are interviews and questionnaires. Tables, bar graphs and pie charts were applied in presenting the findings. In addition to the findings from research instruments, the researcher analyzed Audit reports, Sub-collectors reports and Financial Statements.

#### 4.1 Analysis of data response

##### 4.1.1 Questionnaires

Two sets of questionnaires were administered comprising of twenty two (22) questionnaires for the department officials and fifteen (15) questionnaires for the tenants. The department was further divided into four (4) categories namely Valuation and Estates Management eight (8), Finance/Accounting seven (7), Planning Officers Two (2), and Audit five (5). All the twenty two (22) questionnaires administered to the department officials were responded to and of the fifteen (15) questionnaires administered to the tenants, fourteen (14) were responded to and only one (1) questionnaire was not. The response rate is shown in the Table below.

*Table 4.1 Summary of questionnaires administered and collected*

Category of Respondents	Target	Actual	Response rate (%)
Valuations and Estates Management	11	8	72
Finance/Accounting	7	7	100
Planning Officers	2	2	100
Audit	5	5	100
General Tenants	35	15	43
<b>Total</b>	<b>60</b>	<b>37</b>	<b>62</b>

Source : Data Survey (2014)

According to Singer, (2012), a response rate of sixty five percent (65%) warrants that the intended sample is significant and will have enough information relating to the questionnaires. The researcher however had a response rate of sixty two percent (62%) which she assumed was adequate as it was almost sixty five percent (65%).

## 4.2 Primary data presentation and data analysis

Editing of data was done as soon as the respondents returned the questionnaires and as soon as the interviews were completed. The essence of editing was to ensure that the requested data was legible. Graphs, pie charts and Tables were the main techniques used in presenting the research findings.

### 4.2.1 Primary data: Department Officials

Primary data was gathered by use of questionnaires and interviews conducted.

#### 4.2.1.1. Questionnaires

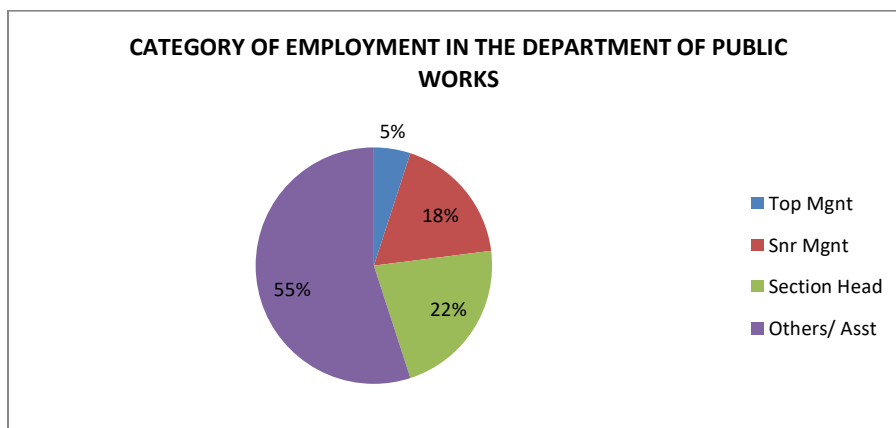
**Question 1 : To which category do you fall under in the Department of Public Works?**

*Table 4.2 Category of employment in the Department of Public Works*

Category	Top Management	Senior Manager	Section Head	Others/Assistants	Total
Valuation & Estates	1	1	3	3	8
Finance/Accounting	0	1	1	5	7
Planning	0	1	0	1	2
Audit	0	1	1	3	5
<b>Total</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>12</b>	<b>22</b>
Percentage	5%	18%	22%	55%	100%

Source: Survey data 2014

*Fig. 4.1 Category of employment in the Department of Public Works*





The researcher wanted to make sure that the group which was being dealt with was the right personnel which were one way or another involved in leasing out properties.

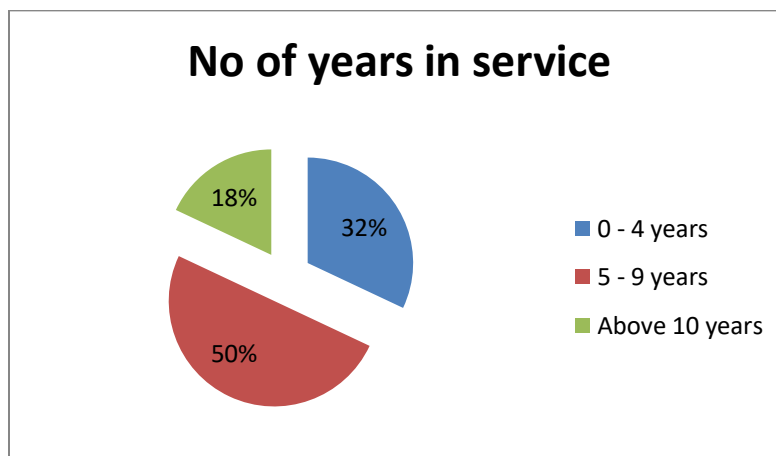
**Question 2 & 3: In which department do you work under and how long have you been employed?**

*Table 4.3 Population Sample and tenure in office*

Department	No. of officials	0 – 4 yrs	5 – 9 yrs	Above 10 yrs	Total
Valuation and Estates	8	3	4	1	8
Finance/Accounting	7	1	4	2	7
Planning Officers	2	0	1	1	2
Audit	5	3	2	0	5
<b>Total</b>	<b>22</b>	<b>7</b>	<b>11</b>	<b>4</b>	<b>22</b>
Percentage	100%	32%	50%	18%	100%

Source: Survey data: 2014

*Fig. 4.2 Population sample and tenure in office*



This question was asked in order to judge the reliability of the responded in light of the respondents’ understanding of the organization and its operations on the basis of the period of employment within the organization. Respondents of about 68% had more than five (5) years in the organization and thirty two percent (32%) fell under five (5) years. This made the researcher assume that the respondents were knowledgeable of the organization and its operations.

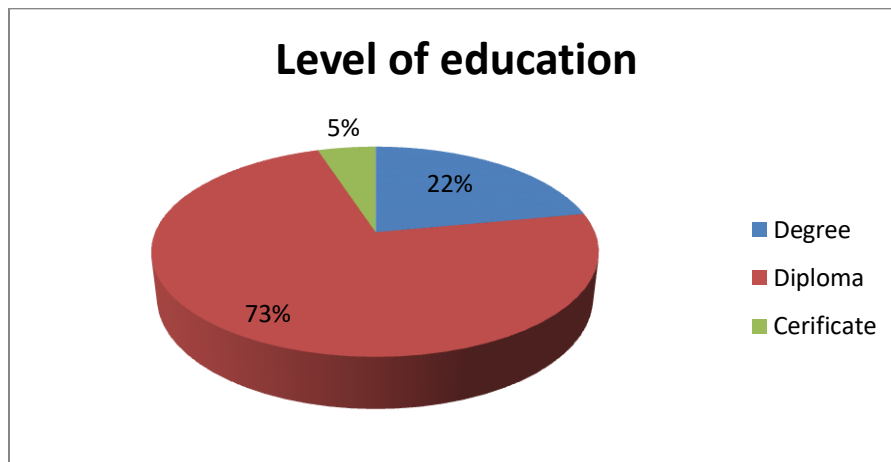
**Question 4: What is your highest educational qualification?**

*Table 4.4 Educational qualification*

Department	Degree	Diploma	Certificate	Total
Valuation and Estates	3	5	0	8
Finance/Accounting	1	6	0	7
Planning	0	1	1	2
Audit	1	4	0	5
<b>Total</b>	<b>5</b>	<b>16</b>	<b>1</b>	<b>22</b>
Percentage	22%	73%	5%	100%

Source : Survey data : 2014

*Fig 4.3 Level of education*



Educational qualification was an important variable since it influenced the respondent’s capacity to contribute and to a large extent have some bearing on respondent’s amount of exposure to the issues under investigation.

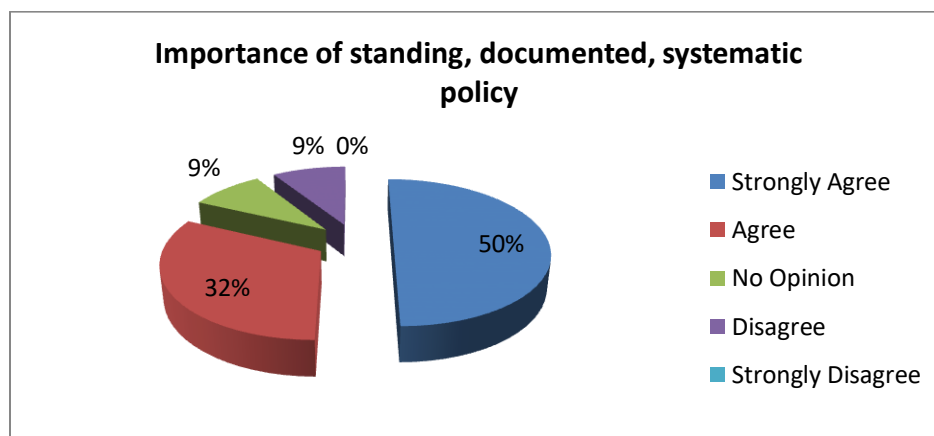
**Question 5 : The rating of standing, documented, systematic policy of the evaluation of prospective lesses when leasing out immovable property is important.**

**Table 4.5 Importance of a standing, documented, systematic policy in evaluation of property**

Department	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Valuation & Estates	5	2	0	1	0	8
Finance/Accounting	4	2	1	0	0	7
Planning Officers	0	1	1	0	0	2
Audit	2	2	0	1	0	5
<b>Total</b>	<b>11</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>22</b>
Percentage	50%	32%	9%	9%	0%	100%

Source : Survey data 2014

**Fig. 4.4 Importance of standing, documented, systematic policy**



In response to the question, 11/22 (50%) strongly agreed that the standing document was important, 7/22 (32%) of the respondents agreed, 2/22 (9%) were not sure. 2/22 (9%) disagreed and 0/22 (0%) strongly disagreed. The mode of 82% agreeing that the standing document was important to the evaluation of prospective lessees when leasing immovable property, showed that it was necessary to have the document in place so as to eliminate lessees who are unable to pay rentals. From the interviews conducted, the respondents agreed saying the document was critical as it minimized the risk of defaulting tenants. 18% disagreed stating that the document was not at all that important.

According to [www.landlord.com](http://www.landlord.com) (30/07/2014 ; 1530 hours), the policy must give recommendations that if adequate arrangement for late payment is not made by the end of the 1<sup>st</sup> day rent is due or by end of the grace period, a termination notice will follow.

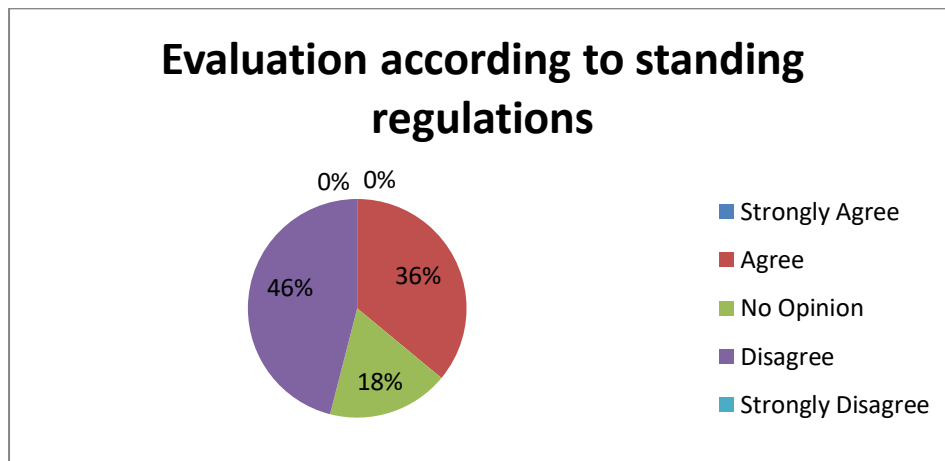
**Question 6 &7: Evaluating a prospective lessee, background checks are effectively being applied according to standing regulations**

*Table 4.6 : Evaluation, background checks according to standing regulations*

Department	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Valuation & Estates	0	3	1	4	0	8
Finance/Accounting	0	2	2	3	0	7
Planning Officers	0	1	0	1	0	2
Audit	0	2	1	2	0	5
<b>Total</b>	<b>0</b>	<b>8</b>	<b>4</b>	<b>10</b>	<b>0</b>	<b>22</b>
Percentage	0%	36%	18%	46%	0%	100%

Source : Survey data 2014

Fig. 4.5 : Evaluation, background checks according to standing regulations



In response to the question, 0/22 (0%) strongly agreed that evaluating, background checks of a prospective lessee is being applied according to standing regulations. 8/22 (36%) of the respondents agreed, 4/22 (18%) were not sure. 10/22 (46%) disagreed and 0/22 (0%) strongly disagreed. Mode of 64% disagreed on evaluation according to standing regulations while 36% agreed that the evaluation was being done according to standing regulations.

Jayne, (2007) states that vetting of prospective tenants is necessary so as to establish that they have the capacity to pay rent. Jacobus, (2009) in addition state that the evaluation of prospective lessee’s credit including references from the past lessors, is the most important step in the screening process.

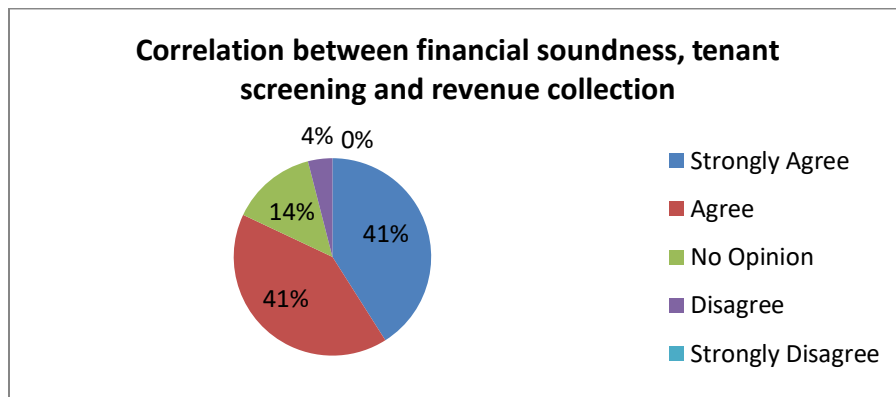
**Question 8, 9 & 10 : The evaluation of a prospective tenant’s financial soundness, also the effectiveness of tenant screening is reflected in revenue collection**

*Table 4.7: Correlation between evaluation of tenant’s financial soundness, the tenant screening and revenue collection*

Department	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Valuation & Estates	3	3	1	1	0	8
Finance/Accounting	4	2	1	0	0	7
Planning Officers	0	2	0	0	0	2
Audit	2	2	1	0	0	5
<b>Total</b>	<b>9</b>	<b>9</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>22</b>
Percentage	41%	41%	14%	4%	0%	100%

Source : Survey data 2014

**Fig. 4.6 : Correlation between financial soundness, tenant screening and revenue collection.**



In response to the question, 9/22 (41%) strongly agreed, 9/22 (41%) agreed, 3/22 (14%) were unsure. 1/22 (4%) disagree and 0/22 (0%) strongly disagreed that evaluation of prospective tenant’s financial soundness and effective tenant screening was reflected in revenue collection.

The mode of 82% agreeing that there is a correlation between financial soundness and effective screening reflected in revenue collection shows that it is important to analyse a prospective tenant's financial soundness.

According to Cacciapaglia, (2011), analyzing a prospective tenants financial statement is one of the important preventive measures as companies that do not have enough working capital can run into all kinds of difficulties and are not likely to be good long term lessees.

On [www.smetoolkit.com](http://www.smetoolkit.com) (06/09/2014), an organization uses the '5' C's to assess the credit worthiness of its client ie. Capacity of the client to pay rentals, collateral as forms of security a client can provide, capital like investments, conditions as in economic climate and character which is the subjective judgment made by the lessor about the prospective client.

Cacciapagli, (2011)in addition suggests that, the use of ratios is significant in measuring how well a company is positioned to handle its short term cash needs.

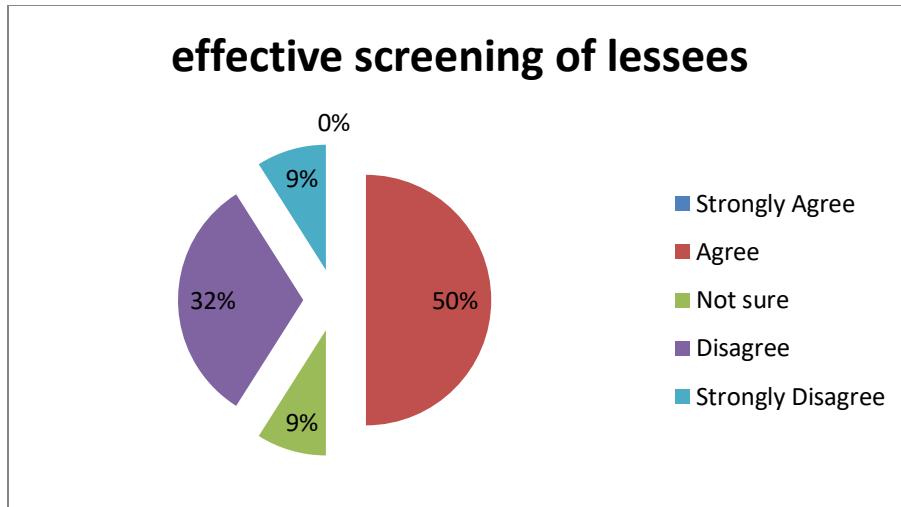
**Question 11 : The process of getting information for effective screening of prospective lessees is always done.**

*Table : 4.8 Rating the importance of effective screening of lessee*

Department	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Valuation & Estates	2	2	3	1	0	8
Finance/Accounting	2	2	1	2	0	7
Planning Officers	0	1	1	0	0	2
Audit	0	1	1	3	0	5
<b>Total</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>22</b>
Percentage	19%	27%	27%	27%	0%	100%

Source : Survey data 2014

*Fig. 4.7: Rating for effective screening of prospective lessees*



In response to the question, 4/22 (19%) of the respondents strongly agreed that on the process of getting information for effective screening from lessees was not easy and 6/22 (27%) agreed. 6/22 (27%) were unsure, 6/22 (27%) disagreed and 0/22 (0%) strongly disagreed that getting information from prospective tenants was not easy. This meant that the process of getting sufficient information for evaluation of a prospective lessee is difficult but not impossible to get.

According to Jacobus, (2009) the process of getting sufficient information for effective screening is not an easy process, but must be done so as to get rid of disruptive lessees.

**Question 12 : Economic conditions, Inadequate screening and exorbitant rentals are factors that can be attributed to the increase in outstanding rental revenues.**

*Table 4.9: The extent to which outstanding rental are perceived as due to economic conditions, Inadequate screening and exorbitant rentals*

Department	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Valuation & Estates	3	3	0	1	1	8
Finance/Accounting	2	3	1	1	0	7
Planning Officers	0	2	0	0	0	2
Audit	0	3	1	1	0	5
<b>Total</b>	<b>5</b>	<b>11</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>22</b>
Percentage	23%	50%	9%	14%	4%	100%

Source : Survey data 2014

**Fig 4.8: Outstanding rentals due to economic conditions, inadequate screening and exorbitant rentals**

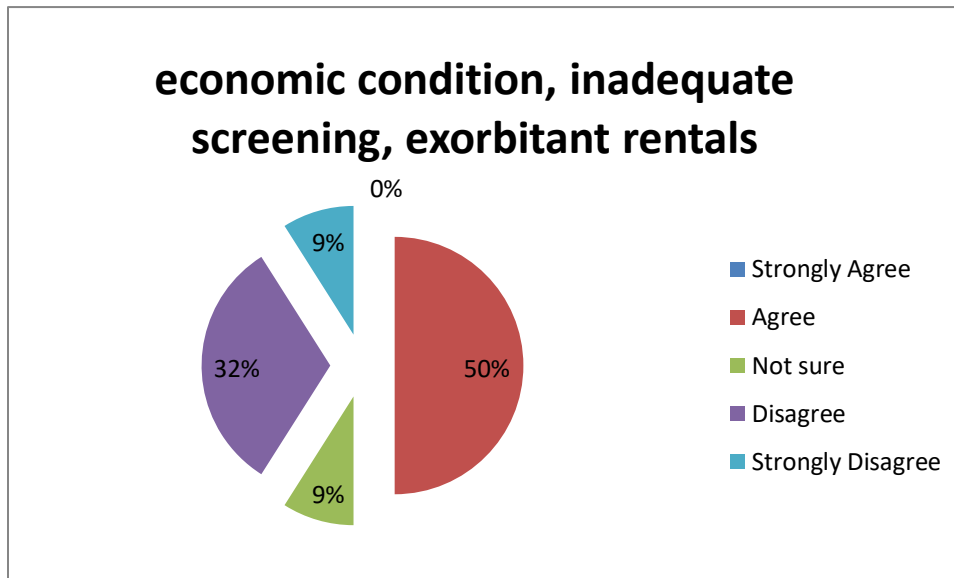


Figure 4.8 shows that 5/22 (23%) of the respondents strongly agree that the factors like economic conditions, inadequate screening and exorbitant rentals contributed to outstanding rentals, 11/22 (50%) agree, 2/22 (9%) were unsure. 3/22 (14%) disagreed and 1/22 (4%) strongly disagree. The mode of 73% who confirm that the factors contributed to outstanding rentals varied others saying economic conditions, others citing inadequate screening while a few cited exorbitant rentals. The interviews conducted showed that the Department’s rental charges were below those of the private sector in leasing of properties.

Loubser and Dickens, (2010) state that the escalation of outstanding rentals, is normally a combination of factors. It could be the result of an economic downturn resulting in a fall in the amount of business and an increase in the national rental default rate.

Schefer, (2010) suggests that lessors should take responsibility by putting in place risk mitigation strategies such as thorough screening of prospective lessees and water-tight lease agreements.

**Question 13: Debtors who fail to settle their accounts on time should be encouraged to do so through; Negotiation, Litigation and Eviction**

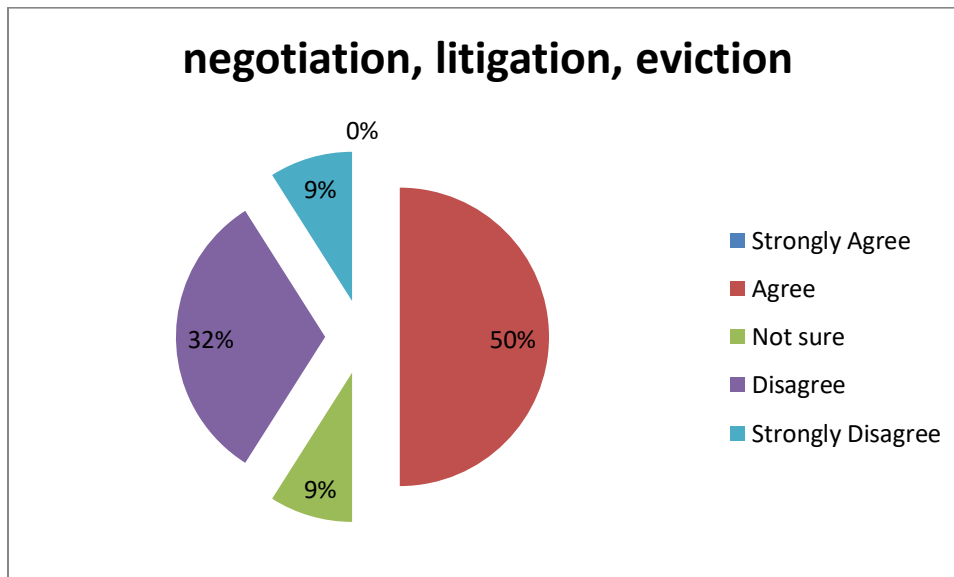
**Table 4.10: Negotiation, litigation and eviction as the response on defaulting lessees**



Department	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Valuation & Estates	0	4	1	2	1	8
Finance/Accounting	0	3	1	2	1	7
Planning Officers	0	2	0	0	0	2
Audit	0	2	0	3	0	5
<b>Total</b>	<b>0</b>	<b>11</b>	<b>2</b>	<b>7</b>	<b>2</b>	<b>22</b>
Percentage	0%	50%	9%	32%	9%	100%

Source : Survey data 201

**Fig 4.09: Negotiation, Litigation and Eviction as response on defaulting lessees**



0/22 (0%) strongly agree and 11/22 (50%) agree that negotiations, litigation and eviction can encourage the tenants in paying outstanding rentals. 2/22 (9%) were unsure, 7/22 (32%) disagreed and 2/22 (9%) strongly disagreed on the measures being adopted by the Department. The 50% shows that negotiations are a vital factor although some respondents cited litigation and a few cited eviction orders. Loubser and Dickens, (2010) confirm this position by saying that, the problem with a large number of lessors is that they give the tenant too much time to remedy their breach of contract and as a result they eventually sit with a squatting lessee

According to Smith, (2010) litigation is quite often a bad business decision. It takes tremendous emotional and psychological toll on all involved and it is much easier to start a law suit than to end one. However, he is quick to say that litigation can be extremely effective and in many cases, it is the only action that gets a lessee’s attention.

[www.landlord.com](http://www.landlord.com) (30/07/2014 ; 1530 hours) suggests that the policy should specify that if adequate arrangements for late payment is not made by the end of the 1<sup>st</sup> day rent is due or by end of the grace period, a termination notice may follow. If satisfactory arrangements are not made in response to that, eviction proceedings can be initiated.

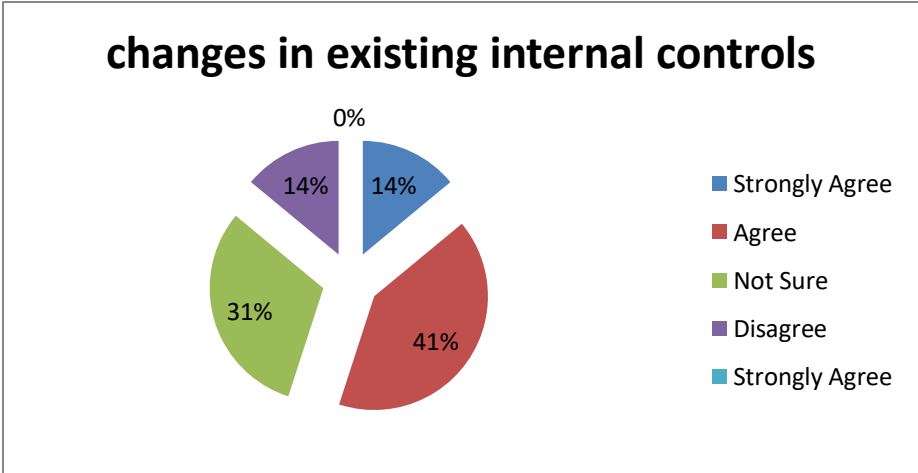
**Question 14 : You agree on changing the existing internal controls on revenue collection from tenants**

*Table 4.11 : Changes in existing Internal Controls*

Department	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Valuation & Estates	0	2	4	2	0	8
Finance/Accounting	1	3	2	1	0	7
Planning Officers	0	1	1	0	0	2
Audit	2	3	0	0	0	5
<b>Total</b>	<b>3</b>	<b>9</b>	<b>7</b>	<b>3</b>	<b>0</b>	<b>22</b>
Percentage	14%	41%	31%	14%	0%	100%

Source : Survey data 2014

*Fig 4.10: Changes in existing Internal Controls*



3/22 (14%) strongly agreed, 9/22 (41%) agreed, 7/22 (31%) were unsure. 3/22 (14%) disagreed and 0/22 (0%) strongly disagreed that there is need to look at the existing controls and making changes. Respondents who were interviewed felt that it was high time the organization looked at the existing controls. The mode of 55% agreeing that there is need to change existing controls concur with Miley, (2007) who says that the internal control process helps to ensure that the system is working well and all employees involved perform as expected.

**Question 15: The department should introduce new best practices so as to improve on revenue collection**

*Table 4.12 : Best practices to improve on revenue collection*

Department	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Valuation & Estates	2	3	1	2	0	8
Finance/Accounting	3	2	0	2	0	7
Planning Officers	0	1	1	0	0	2
Audit	2	2	0	1	0	5
Total	7	8	2	5	0	22
Percentage	32%	36%	9%	23%	0%	100%

Source: Survey data 2014

*Fig. 4.11: Best practice in revenue collection*

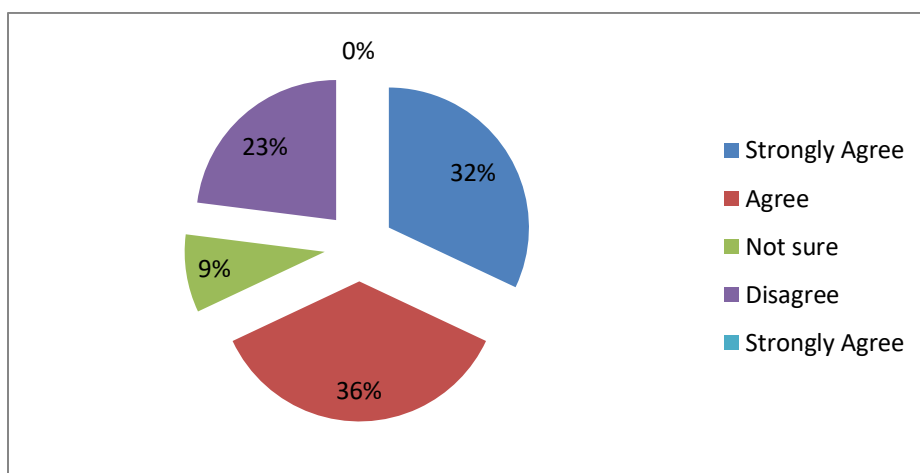


Fig . 4.13 shows that 7/22 (32%)of the respondents strongly agree, 8/22 (36%) agree, 2/22 (9%) were unsure. 5/22 (23%) disagreed and 0/22 (0%) strongly disagreed on the introduction of new

best practices. The mode of 68% who are in agreement of the introduction concur with Tome, (2007) who says there is need for changes associated with upgrading competences, managing change and consideration of risk and uncertainty. Competence should be upgraded and more qualified workers needed in different areas of specialisation.

#### 4.2.2 Primary Data: Lessees responses

**Table 4.13: Summary of questionnaires conducted and collected**

Category of Respondents	Target	Actual	Response Rate (%)
Lessees	35	15	43%

Source: Survey Data 2014

The researcher had targeted thirty five (35) lessees, only fifteen (15) responded leaving the researcher with no choice but to carry on the research with the respondents who were available at the time of questionnaire collection.

#### Question 1 & 2 : Type of Lease and duration of lease

**Table 4.14 : Lease type**

Type of Lease	0 – 2 yrs	2 - 3 yrs	3 – 4 yrs	Total
Canteen	1	2	2	5
Office space	2	3	2	7
Network Booster	0	1	2	3
<b>Total</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>15</b>
Percentage	20%	40%	40%	100%

Source : Survey Data 2014

3/15 (20%) of leases were 0 – 2 years, 6/15 (40%) were 2 – 3 years and 6/15 (40%) were 3 – 4 years. These leases comprised of canteen, office space and network boosters.

The researcher checked on the lease period of the respondents so as to judge on their responses in light of their experience with the department. Eighty percent (80%) of the respondents had leased the property for more than two years and these were considered to be knowledgeable of the subject matter.

**Question 3 & 4 : You agree with the tenant screening process and information required to disclose before occupancy**

*Table 4.15: Rating the screening process and information required*

Lease type	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Canteen	0	2	1	2	0	5
Office Space	0	3	2	2	0	7
Network Booster	0	1	2	0	0	3
Total	0	6	5	4	0	15
Percentage	0%	40%	33%	27%	0%	100%

Source : Survey data 2014

In response to the question, 0/15 (0%) strongly agreed, 6/15 (40%) agreed, 5/15 (33%) were not sure, 4/15 (27%) disagreed and 0/15 (0%) strongly disagreed on the screening process and information required by the department before occupancy of property. The 40% agreeing that the screening process and information required was adequate shows that tenants varied on the screening process. When interviewed, the respondents said whilst they agree on the screening process, the process was bureaucratic as there were delays in awarding a lease after going through all the necessary processes.

On interviews, the respondents cited that the issue of references was never asked and this made it difficult for the lessor to assess the creditworthiness of the lessee. This was in agreement with Jacobus, (2009) who cited that the evaluation of a prospective lessee’s credit including references from the past and present lessors was the most important step in the screening process.

**Question 5 : The explanations given to you in terms of contract by the lessor were adequately addressed.**

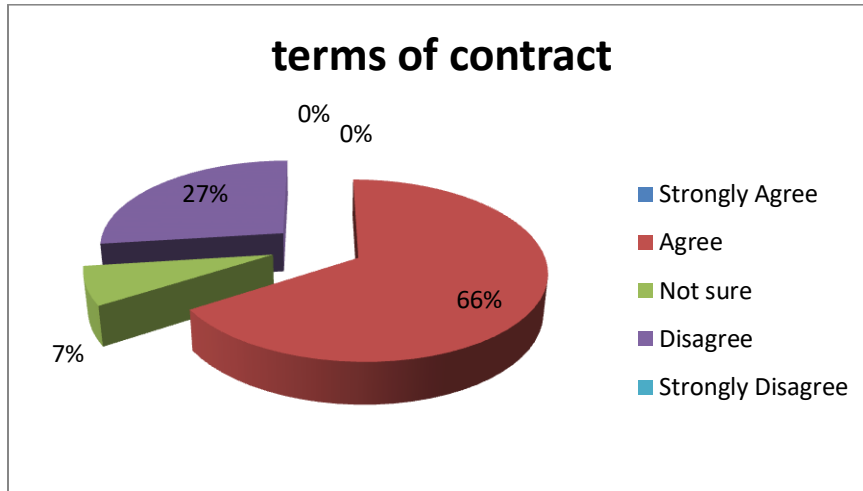
*Table 4.16 : Terms of Contact*

Lease type	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Canteen	0	3	0	2	0	5
Office Space	0	4	1	2	0	7
Network Booster	0	3	0	0	0	3
Total	0	10	1	4	0	15

Percentage	0%	66%	7%	27%	0%	100%
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Source : Survey data 2014

**Fig. 4.12 : Contract Terms**



0/15 (0%) strongly agreed, 10/15 (66%) agreed that explanations given in terms of the contract were adequate while 1/15 (7%) were not sure, 4/15 (27%) disagreed and 0/15 (0%) strongly disagreed. The mode of 66% agreeing show that the terms of contract were explained and were always done on prospective tenants. These were terms which rendered the contract between the department and the lessee.

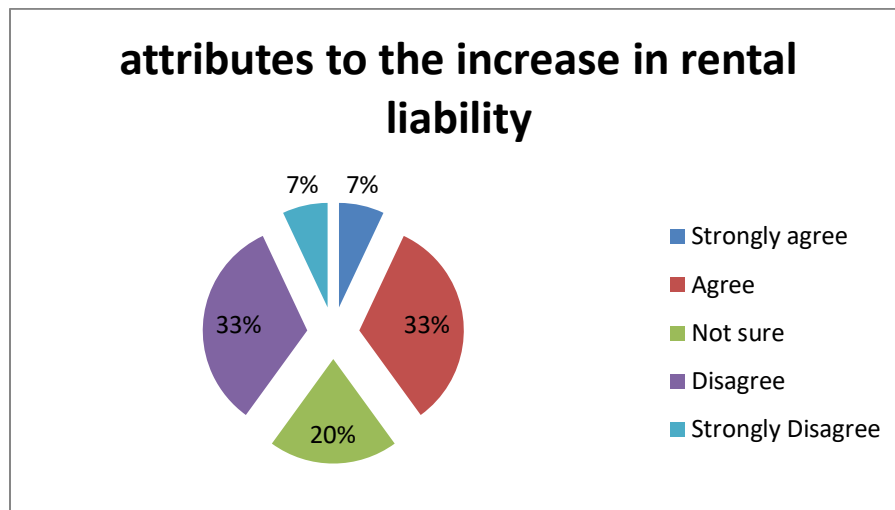
**Question 6 : Factors that can be attributed to the increase in outstanding rental liability; Economic conditions, inadequate screening and Exorbitant rentals**

**Table 4.17 : Economic factors, inadequate screening and exorbitant rentals as an attribute to the increase in rent liability**

Lease type	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Canteen	1	3	1	0	0	5
Office Space	2	4	0	1	0	7
Network Booster	0	3	0	0	0	3
<b>Total</b>	<b>3</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>15</b>
Percentage	20%	66%	7%	7%	0%	100%

Source : Survey data 2014

**Fig. 4.13** Attributes to the increase in rent liability



3/15 (20%) strongly agreed and 10/15 (66%) agreed that economic conditions, inadequate screening and exorbitant rentals were contributing factors to the increase in rent liability. 1/15 (7%) were not sure, 1/15 (7%) disagreed and 0/15 (0%) strongly disagreed in that the factors stated contributed to the increase in rent liability. Those who cited economic conditions and exorbitant rentals concur with Scheffer, (2010) who says high rentals are a characteristic of a market as a whole or sometimes improve as the economy improves.

There was not much difference on interviews as some respondents did not want to criticize the process as they felt that if they made any criticism, they might end up being victims and get evicted. Some of the interviewed respondents cited poor trading conditions as the reason for their carrying rental liabilities.

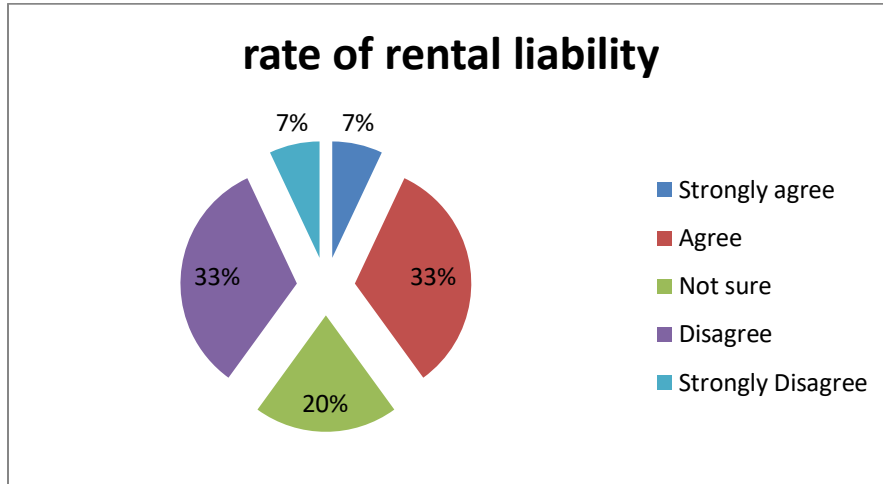
**Question 7 & 8 : You always pay your rent when it is due**

*Table 4.18 : Rate of rental payments*

Lease type	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Canteen	0	2	0	3	0	5
Office Space	0	2	2	3	0	7
Network Booster	0	3	0	0	0	3
<b>Total</b>	<b>0</b>	<b>7</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>15</b>
Percentage	0%	47%	13%	40%	0%	100%

Source : Survey data 2014

**Fig. 4.14 : Rate of rental payments**



In response to the question, 0/15 (0%) strongly agree, 7/15 (47%) agree, 2/15 (13%) were no sure,6/15 (40%) disagree and 0/15 (0%) strongly disagree that they have often failed to pay rent when due. Mode of 60% shows that at one time the tenants have failed to pay their rentals on time or when it was due.

According to secondary data availed which comprised of the financial statements, debtors ledger cards and sub collectors schedule, five percent (5%) of debtors had their rental payments up to date.

**Question 9 :The contributions to late payment or failure to pay rent when due is aggravated by; Administration issues and cash flow problems**

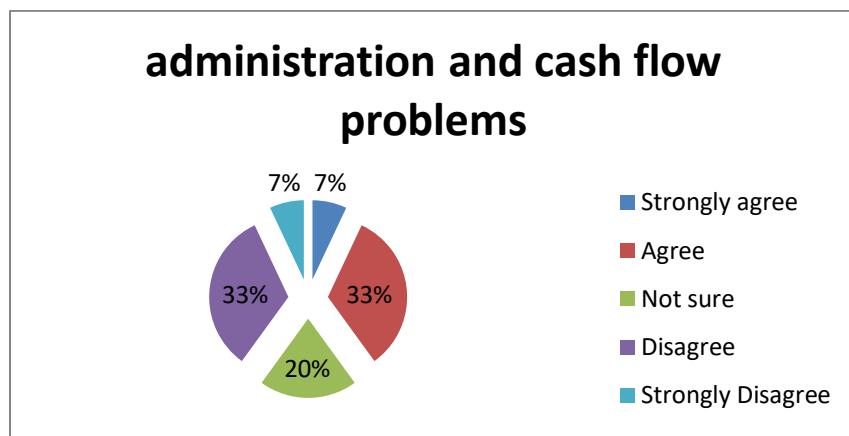
**Table 4.19 : Late payment due to administration issues and cash flow problems**

Lease type	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Canteen	0	2	1	2	0	5
Office Space	0	2	2	2	1	7
Network Booster	1	1	0	1	0	3
<b>Total</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>5</b>	<b>1</b>	<b>15</b>
Percentage	7%	33%	20%	33%	7%	100%

Source : Survey data 2014



**Fig.4. 15 : Failure to pay rent due to administration issues and cash flow problems**



1/15 (7%) strongly agree, 5/15 (33%) agree that administration and cash flow problems were contributory factors to late payment of rentals. 3/15 (20%) were not sure, 5/15 (33%) disagree and 1/15 (7%) strongly disagreed that administration issues and cash flow problems were contributory factors associated with late payment of rentals. A 6/15 (40%) agreed that administration issues and cash flow problems contributed to late payments.

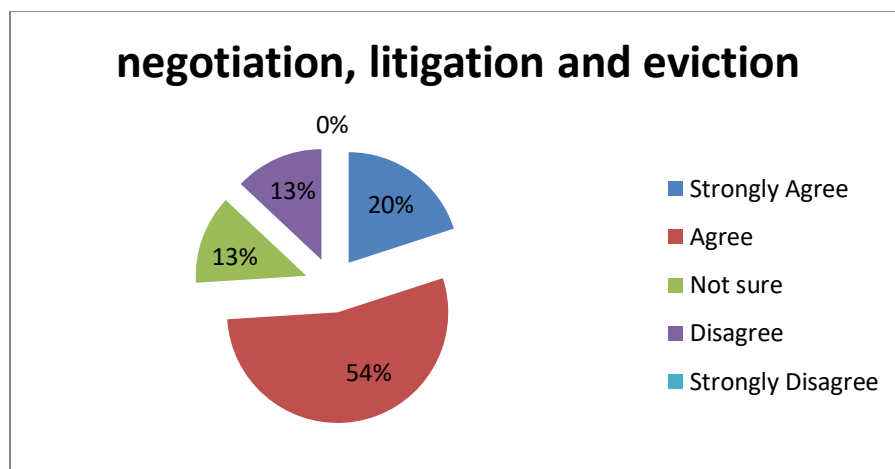
**10. Debtors who fail to settle their accounts on time should be encouraged to do so through; Negotiations, Litigation and Evictions**

**Table 4.20 : Negotiation, Litigation and Eviction as the response on defaulting lessees**

Lease type	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Canteen	1	3	1	0	0	5
Office Space	2	3	1	1	0	7
Network Booster	0	2	0	1	0	3
Total	3	8	2	2	0	15
Percentage	20%	54%	13%	13%	0%	100%

Source : Survey data 2014

**Fig. 4.16 : Negotiation, litigation and eviction as the response on defaulting lessees**



In response to the question 3/15 (20%) strongly agree, 8/15 (54%) agree. 2/15 (13%) were not sure, 2/15 (13%) disagree and 0/15 (0%) strongly disagree that negotiation, litigation and eviction should be used to encourage debtors who fail to settle their accounts on time. The mode of 74% agreeing to use the measures shows that the department has a task of encouraging its debtors to settle their outstanding accounts. When interviewed, some tenants said those falling behind in rental payments should be evicted since they would have breached one of the most important conditions in the lease agreement.

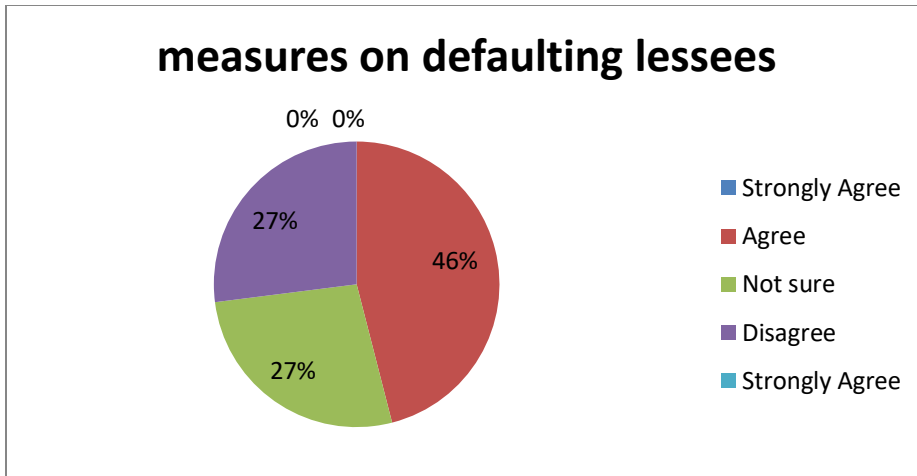
**Question 11 : The measures being taken by the lessor when a lessee defaults on rentals are appropriate.**

*Table 4.21 : Rating on measures taken by lessor when lessee defaults*

Lease type	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Total
Canteen	0	2	1	2	0	5
Office Space	0	3	2	2	0	7
Network Booster	0	2	1	0	0	3
<b>Total</b>	<b>0</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>15</b>
Percentage	0%	46%	27%	27%	0%	100%

Source : Survey data 2014

*Fig 4.17 : Measures on defaulting lessees*



0/15 (0%) strongly agreed and 7/15 (46%) agreed that measures being taken by the department when a lessee default on rentals are appropriate. 4/15 (27%) were not sure, 4/15 (27%) strongly disagreed and 0/15 (0%) strongly disagreed on the measures taken by the department. A mode of 54% disagreeing considering the escalation of outstanding revenue presently being experienced in the department, defaulters are taking advantage of the situation.

Loubser and Dickens, (2010) agree that lessors who act quickly to limit non-payment of rent following their lease agreement breach clause process are able to demand rent, cancel the lease and demand the lessee to vacate the property at month end. They further state that in most cases tenants who are in arrears by only one month are more likely to vacate the premise than the tenant who has been allowed to fall two or more months in arrears.

**Question 13: Comment about the department on the selection procedure and rental charges.**

The respondents cited that the screening process was bureaucratic and it meant that being awarded a lease was taking long.

**4.3: Interviews**

The researcher did some face to face interviews with department officials and from lessees of the department. Twelve interviews were scheduled to be conducted, six (6) with the department officials and six (6) with the lessees. Only nine (9) of the targeted interviews, five (5) from the

department and four (4) from lessees were successfully conducted as some of the intended interviewees could not make it for different reasons.

**Table 4.22: Analysis of interview response rate**

Target Group	Interviews Scheduled	Interviews Conducted	Response Rate
Department officials	6	5	42%
Lessees	6	4	33%
<b>Total</b>	<b>12</b>	<b>9</b>	<b>75%</b>

Source: Survey Data (2014)

Basing on the overall response rate, data collected justifies the reliability and validity for discussion and analysis to draw conclusion.

#### **4.3.1: Analysis of response from department officials**

##### **Question 1 : For how long have you been employed by the department of Public Works**

The respondents were asked this question so as to check for the tenure in office in order to be able to gather the knowledge of the department and its operations. The responses were assumed to be well informed as the respondents had been with the department for more than two years.

##### **Question 2: To what extent are you satisfied with the department’s procedures in awarding prospective lessees a lease of occupation?**

More than fifty percent of the respondents were not satisfied with the procedures used by the department in awarding lease of occupation. The reasons for dissatisfactions differed among the respondents some citing lack of clarity and transparency while others cited the absence of clear procedures and others bureaucratic delays.

##### **Question 3: What factors can be attributed to the escalation of outstanding revenue?**

The factors which attributed to escalation of outstanding revenue were cited as lack of compliance on the part of the lessee. Other respondents cited difficult trading conditions and economic factors.

#### **Question 4: What do you regard as key issues in effective rental revenue collection?**

The key issues were cited as attracting and retaining sound tenants, having a sound debtors management policy in place and taking positive measures on defaulting tenants.

#### **4.3.2: Analysis of responses from the department's lessees**

#### **Question 1: How long have you been a tenant of the department of Public Works?**

The responses ranged between one to four years.

#### **Question 2: What factors can be attributed to escalation of the rent liability?**

All the respondents cited inadequate cash resources. They also agreed that the environment was not conducive enough and lacked financing facilities and dampened business operations contributed to the escalation of the rent liability.

#### **Question 3: What factors do you think the lessor should take into consideration in settling rental defaults?**

The respondents cited that lessors should consider the general economic performance of the nation and business environment variables.

#### **Question 4 : What measures have you taken if any, to reduce your rental obligations?**

The respondents agreed on negotiation as the route they need.

#### **4.4: Secondary Data Presentation and Data Analysis**

The researcher reviewed secondary data in the form of Financial Statements, Audit Reports, Sub-Collectors Reports and Debtors Ledger.

#### **4.4.1: Procedures used by the department in selecting lessees for its properties**

There was no documentation found which outlined on how the department selects tenants for its properties. The Internal Audit report 1/2013 observed that there were some tenants who were occupying the department's properties without paying rent as there were no renewals of lease agreement forms resulting in loss of revenue. The Valuations and Estates Department performed

functions of negotiating, screening of prospective tenants and establishing various leases leaving out other departments which compromised internal controls.

#### **4.4.2: Factors leading to escalation of outstanding rental revenue**

According to the Internal Audit Report 1/2013, the department operated without a debtors' management policy in the period covered by that audit, which compromised the recovery of outstanding rentals. It was also noted that several tenants were reluctant to settle their outstanding rentals as the department only managed to negotiate for payments with no other action being taken.

#### **4.4.3: Trends in outstanding rental revenue**

The Internal Audit Report 1/2013 highlighted that there were some lesses who had leases which had expired as of 31 December 2012 with no option for renewal, but continued in occupancy without paying rent thereby prejudicing the department of revue.

#### **4.5: Summary**

This chapter looked at data presentation, analysis and discussions. The data was presented in the form of tables and pie charts. Quantitative and qualitative approaches to data analysis were used. On some cases, convenient judgment was used as a technique of coming up with logical findings from responses given particularly in cases where responses were almost equally divided. The next chapter looks at the summary of the research findings, conclusions and recommendations for future researches

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter is the final chapter to the research on investigation of revenue collection from tenants. The chapter seeks to give a summary of the study by highlighting the implications of the research findings and establishing conclusions based on these findings. The recommendations will be made based on the information gathered and the findings made during the research.

#### **5.1 Chapter Summaries**

The study was designed to investigate revenue collection from tenants accounting the Department of Public Works, Mashonaland East Province. Chapter one looked at the statement of the problem which states that ‘the Department of Public Works has been experiencing a decline in revenue collection and increasing level of amounts receivable from sitting tenants’, and this prompted this research to be undertaken. The main research question, sub research questions and research objectives, that is, to find out what guidelines are in place and how guidelines are implemented, to obtain an understanding of the implementation guidelines, to establish what controls are in place over the implementation guideline, to establish the frequency of review of internal controls and to consider what best practice may be put in place in revenue collection.

The chapter also looked at the significance of the study to mainly the Department and also the University. It then set out the assumptions made, delimitations and limitations of the study. It concluded with a definition of key terms and a chapter summary.

Chapter two focused on finding out what other authors and scholars said on the topic being researched. The literature review focused on investigation of revenue collection from tenants by looking on the screening and selection processes, 5 C’s in client screening, debt screening, escalation of outstanding revenue and trend analysis in outstanding rentals so as to reduce the risk of defaults in the leasing of immovable commercial properties. The chapter also looked at the internal controls, debt management and best practices in BRICS countries that could be applied.

Chapter three looked at the methods in data collection, analysis and the staging plan for the research. Research design, population, sample and research design sampling techniques which were judgmental sampling and convenient sampling methods were used to gather data during the study and their definitions and descriptions specific to the study. The researcher took some measures to ensure validity and reliability of the gathered data as well as data presentation and the data analysis to follow. A summary concluded the chapter.

Chapter four focused on presenting and analyzing the responses obtained from the research instruments which included interviews and questionnaires. Tables and pie charts presentation techniques were applied in presenting the findings. The researcher also analyzed Financial Statements, Audit Reports, and Debtors' Ledger and Sub collectors' Schedule. The analysis of response from research instruments was in light of the literature and secondary data sources. The chapter ended with a summary.

## 5.2 Research Objectives

- To find out what guidelines are in place and how guidelines are implemented.
- To obtain an understanding of the implementation guidelines.
- To establish what controls are in place over the implementation guideline.
- To establish the frequency of review of internal controls.
- To consider what best practice may be put in place in revenue collection.

## 5.3 Major Findings

- **Guidelines in place and how they are implemented**

The findings in chapter four brought about the issue that the department did not have a standing, documented and systematic policy in place for evaluation of prospective lessees. The document is critical as it minimized the risk of defaulting tenants. There were no measures in place which were being implemented by the department so as to minimize the risk of defaulting tenants and recover outstanding rental revenue. The Department relied on negotiations to make lessees pay outstanding rentals while negotiations were not forceful enough to solicit action on the part of the lessees. In most cases lessees continued to default after making commitments in negotiations.



- **Understanding of implementation guidelines**

One of the factors which led to the escalation of outstanding rental revenue was inadequate screening. Other contributory factors were also cited such as the economic environment, poor business performance on the part of the lessees and cash flow problems. The vetting of prospective tenants is important so as to establish if the lessee have the capacity to pay rent reserved under the lease. 5 C's are to be considered at the department when evaluating prospective leasees so as to assess the credit worthiness of a client.

- **Controls in place over implementation guidelines**

Internal controls' implementation guidelines raise the standard of financial reporting and reduce the risk of fraud. The implementation provides clearer guidance for the department to improve on internal controls and will help the department to ensure that the system is working well and all the employees involved perform as expected.

- **Frequency of review on internal controls**

The Department should regularly receive and review reports on internal controls. The management should undertake annual assessment exercise for the purpose of making its statements in the annual report to ensure that it has considered all the important aspects of internal control for the accounting period.

- **Best practice that may be put in place in revenue collection**

There is need for changes associated with upgrading competences, managing change, importance of knowledge and consideration of risk and uncertainty. Competence should be upgraded and qualified personnel needed in different areas of specialization.

There were no measures in place which were being implemented by the department so as to minimize the risk of defaulting tenants and recover outstanding rental revenue. The Department relied on negotiations to make lessees pay outstanding rentals while negotiations were not forceful enough to solicit action on the part of the lessees. In most cases lessees continued to default after making commitments in negotiations.

## 5.4 Conclusion of study

From the study it was discovered that the Department should make plans to arrest the increase in outstanding revenues as this is bound to inflate its revenues in a greater portion of which could actually be hiding bad debts as some rentals could prove to be never recoverable. The researcher also concluded that strict measures should be considered when dealing with defaulting tenants. The research was a success as it highlighted implementation guidelines and regularly reviewing of internal controls which should be put in place and adhered to.

## 5.5 Recommendations

- **Guidelines to be put in place and how they are to be implemented**

It is recommended that the Department come up with a documented and systematic evaluation policy that is regularly applied to every prospective lessee. The policy should clearly lay down the procedures to be followed for every prospective lessee. According to Jacobus, (2009) evaluation of lessee's credit include references from past and present lessors so as to come up with a reliable financial soundness of the lessee. The lessor should make the lessee complete an application form, get credit and references with details of form of business, financial and leasing history.

- **Understanding of implementation guidelines in the Department**

The tenants are deliberately defaulting on rental payments as the Department seems to be too lenient on them. The respondents in their questionnaires and interviews stated that, the department rentals were not exorbitant so there is no reason for defaulting. The department should charge deposits when contracting a new lessee so as caution against defaulting tenants. The department also needs to engage debt collectors to follow up on all outstanding revenues so as to show its seriousness. The department should comply with the terms of lease agreement and ensure they take effective measures when a tenant defaults and take possession of the premises.

Loubser and Dickens, (2010) state that some lessees have a culture of nonpayment, particularly of last month's rent and a calm attitude towards rent arrears. They also argue that lessees' behavior is a key issue to be managed by adequate screening to prevent issues like lessee threatening not to pay rent as it becomes due.

- **Controls to be put in place over implementation guidelines**

The Department needs to set out organizational policies and approved internal processes crafted by management so as to achieve management's primary objective of ensuring that revenue collection is done according to the laid down procedures. The department also needs to see to it that the internal control process ensures that the system is working well and that all the employees involved perform as expected. The department needs to assign specific responsibilities to individuals so as to be certain that they understand what their part is in maintaining internal control system and making it clear as to who will be performing assigned duties.

- **Frequency review on the Department's internal controls**

The Department needs to review its internal control system regularly. An independent evaluator is ideal as he/she can report on the work being done through the internal control process and that independent person will not have no reason to cover mistakes or overly optimistic about the control procedure.

- **Best Practice that may be put in place to improve on revenue collection**

The Department has to put some changes associated with upgrading competences, managing change and the consideration of risk and uncertainty. The department should upgrade competences so that more qualified workers are put in different areas of specialization.

## **5.6 Area of future study**

The study recommends that further research be undertaken to investigate the drivers of property valuations in the classification of office space, canteen and network boosters. This is crucial as the valuation of leased properties generate revenue for the nation.

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APPENDIX 1  
Cover Letter

**Midlands State University**



Midlands State University  
P Bag 9055  
Gweru

28 July 2014

The Provincial Director  
Department of Public Works  
MshonalandEast Province

RE : RESEARCH PROJECT ASSISTANCE

I am a final year student studying at the Midlands State University pursuing a Bachelor of Commerce Honours Degree in Accounting. It is a requirement that I must carry out a research during the final year to be issued to the faculty for approval. The research project is a partial fulfilment for the granting of the Bachelor of Commerce Accounting Honours Degree.

My research topic is ‘An Investigation of Revenue collection from tenants’.

I particularly desire to obtain responses from Estates, Valuations and Accounting officers. It would be appreciated if the relevant respondents complete the attached questionnaires. I am looking forward to your assistance in data gathering in respect of the above stated issue by answering the attached questionnaires. The information provided will only be used for this research and will be treated as confidential.

Judith Shamuyarira  
R12371N

Approved/Not Approved  
A Marivara  
Provincial Public Works Director – Mashonaland East

APPENDIX 2

**MINISTRY OF LOCAL GOVERNMENT, PUBLIC WORKS AND NATIONAL HOUSING**

Telephone 263 79 23113/23136

24187/23151

Facsimile 263 79 25067/23627

e-mail: [poomasheast@yahoo.com](mailto:poomasheast@yahoo.com)



**The Office of The Provincial  
Public Works Director**

P. O. Box 250

**Marondera**

27 July 2014

**REQUEST FOR PERMISSION TO CARRY OUT RESEARCH**

I am an officer in the Ministry of Local Government, Public Works and National Housing, studying for a Bachelor of Commerce Accounting Honours Degree at Midlands State University.

I am seeking your authority to carry out a research on, Evaluation of prospective tenants on leased government property in order to reduce the risk of increasing debtors and the recovery of outstanding rentals. This is as per programme requirement.

Your favourable response to my request would be appreciated.

.....

Judith Shamuyarira

R12371N

Recommended/Not Recommended

.....

A Marivara

Provincial Public Works Director – Mashonaland East

Recommended/Not Recommended

.....

Mbewe

Director of Finance and Administration

Recommended/Not Recommended

.....

Col. J Mhakayakora (Rtd)

Principal Director

Approved/Not Approved

Engineer G S Mlilo

Permanent Secretary

R12371N



**APPENDIX 3**

**Questionnaire for the Department of Public Works Officials**

This research is about an investigation of revenue collection from tenants in the Department of Public Works. All information supplied will be kept in strict confidence.

**Instructions to the Responded**

- Do not write your name on the questionnaire
- Answer all questions
- Tick only one box and fill in the spaces provided for questions that require explaining

1. To which category do you fall under in the Department of Public Works?

- A. Top Management  B. Senior Manager  C. Section Head   
D. Other (Please Specify).....

2. In which Department do you work under?

- A. Planning  B. Accounting  C. Internal Audit   
D. Estates Management and Valuation  E. Others (specify).....

3. How long have you been with the Department of Public Works?

- A. 0-4 years  B. 5-9 years  C. Above 10 years

4. What is your highest educational qualification?

- A. Degree  B. Diploma  C. Certificate   
D. Any other (specify).....

5. The rating of standing, documented, systematic policy of the evaluation of prospective lessees when leasing out immovable property is important.

- A. Strongly Agree  B. Agree  C. Not sure   
D. Disagree  E. Strongly Disagree

6. The system of evaluating a prospective lessee is effectively being applied according to the standing regulations.
- A. Strongly Agree  B. Agree  C. Not sure   
D. Disagree  E. Strongly Disagree
7. The background checks are often done on prospective lessees before granting a lease.
- A. Strongly Agree  B. Agree  C. Not sure   
D. Disagree  E. Strongly Disagree
8. The effectiveness of tenant screening is reflected in revenue collection.
- A. Strongly Agree  B. Agree  C. Not sure   
D. Disagree  E. Strongly Disagree
9. The Department always evaluate a prospective tenant's financial soundness before awarding a lease.
- A. Strongly Agree  B. Agree  C. Not sure   
D. Disagree  E. Strongly Disagree
10. The significance to the use of ratios in evaluating lesses' financial soundness is important.
- A. Strongly Agree  B. Agree  C. Not sure   
D. Disagree  E. Strongly Disagree
11. The process of getting information for effective screening of prospective lessees is always done.
- A. Strongly Agree  B. Agree  C. Not sure   
D. Disagree  E. Strongly Disagree
12. Factors that can be attributed to the increase in outstanding rental revenues.

	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
i. Economic Conditions					
ii. Inadequate Screening					

iii. Exorbitant Rentals					
-------------------------	--	--	--	--	--

Any other (Specify).....

13. Debtors who fail to settle their accounts on time should be encouraged to do so through;

	Strongly Agree	Agree	Not sure	Disagree	Strongly Agree
i. Negotiation					
ii. Litigation					
iii. Eviction					

Any other (Specify).....

14. You agree on changing the existing internal controls on revenue collection from tenants.

- A. Strongly Agree       B. Agree       C. Not sure   
D. Disagree       E. Strongly Disagree

15. The department should introduce new best practices so as to improve on revenue collection

- A. Strongly Agree       B. Agree       C. Not sure   
D. Disagree       E. Strongly Disagree

**R12371N**

## APPENDIX 4

### Questionnaire for the Lessee/Tenant

This research is about an investigation on revenue collection from tenants in the Department of Public Works. All information supplied will be kept in strict confidence.

#### Instructions to the responded

- Do not write your name on the questionnaire
- Answer all questions
- Tick only one box and fill the spaces provided for questions that require explaining

1. Type of lease

A. Canteen  B. Office Space  C. Network Booster

2. Duration of Lease

A. 0-2 years  B. 2-3 years  C. 3-4 years

3. You agree with the tenant screening process that is in place in the department of Public Works.

A. Strongly Agree  B. Agree  C. Not sure

D. Disagree  E. Strongly Disagree

4. The information you were required to disclose before occupation of property was adequate.

A. Strongly Agree  B. Agree  C. Not sure

D. Disagree  E. Strongly Disagree

5. The explanations given to you in terms of the contract by the lessor were adequately addressed?

A. Strongly Agree  B. Agree  C. Not sure

D. Disagree  E. Strongly Disagree

6. Factors that can be attributed to the increase in outstanding rental liability.

	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
i. Economic Factors					
ii. Inadequate Screening					
iii. Exorbitant Rentals					

Any other (Specify).....

7. You always pay your rent when it is due.

- A. Strongly Agree  B. Agree  C. Not sure   
 B. Disagree  E. Strongly Disagree

8. How long have you carried a rental liability?

- A. Below 2 months  B. 3 – 5 months  C. 6 – 8 months   
 D. 9 – 11 months  E. Above 12 months

9. The contributions to late payment or failure to pay rent when it is due is aggravated by;

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
i. Administration Issues					
ii. Cash flow Problems					

Any other (Specify).....

10. Debtors who fail to settle their accounts on time should be encouraged to do so through;

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
i. Negotiation					
ii. Litigation					
iii. Eviction					

Any other (Specify).....

12. The measures being taken by the lessor when a lessee defaults on rent are appropriate.

A. Strongly Agree  B. Agree  C. Not sure

D. Disagree  E. Strongly Disagree

13. Do you have any other comments you would want to make about the Department of Public Works selection procedure and rental charges?

.....  
.....

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**APPENDIX 5**

**INTERVIEW GUIDE FOR THE DEPARTMENT OFFICIALS**

INTERVIEW NUMBER.....

DATE.....

TIME.....

VENUE.....

1. For how long have you been in the employment of the Department of Public Works?
2. To what extent are you satisfied with the Department's procedure in awarding a prospective lessee a lease of occupation?
3. What factors can be attributed to the escalation of outstanding revenue?
4. What do you regard as key issues in effective rental revenue collection?

**APPENDIX 6**

**INTERVIEW GUIDE FOR TENANTS**

INTERVIEW NUMBER.....

DATE.....

TIME.....

VENUE.....

1. For how long have you been a tenant for the Department of Public Works?
2. What factors can be attributed to the escalation of outstanding rentals?
3. What factors do you think the lessor should take into consideration in settling rental defaults?
4. What measures, if any, have you taken to reduce your rental obligations?

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