



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



PERFORMANCE AUDIT ON THE MANAGEMENT OF HIGHER EDUCATION
STUDENTS' LOANS REPAYMENT

HIGHER EDUCATION STUDENTS' LOAN BOARD
(HESLB)



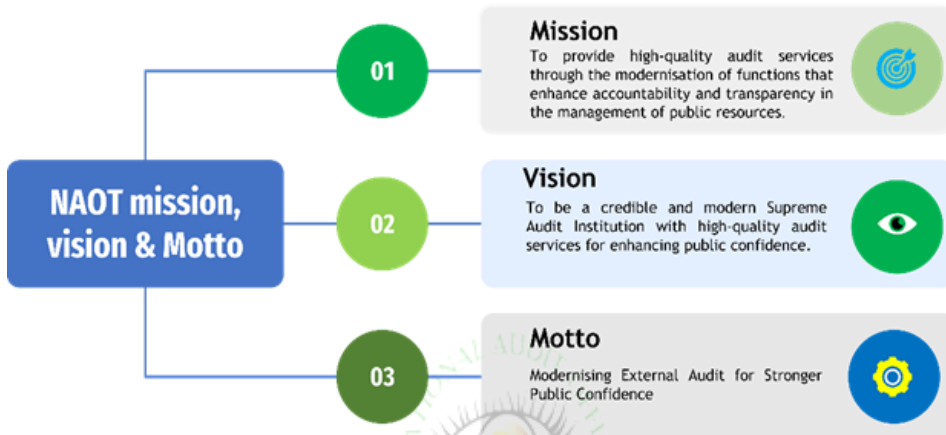
CONTROLLER AND AUDITOR GENERAL
MARCH 2024



About the National Audit Office

Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977, and in Section 10 (1) of the Public Audit Act, Cap 418.



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PREFACE



Section 28 of the Public Audit Act, CAP 418 gives mandate to the Controller and Auditor General to carry out Performance Audit (Value-for-Money Audit) to establish the economy, efficiency and effectiveness of any expenditure or use of resources in the Ministries, Departments and Agencies (MDAs), Local Government Authorities (LGAs) and Public Authorities and Other Bodies which involves enquiring, examining, investigating and reporting, as deemed necessary under the circumstances.

I have the honour to submit to Her Excellency, the President of the United Republic of Tanzania, Hon. Dr. Samia Suluhu Hassan, and through her, to the Parliament, the Performance Audit Report on the Management of Higher Education Students' Loans Repayment as managed by Higher Education Students' Loans Board (HESLB).

The report contains findings, conclusions, and recommendations that are directed to the Higher Education Students' Loans Board. The Higher Education Students' Loans Board had the opportunity to scrutinize and comment on the factual contents of the report. I wish to acknowledge that discussions with the Board have been useful and constructive.

My Office will carry out a follow-up audit at an appropriate time regarding actions taken by the Higher Education Students' Loans Board in implementing the recommendations given in this report.

I would like to thank my staff for their commitment to preparing this report. I also acknowledge the audited entities for their cooperation with my Office, which facilitated the timely completion of the audit.

A handwritten signature in green ink, which appears to read "Charles E. Kichere". The signature is written in a cursive style and is positioned above the printed name.

Charles E. Kichere
Controller and Auditor General
United Republic of Tanzania
March, 2024

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LIST OF ABBREVIATIONS AND ACRONYMS

ATE	Association of Tanzania Employers
BRELA	Business Registration and Licensing Agency
CACCs	Community Agency Collections Channels
CAP	Chapter
COPO	Compliance Portal
HESLB	Higher Education Students Loan Board
HLIs	Higher Learning Institutions
ICT	Information, Communication and Technology
LIPA	Repayment Portal
LMS	Loan Management System
LRRM	Loan Repayment and Recovery Inspection Manual
MoEST	Ministry of Education, Science and Technology
NACTVET	National Council for Technical and Vocational Education and Training
NAOT	National Audit of Tanzania
NECTA	National Examination Council of Tanzania
NIDA	National Identification Authority
NSSF	National Social Security Fund
OLAM	Online Loan Application & Management
PAR	Portfolios at Risk
PAYE	Pay as you Earn
RITA	Registration Insolvency and Trusteeship Agency
RPF	Resettlement Policy Framework
SDGs	Sustainable Development Goals

TCU	Tanzania Commission for Universities
TISS	Tanzania Interbank Settlement System
TPSF	Tanzania Private Sector Foundation.
TRA	Tanzania Revenue Authority
TZS	Tanzania Shilling
VRF	Value Retention Fee
WEO	Ward Executive Officer
ZRB	Zanzibar Revenue Board
ZR-ID	Zanzibar Identity Card



EXECUTIVE SUMMARY

Since 1992, the country has undergone a series of reforms in higher education financing, aiming to address the issue of increasing costs and limited affordability. In 2004, the Higher Education Students' Loan Board (HESLB) was established under the HESLB Act (CAP 178) and began operations in July 2005. Its primary objective was to support the implementation of the Education and Cost Sharing Policy. By facilitating student loans, the Board aimed to make higher education accessible to a broader range of individuals.

Additionally, the Board is responsible for collecting outstanding loans from previous beneficiaries, which contributes to establishing a revolving fund and ensures the continued availability of funds for future students.

The main objective of this Audit was to assess whether the Higher Education Students Loans Board has managed to collect all loans and whether the fund was sustainable. The focus was to assess the effectiveness of the Board in ensuring matured beneficiaries' loans were sufficiently collected, the forecasting of loan repayment targets was accurate and reliable, loan beneficiaries were tracked, and the loans were recovered in a timely and adequate manner.

Main Audit Findings

Unsatisfactory Collection of Matured Beneficiaries' Loans

The audit reveals concerns regarding the collection of HESLB's mature loans. Matured loans and outstanding loans from matured loans indicated that outstanding loans are increasing yearly. The outstanding loans increased from TZS 552.97 Billion (2015/16) to TZS 3.02 trillion (2022/23). Also, in the financial year 2022/23, HESLB recorded a Portfolio at a Risk rate of 85, contrary to the best practice rate in the microfinance rate of 10%

The audit also noted the increase in overdue loans with ten years or more, rising from 0.42% in 2014/15 to 2.52% in 2022/23. It points to a risk in the loan portfolio, indicating potential challenges in liquidating these long-overdue loans. The analysis also highlights the inadequate collection from self-beneficiaries, ranging from 2.8% to 8.1%, showcasing a focus on employed beneficiaries and ineffective tracing strategies.

Inadequate Forecasting of Loan Repayment Targets

The audit identified shortcomings in HESLB's approach to forecasting loan repayment targets. The noted shortcomings show how unreliable the current reliance on historical data is such that the current model used by HESLB underestimates targets significantly when compared with alternative forecasting models, which consider due instalments for 12 months and instalments of TZS 100,000 for 12 months. The comparison of the current forecasting model with alternative approaches demonstrated a significant disparity in estimated loan repayment targets, contributing to the insufficient recovery of 33% of matured loans by the financial year 2022/23.

Insufficient Tracing of Loan Beneficiaries to Enhance Loan Repayment

The audit revealed significant weaknesses in tracing loan beneficiaries for payment, particularly those with overdue loans. That HESLB did not identify and bill 61% of the beneficiaries with matured loans as of September 2023. This inefficiency was attributed to various factors, including inadequate employer inspections, lack of integration of ICT systems with key stakeholders, ineffective awareness campaigns, and insufficient coordination among stakeholders. The consequences of ineffective tracing were evident in the low collection of loan repayments, as discussed in Section 3.2 of this report.

Inadequate Management of Bills to enhance Loan Repayment

The Audit noted challenges within HESLB's billing and loan repayment procedures. With only 46% of matured loans being billed, this indicates that there is a substantial gap in the identification and billing of beneficiaries, whereby the billed beneficiaries are only those identified as employed. Also, it was noted that HESLB delayed collecting the first instalment from billed beneficiaries ranging from zero to 8 years.

Non - compliance by HESLB to Enforce Loan Recovery Measures

The audit revealed a concerning pattern of untimely recovery of overdue loans by the Higher Education Students' Loans Board (HESLB). The failure to enforce loan recovery measures has led to a significant increase in cumulative overdue loans over the past decade. The lack of action against loans overdue for more than ten years resulted in a rise from TZS 6.7 billion in 2014/15 to TZS 110 billion in 2022/23.

Also, the audit noted the existence of non-compliant employers for the period under review. Despite identifying instances of non-compliance where fines could be imposed, HESLB has failed to take necessary measures, resulting in a staggering total of uncharged fines amounting to TZS 150 Billion. This represents a significant financial gap that could have contributed to the sustainability of HESLB.

Audit Conclusion

The audit recognizes HESLB's commendable initiatives, including ongoing reviews and advancements in automated production modelling and customer experience through machine learning and artificial intelligence under the HEET program. However, the conclusion indicates that HESLB faces challenges in ensuring the effective collection of loan repayments. This has increased the Board's dependence on government subsidies for higher student loans instead of generating its own income from loan repayment. In 2022/23, loan repayment collections constituted only 33% of the matured loans, signalling a concerning trend. The growth rate of loan repayments dropped significantly by 96 per cent, while matured loans decreased by 11 per cent during the review period. These trends suggest a potential future inability of HESLB to collect matured loans.

The underperformance is attributed to shortcomings in forecasting loan repayment targets, deficiencies in tracing billing, and ineffective loan recovery processes. This finding underscores the need for strategic improvements to ensure the financial sustainability and success of HESLB's loan programs.

Audit recommendations

The HESLB is urged to:

1. Configure ILMS to perform age analysis to show each loan's overdue instalments and days/months overdue;
2. Develop a forecasting model to ensure realistic targets for loan repayment collection are set;
3. Establish cost-effective tracing strategies for loan beneficiaries, especially self-employed beneficiaries and those residing outside the United Republic of Tanzania;
4. Integrate ICT systems with institutions with vast databases from which self-employed loan beneficiaries can be transferred; and
5. Establish stronger partnerships with employers and other relevant stakeholders and implement more robust and automated tracking systems to trace loan beneficiaries and improve loan recovery rates.



CHAPTER ONE

INTRODUCTION

1.1 Background of the Audit

In 1992, Tanzania reintroduced a Higher Education Cost-sharing Policy to shift some of the costs of public higher education to a chain of beneficiaries such as students, parents, non-governmental parties, and other stakeholders, whom the Government had exclusively covered before then.¹ Since then, a series of reforms have happened in higher education financing to address the issue of increasing costs and limited affordability.

In 2004, the Higher Education Students' Loan Board (HESLB) was established under the HESLB Act (CAP 178) and began its operations in July 2005. The Board's primary objective is to support the implementation of the Education and Cost Sharing Policy. By facilitating student loans, the Board aimed to make higher education accessible to a wider range of individuals.

The Board has been granted the authority to recover all loans issued to students of Higher Learning Institutions since 1994/95. This recovered amount is then allocated to other eligible students, ensuring the sustainability of the loan scheme. The Board operates as a public institution under the Ministry of Education, Science, and Technology.

One of the primary responsibilities of the Board is to provide financial assistance, in the form of loans, to economically disadvantaged students who have gained admission into accredited higher education institutions, both within the country and abroad.

From 1994/95 to 2020/21, 529,000 eligible and needy Tanzanian students were granted admission to Higher Education Institutions, enabling them to pursue academic programs. This was made possible through a total allocation of TZS 4.34 trillion. However, the Board has faced numerous challenges since its formation. These include increasing loan applicants,

¹ HESLB Strategic Plan 2017/18 - 2021/22

insufficient government allocation of loan funds, delays in loan disbursements, and ineffective loan repayment systems.

Overall, the Board has played a crucial role in expanding access to higher education for economically disadvantaged students in Tanzania. However, addressing the existing challenges will be vital for the Board to effectively fulfil its mandate and ensure the sustainability of the loan program.

1.2 Motivation of the Audit

This audit was motivated by the following factors:

1.2.1 Insufficient Employer Records within the Loan Management System

A review of the Management Letter on the Audit of Financial Statements of HESLB for the financial year ended 30 June 2022 noted inadequate management of the deductions from employers in the Loan Management System. The update of receipts from employers from 2013 to 2020 was not timely, and the transfer from the old Loan Management System (LMS) to the new Integrated Loan Management System (ILMS) was not complete up to June 2022 due to the system malfunctioning when migrating from the old to the new system, resulting in the following anomalies:

- (i) Total collections from the establishment of the Board in 2005/06 to 2021/22 based on Loanees ledger for the financial year 2021/22 was TZS 1.12 trillion, but financial statements reported TZS 1.13 Trillion making a difference of TZS 13.76 billion, and
- (ii) The loanees' ledger indicated that the outstanding students' loans were TZS 4.37 trillion, but financial statements indicated TZS 4.35 trillion, making a difference of TZS 19.54 billion.

1.2.2 Insufficient Collection of the Matured Student's Loans

A review of the Annual General Audit Reports for the Public Authorities (2021/22) noted that, at the Higher Education Students Loans Board, the matured loans that were not collected as of 30 June 2022 are TZS 611 billion. The matured loans were not collected due to a lack of system integration between ILMS and systems from strategic stakeholders such as RITA, NIDA, TRA, BRELA and NSSF.

1.2.3 Untimely Updating of Loan Deductions

A review of the Management Letter on the Audit of Financial Statements of HESLB for the financial year ended 30 June 2020 noted that there was inadequate updating of loan repayment records as detailed below:

- (i) The untimely updating of submitted deductions by the Treasury into beneficiaries' accounts is caused by a lack of integration between the Loan Management system and the Human Capital Management Information System (HCMIS). This was shown by the differences between loan balances in the salary slips and those maintained by the Board in beneficiaries' accounts;
- (ii) Inadequate recording, tracing and management of employers who remit deductions for loan repayments. The loan management system cannot automatically indicate and capture the employers who fail to remit the deduction timely;
- (iii) Unrecovered loans issued to terminated/resigned and transferred employees amounting to TZS 376.74 million shown in the 2018/19 Management Letter of HESLB for the financial year ended 30th June 2019; and
- (iv) Untraced TZS 1.46 trillion Loans beneficiaries are shown in the 2016/17 Management Letter of HESLB for the financial year ending 30 June 2017.

1.2.4 Inadequacies of HESLB Management Information Systems

In their article titled "Issues and Challenges of Student Financing Systems in Africa: The Case of Tanzania," Masumbuko et al. (2021) highlighted certain issues regarding the student financing systems in Tanzania. According to their findings, some beneficiaries of graduate loans reported discrepancies between the allocated debt and the actual amount loaned to them.²

Additionally, certain individuals who had not taken any loans were indebted to the Higher Education Students' Loans Board (HESLB). These discrepancies indicate potential problems within the management of the

² Issues and Challenges of Student Financing Systems in Africa: The Case of Tanzania (2021)

information system, which can be attributed to the quality of the technology and programs utilized and the qualifications of the personnel responsible for overseeing these systems.

1.2.5 One of the Priority Areas of the Sustainable Development Goals (SDGs)

The 4th United Nations Sustainable Development Goal (SDGs) aimed to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all, necessitating the presence of equal chances of access to quality education. The government developed several interventions to achieve this goal, including providing education financing opportunities, which HESLB implemented. Through this educational financing arrangement, the government is, in one way, reducing inequality between higher-income and low-income families.

1.3 Audit Design

1.3.1 Audit Objective

The main objective of the audit was to assess whether the Higher Education Students' Loans Board has managed the collection of loan repayments from beneficiaries to ensure the fund's sustainability.

Specific Objectives of the Audit

The specific objectives of the audit were to assess whether;

- a) Matured beneficiaries' loans are sufficiently collected;
- b) Forecasting of loan repayment targets is accurate and reliable;
- c) Tracing loan beneficiaries is adequately conducted to enhance loan repayment;
- d) Management of bills is adequately performed to enhance loan repayment; and
- e) Loan recovery is timely and adequately done.

1.3.2 Scope of Audit

The main audited entity was the Higher Education Students' Loans Board (HESLB). The audit focused on key loan repayment processes for higher education student loans. Specifically, the audit examined how HESLB collects due and overdue loans from beneficiaries, including timely collections and ensuring the actual amounts are collected.

Furthermore, the audit assessed the loan repayment forecasting process, which involves setting realistic forecast targets for loan repayment collections. This assessment considered using sufficient information while setting the forecasting targets and establishing reasonable assumptions for forecasting loan repayment targets.

Moreover, the audit evaluated the effectiveness of the process in tracing beneficiaries across all categories. This assessment covered various aspects, including the time frame and efficiency in tracing both due and overdue loans for beneficiaries from all categories, the identification process, inspection of loan beneficiaries' employers, integration of ICT systems, coordination with other stakeholders, and the execution of awareness campaigns, promotions, and advertisements.

Additionally, the audit assessed the effectiveness and efficiency of the Billing Process in enhancing loan repayment. In this regard, it considered the adequacy of billing, the timely receipt of bills, quality controls in billing, compliance assessment and follow-up of non-deducted employees, loan repayment reconciliation, and corrective measures for over and under-deducted loan bills. Furthermore, the effectiveness and efficiency of ICT systems in the billing process were also evaluated.

Lastly, the audit assessed the loan recovery from defaulters to establish whether the required amounts were collected effectively within the required time frame.

The audit covered eight (8) financial years from 2014/15 to 2022/23. This period was selected because, within this time, there were various reforms in the HESLB, including the change of the Monthly Deduction Rate from 8% to 15% and the introduction of a Zero-Rating Policy for waving Value

Retention Fees and penalties on Higher Education Students loans. These reforms affected HESLB revenue collection from loan repayment.

1.3.3 Audit Questions and Sub-Questions

Appendix 2 presents audit questions and sub-questions used to answer audit objectives.

1.3.4 Assessment Criteria

To assess the performance of HESLB in managing Higher Education Students' Loan Repayment, assessment criteria were drawn from different sources such as Policies, Legislation, Guidelines, manuals and Standards.

a) Matured beneficiaries' loans are sufficiently collected

As stipulated by Section 6 of the Higher Education Student's Loans Board Act, Cap. 178, 2008, HESLB is entrusted with overseeing the entire process encompassing loan granting, repayment, and recovery for students.

Para 2.1 of the HESLB Loan Repayment and Recovery Manual of 2019 reinforces this commitment, establishing that loans should be repaid through regular monthly instalments. For employed loan beneficiaries, the deduction is 15% of their basic monthly salary, or the higher of TZS 100,000/= or 10% of their taxable income if they are self-employed.

Furthermore, Para 2.2 (iv) of the HESLB Loan Repayment and Recovery Manual, 2019 requires significant communication. HESLB is required to establish a line of communication with beneficiaries engaged in individual activities, ensuring effective coordination and arrangement for the timely remittance of funds.

b) Forecasting of loan repayment targets is accurate and reliable

Per Para 2.1.3 of HE'LB's Strategic Plan 2017/18 - 2021/22, provide a clear directive for HESLB to strengthen collaboration and establish partnerships with key stakeholders. The stakeholders include NIDA, BRELLA, TRA, ATE, Credit Reference Bureau (CRB), and the Tanzania Private Sector Foundation. The primary objective of this collaboration is to gain access to

comprehensive data about graduates, a vital step towards effective HES'LB's operations.

Furthermore, as Para 5.1 of the same Strategic Plan highlights, HESLB is mandated to establish underlying assumptions that ensure the realisation of its objectives. This encompasses the goals outlined in the Strategic Plan 2017/18-2021/22. Specifically, HESLB aims to achieve significant monthly repayment collections - from TZS 8.3 billion in 2017/18 to a substantial increase of TZS 22 billion per month by 2021/22.

c) Tracing of loan beneficiaries is adequately conducted to enhance loan repayment

Para 2.6.3.5 (i) and Para 2.6.3.2 (ii) of the HESLB Loan Repayment and Recovery Manual of 2019 emphasize HES'LB's need to establish connections with various institutions boasting extensive databases. These databases are crucial resources for identifying self-employed loan beneficiaries. Institutions such as NIDA, TRA, ZRB, ZR-ID social security funds, professional bodies, and financial institutions hold valuable information that aids in locating these beneficiaries.

In line with the guidelines of the Repayment and Recovery Manual, 2019, HESLB is required to initiate the process by sending a formal notice of intention for inspection to targeted employers. This notice must detail the purpose, date, and time of the scheduled inspection, along with specifying the necessary documents to be prepared for the upcoming task.

Additionally, Para 2.6.3.1(ii) of the HESLB Loan Repayment and Recovery Manual of 2019 mandates the establishment of a comprehensive directory of employers. This directory ensures that employers provide HESLB with accurate lists of all their graduate employees. Communication with employers is facilitated through various means, including email, postal mail, and even physical visits to their premises.

d) Management of bills is adequately performed to enhance loan repayment

Para 2.6.4 of the Directorate of Loan Repayment and Recovery Manual, 2019 requires HESLB to effect the billing process by matching collected names of graduates from various sources with the HESLB database of loan

beneficiaries to identify loan beneficiaries and avail employers with bills of their employees for monthly deductions or individual loan beneficiaries with their respective bills to commence loan repayment which involves preparation of loan statements and deduction schedules.

Furthermore, Para 2.6.5 of the Directorate of Loan Repayment and Recovery Manual, 2019, requires the Manager Loan Recovery/Zonal Manager to ensure compliance in billing and remittances of repayments.

e) Loan recovery is timely and adequately done

Para 5.1 of the Directorate of Loan Repayment and Recovery Manual, 2019 requires HESLB to ensure that as in line with powers vested to it by the HESLB Act, Management enforces recovery where a loan beneficiary fails to commence loan repayment on the due date or to settle the loan instalment in arrears for twelve consecutive months, or when an employer fails to comply with a requirement of submission of graduate information HESLB or fails to deduct and remit loan repayment deduction to HESLB, this contravenes HESLB Establishing Act.1.4

1.4 Sampling, Methods for Data collection and Analysis

The audit team applied different sampling, data collection, and analysis methods, as explained below, to come up with sufficient evidence regarding the performance of the management of repayment of student loans.

1.4.1 Sampling

The audit employed the purposive sampling method, which was used to select the sample at two levels. The first level involved the selection of beneficiary categories from national employment statistics as a reliable source of formally available statistics records. This is intended to capture the management of unemployed beneficiaries, self-employed, publicly employed, privately employed beneficiaries, and those residing outside Tanzania. All these categories were chosen for the audit because they would provide significant insights into the identification of the causes of performance problems related to managing higher student loan repayment.

The second level involved the selection of HESLB zonal offices to visit during the Audit among the regions in Mainland Tanzania, as indicated in **Appendix 3**. In this second level, zones were classified into scales based on the number of employers and number of self-employed people in the zones. Zones with a higher number of employers and self-employed tend to have better economic conditions, providing increased employment opportunities and income potential for individuals. Additionally, zones with more employers and self-employed may have a higher concentration of educated and skilled individuals, leading to better job prospects and earning potential for residents, making loan repayment easier for them.

Purposively, the audit chose four zones with high and medium scales out of the six zones, indicating higher priority or significance and relevance and importance according to the scale classification. HESLB applied different strategies to collect revenues from employers and self-employed beneficiaries within the Zones. Thus, the selected Zones were Dar es Salaam, Mwanza, Arusha, and Mbeya, as indicated in **Table 1.1**.

Table 1. 1: Sampling of the Visited HESLB Zone Offices

HESLB Zone Offices	Estimated Number of employers in the Zone (public and private)	Scale	Number of Self-employed in the Zone	Scale	Decision
Dar es Salaam	90,531	High	538,163	High	Selected
Mbeya	54,260	Medium	163,333	Medium	Selected
Mwanza	45,290	Medium	242,672	Medium	Selected
Arusha	32,201	Medium	176,317	Medium	Selected
Dodoma	30,000	Low	115,755	Low	Not Selected
Mtwara	27,353	Low	69,250	Low	Not Selected

Source: Auditors Analysis from NBS Statistical Business Register data (2023)

Employers key

0-30,000	Low
30,001-60,000	Medium
60,001+	High

Self-Employed Key

0-150,000	Low
150,001-300,000	Medium
300,001+	High

1.4.2 Methods for Data Collection

The audit team collected qualitative and quantitative data to provide robust and compelling evidence regarding HESLB's performance in managing loan repayments. The Audit Team applied various methods, including Interviews, document review and physical observation, to gather information from the audited entity.

(a) Interviews

During the execution of the audit, interviews were conducted to obtain information and data about loan repayment.

The Audit Team used this data collection method to gain a broad understanding of the audit area and identify weaknesses that hinder the effectiveness of loan repayment. Additionally, interviews enabled the audit team to seek clarification on raised queries concerning identified problem indicators. Moreover, interviews provided the audit team with clarifications on the information obtained through document reviews. A list of interviewed officials is presented in **Appendix 4**.

(b) Documents Review

The audit team reviewed various documents from HESLB to get comprehensive, relevant, and reliable information about managing a collection of loan repayments. Documents reviewed covered the period under review, i.e., from July 2013 to June 2023. The documents reviewed are presented in **Appendix 5**.

1.4.3 Data Analysis Methods

The audit team used different techniques to analyse both qualitative and quantitative data collected during the execution of the audit.

(i) Analysis of Qualitative Data

- Content analysis techniques were used to analyse qualitative data by identifying different concepts and facts from interviews or document reviews and categorising them based on their assertions.

-
- The extracted concepts or facts were tabulated and presented as they were to explain and establish relationships between different variables originating from the audit questions.
 - The recurring concepts or facts were quantified depending on the nature of the data it portrays.
 - The quantified information (concepts/facts) was summed and averaged in spreadsheets to explain and establish the relationship between different variables.

(ii) Analysis of Quantitative Data

Quantitative information with multiple occurrences was tabulated in spreadsheets to develop point data, time series data and relevant facts extracted from the figures. The tabulated data were summed and averaged in proportion to extract relevant information and relationships from the figures. The sums, averages, or percentages were portrayed using different graphs and charts depending on the nature of the data to explain facts for point data and establish trends for time series data. Other quantitative information/data with single occurrences were presented as they were in the reports by explaining the facts asserted.

1.5 Data Validation Process During the Audit

The Higher Education Students' Loans Board (HESLB) was allowed to review the draft performance audit report and comment on the figures and information presented. HESLB confirmed the accuracy of the information and figures presented in the report. The information was also cross-checked and discussed with experts in Higher Education Financing to obtain their opinions and confirm the validity of the information and facts presented.

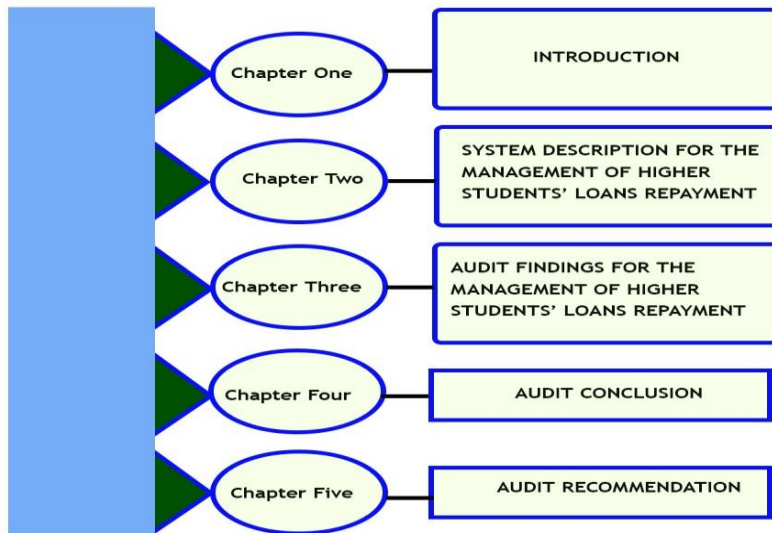
1.6 Standards Used for the Audit

The Audit was done in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) on performance audit issued by the International Organization of Supreme Audit Institutions (INTOSAI). These standards require that the Audit is planned and performed to obtain sufficient and appropriate audit evidence to provide a reasonable basis for the audit findings and conclusions.

1.7 Structure of the Audit Report

This report contains five chapters as depicted in Figure 1.1 :

Figure 1. 1: Structure of the Report



CHAPTER TWO

SYSTEM FOR THE MANAGEMENT OF HIGHER STUDENT'S LOAN REPAYMENT

2.1 Introduction

This chapter describes the system for managing loan repayment and Recovery. It details an analysis of governing policies, legal framework, strategies, guidelines, key players and their responsibilities, resource arrangement and processes in managing Higher Education Students' Loan recovery and repayment.

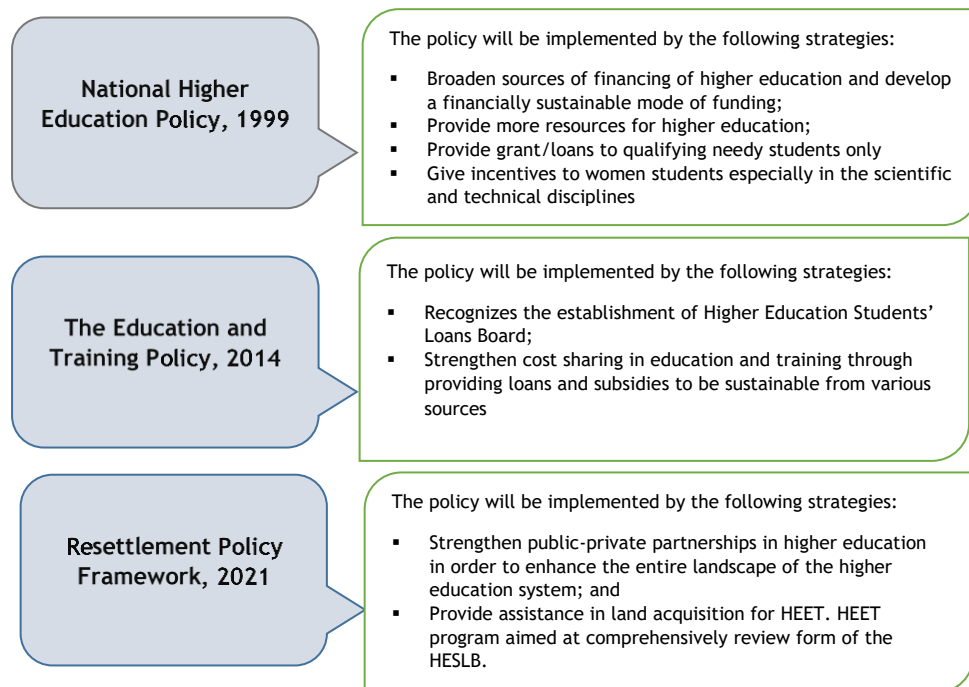
2.2 Governing Policies on the Management of Higher Education Student Loans Repayment and Recovery

Management of higher education students' loan repayment and recovery is one of the core functions of the HESLB and is governed by various policies. Such Policies include the National Higher Education Policy of 1999, which described sources of financing in higher education by changing the role of the Government in financing and managing education;

The Education and Training Policy of 2014 which aimed at providing the general guidelines for the management of education and training in accordance with the National Development Vision 2025, plans and strategies for national development as well as global economic, scientific and technological changes; and Resettlement Policy Framework (RPF), 2021 which aimed to strengthen public-private partnerships in higher education to enhance the entire landscape of the higher education system.

Figure 2.1 provides implementation strategies for the National Higher Education Policy of 1999, The Education and Training Policy of 2014 and the Resettlement Policy Framework (RPF) of 2021.

Figure 2. 1: Governing Policies on Management of Students' Loan Repayment and Recovery



Source: Auditors' Analysis on the Governing Policies on Management of Students' Loan Repayment and Recovery (2023)

2.3 The Legal Framework for the Management of Higher Education Students Loans Repayment and Recovery

This includes all the legal and regulatory provisions that govern the processes, procedures, and policies related to loan repayment and recovery for higher education student loans. This framework outlines the rights, responsibilities, obligations, and procedures that borrowers, lenders (such as HESLB), and other relevant parties must follow regarding loan repayment and recovery. The legal framework is briefly explained below:

2.3.1 The Higher Education Students Loan Board Act, 2004 (As amended in 2015)

In 2004, the Government enacted the HESLB Act, establishing the Higher Education Students' Loan Board. Its Regulations were issued in 2005. The HESLB Act sets out mandates and key roles of HESLB in issuing higher education loans and collecting due loans from beneficiaries. Further, the Act describes the liability and obligations of the loan beneficiary, who shall be obliged to commence repayment of the loan after two years upon completion or termination of their studies.

Moreover, it describes the employer's obligation to identify loan beneficiaries. The Act provides that every employer has to notify the Board on employment of any person who is a holder of a degree or diploma within twenty-eight days from the date on which such person is employed and deduct monthly instalments of not less than fifteen per cent of basic salary, wages or remuneration of the beneficiary.

2.3.2 Loan Repayment and Recovery Manual, 2019

This Loans Repayment and Recovery Manual has been revised in compliance with the Higher Education Students' Loans HESLB Regulation of 2005 and the Higher Education Students' Loans HESLB Act No. 9 of 2004 Cap.178 as amended from time to time.

This manual is a comprehensive guide for the Higher Education Students' Loans Board (HESLB) staff dealing with loan repayment and recovery operations. Its primary objectives include providing instructions for staff members involved in these operations, outlining the specific responsibilities of the Directorate staff, acting as a reference source for day-to-day activities, and facilitating training and understanding of the key procedures related to loan repayment and recovery operations.

2.4 Roles and Responsibilities of Key Actors and Stakeholders

Several key actors and stakeholders are involved in loan repayment and recovery processes. The details are as discussed below:

2.4.1 Key Actors and their Responsibilities

The following are key actors and other stakeholders involved in managing the collection of higher education loan repayment and recovery:

a) Higher Education Student's Loans Board (HESLB)

The Higher Education Students Loans Board (HESLB) is a Public Organization under the Ministry of Education, Science and Technology (MoEST) as a parent ministry. HESLB was established in 2004 under HESLB Act No. 9 of 2004 and commenced its operations in July 2005 to support the implementation of the Education Policy and Cost Sharing Policy.

The sole objective of the Board is to assist, on a loan basis, needy students who secure admission to accredited higher education institutions but have no economic capacity to meet their education costs fully or partially within or outside the country. The Board has been mandated to administer, grant, repay and recover higher education students' loans.

Under Section 6 of the HESLB Act of 2004, the specific functions of the Board are:

- (i) To assume responsibility for the control and management of all loanable funds as vested in the Board;
- (ii) To formulate the mechanism for determining eligible students for payment of loans;
- (iii) To administer and supervise the whole process of payment and repayment of loans;
- (iv) To keep the register and other records of student loan beneficiaries under the Board;
- (v) To advise the Minister on matters of policy and of the law concerning provisions and recovery of loans to students;
- (vi) To establish operational links between the Board and higher education institutions with student loan beneficiaries for facilitating a smooth, efficient and effective administration of the loan funds; and

- (vii) To establish operational links with employers of loan beneficiaries to facilitate the recovery of the loans granted.

Since its establishment, the HESLB has undergone various loan repayment and recovery reforms, as presented in **Figure 2.2**.

Figure 2. 2: Chronological Events for HESLB Repayment and Recovery Performance since its Establishment

Year	Event
2004	<ul style="list-style-type: none"> • HESLB ACT was passed by the Parliament and started its operations effectively as a higher education loans scheme • Administer and supervise disbursement and repayment of loans offered since 1994
2011	<ul style="list-style-type: none"> • The improvement was made and there were establishment of monthly deduction of 8% from basic salary of an employed beneficiary
2015	<ul style="list-style-type: none"> • Introduction of Value Retention Fee (VRF) of 6%, to be included in calculation of monthly repayments from the basic salary of an employed beneficiary. The purpose was to retain the value of the loan
2016	<ul style="list-style-type: none"> • Amendment of law was made which changed the deduction rate from 8% to 15% from the basic salary of employed beneficiary. The purpose was to increase rate of collection from loan offered in order to raise budget of new applicants. • Also, Loan Administration Fee of 1% was charged as administration cost. • In addition, the penalty of 10% was charged for the beneficiaries who delayed starting repayment after elapse of the grace period (two year after graduation) and for the employer who fail to submit dedications collected from employed beneficiaries.
2021	<ul style="list-style-type: none"> • Zero rating policy was introduced, whereas VRF and penalties for beneficiaries who delay repayment were abolished.

Source: Auditors' Analysis on the Chronological Events for HESLB Repayment and Recovery Performance since its Establishment (2023)

b) Ministry of Education, Science and Technology (MoEST)

The Ministry of Education, Science and Technology oversees the education sector's role in developing policies and guidelines. Furthermore, the ministry's Higher Education Division is responsible for monitoring the performance of Higher Education in the management of student loans and ensuring compliance with education policies. To maintain transparency and accountability, the Higher Education Students Loans Board provides quarterly performance reports to the Ministry of Education.

Furthermore, through the Higher Education Coordination Section, the Ministry promotes public awareness of higher education opportunities, cost sharing, loan recovery, financing and investments policies, strategies, action plans, and coordination to ensure effective and efficient loan management processes. The various roles played by the Ministry of Education, Sciences and Technology include:

Oversight and Monitoring: The Ministry oversees the implementation of student loan programs, ensuring that loan repayment processes align with the established policies and regulations. This oversight helps maintain the integrity of the loan system and protects the rights of students and lenders.

Coordination with Loan Agencies: The Ministry coordinates with loan agencies or organizations responsible for disbursing and managing student loans. This collaboration ensures that loan recipients are well-informed about repayment obligations and options and that repayment processes are streamlined and transparent.

Communication and Public Awareness: The Ministry raises awareness among students and loan recipients about repayment responsibilities. This includes information about repayment plans, deadlines, and available resources for assistance.

Data Sharing and Reporting: The Ministry collects and analyses student loan repayment and recovery data. This information helps to assess the effectiveness of loan programs, identify challenges, and make informed policy decisions to improve loan management processes.

Support for Borrowers: The Ministry may establish mechanisms to support and guide borrowers facing financial difficulties in repaying their loans. This could involve offering repayment assistance programs or flexible repayment options to ensure borrowers can manage their loan obligations without undue hardship.

Collaboration with Other Government Entities: The Ministry collaborates with other relevant government entities, such as the Ministry of Finance, to ensure the allocation of necessary funds for student loan programs and to coordinate financial aspects of loan repayment and recovery.

Policy Evaluation and Enhancement: The Ministry continuously evaluates the outcomes and impacts of student loan programs and repayment strategies. Based on this evaluation, it may revise policies, update regulations, and implement improvements to enhance loan repayment and recovery processes.

c) Loan Beneficiaries

A Loan beneficiary is a student to whom HESLB has granted a loan. Loan beneficiaries are another key stakeholder in managing higher education students' loans. Loan beneficiaries are categorized into two major groups: those who pursue their studies abroad and those who pursue their studies within the country.

Loan beneficiaries are obligated to repay the loans when they are due. That loan beneficiary who secures employment with an employer on the contract or permanent terms upon successful or unsuccessful completion of studies for which the loan was granted or upon earlier termination of such studies for any reason has to arrange with the employer monthly deductions from his salary for remittance to the Board. While the loan beneficiary who engages in self-employment in any trade, occupation or profession under license as required by any written law upon completion of the studies for which the loan was granted or upon earlier termination of such studies for any reason has to arrange with the Board about the amount and period during which remittance of money shall be made to the Board.

d) Employers

Employers are another stakeholder in the management of higher education students' loans. According to the HESLB Act of 2016, they are responsible for coordinating the repayment of loans by providing information on loan beneficiaries whom they employ and submitting subsequent deductions to HESLB. Failure to do so makes them face fines and penalties.

e) Higher Learning Institutions

Higher learning institutions play a key role in managing students' loans for higher education. Concerning higher education student loans, higher learning institutions have the following roles:

- (i) Process and Facilitate acquisition of other HESLB Funds, including Tuition Fees;
- (ii) Update information to HESLB regarding the status of their loan beneficiaries;
- (iii) Support for Loan Recovery: In cases students default on their loans, HLIs may be involved in supporting the loan recovery process;
- (iv) Loan Disbursement and Financial Counselling: HLIs facilitate the disbursement of loans to eligible students. They provide students with essential information about their loan terms, repayment obligations, and available repayment plans; and
- (v) Record Keeping: HLIs maintain accurate records of student loans, including disbursements, repayment schedules, and any communication related to loan repayment. Accurate record-keeping ensures transparency and accountability in the loan management process.

f) Students/Beneficiaries

Students or beneficiaries from another category of key stakeholders in managing higher education students' loans. These are the ultimate receivers of the loans issued by HESLB at different levels of education programmes. Students can be categorized into two groups. The first categorization is based on the nature of the institution under which they

are undertaking studies. Under this category, we have private Higher Learning Institution students and public Higher Learning Institution students.

The second categorization is based on the level of education the student seeks. The HESLB only finances undergraduate bachelor's degree programmes and postgraduate master's degree programmes. Therefore, this category has undergraduate bachelor's degree students and Postgraduate Master's degree students. Undergraduate bachelor's degree students form the majority of students benefitting from HESLB loans.

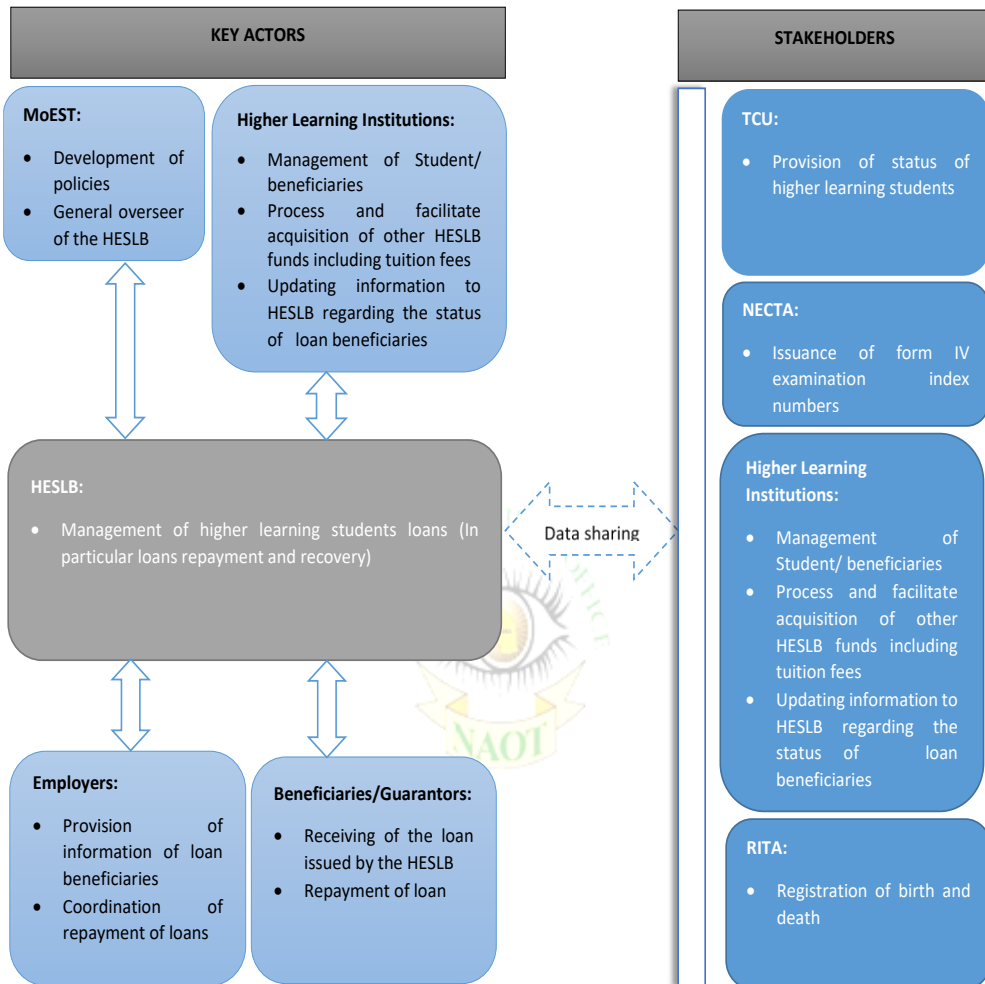
g) Other Key Stakeholders

There are several other key stakeholders involved in loan repayment and recovery, such as the Tanzania Commission for Universities (TCU), the National Examination Council of Tanzania (NECTA), the National Council for Technical and Vocational Education and Training (NACTVET) and the Registration Insolvency and Trusteeship Agency (RITA).

These stakeholders mainly exchange data with HESLB to facilitate the smooth tracing of beneficiaries at both allocation and disbursement and collection of repayment and recovery.

Figure 2.3 presents the relationship between the main actors and stakeholders in managing higher student loan repayment and recovery.

Figure 2. 3: Relationship among Key Actors and Stakeholders in Students' Loan Repayment and Recovery



Key:

↔: Direct interlinkage between parties

Source: Auditors' Analysis of the Interviews and Documents Review (2023)

2.5 Organization Structure of HESLB

HESLB is headed by the Executive Director, who reports to the Board of Directors and the Permanent Secretary of the Ministry of Education, Science and Technology. The organization has five directorates and four independent sections reporting to the Executive Director. The functions of each directory and unit to loan repayments and recovery are explained in **Table 2.1:**

Table 2. 1: Directorate and Units of HESLB responsible for Loan Repayment and Recovery Activities

Directorate/Section	Function
Directorate of Allocation and Disbursement	<ul style="list-style-type: none"> Allocating and disbursement of loans to beneficiaries Transferring the disbursed loan to the Repayment and Recovery Directorate of graduated beneficiaries
Directorate of Repayment and Recovery	<ul style="list-style-type: none"> Management of loan repayment and recovery
Directorate of Internal Audit and Investigation	<ul style="list-style-type: none"> Conduct internal auditing for the repayment and recovery activities.
Planning Research and ICT	<ul style="list-style-type: none"> Planning and forecasting of loan repayments Management of ICT system
Directorate Finance and Administration.	<ul style="list-style-type: none"> Conduct the reconciliation for loan repayments.
Legal Affairs and Governance Support	<ul style="list-style-type: none"> Enforcement of the defaulters on loan repayment
Communications and Partnerships	<ul style="list-style-type: none"> Conducting awareness campaigns regarding the repayment and recovery
Procurement Management	<ul style="list-style-type: none"> Conducting procurement for the ICT system for loan repayment and other supportive activities

Source: Auditor's Analysis of Organization Structure of HESLB (2023)

2.6 Strategies for the Management of Higher Education Students' Loans Recovery and Repayment

2.6.1 National Five-year Development Plan (2016/17-2020/21)

The National Five-Year Development Plan is structured upon three transformative pillars: industrialization, human development, and implementation effectiveness. An integral facet of this plan involves ensuring the sustainability of HESLB in managing higher student loans. This includes effective loan repayment by beneficiaries, thus ensuring a self-sustaining revolving fund. Such a fund would facilitate increased access to loans for new beneficiaries, thereby fostering human development within the country.

The successful realization of the plan's objectives is poised to elevate the national human development index. The index, which stood at 0.52 in 2014, is projected to rise to 0.57 by 2021, signifying notable progress.

2.6.2 MoEST Strategic Plan (2016/17 - 2020/21)

MoEST provides a logical sequence for systematic implementation of the mandates of the Ministry while adopting National Five Years Development Plan II (2016/17-2020/21), the Education and Training Policy of 2014, and Sustainable Development Goals 2030 (SDG) and Ruling Party Manifesto 2015 - 2020.

The Strategy aims to enhance access to loans for higher education students by raising awareness among beneficiaries about loan repayments. This initiative seeks to bolster the sustainability of the revolving fund and diminish HESLB's reliance on government assistance to fulfil the financial needs of loan beneficiaries.

2.6.3 HESLB Strategic Plan (2017/18 - 2021/22)

The five-year Strategic Plan guides the Operations of HESLB from 2017/18 to 2021/22. The Strategic Plan has a total of twelve strategic objectives, which have been further categorized under four strategic perspectives.

The Strategic Plan has eight objectives which address the repayment and recovery of higher education student loans. The eight objectives include increasing public awareness and customer satisfaction, improving the

organization's image, enhancing collaboration with stakeholders, improving data integrity, increasing operational efficiency, improving facilities and infrastructure, and strengthening fund management. **Appendix 6** presents performance indicators used to measure each strategic objective.

2.6.4 HELSB IT Strategy 2021

The IT Strategy provides a high-level framework for effective information and technology management to ensure ICT systems are controlled and maintained in line with corporate objectives and emerging trends. Implementation of the ICT Strategy is integral to the achievement of the outcomes of the Strategic Plans.

The ICT Strategy has been developed as a tool to:

- (i) Assist the development of ICT systems like OLAM, Repayment Portal (LIPA), Refund Portal, and Employers Portal used for billing to beneficiaries
- (ii) Ensure relevant data sharing about the beneficiaries with other stakeholders to ensure effective loan repayment
- (iii) Ensure the development of an ICT system that provides automation procedures and services on loan repayment to facilitate service delivery on time to beneficiaries.

2.7 Processes for Higher Education Students Loans' Repayment and Recovery

2.7.1 Loan Repayment Process

Loan Repayment is part of or the whole amount of a matured loan that is paid back to HESLB by loan beneficiaries when the loan is due. Loan repayment by HESLB refers to the process through which students who have received loans from HESLB repay the borrowed funds after completing their studies and entering the workforce. The loan repayment involves the following procedures:

a) Setting strategies for loan repayment and recovery

In this stage, there are two strategies: national and institutional. At the national strategy level, MoEST sets annual loan repayment and recovery targets to provide a budget ceiling for HESLB. At the institutional level, HESLB develops loan repayment and recovery strategies such as forecasting, valuation, awareness, exhibitions, and advertisement programs.

b) Data migration from the Loan Disbursement Module into the Loan Repayment Module

In this stage, the Director of Loan Allocation and Disbursement (DLAD) transfers loan disbursement data from the loan disbursement module into the loan repayment module at the end of each financial year. Meanwhile, the Director of Loan Repayment and Recovery acknowledged receiving the migrated data in writing.

c) Establishing loans due for repayment

In this stage, loan Repayment and Recovery Officers conduct debtor ageing analysis in the Loan Repayment Module to establish loans due for repayment. Then, they prepare strategies for tracing respective loan beneficiaries.

d) Tracing Loan Beneficiaries

After the establishment of loans due for repayment, the Director of Loan Repayment and Recovery formulates an appropriate mechanism for tracking down loan beneficiaries employed in the formal sector, self-employed or employed/residing outside the United Republic of Tanzania.

The following are procedures used to track loan beneficiaries:

- (i) Carrying out loan repayment awareness through electronic and print media;
- (ii) Communicating with employers through mail, telephone and emails requesting them to disclose and submit information about graduate employees;
- (iii) Tracing loan beneficiaries by way of visits to employers;

-
- (iv) Liaising with Tanzanian Embassies or High Commissions for submission of requested information of graduate employed or residing in the countries of their representative;
 - (v) Liaising with foreign Embassies or High Commissions for the loanees employed or residing in the countries which they represent; and
 - (vi) Publishing all unidentified loan beneficiaries' names and summoning them to the Board for loan repayment arrangements.

e) Billing of Loan Beneficiaries

In this stage, Repayment and Recovery Officers match graduates' names from various sources with the HESLB database of loan beneficiaries. The purpose is to identify loan beneficiaries and compile a list of beneficiaries. This list is then provided to employers along with their employees' bills or to individual loan beneficiaries with their respective bills, initiating the commencement of the loan repayment.

The billing of loan beneficiaries is carried through the following sub-steps;

- (i) The Manager of Loan Repayment assigns a Loan Officer to prepare the bill for identified loan beneficiaries;
- (ii) The Loan Officer forwards the prepared bill to the Manager Loan Repayment/Senior Loan Officer for accuracy checking before closing the bill.
- (iii) The Manager Loan Repayment/Senior Loan Officer closes the bill, prints it and prepares a cover letter. The bills with the cover letter are dispatched to the respective employer or an individual debtor;
- (iv) The Director for Loan Repayment and Recovery/Zonal Manager/Manager/Assistant Director Loan Repayment/Assistant Director Loan Recovery/ Senior Loan Officer checks and signs covering letters attached with loan repayment schedules before dispatching; and
- (v) The Assistant Director Loan Repayment submits details of all bills to the Assistant Director Loan Recovery for future compliance follow-up.

f) Bill monitoring

The Bill Monitoring Department ensures compliance throughout the billing and remittance of repayments. The process, which the Loan Recovery/Zonal Manager oversees, involves the following steps;

- (i) Initiating communication with employers/loan beneficiaries to ensure timely and accurate deduction of 15% from employees' basic salaries and subsequent remittance;
- (ii) Matching received remittances with billing records to verify if all billed loan beneficiaries have commenced repayments;
- (iii) In cases where remittances are either incomplete or not carried out, the Manager of Loan Recovery or the Zonal Manager is responsible for preparing a comprehensive report on employees from whom deductions were not made. Following this, they are required to engage with the employers to ensure the implementation of these deductions. Additionally, if necessary, they have the authority to impose penalties on employers who fail to comply with the deduction requirements.;
- (iv) The compliance manager identifies loan beneficiaries who have undergone changes in employment status (such as resignations, terminations, or deaths) and forwards this information to the legal manager to issue Demand Notices or bill the new employer;
- (v) Implementing re-billing procedures for individuals who have shifted, resigned, or terminated employment;
- (vi) The Compliance manager identifies loan beneficiaries who have undergone changes in employment status (such as resignations, terminations, or deaths) and forwards this information to the legal manager to issue Demand Notices or bill the new employer; and
- (vii) Implementing re-billing procedures for individuals who have shifted, resigned, or terminated employment.

g) Loan collection

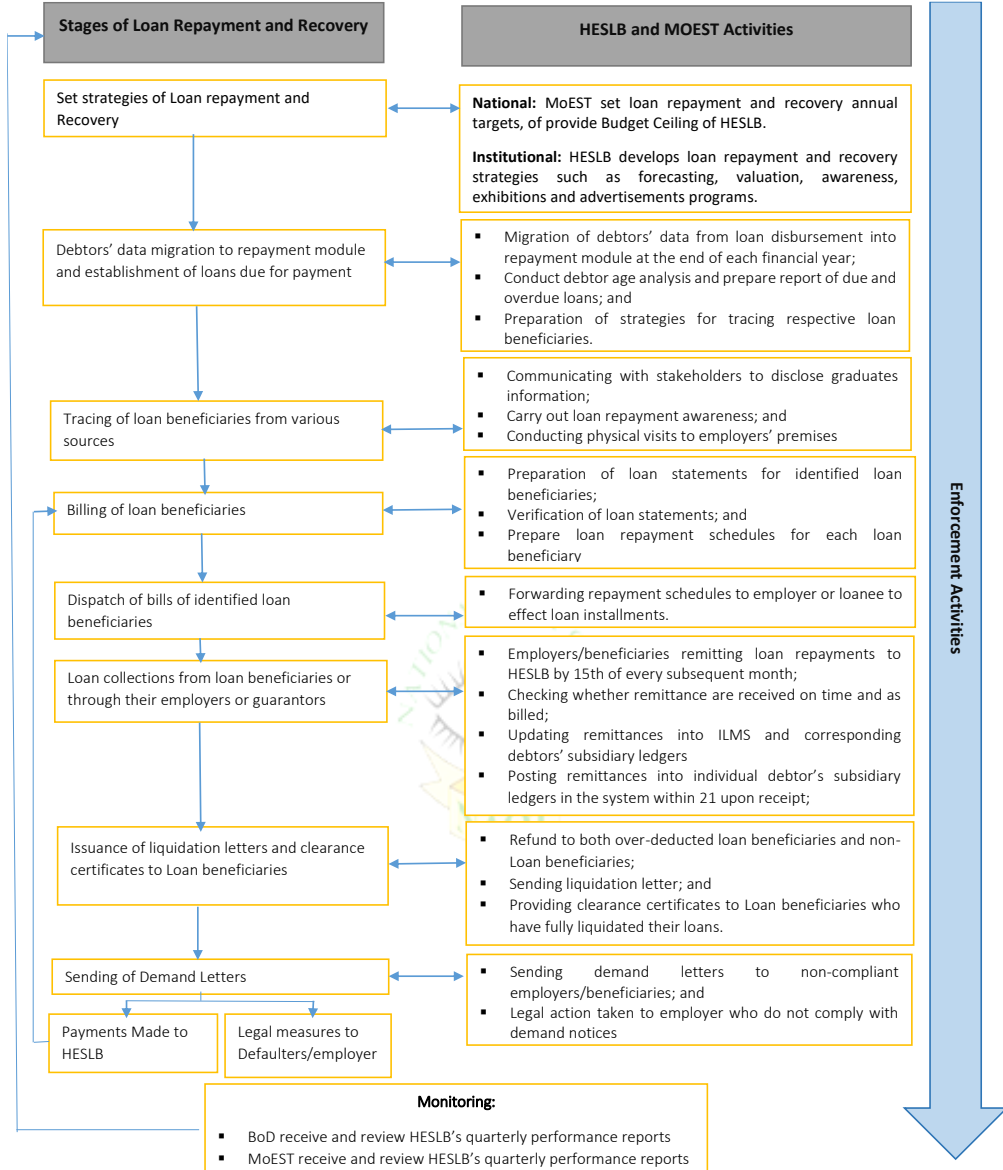
Loan repayments are remitted to HESLB by either the loan beneficiary or through their employers by the 15th of every subsequent month. The process for loan collection involves the following steps;

-
- (i) The responsible Officer/Zonal Manager ensures billed employers/loan beneficiaries are identified and electronic reports are generated;
 - (ii) The responsible Officer/Zonal Manager ensures all remittances from employers/loan beneficiaries are received on time and as billed;
 - (iii) The responsible Officer/Zonal Manager prepares reconciliation to confirm the amount deposited in cash, cheque, or Tanzania Interbank Settlement System (TISS) has been cleared in the HESLB bank account before issuance of electronic receipt;
 - (iv) The responsible Officer/Zonal Manager ensures that all cleared remittances are updated into the LMS and its corresponding debtors' subsidiary ledgers are posted on time to maintain accurate debtors' register;
 - (v) The Manager Loan Repayment/Zonal Manager generates an electronic report of employers or loan beneficiaries who fail to submit loan remittances by the 15th of the subsequent month for actions at the zonal office level or forwards the list to the Manager responsible for legal measures at the head office; and
 - (vi) The assigned Manager Loan Repayment/Zonal Manager ensures that monthly remittances enclosed with deduction schedules are authenticated and posted into individual debtor's subsidiary ledgers within 21 days of receipt.

h) Issuance of clearance certificates to loanees for completion of loan repayment

In this stage, the Manager Loan Repayment ensures periodic preparations of lists of Loan beneficiaries who have fully liquidated their loans. The Director of Loan Repayment and Recovery forwards the report to the Executive Director, who issues a certificate of loan clearance to the beneficiary. The procedure for Loan Recovery and Repayment is described in **Figure 2.4**.

Figure 2. 4: The Process for Loan Recovery and Repayment



Source: *Loan Repayment and Recovery Manual (2019)*

2.7.2 Loan Recovery Process

Where a loan beneficiary fails to recommence loan repayment on the due date or to settle the loan instalments in arrears for three consecutive months or when an employer fails to comply with a requirement of submission of graduate information to the Board or fails to deduct and remit loan deduction to the Board, the Board have the power to institute the following recovery measures: -

- a) The Assistant Director of Loan Recovery receives details of the loan defaulters from the Assistant Director of Loan Repayment;
- b) The Assistant Director of Loan Recovery ensures that demand notice to loan beneficiary/guarantor or employer is issued to settle the prescribed amount within twenty-one (21) days from the date of such notice;
- c) In case the loan beneficiary/guarantor/employer fails to respond to the notice within 21 days, the Director of Loan Repayment and Recovery shall refer the matter to the Legal section to institute legal recovery measures.

2.8 Financial and Human Resources Arrangements for Higher Education Student's Loans Repayment and Recovery Operations

The financial and human resources arrangement for higher education Students Loan Repayment is as discussed below;

2.8.1 Financial Resources Arrangements

HESLB has set aside budgets to collect repayment and recover higher education student loans. During the financial year 2018/19-2021/23, HESLB allocated money to facilitate its activities, as indicated in **Table 2.2**.

Table 2. 2: HESLB Annual Budgets for Collection of Loan Repayment and Recovery

Financial Year	Approved Budget (Billions TZS)	Actual Fund received (Billions TZS)	Percentage Received
2018/2019	0.09	0.05	54
2019/2020	1.60	0.82	49
2020/2021	1.50	1.50	100
2021/2022	1.40	1.40	100
2022/2023	0.69	0.74	107

Source: HESLB Medium Term- Expenditure Framework from 2018/19-2022/23

From **Table 2.2**, the HESLB approved a budget to facilitate its operations, including collection of loan repayment and recovery, and showed a fluctuation trend within the period under review. The existing record shows that loan repayment and recovery increased from TZS 0.09 billion in the financial year 2018/19 to TZS 1.6 billion in 2019/20, then declined to TZS 1.4 billion in the financial year 2021/22. The budget for 2022/23 decreased for TZS 0.69 billion from the previous years. However, the percentage of those who received the loan in general increased from 54% in the financial year 2018/19 to 107% in the financial year 2022/23.

2.8.2 Human Resources

In the financial year 2022/23, HESLB's Directorate of Loan Repayment and Recovery has 128 staff. These staff cover those allocated at Head Quarter in Dar es Salaam and staff allocated in the zonal offices. The HESLBs have done a staffing level assessment to identify department gaps. **Appendix 7** presents detailed staffing levels for the Directorate of Loan Repayment and Recovery of the Board.

CHAPTER THREE

FINDINGS ON THE MANAGEMENT OF HIGHER EDUCATION STUDENTS' LOAN REPAYMENT

3.1 Introduction

This chapter presents audit findings related to the performance of HESLB in managing loan repayment collection to ensure the sustainability of the Fund. Specifically, the chapter focuses on collecting due and over loans, forecasting repayments, tracing and billing of beneficiaries, and recovering loans. Detailed audit findings are discussed below.

3.2 Unsatisfactory Collection of Due and Overdue Loans from Loan Beneficiaries

Section 6 (c) of the Higher Education Student's Loans Board Act, Cap. 178, 2008, requires HESLB to administer and supervise the entire process of granting, repaying and recovering loans issued to students. Also, para 2.1 of the HESLB Loan Repayment and Recovery Manual of 2019 mandates HESLB to ensure loans are repaid through monthly instalments deducted at a rate of 15% of basic monthly salary in case of employed loan beneficiaries or a minimum of TZS 100,000 or 10% of taxable income of a self-employed beneficiary whichever is higher or in a lump sum.

The audit noted the unsatisfactory collection of due and overdue loans from loan beneficiaries by HESLB. This was evidenced by the presence of insufficient collections of matured loans. This was attributed to a decreasing trend in matured loans and loan repayments, a low number of beneficiaries paying their loans, an increase of long-term overdue loans and insignificant loan repayment from self-beneficiaries, untimely collection of matured loans; and insufficient collection of loan repayment, which was attributed to an insufficient collection of monthly loan repayment and decreasing trend of loan repayment collection rates. These factors are further described as follows.

3.2.1 Insufficient Collection of the Matured Loans

The Higher Education Student's Loans Board (HESLB) is mandated by the HESLB Act, Cap. 178, 2008, to oversee student loan issuance, repayment, and recovery. Per the 2019 HESLB Loan Repayment and Recovery Manual, monthly loan repayments must be made. The law clarifies that the employed beneficiaries have to contribute 15% of their basic salary, while self-employed individuals pay an amount greater than TZS 100,000 or 10% of taxable income. HESLB is also tasked with the establishment of effective communication with beneficiaries, especially self-employed ones, to ensure timely loan repayments.

Analysis of the matured loans and outstanding loans from matured loans indicated that outstanding loans increase yearly. As presented in **Table 3.1**, the outstanding loans increased from TZS 552.97 Billion in the financial year 2015/16 to TZS 3.02 trillion in the financial year 2022/23.

Table 3. 1: Status of Matured Loans and Outstanding Loans

Years	Cumulative Matured Loans (TZS in Billion)	Cumulative Outstanding Loans from Matured Loans (TZS in Billion)	The proportion of outstanding loans from Matured Loans in Percentage
2014/15	1,589.14	552.97	35
2015/16	1,913.78	787.71	41
2016/17	2,279.61	1,081.79	47
2017/18	2,279.61	1,081.79	47
2018/19	2,614.83	1,363.42	52
2019/20	3,092.09	1,793.12	58
2020/21	3,502.42	2,181.79	62
2021/22	3,930.15	2,597.50	66
2022/23	4,361.60	3,023.71	69

Source: Auditors' Analysis on the Matured Loan Database (2023)

Findings from **Table 3.1** show that the proportion of outstanding loans from matured loans increased from 35% in the financial year 2014/15 to 69% in the financial year 2022/23. This indicated that there is a higher injection of funds to finance students' loans and a slow collection of loan repayment.

3.2.2 Higher Portfolios at Risk (PAR) Rate of 85%

The audit team analysed the student loan portfolio to establish a portfolio at risk. This is the most accepted measure of portfolio quality. A portfolio at risk is the outstanding amount of all loans that have one or more instalments of principal past due by a certain number of days. Portfolio at Risk (PAR) is determined by dividing the sum of the outstanding portfolio of loans in arrears greater than 30 days divided by the Gross loan portfolio.

Also, based on best practices in the country's microfinance industry, any portfolio at risk exceeding 10% should be a cause for concern because, unlike commercial loans, most microcredits are not backed by bankable collateral.

Upon review of Loanee Ledgers and matured loan database as of June 2023, it was noted that HESLB recorded a portfolio at risk of 85%, which is abnormally high compared to best practices, as indicated in **Table 3.2**.

Also, a review of the HESLB strategic plan revealed that the Board had not set a target of the portfolio at risk to be attained in order to monitor the performance of the loan portfolio.

Table 3. 2: Status of Loan Portfolios at Risk as of June 2023

System	Outstanding Principal (TZS in Billion)	Amount of Loans in Arrears (>30 days) (TZS in Billion)	Actual PAR >30 Days (%)	Industry PAR >30 Days (%)
ILMS	3,579.58	3,051.63	85%	10%
Total	3,579.58	3,051.63	85%	10%

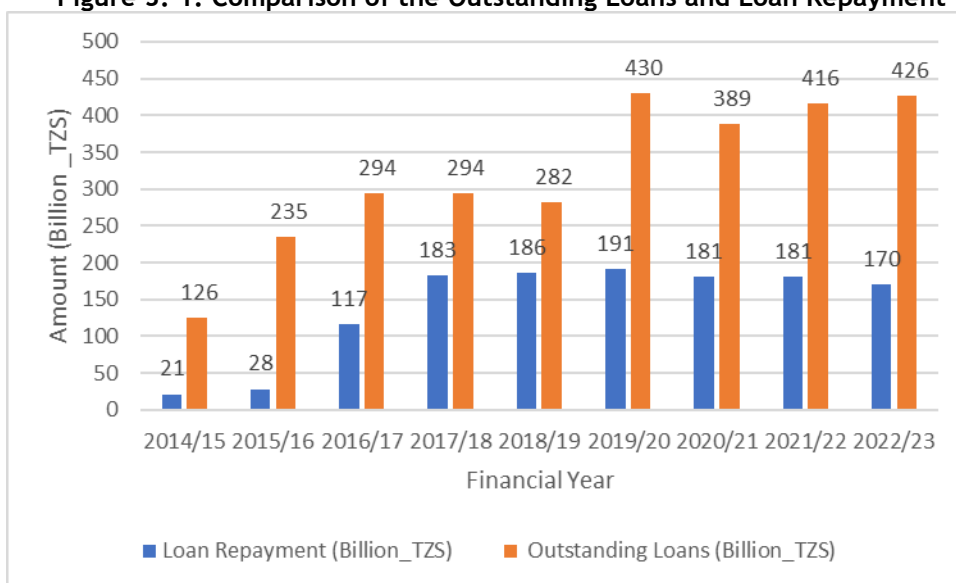
Source: Auditors' Analysis of HESLB Loanee Ledgers and matured loan database (2023)

As a result of the decline in loan quality, the HESLB’s sustainability will be at risk. Also, the Board will be unable to fulfil its primary objective of assisting needy and eligible Tanzanian students in accessing loans and grants for higher education.

3.2.3 Comparison of Outstanding Loans and Loan Repayments

Also, the Audit Team compared the trend of outstanding loans and loan repayments. **Table 3.1** compares the outstanding loans and loan repayments.

Figure 3. 1: Comparison of the Outstanding Loans and Loan Repayment



Source: Auditors’ Analysis of the Matured Loans database and Loatee Ledger (2023)

From **Figure 3.1**, it can be noted that loan repayment increased from TZS 21 billion in the financial year 2015/16 to the highest amount of 191 billion in the financial year 2019/20. Then, it decreased to TZS 170 billion in the financial year 2022/23. The decrease in loan repayment in the current two years was caused by the introduction of the zero-rating policy, which removed interest and value retention fees (VRF).

On the other hand, the outstanding loans increased from TZS 126 billion in the financial year 2015/16 to TZS 426 billion in the financial year 2022/23.

This was attributed to an increase in loan disbursement and a decreased trend of loan repayment.

Therefore, based on the above-discussed trends of loan repayments and outstanding loans, HESLB will be at risk of collecting outstanding loans in the near future.

3.2.4 Few Beneficiaries Repaid their Loans

Furthermore, the Audit Team analysed beneficiaries with matured loans and their repayment status. The analysis showed a small increase in the number of beneficiaries who paid their loans, ranging from 1 to 5 per cent of the beneficiaries with matured loans in the period under review, as indicated in **Table 3.3**.

Table 3. 3: Number of Beneficiaries with Matured Loans vs. Beneficiaries who Paid their Loans Each Year

Year	Cumulative Number of Beneficiaries with Matured Loans	Number of Beneficiaries paying their loans each year	% of Beneficiaries paying their loans each year
2014/15	227,063	38,316	17
2015/16	257,697	59,689	23
2016/17	293,827	97,060	33
2017/18	293,827	115,004	39
2018/19	325,073	112,518	35
2019/20	367,768	111,709	30
2020/21	406,559	109,845	27
2021/22	445,543	109,290	25
2022/23	486,549	112,582	23

Source: Auditors' Analysis of the HESLB's Matured Loans Database, 2023 and Actual Repayments

Findings from **Table 3.3** indicated a low rate of increase in the number of beneficiaries who paid their loans. This implied that HESLB strategies for tracing/identifying beneficiaries are inadequate to the extent that only 23% of the beneficiaries with matured loans paid their loans in the financial year 2022/23. Generally, the findings show that the percentage of beneficiaries paying their loans decreases over the years, indicating

that a smaller proportion of beneficiaries are paying off their loans each year. For example, in 2017/18, only 35% of beneficiaries paid their loans, while in 2022/23, it dropped to 23%.

This was caused by ineffective tracing of the loan beneficiaries, as it was revealed that out of the 486,549 beneficiaries, only 224,050 had been traced and billed, as discussed in **section 3.5.1 of this report**.

3.2.5 Increase of Long-Term Overdue Loans

Para 6.3.1 (vi) of Higher Education Policy 1999 states that the repayment period shall be ten to fifteen years.

The audit team analysed matured loans and noted that due loans were over ten years from 2014/15 to 2022/23. **Table 3.4** shows the extent of the collection of the matured loans within ten years from 2014/15-2022/23.

The audit revealed a notable increase in matured loans overdue for ten years, rising from 0.42 per cent in 2014/15 to 2.52 per cent in the financial year 2022/23. This implies that the loan portfolio was at higher risk as those loans were expected to be liquidated, yet HESLB did not collect any instalments from these loans.

**Table 3. 4: Extent of Collection of Matured Loans with Ten Years Overdue
2014/15-2022/23**

Years	Cumulative Matured Loans (In TZS Billions)	Cumulative Overdue Loans (In TZS Billions)	% of overdue loans on Matured loan
2014/15	1,589.14	6.74	0.42
2015/16	1,913.78	8.07	0.42
2016/17	2,279.61	9.88	0.43
2017/18	2,279.61	12.22	0.54
2018/19	2,614.83	19.78	0.76
2019/20	3,092.09	35.39	1.14
2020/21	3,502.42	59.6	1.70
2021/22	3,930.15	83.79	2.13
2022/23	4,361.60	109.91	2.52

Source: Auditors' Analysis of the Matured Loans Database and Loanee Ledger (2023)

3.2.6 Insignificant Loans Repayments from Self-Beneficiaries

Moreover, the Audit Team analysed loan repayments based on the categories of beneficiaries: employed and self-beneficiaries.

Table 3.5 depicts the Matured against the collected loans from employed beneficiaries from 2014/15-2022/23. The analysis indicates that the HESLB collected a small proportion of loan repayments from self-beneficiaries, which ranged between 2.8% and 8.1% from 2014/15 to 2022/23. This indicates that HESLB mainly focused on collecting loan repayments from employed beneficiaries.

Table 3. 5: Comparison of the Matured Loan Collection from Employed Beneficiaries and Self Beneficiaries

Financial years	Cumulative Collection from employed beneficiaries (In TZS Billions) (A)	Cumulative Collection from self-employed beneficiaries (In TZS Billions) (B)	Cumulative Annual Loan Repayment Collected (In TZS Billions) C=(A+B)	% of loan repayment collected from self-employed beneficiaries B/C*100	% of loan repayment collected from employed beneficiaries A/C*100
2014/15	65.61	1.91	67.5	2.8	97.2
2015/16	94.98	3.48	98.5	3.5	96.5
2016/17	199.41	7.9	207.3	3.8	96.2
2017/18	369.89	14.11	384.0	3.7	96.3
2018/19	539.93	27.63	567.6	4.9	95.1
2019/20	713.84	42.63	756.5	5.6	94.4
2020/21	881.89	54.59	936.5	5.8	94.2
2021/22	1,032.51	84.54	1,117.1	7.6	92.4
2022/23	1,181.40	104.7	1,286.1	8.1	91.9

Source: Auditors' Analysis of the Matured Loans Database and Loanee Ledger (2023)

The ineffective collection of matured loans resulted from ineffective tracing strategies, including a lack of ICT system integration with institutions with extensive databases of self-employed beneficiaries and inadequate awareness campaigns. For example, the HELBS was unsuccessful in collecting loans from all income earners despite having access to data from the TRA.

Also, HESLB Management considered it viable to allocate more resources to sectors with stable and predictable repayment flows, focusing on the formal sector rather than the informal sector. The informal sector's repayment patterns were known to be unstable and unreliable, with relatively high collection costs compared to expected returns. In addition, at that time, the management, in collaboration with MoEST, established formal channels for loan collection through Ward Executive Officers (WEOs).

3.2.7 Number of Beneficiaries Liquidated their Loans

The Audit Team analysed beneficiaries who liquidated their loans by comparing them with those with matured loans, as indicated in **Table 3.6**. The audit noted that the number of beneficiaries who liquidated their loans increased from 2% in 2014/15 to 18% in 2022/23.

Table 3. 6: Number of Beneficiaries who Liquidated their Loans

Financial Year	Cumulative Number of beneficiaries with matured loans	Cumulative Number of Beneficiaries Liquidated loans	% of liquidated on matured loans
2014/15	227,063	4,612	2
2015/16	257,697	6,851	3
2016/17	293,827	11,723	4
2017/18	293,827	18,775	6
2018/19	325,073	25,062	8
2019/20	367,768	32,326	9
2020/21	406,559	51,633	13
2021/22	445,543	75,348	17
2022/23	486,549	87,401	18

Source: Auditors' Analysis of the Matured Loans database and Loanee Ledger (2023)

Despite the increase in beneficiaries who liquidated their loans in the period under review, beneficiaries who liquidated their overdue loans of over ten years were 62% of the matured loans, as indicated in **Table 3.7**. This resulted from ineffective monitoring of billed beneficiaries and a lack of proactive loan repayment measures towards beneficiaries with matured loans.

Table 3. 7: Comparison between Beneficiaries who Liquidated Their Loans and due Loans Over Ten Years

Item	Number of beneficiaries
Beneficiaries with Matured Loans	486,549
Beneficiaries with Matured Loans over ten years	140,343
Beneficiaries Liquidated loans	87,401
% of beneficiaries liquidated their loans of Matured Loans over ten years	62

Source: Auditors' Analysis Matured Loans Database (2023)

Also, the audit team compared beneficiaries' payments and the liquidation of their loans. The analysis showed that beneficiaries liquidated their loans, with 39% of the beneficiaries paying their loans, as indicated in **Table 3.8**.

Table 3. 8: Comparison between Beneficiaries Paying and Liquidating their Loans

Item	Number of beneficiaries
Beneficiaries Paying Matured Loans	224,050
Beneficiaries with Matured Loans over ten years	140,343
Beneficiaries Liquidated loans	87,401
% of beneficiaries liquidated their loans against those paying matured loans	39

Source: Auditors' Analysis Matured Loans Database (2023)

3.2.8 Status of Outstanding Students' Loans

Analysis of loan disbursed data and loan repayment status noted that outstanding loans are increasing yearly, as presented in **Table 3.9**. The outstanding loans increased from TZS 1.25 trillion in the financial year 2015/16 to TZS 4.84 trillion in the financial year 2022/23, with an average growth rate of 23%.

Table 3. 9: Status of Issued and Outstanding Loan

Financial year	Total Cumulative Loans Issued (Trillion TZS)	Total Cumulative Outstanding Loans (Trillion TZS)	Percentage of Outstanding Loans
2015/16	2.12	1.25	59
2016/17	2.45	1.55	63
2017/18	2.93	2.01	67
2018/19	3.33	2.41	72
2019/20	3.77	2.85	76
2020/21	4.20	3.28	78
2021/22	5.28	4.37	83
2021/23	6.13	4.84	79

Source: Auditors' Analysis of Loanee Ledger of 2022, 2023

Analysis from **Table 3.9** shows that the percentage of outstanding loans increased from 59% in the financial year 2015/19 to 83% in the financial year 2021/22. This indicated that there is a higher injection of funds to finance students' loans and a slow collection of loan repayment.

3.2.9 Untimely Collection of Matured Loans

Para 6.3.1 (vi) of Higher Education Policy 1999 states that, after graduation, the beneficiary shall be given twelve months as an optimal grace period before starting to pay the loan, and the repayment period shall be ten to fifteen years.

The audit noted through the review of the matured Loans Database that there were beneficiaries with due loans over ten years. The beneficiaries with overdue loans over ten years were 28.8% of the matured loans, as indicated in **Table 3.10**. This implied that HESLB did not collect matured loans as per loan schedules.

Also, it was noted that HESLB took 1 to 8 years to collect the first instalment from loan beneficiaries whose loans are due and overdue, as detailed in **section 3.5.5** of this report.

Table 3. 10: Proportion of Overdue Loans

Item	Number of beneficiaries
Beneficiaries with Matured Loans	486,549
Beneficiaries with Matured Loans over ten years	140,343
Percentage of loans with over ten years	28.8

Source: Auditors' Analysis on the Matured Loan Database (2023)

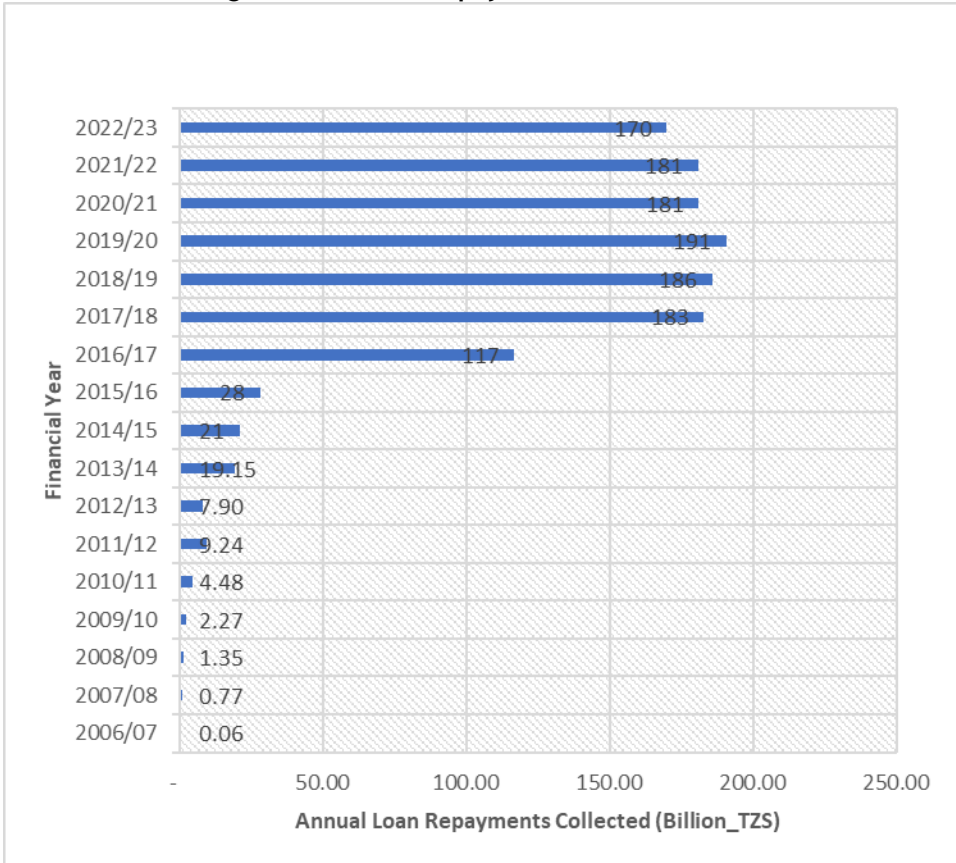
Untimely collection of loan repayment was attributed to a lack of enforcement of loan recovery. According to the Board Management, the untimely collection of loan repayments was contributed by the high rate of unemployment, the change of repayment policy, which led to the waving of VRF and penalties, the attitude of citizens to pay loans, lack of a single database (Fragmented database), COVID-19 effects, and the loans being unsecured. Generally, the audit noted that loan liquidation exceeded the specified repayment timeframe by the Higher Education Policy of 1999.

3.2.10 Insufficient Collection of Loan Repayments

In the financial year 2019/20, HESLB recorded the highest loan repayment collections since its establishment, amounting to TZS 191 billion. However, the trends started to decline to TZS 170 billion in the 2022/23 Financial year, as presented in **Figure 3.2**. This was caused by the change of policy to a zero-rating policy in July 2021, which means penalties and value retention fees were zero-rated.

Further analysis indicated that the collection of loan repayments sharply increased in the financial year 2016/17, about four times the collection of repayment of the previous year, as presented in **Figure 3.2**. The change in loan repayment strategy caused the monthly deduction rate to go down from 8% to 15% of the basic monthly salary for the employed loan beneficiaries.

Figure 3. 2: Loan Repayment Collection Trends



Source: Auditors' Analysis of the Loan Repayments Database (2023)

Various factors, including inadequate tracing of loan beneficiaries, inaccurate forecasting of loan repayments, and ineffective bill management, caused insufficient loan repayment collection.

These factors are detailed in the subsequent sections of this report. Insufficient loan repayment collection stemming from inadequate tracing of loan beneficiaries, inaccurate loan repayment forecasting, and ineffective bill management could potentially hinder HESLB's long-term strategic goals.

a) Insufficient Collection of Monthly Loan Repayments

Section 5.1 of the Strategic Plan (2017/18-2021/22) stipulates that HESLB must attain a monthly repayment collection of TZSS 8.3 billion in 2017/18 and increase to TZS 22 billion per month in 2021/22.

The review of Annual Performance Reports (2015/16-2021/22) noted that HESLB had surpassed the target of collection of loan repayments for the first financial year of the implementation of the Strategic Plan (2017/18-2021/22) by attaining an average of TZS 15 billion per month.

However, HESLB recorded a monthly collection of TZS 15 billion in the financial year 2021/22, less than expected by TZS 7 billion due to inadequate follow-up of the unpaid bills and ineffective tracing/identification of loan beneficiaries. Furthermore, in the financial year 2022/23, monthly collection declined to 14 billion as a result of the zero-rating policy and increasing untraced loan beneficiaries. The actual monthly collection of loan repayments remained the same throughout the implementation of the Strategic Plan, as presented in Table 3.11.

Table 3. 11: Comparison of the Average Monthly Collections and the Targeted Monthly Collections (2017/18- 2021/22)

Financial Year	Monthly Targets (in TZS Billions)	Average Monthly Collection (TZS Billions)
2017/18	8.3	15.24
2018/19	8.3	15.47
2019/20	8.3	15.89
2020/21	8.3	15.09
2021/22	22	15.06
2022/23	22	14.15

Source: Auditors' Analysis of HESLB Financial Statements (2023)

3.2.11 Decreasing Trend in Loan Repayment Collection Rates

According to HESLB's strategic plan, 2017/18-2021/22, the Board aims to collect at least 80% of due loans through repayment and recovery collections to sustain the provision of loans by 2017. The Loan repayment collection rate is determined by comparing repayment collected and due instalments in a particular financial year. This rate measures the efficiency of the HESLB in collecting loan repayment.

The audit team analysed the efficiency of the HESLB in collecting loan repayment. The analysis showed that HESLB recorded a decreasing trend in loan repayment collection rates between 2016/17 and 2022/23, as presented in **Table 3.12**. This implied that HESLB was not efficient in collecting loan repayment.

Also, it was noted that in the current strategic plan (2020/21-2025/26), no standard loan repayment collection rate is set to be used to measure HESLB's performance in collecting loan repayment.

Table 3. 12: Comparison of Due Instalments Amounts and Collected Loan Repayments

Financial Years	Due instalment amount (In TZS Billions)	Due Installments Amount Collected (In TZS Billions)	Repayment Rate(%)
2016/17	465	221	47
2018/19	Not Provided		
2019/20	Not Provided		
2020/21	Not Provided		
2021/22	1,749.29	1,124.25	64
2022/23	2,101.87	1,293.77	62

Source: Auditors' Analysis of Loanee Ledgers (2023)

Analysis from **Table 3.12** showed that in the financial year 2017/16, the loan repayment collected was about 47% of the due instalment amount. Then, loan repayment decreased year after year to 62 % of the due instalment in the financial year 2022/23. This was due to the combined effects of lack of enforcement of loan recovery, lack of follow-up of unpaid bills, and ineffective loan beneficiary tracing strategies.

3.3 Unreliable Forecasts on Targets for Collection of Loan Repayments

During the audit, it was noted that the current approach to forecasting loan repayment targets relies solely on previously collected loan payments, which may lead to inaccurate and unreliable projections. This practice, while longstanding, did not consider the multiple dimensions or factors that could significantly impact the repayment landscape.

However, over the past eight years, the Audit noted the reliance on previously collected loan repayments as the only tool for projecting

repayments, leading to the identification of inaccurate and unreliable loan repayment forecasts as described.

3.3.1 Unrealistic Targets for Collection of Loan Repayments

Higher students' loans become due for repayment upon expiry of a two-year grace period after successful completion of studies or upon immediate termination of studies for whatever reasons. The outstanding loans comprise a principal loan, penalty to non-compliant loan beneficiaries, Value Retention Fee and Loan Administration Fee. Loans are repaid through monthly instalments deducted to a tune of 15% of the basic monthly salary in case of employed loan beneficiaries or a minimum of TZS 100,000 or 10% of the taxable income of a self-employed beneficiary, whichever is higher, and they have the option to do so either in monthly instalments or as a lump sum.

The audit noted through the review of the HESLB Annual Performance Reports and Loan Ledger of 2022, that the HESLB established yearly targets for loan repayment collection by considering the loan recipients billed in the previous years. Then, assess their efficiency in loan repayment collection by calculating the repayment rate, which was determined by comparing the annual collection targets with the actual annual loan repayments collected.

Also, the audit noted that the current forecasting model underestimated the annual loan repayment collection targets, as presented in **Table 3.13**. That was the case as the audit team compared the current model with the other two alternative forecasting models, based on due instalments of the principal loans for 12 months and assuming a monthly repayment rate of TZS 100,000. When comparing loan repayment collection targets under three models, it is observed that the current model underestimates loan repayment collection targets significantly. Therefore, it was evident that the annual collection targets were not realistic because not all beneficiaries with matured loans in the respective years were sufficiently covered.

Table 3. 13: Comparison of Loan Repayment Collection Target by Using Alternative Forecasting Models

Financial Year	Loan Repayment collection target (under the Current Model) Billion TZS)	Loan Repayment collection target (under Due Instalments For 12 Months (Billion TZS)	Loan Repayment collection target (under TZS 100,000 Instalment For 12 Months (Billion TZS)
2017/18	100	231	367
2018/19	158	231	367
2019/20	221	265	406
2020/21	190	313	458
2021/22	182	354	507
2022/23	231	397	555

Source: Auditors' Analysis on the Loan Repayment Collection Target by Using Alternative Forecasting Models (2023)

Analysis from **Table 3. 13** showed that loan repayment collection targets under the current model used by HESLB underestimate targets significantly when compared with alternative forecasting models, which consider due instalments for 12 months and instalments of TZS 100,000 for 12 months.

Inaccurate forecasting of loan repayment was caused by the model used by HESLB to set targets. Consequently, this led to insufficient collection of loan repayments, with 33% of matured loans remaining unrecovered by the financial year 2022/23.

This implies that no model was used to determine the loan dues for the year, and no clear assumptions were used in the process.

As a result of using the current model of forecasting loan repayment collection, HESLB seemed to be efficient in the collection of loan repayment, which is not the case if alternative models were used, as indicated in **Table 3.14**.

Table 3. 14: Comparison of Repayment Rates by Using Alternative Forecasting Models

Financial Year	Repayment Rate (under Current Model) Billion TZS)	Repayment Rate (under Due Instalments for 12 Months (Billion TZS)	Repayment Rate (under TZS 100,000 Instalment for 12 Months (Billion TZS)
2017/18	183	79	50
2018/19	113	77	49
2019/20	86	72	47
2020/21	95	58	40
2021/22	99	51	36
2022/23	74	43	31

Source: Auditor Analysis of HELBS Forecasting Models (2023)

Analysis from **Table 3.14** showed that repayment rates under the current model used by HESLB are above repayment rates under alternative models. This implied that, under the current model, HESLB seemed more efficient in the collection of loan repayment when compared with alternative models.

3.3.2 Insufficient Information Used in Forecasting Targets for Loan Repayments

The HESLB's Strategic Plan 2017 para 3.3 requires the HESLB to examine factors affecting HESLB's strategic direction using the SWOT analysis by analysing various opportunities and threats in the context of political, economic, technological and social factors.

According to the Strategic Plan (2017/18-2021/22), the assumed trend of key macroeconomic indicators will remain in the same direction for the HESLB's success in reaching its objectives.

During the audit, it was noted that HESLB uses only the amount of the loan repayments collected in previous years to derive the projection of next year's loan repayments collection. In adhering to this practice, other multi-dimensional information is disregarded, which may be used to inform on various factors that may impact the rate of loan repayment collections. The relevant information for the loan repayment forecast process is listed in **Table 3.15**.

Table 3. 15: Information Used for the Forecasting Process

Relevant information for the forecasting process	Information used by HESLB for the forecasting process
<ul style="list-style-type: none"> • Economic indicators, • Employment rate, • Income levels, • Type of programs of study • Graduation rates • Government Policies • Demographic Data • Cultural Factors • Data on Graduates Abroad • Defaulting rate • Amount of loan issued 	<ul style="list-style-type: none"> • Amount of loan issued • Previous repayment collection

Source: Auditor's Analysis on the HESLB's Strategic Plan 2017, (2023)

The non-consideration of multi-dimensional information from the forecasting process can be attributed to the ongoing transformation of HESLB operations toward automating its activities in stages.

3.3.3 Existence of Insufficient Assumptions for Forecasting Loan Repayment Targets

The audit noted that HESLB used only one assumption of the defaulting rate projecting loan repayments in the forecasting process rather than a wide scope of assumptions that cover multi-dimensional factors that affect the loan repayment, as presented in **Table 3.16**.

The non-consideration of using the multi-dimensional assumption in projecting the repayments was attributed to the inadequate capacity of the HESLB to use the assumptions for forecasting.

Table 3. 16: Information Used for the Forecasting Process

Relevant Assumption to be used	Remarks (actual information used)
<ul style="list-style-type: none"> • Economic Growth and Stability: • Employment Rate: • Default Rates: • Government Policies and Support: • Demographic Changes: 	<ul style="list-style-type: none"> • Default Rates

Source: Auditor's Analysis on the HESLB's Strategic Plan 2017, (2023)

The audit noted that the HESLB has started taking the initiative to address the forecasting challenges by engaging a consultant (M/s SKY CONNECT COMPANY LIMITED) through Contract No. 23/2022/2023 in June 2023 to develop automated production modelling and customer experience through machine learning and artificial intelligence techniques.

This consultancy, which is expected to be completed by December 2023, aims at addressing challenges HESLB has faced for the past sixteen years, among others including exponential growth in students' enrolments over the years, which has significantly led to increased demand for the HESLB loans, difficulties in identification of needy students for loans from economically disadvantaged families, financing higher education students without much regards to labour markets dynamics, costly tracing for loan beneficiaries strategies particularly from the informal sector, loan repayment dropouts, customer service related issues, as well as macro and micro-economic reforms.

3.4 Ineffective Identification of Loan Beneficiaries for Payment

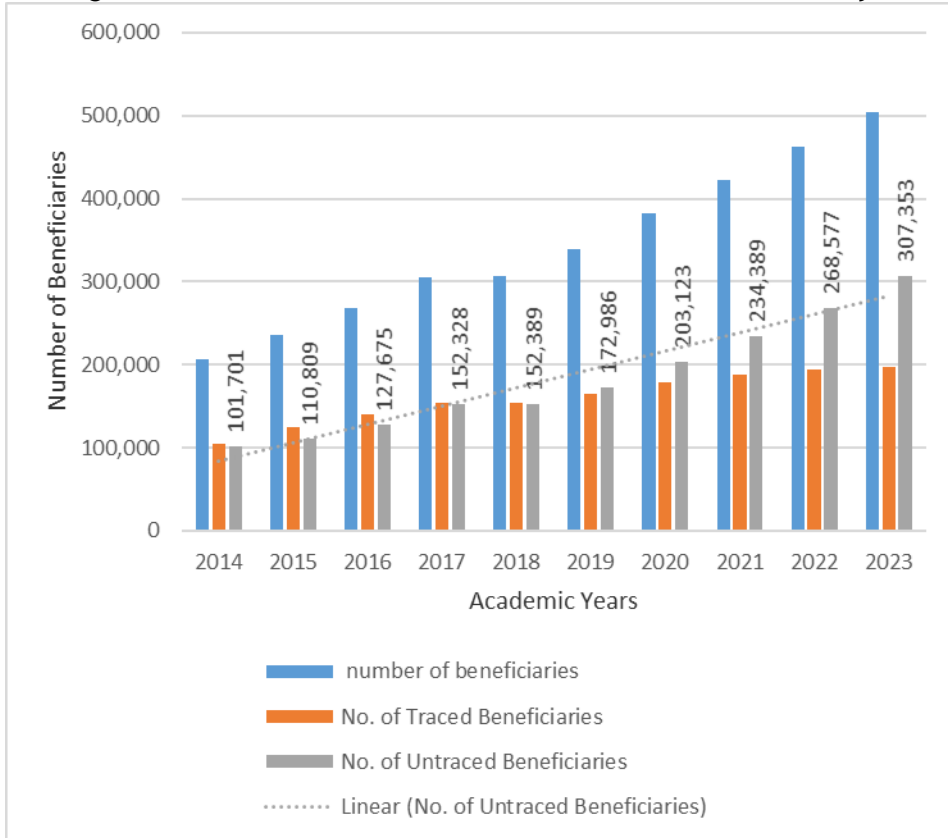
According to the Loan Repayment and Recovery Manual 2019, it is the responsibility of the HESLB to trace/identify loan beneficiaries for payment. The audit found various weaknesses in tracing beneficiaries, as discussed below:

3.4.1 Ineffective Identification of Loan Beneficiaries whose Loans are due and overdue

Para 2.6.3 of Loan Repayment and Recover Manual, 2019 states that, upon establishment of debtors whose loans are due and overdue for payment, HESLB shall trace loan beneficiaries who are either employed in the formal sector, self-employed or unemployed and those residing outside the United Republic of Tanzania through various appropriate mechanism/strategies.

A review of the Loanee ledgers and matured loan database indicated that HESLB did not identify and bill 61% of the beneficiaries with matured loans as of September 2023, as detailed in **Figure 3.3**.

Figure 3. 3: Status of Identification of Loan Beneficiaries for Payment



Source: Auditors' Analysis of the Matured Loan Database (2023)

Various factors contributed to this, including ineffective employer inspections, lack of integration of ICT systems with key stakeholders with vast databases of self-employed loan beneficiaries, ineffective awareness campaigns, promotions and advertisements in tracing beneficiaries, and lack of coordination among stakeholders.

Ineffective tracing of loan beneficiaries resulted in a low collection of loan repayments, as discussed in Section 3.2 of this report.

3.4.2 Non-attainment of the Planned Employers' Inspections

Para 2.6.3.5 of Loan Repayment and Recovery Manual, 2019 requires HESLB to inspect or cause the inspection of the employer's office or business premises (for a self-employed loan beneficiary) to verify the

information of loan beneficiaries. The Manual states that to trace loan beneficiaries effectively and efficiently, both due and overdue loans shall be categorized sector-wise, namely Central Government, Local Government Authorities, Government Agencies and Authorities, Private Sector and self-employed loan beneficiaries.

The Review of Annual Performance Reports noted that HESLB did not attain the number of planned inspections for employers to assess compliance and track loan beneficiaries. Analysis showed that from 2018/19 to 2022/21, the percentage of inspections conducted increased from 6% to 70%, then decreased to 65% in the financial year 2021/22. **Table 3.17** shows inspections conducted during the period under review.

Furthermore, it was noted that employers' inspections mainly focused on employers in the public sector. Also, the Audit noted a huge gap in inspections of employers in the private sector and self-employed beneficiaries where there were many loan beneficiaries.

Table 3. 17: Comparison of Number of Planned and Conducted Inspections (2018/19-2022/23)

Financial Year	Number Planned Inspections	Number of Inspections conducted	Percentage Achieved
2018/19	8,000	498	6
2019/20	8,000	4,356	55
2020/21	8,000	5,541	69
2021/22	8,000	5,174	65
2022/23	8,000	5,597	70

Source: Auditors' Analysis on the Annual Performance Reports and Inspection Plans (2023)

Table 3.17 shows that the variations in the percentage of achievement of planned and conducted inspections over the years ranged from 6% to 70%. The actual number of inspections conducted fell short of the planned inspections in all the mentioned years.

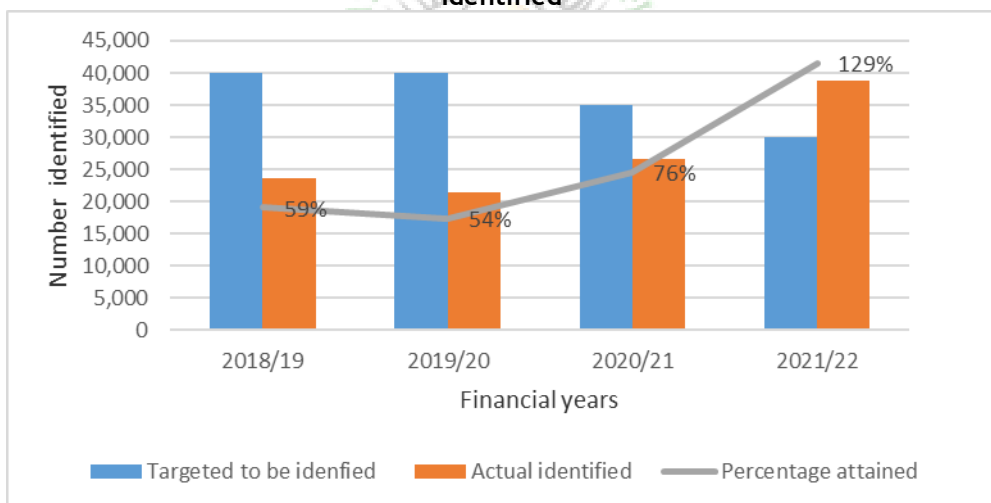
HESLB Management explained that the inadequate inspections of employers were attributed to the shortage of available staff for the division of repayment and recovery. However, during the financial year

ending 2022/23, HESLB managed to employ 52 employees for the division to increase its workforce. As a result, it was noted that HESLB has managed to increase the number of inspections conducted to about 132% in the first quarter of the financial year 2023/24. Also, inadequate inspections of employers were caused by inadequate design and planning of inspections. As a result, there was inadequate tracing of loan beneficiaries and substantial non-compliance by employers with the HESLB Act of 2004.

Inadequate tracing was caused by the inability of HELSB systems to capture data for locating beneficiaries, and their income status was revealed after the system data review. Furthermore, inadequate inspections have led to an increase in loan defaulters.

Figure 3.4 compares the Planned and actual number of beneficiaries identified. As a result, the number of beneficiaries identified through inspections was below the target between 2018/19 and 2022/21.

Figure 3. 4: Comparison of the Planned and Actual Number of Beneficiaries Identified



Source: Auditors Analysis on the Annual Performance Reports and Inspection Plans (2023)

Analysis from **Figure 3.4** indicated that targets to be identified through inspection decreased from 40,000 to 30,000 loan beneficiaries. The reason provided by HESLB for the decrease in targets was a lack of resources. Also, the analysis indicated that from 2018/19 to 2020/21, HESLB did not attain the target of identifying new loan beneficiaries through inspection.

Then, in the financial year 2021/22, HESLB surpassed the target by 8778 beneficiaries. However, the target was reduced to 30,000 beneficiaries in this financial year.

However, through the review of the Market Plan for the financial year 2023/2024, it was noted that HESLB introduced another strategy for the informal and private sector, which is the Roll-out of the Community Agency Collections Channels (CACCs), which mainly uses the WEOs and selected Community Resources for locating, and submitting beneficiaries and defaulters from the informal and private sectors (IPA). The CACCs have been piloted in the Arusha Region involving 158 WEOs, during which 2,100 new beneficiaries were identified and billed accordingly.

It was further noted that HESLB, under this review period, had no target set for identifying the self-employed beneficiaries. This contributed to the low number of identified loan beneficiaries and decreased loan repayment rates.

3.4.3 Lack of Standard Report Format of Employers' Inspection

Section 2.6.3.5 (i), (vi) & (vii) of the Loan Repayment and Recovery Manual, 2019, articulate the procedures to adhere to while undertaking an employer's inspection, including sending a notice of intention to undertake an inspection to the targeted employer. For uniformity, the manual requires the information to be in a format that indicates the purpose, date, and time of the inspection, as well as the required documents to be prepared for the task. This information is prepared in the inspection report and submitted as a written report to the immediate supervisor, as well as a copy for follow-up of implementation of the observed anomalies for future reference.

A review of Employer Inspection Reports at all visited zones (Eastern, Arusha, Mbeya and Mwanza) noted that loan officers use different formats to document and report inspections conducted. There is no standardised format to report issues observed during the inspection, contrary to the requirement of para 2.6.3.5 of the Loan Repayment and Recovery Manual, 2019.

For example, none of the inspection reports shows the information presented in **Table 3.18** as the requirement of para 2.6.3.5 of the Loan Repayment and Recovery Manual, 2019.

Table 3. 18: Coverage on the Checklist for Inspection

Item to be checked during inspection	Coverage in inspection Checklist	Coverage in Inspection Report
The organization's payroll shows the basic salaries of each employee and adherence to the 15% deduction.	Not in the Checklist	Not covered
Seniority list of all employees of a particular organization showing the full name of an employee, sex, undergraduate course pursued, institution studied, year of completion, and form four index number and year of completion	Not in the Checklist	Not covered
Pay As You Earn (PAYE) list	Not in the Checklist	Not covered
Personal files of graduate or diploma holders whose particulars are insufficient to ascertain whether they are loan beneficiaries or not	Not in the Checklist	Not covered
Compare the list of graduates with the HESLB loan beneficiaries' database to identify the loan beneficiary employees of that particular organization.	Not in the Checklist	Not covered
Uncover undisclosed employees.	Not in the Checklist	Not covered

Source: Auditors' Analysis of the Inspection Checklist (2023)

A lack of a standardized inspection checklist caused the absence of a standardised employer inspection report.

As a result, employers were not complying with the existing requirements. Also, it increased unpaid bills since follow-ups are difficult to plan and

execute. Further, there is a possibility of inaccurate inspection reporting, leading to unrealistically achieved targets being reported. Moreover, there is a possibility of misappropriation of resources.

3.4.4 Insufficiently Integrated ICT System with Other Key Stakeholders' Systems to Facilitate Smooth Tracing of Beneficiaries

Para 2.6.3.2 (ii) of the HESLB Loan Repayment and Recovery Manual of 2019 requires HESLB to contact other institutions such as NIDA, TRA, ZRB, ZR-ID social security funds, professional bodies and financial institutions, which have vast databases from which self-employed loan beneficiaries can be identified. Also, Section 26 (1) of the e-Government Act 2019 requires that, for proper utilization and management of government-owned ICT resources, public institutions shall observe value for money, flexibility, scalability, integration and interoperability in sourcing or using application software.

The audit noted that HESLB had insufficiently integrated its ICT system with other key stakeholders' systems, as evidenced below;

(i) Insufficient integration of HESLB ICT Systems with other key stakeholders

A review of the Government Enterprise Service Bus (GovESB) Systems noted that ILMS was integrated with systems for getting allocations for an institution, receiving registered students from HLIs, receiving FPT invoices, getting all disbursements to an HLI, receiving students' bank details from an HLI and receiving SFR invoices from an HLI in 23 institutions mostly learning institution as indicated in **Appendix 8**. Most of these integrated systems cannot assist in tracing beneficiaries for payment.

On the other hand, the audit noted through the review of the core systems (OLAMS and ILMS) that managed loan disbursements and repayments systems at HESLB were not fully integrated with key stakeholders' systems, including NSSF, RITA, TCU, TRA, NIDA and BRELA. This hindered data sharing for the effective tracing of beneficiaries and collection of repayments from employers and individual beneficiaries, as indicated in **Table 3.19**.

The audit found that HESLB is connected to the Government network data-sharing platform (GovESB). However, the integration focused only on disbursement. This was shown by the fact that integrated systems were those in Higher Learning Institutions dealing with disbursements. In the aspect of loan repayment, the ILMS was only integrated with the Human Capital Management Information System (HCMIS) for public servants. The audit found that although integration with the identified key stakeholders was important, the HESLB drafted a Memorandum of Understanding for data sharing with NSSF and TRA on 10 September 2023.

Table 3. 19: Extent of Integration of the HESLB System with Other

Name of the stakeholder	Name of the system	Status	Why is this system important to HESLB
National Identification Authority (NIDA),	IDENCRAFT System	Not integrated	To know the location of beneficiaries, names and age.
Tanzania Revenue Authority (TRA),	E-filling	Not integrated	To know the names of business owners
PSSF	PSSF Member	Not integrated	To know the names of members who have income
NHIF	Unknown	Not integrated	To know the names of members who have income
NSSF	Unknown	Not integrated	To know the names of members who have income
BRELA	Online Registration System	Not integrated	To know the names of the owners and the location of the business
RITA	e-RITA	Not integrated	To confirm the identity of the beneficiary
President's Office-Public Service and Good Governance	HCMIS	Integrated	To know employment particulars of public servants.

Source: Auditors' Analysis on the Corresponding between HESLB and Stakeholders, and GovESB Systems Integration (2023)

This lack of integration was caused by the absence of a comprehensive assessment of the modality of tracing beneficiaries, especially after graduation. Additionally, the problem was exacerbated by the inadequate system design, which resulted in further incompatibility with other systems.

Consequently, this subjects HESLB to errors in capturing loan beneficiaries in the systems as some of the loan beneficiaries lack important information such as graduation year, address, telephone numbers, course studied, etc. and inadequate tracing of the loan beneficiaries, resulting in insufficient collection of loan repayment, which may affect the sustainability of the HESLB.

(ii) Incomplete information and non-updated employers' Master File

Section 2.6.3.1 (i) of the Repayment and Recovery Manual, 2019, states that the HESLB has to establish a directory of employers in the United Republic of Tanzania to be used while tracing employed loan beneficiaries. Such a directory shall include the name of the organization, postal and physical address, telephone numbers, e-mail address, and respective sector. The employers' directory shall be updated from time to time.

A review of employers' records in ILMS noted that HESLB did not capture all records of registered employers in ILMS. There was incomplete information in the Employers' Master file, such as postal and physical addresses, telephone numbers and e-mail addresses, contrary to the above para. **Table 3.20** shows examples of employers with incomplete information mentioned above.

Table 3. 20: Example of Employer with Incomplete Information

Employer ID	Employer Name
14339	The Ministry of Agriculture
11526	Ministry of Health, Community Development, Gender and Children
16138	Tanzania Rural-Urban Road Agency (TARURA)
21197	TARURA -Dodoma
20937	Tanzania National Roads Agency (TANROADS)- Katavi
12724	Tanzania Institute of Research and Development Organisation (TIRDO)
15875	TANROADS- Morogoro

Source: Auditors' Analysis of the Employers Database (2023)

This was caused by inadequate preparation of the Employers' Master file and inherent errors that occurred while uploading employers' details in the first place. These factors led to inefficiency in the tracing of loan beneficiaries. Consequently, this inhibits HESLB from locating beneficiaries for repayments and enforcement.

3.4.5 Lack of Coordination for Identification of Loan Beneficiaries among Different Stakeholders

Para 2.6.3 (g) of the HESLB Loan Repayment and Recovery Manual of 2019 requires HESLB to liaise with strategic partners like the Tanzania Revenue Authority (TRA), National Identification Authority (NIDA), social security funds to obtain details that can help in tracing loan beneficiaries.

The audit noted a lack of coordination among the key stakeholders as indicated in **Table 3.21**. Coordination is crucial for smoothing the loan repayment process. For example, section 2.6.3.3 of the Loan Repayment and Recovery Manual, 2019 requires the HESLB to liaise with Tanzania Embassies/High Commissions through the Ministry responsible for Foreign Affairs to submit to HESLB lists of graduates employed and or residing in the countries of their domains. However, the audit review of the matured loan databases and loanee ledgers and correspondences with stakeholders noted that no list of graduates employed and or residing in the countries of their domains exists.

However, it was noted that HESLB had initiated efforts to contact the Ministry responsible for Foreign Affairs for help on the matter in question,

as was evidenced through the meeting conducted on 22 July 2022 with the Ministry, which ended up with a resolution for the Ministry to help HESLB in various way to identify beneficiaries working in international organisations, foreign embassies and the Tanzania embassies by writing the formal letter to these institutions requesting for information about any beneficiaries at their premises. To enhance the process of identifying beneficiaries residing and working overseas, the Ministry is developing an ICT system called “Diaspora Digital Hub”.

Table 3. 21: Status of Coordination for Stakeholders

Name of the stakeholder	Required coordinating mechanism/ Required information	Status of the coordinating mechanism/ required information	Why is this information important to HESLB	Reasons for the deviation
National Identification Authority (NIDA),	Not established by HESLB	Not established by HESLB	Not established by HESLB	High cost of searching beneficiaries, which is TZS 500 per click.
Tanzania Revenue Authority (TRA),	Not established by HESLB	Not established by HESLB	Not established by HESLB	N/A
PSSF	Not established by HESLB	Not established by HESLB	Not established by HESLB	N/A
NHIF	Not established by HESLB	Not established by HESLB	Not established by HESLB	N/A
NSSF	Not established by HESLB	Not established by HESLB	Not established by HESLB	N/A
BRELA	Not established by HESLB	Not established by HESLB	Not established by HESLB	N/A
RITA	Not established by HESLB	Not established by HESLB	Not established by HESLB	N/A

Source: Auditors’ Analysis of Stakeholder Correspondences and GovESB Systems Integration (2023)

The Management explained that a lack of integration of ICT systems caused the existing gaps. Consequently, this caused inadequate coordination between public institutions that could have integrated their systems. The Management explained further that inadequate integration was caused by constraints such as the inexistence of legal rights to access personal data from other public entities, the cost associated with data sharing, and the readiness of other institutions to assist HESLB in achieving its objectives in loan repayment collection. This lack of coordination resulted in an increase of untraced matured loans to be collected, as individual beneficiaries cannot be located easily.

3.4.6 Ineffective Formulation and Application of Strategies in Tracing Loan Beneficiaries

Para 2.6.3 of the HESLB Loan Repayment and Recovery Manual of 2019 requires that, upon establishment of debtors whose loans are due and overdue for payment, appropriate mechanisms/strategies shall be formulated by the Directorate for tracing down loan beneficiaries who are either employed in the formal sector, self-employed or unemployed and those residing outside the United Republic of Tanzania.

In formulating mechanisms/strategies for the effective tracing of loan beneficiaries, the following procedures could be implemented to trace loan beneficiaries: carrying out loan payment awareness through electronic and print media, liaising with Tanzanian Embassies or High Commissions for submission of requested information of graduates employed or residing in their accredited countries, Communicating with employers and other stakeholders through emails, telephone and emails requesting them to disclose and submit information of graduate employees, Publishing the names of all untraced loan beneficiaries and direct them to come to HESLB for loan payment arrangements, and liaising with strategic partners like Tanzania Revenue Authority (TRA), National Identification Authority (NIDA), social security funds to obtain details that can help in tracing loan beneficiaries.

a) Ineffective Execution of Loan Repayment Awareness Activities

Para 2.6.3 of the HESLB Loan Repayment and Recovery manual of 2019 requires that, given the identification of self-employed loan beneficiaries, the Directorate shall liaise with the ADIEC to carry out the loan payment

sensitization campaign through television, radio, newspapers, seminars, workshops and through the use of promotional materials persuading loan beneficiaries to commence payment of due and overdue loans. After reviewing the Assistant Director's Information, Education, and Communication (ADIEC) reports, the Audit Team identified records of activities conducted to carry out awareness through electronic and print media as per the Manual requirements. However, the audit found that HESLB ineffectively conducted awareness campaigns, promotions, and advertisements in tracing the beneficiaries and reaching the community at large, as indicated in Tables 3.22, 3.23 and 3.24;

Table 3. 22: Conducted Awareness Campaigns (2014/15-2022/23)

Financial Year	Awareness Campaigns	Cost of Activities (TZS Million)	Target
2014/15	Media Briefing and press conference	6.00	To enhance higher education loan repayment awareness to 2 million Tanzanians by showing repayment trends.
2015/16	Scroll messages of loan repayment from quarter-finals (TFF CUP)	2.80	To advocate higher education loan repayment benefits to 2mil Tanzanians
2017/18	Wasugu Campaign	27.24	To reach 28,600 defaulting higher education loan beneficiaries whose loans were due for repayment,
2018/19	Media Briefing	5.00	To reach 325 defaulting employers in Dar es Salaam, Dodoma, Zanzibar, Arusha, Mwanza and Mbeya,
2020/21	HESLB Mikopo Open Day	10.50	To award 10 complying employers in the Private Sector in the Mbeya Region,
	Exhibition s	1.00	To showcase HESLB processes in Loan repayment by engaging stakeholders from public and private sectors (Higher Education Institutions, Banks and Mobile Phone Companies).
2021/22	HESLB Open Mikopo	10.80	To award 10 complying

Financial Year	Awareness Campaigns	Cost of Activities (TZS Million)	Target
	Day		employers in the Private Sector in Dodoma Capital City
	Ward Executive Officers (WEO) Working Session	15.80	To pilot the engagement of Local Government Leaders in penetrating loan beneficiaries involved in the informal and private sectors in Arusha
	Sifusha Campaign	44.3	The expected output for the campaign includes optimizing loan collection, increasing awareness of loan repayment, and improving the sustainability of the revolving fund.
2022/23	HESLB Open Mikopo Day	3.00	To award 10 complying employers in Private Sector in Dar es Salaam,

Source: Auditors' Analysis of ADIEC reports (2023)

The information shown in **Table 3.22** regarding the conduction of awareness campaigns indicated that HESLB conducted ten campaigns from 2014/15 to 2022/23. The Sifurisha campaign conducted in the financial year 2021/2022 has the highest cost of implementation as it aimed to optimize loan collection, increase awareness of loan repayment, and improve the sustainability of the revolving fund.

As a result, a total of 2,346 loan beneficiaries stepped in HESLB booths that were installed in public areas during the campaign, where 238 loan beneficiaries liquidated their loans, totalling TZS 400.3 million together with the Wasugu Campaign cost of about 27.24 million, which aimed to reach 28,600 defaulting higher education loan beneficiaries whose loans were due for repayment. As a result of this Campaign, 2007 beneficiaries who had matured loans of about 1.93 billion contacted HESLB to start the repayments for their loans. Also, 1528 Employers submitted information for 19,714 beneficiaries who had a total of 149.5 billion loan outstanding.

Additionally, it was noted that no clear, measurable, and achievable targets were set for some of the campaigns conducted. This lack of defined objectives may hinder the effectiveness of the campaigns in reaching their intended audience and achieving the desired impact.

Table 3.23 depicts how HESLB conducted promotion activities without setting measurable targets.

Table 3. 23: Promotion Activities Conducted

Financial Year	Promotions	Cost of activities (TZS)	Target	Actual target attained
2014/15	N/A	N/A	Not set in numbers	N/A
2015/16	N/A	N/A	Not set in numbers	N/A
2016/17	N/A	N/A	Not set in numbers	N/A
2017/18	Employers' Recognition Ceremony Award	1,000,000	Not set in numbers	N/A
	Employers' Recognition Ceremony Award	2,400,000	Not set in numbers	N/A
2018/19	Employers' Recognition Ceremony Award	5,000,000	Not set in numbers	N/A
2019/20	N/A	N/A	Not set in numbers	N/A
2020/21	Employers' Recognition Ceremony Award	1,000,000	Not set in numbers	N/A
2021/22	Employers' Recognition Ceremony Award	1,200,000	Not set in numbers	N/A
2022/23	Employers' Recognition Ceremony Award	1,250,000	Not set in numbers	N/A

Source: Auditors' Analysis of the ADIEC reports (2023)

From **Table 3.23**, regarding the conduction of awareness through promotions, it was noted that from 2014/15 to 2022/23, HESLB conducted six awareness promotion campaigns which aimed at reaching the community at large and conveying the message to beneficiaries who have matured loans but have not yet started repayment or their whereabouts are not known.

Table 3. 24: Extent of the Implementation of Advertisements Activities

Financial Year	Advertisement	Cost of activities (TZS)	Target	Actual target attained
2014/15	60 Radio Spots	15,900,000	Not set in numbers	N/A
2015/16	4 Newspaper Articles	N/A	Not set in numbers	N/A
2016/17	30 Radio Spots, 30 Television spots, Advertisements, 1 Newspaper article	N/A	Not set in numbers	N/A
2017/18	30 Radio Spots, Television spots, Radio mentions, 1 Special TV program	N/A	Not set in numbers	N/A
2018/19	15 Radio Spots & 1 Print advert	N/A	Not set in numbers	N/A
2020/21	40 Radio spots, Four social media, 4 Radio mentions	N/A	Not set in numbers	N/A
2021/22	5 Advertisements	28,379,000	Not set in numbers	N/A
2022/23	Advertisements		Not set in numbers	N/A

Source: Auditors' Analysis of the ADIEC reports, 2023

From **Table 3.24**, regarding the conduction of awareness it was observed through media advertisements that from 2014/15 to 2022/23, HESLB conducted several advertisement programs each year, as indicated in **Table 3.24**. It was further noted that only in the year 2021/22 was the cost for conducting those advertisements known. In addition, it was noted that, no clear, measurable targets were set for all the advertisements conducted.

The lack of consistent cost tracking and target-setting across the years raises concerns about the effectiveness of these campaigns in generating awareness and promoting responsible loan repayment behaviour to beneficiaries.

a) Inadequate publishing of the names of untraced loan beneficiaries

During the audit, it was noted that HESLB published the names of untraced loan beneficiaries who were considered long-time defaulters only in the financial year 2017/18 with a Campaign named Wasugu. The campaign aimed to direct those defaulters to come to HESLB for loan payment arrangements. However, it was noted through interviews with HESLB officials that the publishing of names in the media did not continue because this practice was considered too sensitive concerning violating individuals' privacy matters in public. Therefore, HESLB has initiated other methods and strategies to reach out to the audience at large and beneficiaries, including media advertisements, promotions and campaigns with messages that encourage voluntary loan repayments that avoid being considered as an attack on the personality of an individual in the public.

b) Failure to liaise with Strategic Partners like the Tanzania Revenue Authority (TRA), National Identification Authority (NIDA), and Social Security Funds

During the audit, it was noted that HESLB shares information with TRA and Social Security Funds but has not yet started to share information with NIDA. The efforts towards the agreement to share information with NIDA are still in progress, although it was noted that there are challenges to accomplishing the agreement on sharing information due to the laws that govern the operation of NIDA on the privacy issues and the cost that may be applicable on searching an individual profile which is TSHS 500 per click.

The ineffective formulation and application of strategies or mechanisms for tracing beneficiaries are caused by the lack of exhaustive impact assessment and prediction during the planning stage. Consequently, the ineffective implementation of these strategies may lead to the non-identification of beneficiaries for a long time, increasing the rate of

uncollected loan repayments from matured loans since beneficiaries cannot be located easily.

3.4.8 Inability to Perform Age Analysis and Categorize Defaulters

Para 4.1 of the Loans Repayment and Recovery Manual (LRRM), 2019, requires that students' loans be categorized by status. The categories are Current, Especially Mentioned, Sub-standard, Doubtful and Loss. The manual described that the categories should depend on the number of days, months, or years an individual loan beneficiary defaults to draw a clear line of demarcation between loan repayment and recovery.

This manual also stipulates that failure by the loan beneficiaries to commence loan repayment on the due date or to settle the loan instalment in arrears for twelve consecutive months or the failure by an employer to comply with a requirement of submission of graduate information to HESLB or fails to deduct and remit loan repayment deductions to HESLB contravenes HESLB Establishing Act.

During the audit, it was found that HESLB collected information through the Integrated Loan Management System (ILMS). The review of collected information in LMS revealed that although LRRM requires the categorization of defaulters, it cannot categorize them. The review of ILMS also revealed a lack of data integrity in the data stored in ILMS. The system allowed completion of the data capture process even though mandatory fields were not captured or even if wrong data were captured.

This is caused by ineffective system design, which resulted in the inability of loan officers to use the developed systems to classify categories of beneficiaries as required by the Loans Repayment and Recovery Manual. Consequently, this makes HESLB unable to treat loans based on their categories contrary to Manual requirements.

3.4.9 Ineffective Application System Changes

Para 2.1.5.2 (iii) of e-Government Information Architecture - Standards and Technical Guidelines, 2017 from e-Government Authority on data

quality improvement lifecycle at the implementation stage requires public institutions to implement the changes to reduce the data quality problem. These Standards and Technical Guidelines require that during changes in implementation, public institutions should ensure the publication of data standards, enforcement of business rules, enforcement of more rigorous data validation, cleansing and standardization of policies, tight edit checks in the data collection processes, and centralization of master data to create a single version of the truth etc.

During the audit, we found that HESLB implemented changes in LMS for different reasons, as shown in **Table 3.25**.

Table 3. 25: Loan Management System Changes

Data	Change Intention	Condition Found
17 April 2023	<ul style="list-style-type: none"> The system should be able to charge penalties to employers who delay submitting deductions within a required period (i.e., the 15th date of the next month (the delayed period is counted from the 16th date of the next month and will be charged every month until payments are made). Once payments are made, the penalty will start to be calculated for the whole of the delayed period. The penalty should be calculated by considering 10% of the total submitted deductions of a specific month in each delayed month. 	<ul style="list-style-type: none"> The system is unable to automatically charge penalties to employers who delay submitting deductions on the 16th day of the next month. The system is unable to calculate penalties by considering 10% of the total submitted deductions for each month in each delayed month.
26 July 2022	<ul style="list-style-type: none"> To avoid any chance for doubtful data integrity To maximize data usability To allow querying penalty of employers on specific categories (Regions, Zones and Sector) 	<ul style="list-style-type: none"> Lack of data integrity due to doubtful data and data types. For instance, duplicate Lonee ID in the database. System inability to automatically calculate employers' penalties.

Source: Analysis of HESLB Loan Management System (2024)

The noted anomalies were caused by inefficient change control and testing to ensure that implemented changes provided the planned results.

Consequently, ineffective application system changes subjected HESLB to the risk of having unreliable data.

3.4.10 Inefficient Tracking of Non-Compliant Employers

Para 2.4 (iii) of Loans Repayment and Recovery Manual (LRRM), 2019 provides that all employers are obliged to ensure that monthly deductions from salaries of loan beneficiaries are remitted to HESLB in a prescribed format within fifteen days after the end of each month. The Manual explains that failure to comply with this requirement makes an employer commit an offence and is liable upon conviction to a fine of TZS 1,000,000 or imprisonment for a term not less than twelve months or both.

During the audit, we found that the LMS of HESLB has not been developed to track non-compliant employers, hence leading to an inefficient tracing process by loan officers while evaluating employers' compliance regarding the process of deducting the monthly salaries of loan beneficiaries. It was noted that the loan officers perform this task outside of LMS due to inefficient LMS design. As a result of using a manual tracking system for non-compliant employees, loan officers at the zone level inefficiently conduct the tracking task. Consequently, HESLB has failed to collect TZS. 1,000,000, subjecting HESLB to the reduced collections.

The Management explained that initially, HESLB did not have a system to capture Non-Compliant Employers. The exercise was done manually. HESLB developed and deployed a compliance portal (COPO), which is up and running. However, the review of COPO revealed that this system only captured employers who skipped to remit payments on amounts deducted from employees. This system cannot detect if the paid amount is less than the one required to be remitted.

3.5 Weaknesses in the Management of the Billing Process

The billing process involves matching the names of graduates collected from various sources with the HESLB database of loan beneficiaries to identify loan beneficiaries and provide employers with their employees' bills for monthly deductions or individual loan beneficiaries with their respective bills to commence loan repayment.

The audit found various weaknesses in the billing processes, as detailed below:

3.5.1 HESLB Billed only 46% of the Loan Beneficiaries with Due and Overdue Loans

Para 2.6.3.1-4 of the Loan Repayment and Recovery Manual, 2019 requires the assigned officer to ensure the lists of identified loan beneficiaries (employed, Self-Employed, employed/residing outside Tanzania and Unemployed loan beneficiaries) are billed, checked, and dispatched to respective employers/debtors to commence payment.

The audit noted through the review of the Loanee Legers and Matured Loans database that only 46% of the matured loan beneficiaries were billed, as indicated in **Table 3.26**.

Further analysis indicated that the majority of the billed loan beneficiaries were employed beneficiaries. Low-billed beneficiaries were caused by the tendency of HESLB to focus more on employed beneficiaries than self-employed, employed/residing outside Tanzania, and unemployed loan beneficiaries.

Ineffective strategies for tracing/identifying beneficiaries hindered HESLB from billing Self-Employed, employed/residing outside Tanzania and Unemployed loan beneficiaries.

Table 3. 26: Comparison of Unbilled to Total Number Of Beneficiaries as of June 2023

Item	Number of beneficiaries	Percentage (%)
Billed beneficiaries	224,050	46
Unbilled beneficiaries	262,499	54
Total number of matured beneficiaries	486,549	100

Source: Auditors' Analysis of the loan Ledger as of June 2023

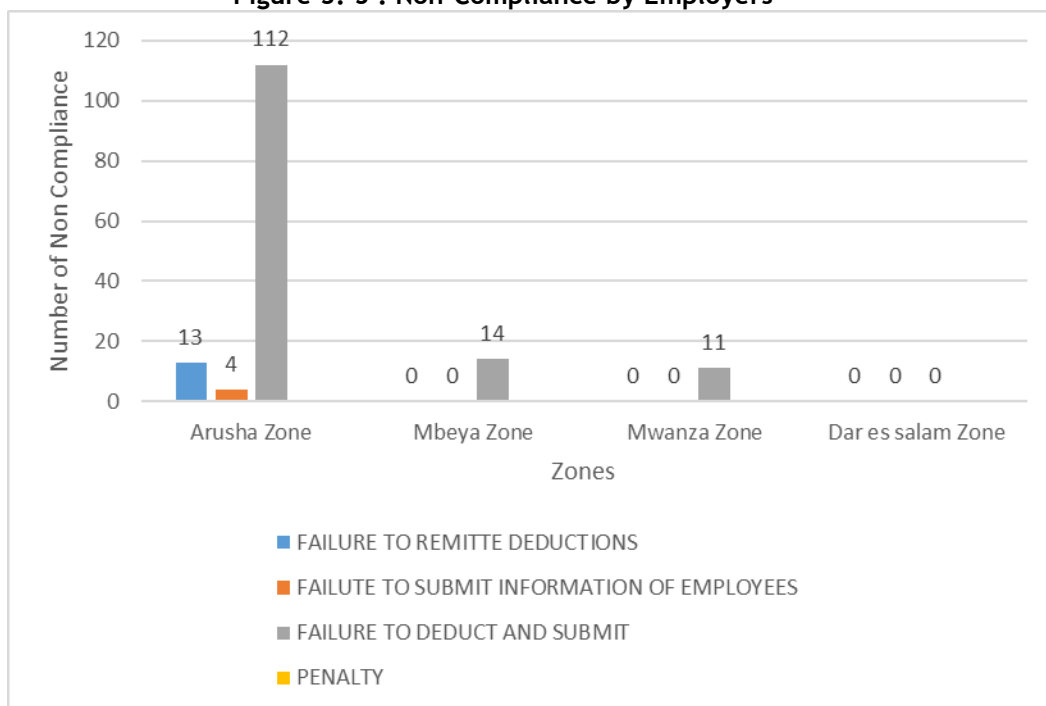
Inadequate billing of the beneficiaries with outstanding debts has resulted in low loan repayment collection, as explained in **section 3.2**.

3.5.2 Ineffective Compliance Assessment on Loan Repayments

Para 2.6.5 of the Loan Repayment and Recovery Manual, 2019, requires the Manager of Loan Recovery or Zonal Manager to ensure compliance in the whole process of billing and remittances of repayments.

Based on the visited zones, the audit noted that HESLB conducted inspections of the employers to assess compliance with deductions, payroll, and submission of new employee information. Failure to deduct and submit deductions to the HESLB was highly observed in the Arusha, Mbeya and Mwanza zones, as presented in **Figure 3.5**. Based on this analysis, failure to deduct and submit deductions appears to be common non-compliance, followed by failure to remit deductions.

Figure 3. 5 : Non-Compliance by Employers



Source: Auditors Analysis of Reminder Notice for Zone offices (Arusha, Mbeya, Dar es Salaam and Mwanza), (2023)

Non-compliance by employers with the HESLB Act requirement resulted in a low collection of loan repayment, as discussed in section 3.2 of this report.

3.5.3 Ineffective Follow-up of the Billed Beneficiaries/Employers

Section 2.6.5 of the Loan Repayment and Recovery Manual, 2019, states that monitoring should be conducted to ensure that bills dispatched reach their intended destinations on time and deductions are made accordingly.

A review of Loan Repayment data and inspection reports noted various weaknesses, as detailed below:

(i) Long Delays of Payment of the First Instalments by Employers and Beneficiaries.

Section 20(2) of the HESLB ACT requires the employer to pay every deduction from the loan beneficiary's wages or remuneration to the Board within fifteen days after the end of each month.

Also, para 2.6.6 of the Loan Repayment and Recovery Manual, 2019, requires loan repayment to be remitted to HESLB by either loan beneficiary or through their employers by the 15th of every subsequent month. Also, the Manager Loan Repayment/Zonal Manager is required to generate an electronic report of employers or loan beneficiaries who fail to submit loan remittances by the 15th of the subsequent month for actions at the zonal office level or forward the list to the Manager responsible for legal measures at head office.

The audit analysed the time taken to collect the first instalment through the review of the ILMS Database. **Table 3.27** shows the Time taken to collect the first instalment from beneficiaries. The audit noted that the time taken to collect the first instalment of the billed beneficiary ranged between zero to 8 years, which was contrary to the requirements of the Loan Repayment and Recovery Manual, 2019.

Table 3. 27: Time Taken to Collect First Instalment from Beneficiaries

Time taken to collect first instalment (Years)	Beneficiaries	Proportion of Beneficiaries
0	114,853	71.22
1	29,334	18.19
2	6,770	4.20
3	3,953	2.45
4	2,575	1.60
5	1,810	1.12
6	1,118	0.69
7	761	0.47
8	95	0.06
Total	161,269	100.00

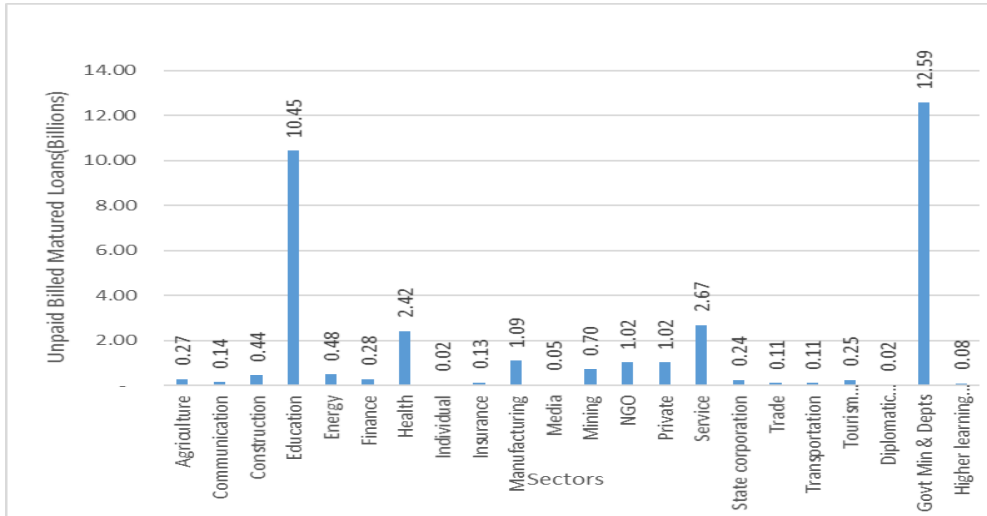
Source: Auditors' Analysis of Loanee Ledger as of June 2023

A delay in payment of the first instalments was caused by a lack of bill monitoring and follow-up. Also, it was caused by the change of employers by loan beneficiaries.

(ii) The Existence of Unpaid Bills

The audit team reviewed Repayment data in the four visited zones and noted that unpaid bills exist. The team analysed unpaid bills in sectors classified by HESLB, whereby Government Ministries and departments showed a lead in the number of unpaid bills, followed by the education sector, as presented in **Figure 3.6**.

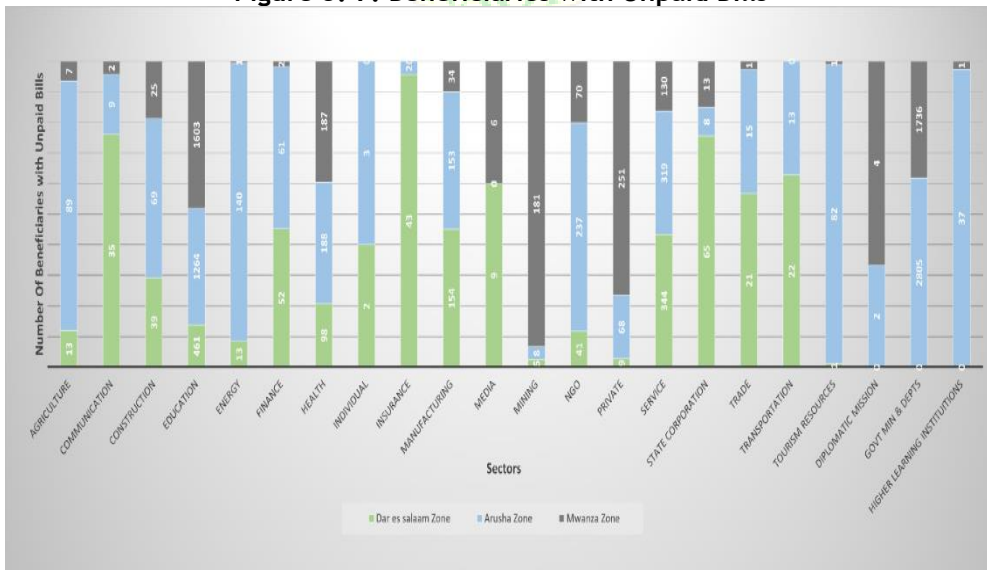
Figure 3. 6: Average of Unpaid Billed Matured Loans per Sector



Source: Auditors' Analysis of Unpaid Bills as of June 2023

Also, the audit team analysed the number of beneficiaries with unpaid bills. It was noted that Arusha and Mwanza Zones had a higher number of beneficiaries with unpaid bills within the Government Ministries, Departments and education sectors, as presented in Figure 3.7.

Figure 3. 7: Beneficiaries with Unpaid Bills

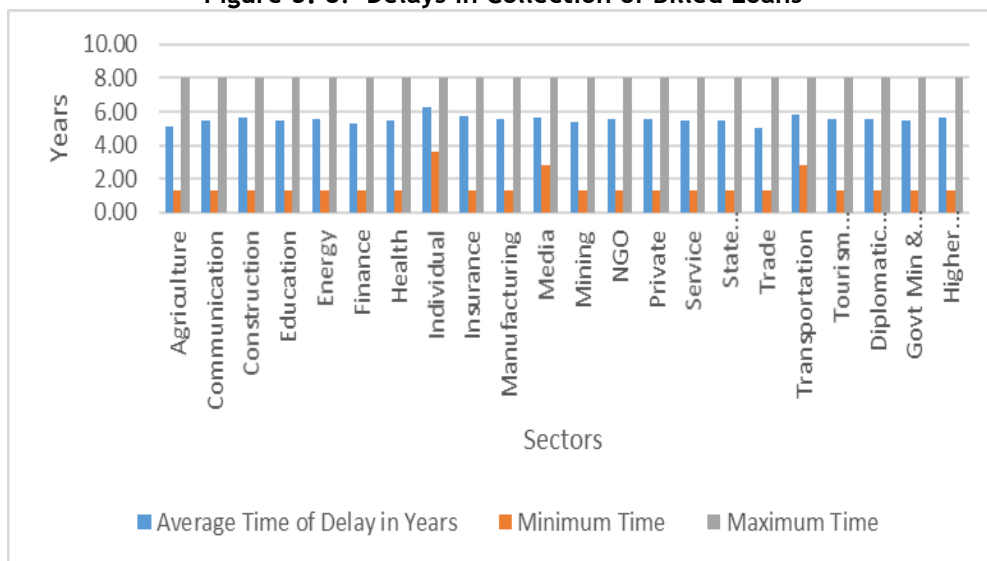


Source: Auditors' Analysis of the Unpaid Bills as of June 2023

(iii) Delays in the Collection of the Billed Loans

The audit team noted delays in collecting billed loans and realised that all specified sectors notched eight years for unpaid bills. This implied that HESLB is ineffective in making follow-ups to ensure billed beneficiaries pay their loans accordingly, as presented in **Figure 3.8**.

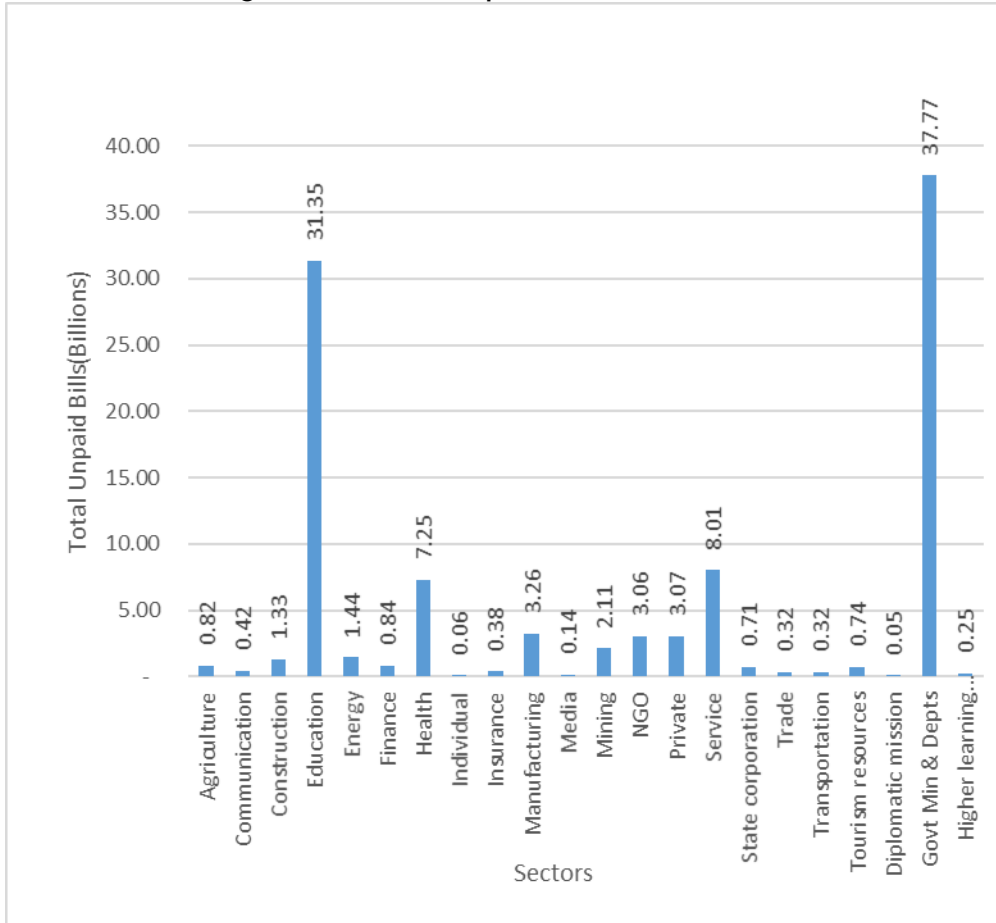
Figure 3. 8: Delays in Collection of Billed Loans



Source: Auditors Analysis of Unpaid Bills as of June 2023

Moreover, the audit team analysed the sectors by total unpaid bills and noted that government ministries and the education sector have higher unpaid bills, as presented in **Figure 3.9**

Figure 3. 9 : Total Unpaid Bills in Each Sector



Source: Auditors' Analysis of Unpaid Bills as of June 2023

3.5.6 Inadequacies in Loan Repayment and Reconciliation of the Billed Beneficiaries

Para 2.6 of the Loans Repayment and Recovery Manual 2019 states that, after receiving a remittance from the employer of the loan beneficiary, reconciliation of the remittance is required to be posted into general ledgers (employers) and the loan beneficiaries' subsidiary ledgers. Also, Para 2.6.6.1 of the Loans Repayment and Recovery Manual 2019 states that the assigned Manager Loan Repayment/Zonal Manager shall ensure that monthly remittances enclosed with deduction schedules are authenticated and posted into individual debtor's subsidiary ledgers in the system within 21 days from the date of receipt.

It was, therefore, expected that compliance with the repayment procedures would lead to the amounts appearing in the Financial Statements provided tallying with those appearing in the loanee ledgers. However, it was noted that there were variances between the amount collected as per financial statements and what was recorded in the loanee ledgers.

There were instances where the amount appearing per account exceeds that in the loanee ledger. For example, the amount collected per account for the Financial Year 2022/2023 was TZS. 1.302 trillion, while the amount collected per loanee ledger was TZS 1.293 trillion, indicating that the amount collected was higher than what was depicted in the Loanee ledger, as per **Table 3.27**. This implies that a sum of TZS. 11.73 billion Was not accounted for

This further implies that what was collected exceeded what was recorded, implying over-collection, as shown in **Table 3.28** for 2017/2018, 2018/2019 and 2019/2020. The audit is of the opinion that the variance may be attributed to either failure to update the loanee ledgers or to properly reconcile the data in the ledger, per the loan repayment procedures under para 2.6 of the Manual. Given the fact that the loanee ledger is a key document used by the Board in making its decision, the differences appearing could have consequences regarding the Board's decision.

Table 3. 28: Variance of Collected Loan Repayment Figures per Loanee Ledgers and Financial Statements

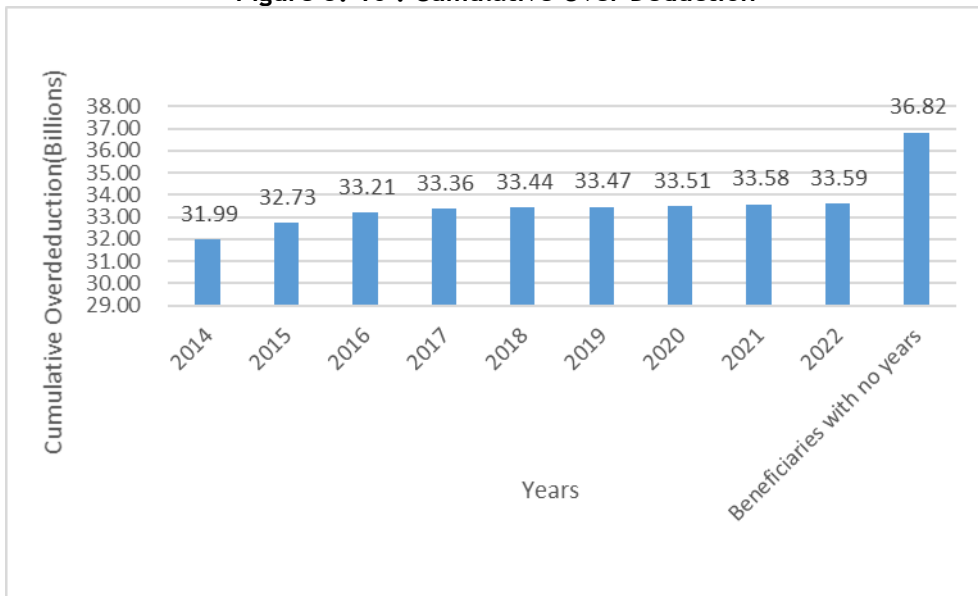
Financial year	Cumulative Collection Loans (As per accounts) (In TZS Billions)	Cumulative collection loans as (per loanee ledger) (In TZS Billions)	Variance (In TZS Billions)
2017/18	404.45	585.24	(180.79)
2018/19	582.17	783.70	(201.53)
2019/20	772.89	1,202.37	(429.47)
2020/21	953.94	948.74	5.20
2021/22	1,134.66	1,124.24	10.42
2022/23	1,302.27	1,293.77	11.73

Source: Auditors' Analysis of the Loanee Legers and Financial Statements (2023)

3.5.7 Existence of over deductions in Beneficiaries' Loan Account

A review of loanee ledgers and ILMS data noted overeducation, as presented in **Figure 3.11(a)**. Over-deduction has been caused by a lack of reconciliation of the beneficiaries' accounts after HESLB received their deductions from their employers. Also, it was caused by weaknesses in the application controls in the ILMS System.

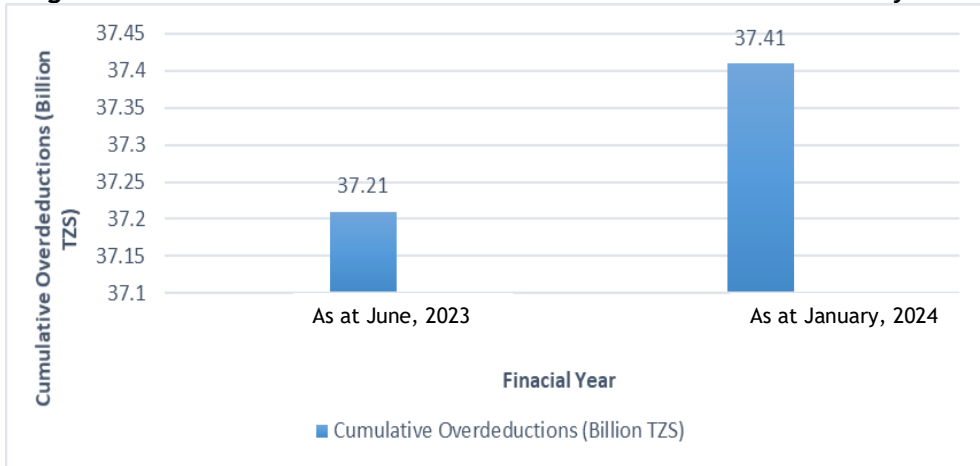
Figure 3. 10 : Cumulative Over Deduction



Source: Auditors Analysis of Loanee Ledger as of 2023r

The audit noted that weak application control of ILMS is still a problem, as over-deduction still exists until January 2024 (see Appendix 9). Also, the management explained that the over-deduction was caused by inadequate system migration and waiver of VRF and penalties. The management also explained that there is currently system integration. However, data provided for the years 2023 and 2024 during factual clearance revealed that the challenge of over-deductions in beneficiaries' loan accounts is still persistent, as shown in **Figure 3.11**.

Figure 3. 11: Over-deduction Status as of June 2023 and as of January 2024



Source: *Loanee Ledger as of January 2024*

Figure 3.11 provides the over-deduction status found in November and December when this audit was finalized.

3.6 Ineffective and Untimely Loan Recovery

Para 5.1 of the Directorate of Loan Repayment and Recovery Manual, 2019, requires HESLB to ensure, in line with the powers vested in HESLB Act, that Management enforces the recovery when a loan beneficiary fails to commence loan repayment on the due date or to settle the loan instalment in arrears for twelve consecutive months, or when an employer fails to comply with the requirement of submitting graduate information to HESLB or neglect to deduct and remit loan repayment deduction to HESLB.

The audit noted through the review of loanee ledgers and a database of matured loans noted various weaknesses related to loan recovery, as detailed below;

3.6.1 Ineffective Loan Recovery

The audit noted that over the audit period, the number of beneficiaries with overdue loans of more than ten years increased substantially from 10,259 in the financial year 2014/15 to 42,969 in 2022/23. The audit noted

a significant increase in overdue amounts from 6.74 TZS billion in 2014/15 to 109.91 TZS billion in 2022/23 as depicted in Table 3.29.

Table 3. 29: The Number of Beneficiaries with Loans Past Due over Ten Years

Financial Year	Number of Beneficiaries	Overdue Amount (In TZS Billions)
2014/15	10,259	6.74
2015/16	11,364	8.07
2016/17	12,811	9.87
2017/18	14,492	12.22
2018/19	20,167	19.78
2019/20	27,882	35.38
2020/21	33,282	59.60
2021/22	38,750	83.79
2022/23	42,969	109.91

Source: Auditors' Analysis of the Loanee ledger as of June 2023

From Table 3.29, it can be noted that there was a significant increase in the number of beneficiaries with unrecovered amounts from 10,259 to 42,969. It was noted that HESLB did not take any measures to recover the overdue amount.

The following were the reasons for ineffective loan recovery;

(i) Improper Demarcation between Loan Repayment and Recovery

A review of the manual, 2019 noted that Student loans should be categorized by status: Current, Especially Mentioned, Sub-standard, Doubtful and Loss, depending on the number of days, months, or years an individual loan beneficiary has defaulted. This was supposed to draw a clear demarcation line between loan repayment and recovery. The fact that the loan beneficiary fails to commence loan repayment on the due date or to settle the loan instalment in arrears for twelve consecutive months, or when an employer fails to comply with a requirement of submission of graduate information HESLB or fails to deduct and remit loan repayment deduction to HESLB, contravenes HESLB Establishing Act.

The audit further noted that the loan beneficiaries were not defined in terms of days, months, or years; beneficiaries defaulted. Also, it was found that although the beneficiaries failed to settle the loan instalment

arrears for twelve consecutive months, no action was taken against them by the Recovery Unit. Officials from the Recovery Unit explained that recovery measures are exercised after receiving a list of difficult employers from the repayment Unit. This was contrary to the requirement of Para 4.1 of the Loan Repayment and Recovery Manual, 2019.

The improper demarcation between the Repayment Unit and the Recovery Unit had led to inadequate monitoring of loan repayment and recovery, resulting in insufficient loan repayments.

(ii) The Recovery Unit did not send demand notes to Beneficiaries with due Loans over Ten Years

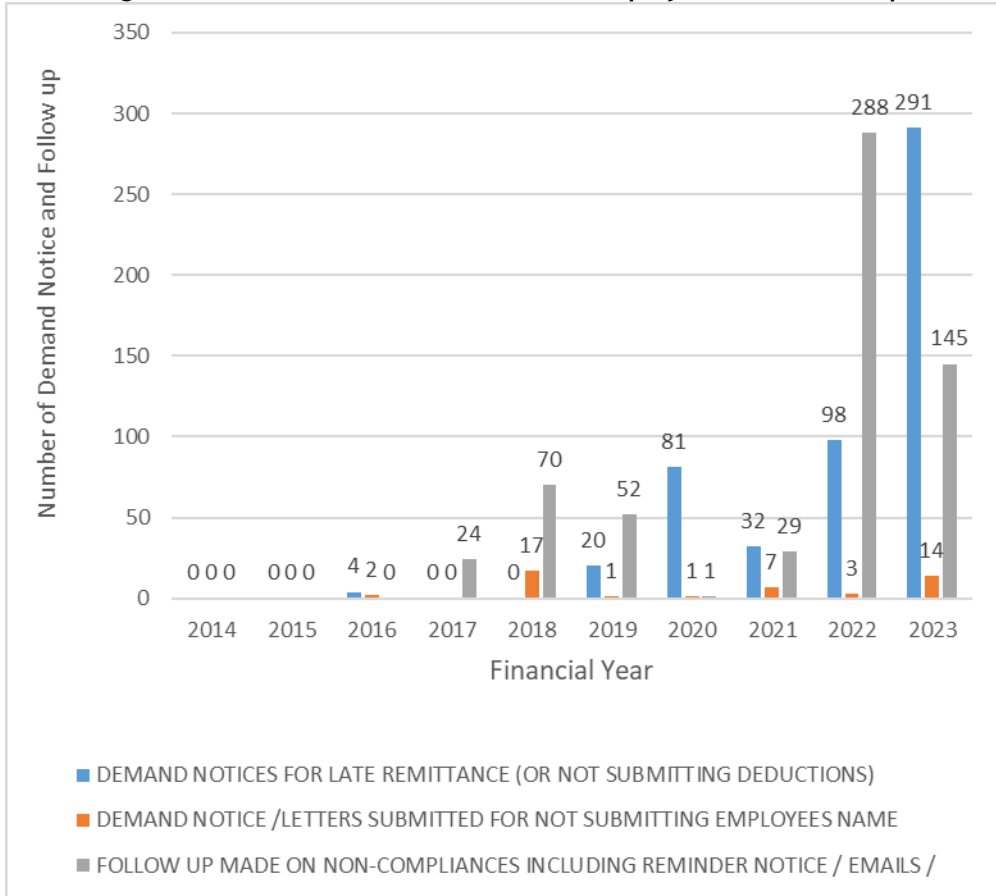
To establish whether the Recovery Unit has taken recovery measures against the defecting loan beneficiaries, the Audit Team reviewed loans past due over ten years with zero repayments.

The review noted that the Recovery Unit did not send demand notices to the beneficiaries with loans past due over ten years, contrary to para 4.1 (a, b &c) of the Loan Repayment and Recovery Manual, 2019, as detailed in **Table 3.29**.

(iii) Follow-up on the Issued Demands Notices to Employers was not sufficiently conducted

The audit noted through the review of Demand Notices and Recovery Reports that, in 2014 and 2015, HESLB did not issue any demand notice to non-complying employers. **Figure 3.11** shows the number of non-complying employers and the demand notices issued. Also, the Figure shows that HESLB's measures against non-compliance are taken accordingly. However, there is no evidence of whether a non-compliant employer submitted a remittance after demand notices and follow-up.

Figure 3. 12 : Demand Notice Issued to Employers and Follow-up



Source: Demand Notice for the Financial Year 2014 to 2023

Moreover, Section 4.1 (b) of Loan Repayment and Recovery Manual 2019 stipulates that demand notice should be served to a non-complying employer, requiring him to settle the prescribed amount within 21 days from the date of such notice.

The audit noted that only the Arusha Zone of the four visited zones conducted follow-ups on the issued demand notices. The audit's further review of the issued demand notices in the Arusha Zone indicated that 37 employers out of the 38 sampled employers did not settle remittances after the demand notices were served to them.

Appendix 9 shows the names of employers who did not settle remittances within 21 days after the issuance of the demand notice.

The lack of monthly employers' repayment trend analysis caused a situation where there is a possibility of not knowing about defaulting employers on time.

3.6.2 Non-Enforcement of Existing Legal and Administrative Measures on Recovery of Overdue Loans

Para 4.1 of the DLRR Manual requires the imposition of a penalty where a loan beneficiary fails to commence loan repayment on the due date or to settle the loan instalment in arrears for twelve consecutive months or when an employer fails to comply with a requirement of submission of graduate information to HESLB or fails to deduct and remit loan repayment deductions to HESLB. Failure to comply contravenes the HESLB Establishment Act.

A review of matured loans noted that there were loans that had passed due over ten years, and no measures were taken against them.

Thus, the cumulative overdue loans of over ten years increased from TZS 6.7 billion in 2014/15 to TZS 110 billion in 2022/23, as presented in **Table 3.29**. This was contributed by the lack of enforcement of loan recovery by HESLB.

3.6.3 Unsatisfactory Enforcement of Penalties to Non-compliant Employers

Section 21(2) of the HESLB Act states that where any person employs a loan beneficiary and fails to disclose or conceals such information to the Board or fails to arrange for a repayment plan with such beneficiary, such person commits an offence and shall be liable upon conviction to a fine of seven million shillings or imprisonment for a term not less than twelve months or to both.

The audit noted that HESLB conducted inspections and found that the visited employers for 2014/25 to 2022/23 did not submit the names of employees who were loan beneficiaries to the Board, contrary to the Law. Although the Employer was supposed to be fined a total of TZS 203.71 billion upon conviction, HESLB did not take any necessary measures against those who did not comply. **Table 3.30** depicts the total amount of uncharged fines to employers who failed to submit information under section 21(2) of the HESLB Act.

Table 3. 30: Number of Uncharged Penalties to Employers

Financial	Number of Non-Compliant Employers	Penalties for each at a rate of TZS Millions	Total Penalties (In Billions)	Uncharged (In TZS Billions)
2022/23	220	7		1.54
2021/22	2111	7		14.78
2020/21	-	7		N/A
2019/20	3524	7		24.67
2018/19	2815	7		19.71
2017/18	3561	7		24.93
2016/17	5634	7		39.44
2015/16	3603	7		25.22
Grand Total				150.28

Source: Auditors Analysis of the HESLB's Reminder Notice (2023)

From Table 3.30, it can be noted that there was a variation in total uncharged fines of TZS 150 billion over the financial years from 2015/16 to 2022/23. Starting from TZS 1.54 billion in 2015/16, the figures varied, increasing to TZS 25.22 billion in 2022/23.

Furthermore, the audit team analysed the number of non-compliant employers. Findings showed that the number of non-compliant employers was around 445 in all zones, as presented in Figure 3.14 for financial years 2014/15 to 2022/23. These are the employers who failed to remit deductions to HESLB. This type of non-compliance is subject to penalty as per Section 21(1) of the HESLB Act. The HESLB did not enforce penalties on non-compliant employers due to a lack of effective strategies to collect revenues from fees and fines.

CHAPTER FOUR

AUDIT CONCLUSION

4.1 Introduction

This chapter presents the audit conclusions based on the audit objectives and sub-objectives. The conclusions have been drawn from the study findings obtained through various research procedures. This chapter presents two major categories of conclusions: the general and specific conclusions, as detailed below.

4.2 General Conclusion

The Audit acknowledges the efforts by HESLB toward managing loan repayment and recovery. It has engaged a consultant to conduct a comprehensive review and develop automated production modelling and customer experience through machine learning and artificial intelligence techniques under the HEET program.

However, the audit concludes that HESLB does not collect loan repayment effectively because it depends on Government subsidies to facilitate smooth funding of higher education student loans. In particular, the proportion of outstanding loans was 69% of the matured loans in the financial year 2022/23, a large proportion compared to what it should be. Also, in the financial year 2022/23, HESLB recorded a portfolio at a risk rate of 85%, higher than the best practice of 10%.

Such underperformance in the collection of loan repayment and recovery was attributed to the introduction of a zero-rating policy, inadequate forecasting of loan repayment targets, tracing, billing, and loan recovery.

Generally, the audit found that the sustainability of HESLB is under significant threat due to the current inefficiencies in loan recovery processes. In addition, the growing percentage of uncollected loans and the decline in repayment rates could jeopardize the fund's ability to support future students. The details of the specific conclusions are highlighted herein below.

4.3 Specific Audit Conclusions

4.3.1 The Forecasts on Targets for Loan Repayments is Inaccurate and Unreliable

The Audit revealed significant shortcomings in the HESLB's approach to forecasting loan repayment targets. The current reliance on historical data has proven unrealistic and unreliable. This practice overlooks crucial multi-dimensional factors that can substantially impact the repayment landscape. However, the HESLB's proactive step in engaging a consultant to develop automated production modelling using machine learning and artificial intelligence techniques is a promising move towards addressing these deficiencies. The anticipated completion of this service by December 2023 reflects the Board's commitment to enhancing forecasting methods.

Furthermore, the audit identified a critical issue regarding the unrealistic targets for collecting loan repayments. The HESLB's yearly targets, established by assessing collection efficiency based on the previous year's billed loan beneficiaries, were notably underestimated. The comparison of the current forecasting model with alternative models using due instalments and a fixed monthly repayment rate of TZS 100,000 demonstrated a significant disparity in estimated loan repayment collection targets. As highlighted in the analysis, this underestimation resulted in insufficient collection of loan repayments, with 67% of matured loans remaining unrecovered by the financial year 2022/23.

In addition to unrealistic targets, the audit raised concerns about insufficient information and assumptions considered in the forecasting process. The HESLB's exclusive reliance on the amount of loan repayments collected in previous years, without incorporating relevant multi-dimensional information such as economic indicators, employment rates, and government policies, is a notable deficiency. The ongoing transformation towards automation is acknowledged, but a comprehensive approach that considers a broader set of factors is crucial for more accurate loan repayment forecasts.

The audit also highlighted inconsistencies in the Loanee Ledger, pointing to issues in the assumptions and formulas used to determine due instalment amounts for matured loans. These discrepancies further underscore the need for a more robust and transparent forecasting model. Also, insufficient assumptions for forecasting loan repayment targets, with the Board using only the defaulting rate as a projecting factor, pose a threat. A significant shortcoming is the lack of a broader scope of assumptions covering various dimensions affecting loan repayments.

4.3.2 Tracing of Loan Beneficiaries is not Adequately Conducted to Enhance Loan Repayment

The audit focused on the effectiveness of loan beneficiary tracing mechanisms in enhancing loan repayments. The audit examined various aspects, including the adequacy of communication with employers and stakeholders, implementation of planned employer inspections, integration of ICT systems, and the impact of awareness campaigns, promotions, and advertisements on loan repayment. The existing evidence shows that tracing loan beneficiaries is still not effective.

The audit revealed significant weaknesses in the tracing of loan beneficiaries for payment, particularly concerning overdue loans. HESLB faced challenges in identifying and billing a substantial percentage of beneficiaries with matured loans, reaching 61% as of September 2023. This inefficiency was attributed to various factors, including inadequate employer inspections, lack of integration of ICT systems with key stakeholders, ineffective awareness campaigns, and insufficient coordination among stakeholders. The consequences of ineffective tracing were evident in the low collection of loan repayments, as discussed in Section 3.2 of this report.

Inadequacies in the implementation of the planned employer inspections further compounded the challenges in loan beneficiary tracing. The audit identified a notable inspection gap, especially in the private sector and among self-employed beneficiaries. The percentage of achieved inspections fluctuated between 6% and 70% from 2018/19 to 2022/23, indicating inconsistencies in the execution of the planned inspections. Inadequate design and planning of inspections, primarily focusing on the

public sector, contributed to substantial non-compliance by employers, leading to an increase in loan defaulters.

Insufficient integration of HESLB's ICT system with other key stakeholders' systems emerged as a critical issue hindering the smooth tracing of beneficiaries. The audit found non-integration with NIDA, TRA, and social security funds, resulting in manual data capture and increased errors. This lack of coordination may increase untraced matured loans, impacting the overall efficiency and sustainability of HESLB's loan recovery efforts.

The audit also identified a lack of coordination among stakeholders, as required by the Loan Repayment and Recovery Manual 2019. Insufficient collaboration with entities like Tanzania Embassies/High Commissions and strategic partners NIDA was also noted. The absence of lists of graduates employed or residing abroad and the lack of a standardized report format for employers' inspections further highlighted the coordination challenges faced by HESLB.

Lastly, the audit scrutinized the effectiveness of awareness campaigns, promotions, and advertisements in tracing loan beneficiaries. While HESLB undertook various initiatives from 2014/15 to 2022/23, the lack of clear, measurable targets and comprehensive tracking mechanisms raised concerns about the actual impact of these strategies. Inadequate coordination and monitoring further contributed to uncertainties regarding the success of these campaigns, hindering accurate assessments of return on investment and potential refinements in future strategies.

The performance audit underscores critical shortcomings in HESLB's loan beneficiary tracing mechanisms. The identified weaknesses in communication, planned inspections, ICT system integration, coordination with stakeholders, and the effectiveness of awareness strategies have collectively contributed to loan repayment and recovery challenges. The consequences include low collection rates, increased defaulters, and potential long-term implications for the sustainability of HESLB's loan programs. Addressing these issues is imperative for enhancing the efficiency and effectiveness of loan beneficiary tracing and ensuring the financial health of HESLB.

4.3.3 Inadequate Management of Billing to Enhance Loan Repayments

The audit outcomes highlight notable challenges within HESLB's billing and loan repayment procedures. With only 26% of matured loans billed, there is a substantial gap in the identification and billing of beneficiaries, whereby the billed beneficiaries are only those identified as employed. While the existing database did not charge VRF for loans, the amount reached TZS 2.3 trillion.

Moreover, HESLB ineffectively assessed compliance on loan repayment to employers, as they failed to deduct and submit the deductions as required. The presence of delays in receiving the first instalments, ranging from zero to 8 years for some beneficiaries, is alarming. The existence of unpaid bills further emphasizes the need for improved follow-up mechanisms.

Despite the establishment of clear laws and regulations governing the recovery process of unpaid loans, HESLB has failed to collect overdue loans from non-compliant beneficiaries and employers adequately. The non-compliance is most prevalent among government ministries, departments, and education sector employers.

Furthermore, the legal unit of the Board failed to issue demand notes to beneficiaries whose due loans exceeded ten (10) years since maturity, even though the laws consider them defaulters. This shows that the legal unit of HESLB has not effectively practised its role in ensuring that unpaid loans are collected by taking legal measures. On the other hand, very few observed demand notes were issued to non-compliant employers. In addition, there was no evidence as to whether non-compliant employers submitted remittances after receiving demand notices. The absence of close follow-up on the collection of penalties posed to employers is a further concern.

4.3.4 Ineffective and Untimely Loan Recovery

The Audit revealed a concerning pattern of untimely recovery of overdue loans by the Higher Education Students' Loans Board (HESLB). The failure to enforce loan recovery measures led to a significant increase in cumulative overdue loans over the past decade. The lack of action against the loans overdue for more than ten years resulted in its rise from TZS 6.7 billion in 2014/15 to TZS 110 billion in 2022/23.

Furthermore, non-compliance with the average number of 4157 employers from the financial years 2015/16 to 2022/23 has exposed unsatisfactory enforcement of penalties to non-compliant employers and loan beneficiaries. Despite identifying instances of non-compliance where fines could be imposed, HESLB has failed to take necessary measures, resulting in a staggering total of uncharged fines amounting to TZS 150 Billion. This represents a significant financial gap that, if avoided, could have contributed to the sustainability of HESLB.

Lastly, the audit highlighted instances of employers' failure to remit monthly deductions, leading to potential penalties. However, the observation indicates that penalties were not imposed on the identified non-compliant employers, raising questions about the effectiveness of the penalty enforcement mechanism. The audit period from 2014/15 to 2022/23 revealed a consistent trend of non-compliance by visited employers, with no action taken by HESLB. The failure to penalize employers for not submitting employees' names to HESLB further compounds the problem of inadequate loan repayment and recovery in HESLB.

CHAPTER FIVE

AUDIT RECOMMENDATIONS

5.1 Introduction

This chapter provides recommendations to HESLB on what should be done to establish an efficient and effective system for loan repayment collections. The National Audit Office is of the opinion that based on the 3Es of Economy, Efficiency and Effectiveness principles, these recommendations must be fully implemented to improve the efficiency and effectiveness of loan repayment collection.

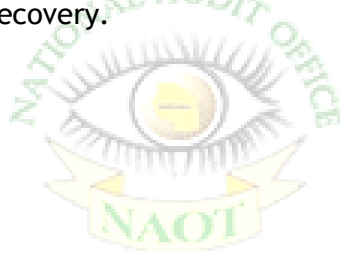
The recommendations are specifically addressed to HESLB, as shown below.

5.2 Specific Recommendations

The Higher Education Students' Loans Board (HESLB) is urged to;

1. Configure ILMS to perform age analysis to show each loan's overdue instalments and days/months overdue.
2. Define loan beneficiaries who have defaulted in days or months and establish a clear demarcation between loan repayment and recovery to collect loan repayment from chronic loan defaulters effectively.
3. Set performance indicators that will be used to assess risks of the Loan Portfolio and efficiency in managing Student Loans.
4. Develop a forecasting model to ensure realistic targets for loan repayment collection are set.
5. Establish cost-effective tracing strategies for loan beneficiaries especially self-employed beneficiaries and those residing outside the United Republic of Tanzania.
6. Integrate ICT systems with institutions with vast databases from which self-employed loan beneficiaries can be transferred.

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7. Carry out reconciliation and document procedures for all loan beneficiaries' accounts, addressing variances between reported loan collection in financial statements and loanee ledgers.
 8. Configure ILMS to automatically calculate penalties for non-compliant employers.
 9. Establish stronger partnerships with employers and other relevant stakeholders and implement more robust and automated tracking systems in tracing loan beneficiaries and improving loan recovery rates.
 10. Establish a strategic partnership with the Tanzania Revenue Authority (TRA) to quickly identify beneficiaries capable of repaying their loans and improve the tracking of loan beneficiaries with taxable incomes.
 11. Enforce all legal and administrative measures in the process of loan repayment and recovery.



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APPENDICES



Appendix 1 (a): Responses from the Higher Students' Loans Board

This part shows responses from the Higher Students Loans Board. The responses are divided into general and specific comments for each issued audit recommendation.

A: Overall responses

Management acknowledges the Auditor's observations and recommendations. The management believes that the implementation of recommendations will improve HESLB's repayment and recovery operations and add value to the entity's performance. Management confirms that it will implement all Auditor's recommendations.

B: Specific Responses

No	Recommendation	Comment (s)	Action(s) to be taken	Timeline
1	Configure ILMS to perform age analysis to show each loan's overdue instalments and days/months overdue.	Management noted the auditor's observation. Currently, HESLB maintains a Loanee Ledger, which, among other things, contains the due year per each loanee and has taken into effect two (2) grace periods as per Section 18 (3) of the HESLB Act Amendment (2016)	Technical department, in collaboration with the user department (DLRR), plans to revisit Loanee Ledger configurations and computation to include days/months overdue.	End of FY 2023/2024 Q4
2	Define loan beneficiaries defaulted in days or months and establish a clear demarcation between loan repayment and recovery to effectively collect loan repayment	Management acknowledges the Auditor's recommendations and will ensure that implementation of recommendations no 1 above will	Perform age analysis Establish a clear demarcation between loan repayment and recovery	June, 2024

	from difficult loan beneficiaries	provide an avenue for clear demarcations between loan repayment and recovery.		
3	Set performance indicators that will be used to assess risks of the Loan Portfolio and efficiency in managing Student Loans.	Management acknowledges auditors' recommendations. Management is about to initiate the process of reviewing its current strategic plan pending the completion of the comprehensive review, and these indicators will be incorporated into the revised plan.	Strategic Plan Review as soon as possible after the comprehensive review is finalized	July 2024
4	Develop a forecasting model to ensure realistic targets for loan repayment collection are set.	Management acknowledges the Auditors' recommendation. The model is currently under development as part of the machine learning exercise, with an ongoing engagement of a consultant.	Put the model into operation once as soon as possible after it is finalized.	July 2024
5	Establish cost-effective tracing strategies for loan beneficiaries especially self-employed beneficiaries and those residing	Management acknowledges the Auditors' recommendation and will implement them accordingly. Currently, management, in	Firm up and operationalize the cost-effective tracing strategy. Operationalize and make use of the	June 2024

	outside the United Republic of Tanzania.	collaboration with MoEST, is establishing formal ways to collect loans through Ward Executive Officers (WEOs). This will involve engaging TAMISEMI and the Ministry of Finance to sign an MoU that will allow Local Government leaders at different levels to participate in the collection of loans from beneficiaries in their locality. Management has devised a marketing plan and strategy to penetrate and deploy this market segment. Regarding those residing outside the United Republic of Tanzania, HESLB has been configured and integrated into the Diaspora portal.	Diaspora Portal.	
6	Integrate ICT systems with institutions that have vast databases from which self-employed loan beneficiaries can be transferred.	Management noted the auditor's observation.	Management is at different stages of engaging key stakeholders who have databases with vast information to facilitate easy tracing of private and self-employed beneficiaries. These include	External dependent, however, Management will continue to exercise close

			<p>NSSF, BRELA, TRA, PSSSF and NIDA. The engagement statuses are as follows:</p> <p>NSSF: MoU and DSA prepared and yet to be signed</p> <p>BRELA: Discussion and preparation of MoU and DSA</p> <p>TRA: MoU prepared and is yet to be vetted by the Attorney General</p> <p>NSSSF is in discussion with PSSSF to establish a ground for the preparation of MoU and DSA.</p>	<p>follow-up to ensure timely completion.</p>
7	<p>Carry out reconciliation and document procedures for all loan beneficiaries' accounts, addressing variances between reported loan collection in financial statements and loanee ledgers.</p>	<p>Management acknowledges the Auditor's recommendation and will implement it accordingly. The differences are caused by un-updated receipts from various employers. Management has devised a clear plan and implemented it to ensure the unposted balances</p>	<p>Performing reconciliation and updations of unposted amounts</p>	<p>Ongoing and to be finalized June 2024</p>

		are cleared and the two accounts tally.		
8	Configure ILMS to automatically calculate penalties for non-compliant employers.	Management noted the auditor's observation.	Management has successfully enhanced the Compliance Portal (COPO) and operationalised the same to charge penalties for late remittances by employers since early January 2024. For late remittances transacted from 1 st May 2023 to 24 th January 2024, a total of TZS 336,488,607.50 has been charged to 722 employers.	January 2024
9	Establishing stronger partnerships with employers and other relevant stakeholders and implementing more robust and automated tracking systems in tracing loan beneficiaries and improving loan recovery rates	Management has noted the recommendation. Strategic partnerships with the Association of Tanzania Employers (ATE) will be established by 2024/2025 aiming at sharing information and formalizing working relationships. Equally, other stakeholders including NSSF and	Finalize partnership by signing MoUs with ATE, NSSF and BRELA	December 2024

		BRELA will be Finalized to access registered entities respectively with a view to improving the tracing mechanism.		
10	Establish a strategic partnership with the Tanzania Revenue Authority (TRA) to quickly identify beneficiaries capable of repaying their loans to improve the tracking of loan beneficiaries with taxable incomes.	Management acknowledges the Auditor's observation and will implement the recommendation for the establishment of a strategic partnership with the Tanzania Revenue Authority (TRA). Management has finalized discussions and prepared the MoU on the Data Sharing Agreement (DSA) with TRA. The documents are in the signing stage. Management will ensure the signing and operationalizing of the MoU and DSA by 30 th June 2024.	Fastrack the signing and operationalization of the agreements	June 2024
11	Develop a standardized checklist when undertaking Employer verifications	The checklist for undertaking employer inspections is in place. To improve it, the management is in the process of	To review the available document.	30 th June 2024.



		reviewing the same to accommodate other recommended inputs.		
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Appendix 2: Audit Questions and Sub-Questions

Audit Question 1: To what extent does HESLB collect due and overdue beneficiary loans?	
Sub question 1.1	Does HESLB collect due and overdue student loans from loan beneficiaries??
Sub question 1.2	Does HESLB ensure timely collection of due and overdue student loan beneficiaries??
Sub question 1.3	Does HESLB ensure the collection of actual amounts of beneficiaries' deductions loan beneficiaries?
Audit Question 2: Are forecasting targets for Loan repayment accurate and reliable?	
Sub question 2.1	Does HESLB set realistic forecast targets for loan repayment collection?
Sub question 2.2	Does HESLB use sufficient information while setting the forecasting targets for loan repayments?
Sub question 2.3	Are assumptions for forecasting loan repayment targets reasonable?
Audit Question 3: Is the tracing of loan beneficiaries adequately conducted?	
Sub question 3.1	Are all categories of loan beneficiaries whose loans are due and overdue tracked in a timely and effective manner for repayment?
Sub question 3.2	Does identifying loan beneficiaries demonstrate efficiency and effectiveness in their traceability?
Sub question 3.3	Are the Inspections of loan beneficiaries' employers effectively conducted?
Sub question 3.4	Is the ICT system sufficiently integrated with the systems of key stakeholders to facilitate the smooth tracing of beneficiaries?
Sub question 3.5	Is the coordination for tracing loan beneficiaries among different stakeholders adequately functioning?
Sub question 3.6	Are awareness campaigns, promotions, and advertisements

	effective in tracing beneficiaries?
Audit Question 4: Is billing management to enhance loan repayment adequately performed?	
Sub question 4.1	Does HESLB adequately bill loan beneficiaries with due and overdue loans?
Sub question 4.2	Are beneficiaries receiving their bills from HESLB on time for loan repayment?
Sub question 4.3	Are quality controls for billing adequately functioning to ensure accuracy?
Sub question 4.4	Does HESLB effectively conduct a compliance assessment of loan deductions from billed employers and beneficiaries to ensure repayment?
Sub question 4.5	Does HESLB conduct follow-up of non-deducted billed employees effectively and in a timely manner?
Sub question 4.6	Is the monthly loan repayment reconciliation of the billed amounts accurate to enhance loan repayments?
Sub question 4.7	Does HESLB take timely corrective measures for over- and under-deducted loan bills?
Sub question 4.8	Is the ICT system sufficiently integrated to support the collection of loan repayment?
Audit Question 4: Is the loan recovery timely and adequately done?	
Sub question 5.1	Does HESLB ensure the effective collection of amounts that need to be recovered?
Sub question 5.2	Does HESLB ensure timely collection of the amounts that need to be recovered?
Sub question 5.3	Does HESLB ensure the enforcement of penalties for non-compliant employers and loan beneficiaries?

Appendix 3: Selection of Regions Visited during the Audit

This part provides details of the zonal offices that were visited during the Main study.

HESLB Zonal Offices	Regions
Arusha	Arusha Kilimanjaro Manyara
Dar Es Salaam	Dar Es Salaam Coast Morogoro Tanga
Mwanza	Mwanza Kagera Mara Shinyanga Simiyu Geita
Mbeya	Mbeya Iringa Songwe Njombe Katavi Kigoma Rukwa
Mtwara	Mtwara Ruvuma

	Lindi
Dodoma	Dodoma Tabora Singida



Appendix 4: List of Interviewees and Reasons for the Interviews

Institution	Officials to be Interviewed	Reason(s) for Interviewing them
HESLB	Director of Loan Repayment and Recovery	<ul style="list-style-type: none"> • To assess information on the collections of due and overdue loans. • To assess information on the forecast process of collection for loan repayments • To examine information on the process of tracing loan beneficiaries. • To assess information on the promotion and awareness campaign activities.
	Assistant Director of Loan Repayment	<ul style="list-style-type: none"> • To assess information on the collections of due and overdue loans. • To examine information on the forecast process of collection for loan repayments • To assess information on the process of tracing loan beneficiaries • To assess information on the utilisation of ICT systems in the process of loan repayment
	Director of Planning, Research and ICT	<ul style="list-style-type: none"> • To assess information on the forecast process of collection for loan repayments
	Assistant Director Information, Communication and Technology	<ul style="list-style-type: none"> • To assess the information on the ICT system integration process with other relevant stakeholders.

Institution	Officials to be Interviewed	Reason(s) for Interviewing them
	HESLB Zonal Managers	<ul style="list-style-type: none"> • To assess the information on the tracing activities. • To examine the information on inspection activities to employers.
	Database Administrator	<ul style="list-style-type: none"> • To assess information on maintaining loanees' database and reviewing and managing application controls of ICT systems.

Source: Auditor's Analysis (2023)



Appendix 5: List of Documents that have been reviewed during the Audit

Institution	Category	Name of Document	Reason for the Review	
HESLB	Plan	Annual Action Plan (2018/19 - 2022/23)	<ul style="list-style-type: none"> To assess planning information on the tracing, inspection, promotion and awareness campaign activities. 	
	Correspondences with key stakeholders	Correspondences with key stakeholders (2018/19 - 2022/23)	<ul style="list-style-type: none"> To assess information on the involvement of stakeholders in the forecast process. 	
	Performance Report		Annual Performance Reports (2018/19 - 2022/23)	<ul style="list-style-type: none"> To assess information on the performance regarding the collection of due and overdue loans. To assess the information on the performance of the promotion and awareness campaigns
			Audited Financial Statements (2018/19 - 2022/23)	<ul style="list-style-type: none"> To assess information on the reported outstanding balance of due and overdue loans
			Inspection Reports (2018/19 - 2022/23)	<ul style="list-style-type: none"> To assess information on the performance of inspection systems.
			billing reports on the loan repayment (2018/19-	<ul style="list-style-type: none"> To assess information on the billing reporting

Institution	Category	Name of Document	Reason for the Review
		2022/23)	
		Compliance Assessment Report of Employers (2018/19-2022/23)	<ul style="list-style-type: none"> To assess information on the extent to which employers comply with the law.
		Progress report on the status of loan defaulters and action taken against them (2018/19-2022/23)	<ul style="list-style-type: none"> To examine information on the follow-up of overdue loans
		Progress report on reconciliation of loan remittances received through bank collection account or physical delivery to HESLB (2018/19-2022/23)	<ul style="list-style-type: none"> To assess information on the reconciliation for loan repayments and the outstanding amount.
	Database	Employers Database, 2022/23	<ul style="list-style-type: none"> To assess the information on the identification and locating of employers.
		Beneficiaries Database	<ul style="list-style-type: none"> To examine the information on the identification and locating of beneficiaries.
	Financial	Cash books (2018/19-2022/23)	<ul style="list-style-type: none"> To assess the actual collection of loan repayment.

Institution	Category	Name of Document	Reason for the Review
		Audited Financial Statements (2018/19 - 2022/23)	To assess information on the reported outstanding balance of due and overdue loans

Source: *Literature Review and Auditor's Analysis (2023)*



Appendix 6: Performance Indicators of HESLB Strategic Objectives

Objective	Description	Targeted Indicator by 2022
Increased public awareness	Increase in public awareness of the roles, functions, and powers of the Board to raise stakeholders' knowledge on the offered products/services and consequences for lack Of compliance through media, forums, conferences, and exhibitions	<ul style="list-style-type: none"> • 337 Positive Media coverage • 51 Outreach Program
Increased customer satisfaction	Enhanced customer satisfaction through improved customer care/service delivery and timely customer feedback. Improving the existing help desk by recruiting competent and skilled staff and regularly training staff on customer and complaint handling.	<ul style="list-style-type: none"> • 80% customer survey score • Employee Satisfaction Index
Improved organizational image	Increase in the Board's trust and reputation with its key stakeholders and the public at large through improved performance, operational efficiency, competence, transparency, accountability, equity, integrity, promoting zero tolerance for corruption, and commitment to quality service delivery	<ul style="list-style-type: none"> • 337 Positive Media coverage
Enhanced collaboration	Presence of formal agreements with key stakeholders to promote advocacy, information, communication flow, outreach programmes, re-branding of	<ul style="list-style-type: none"> • 100% HLIs Database linked

Objective	Description	Targeted Indicator by 2022
	HESLB image, and employers' and beneficiaries' compliance for efficient disbursement and repayment of loans.	
Improved data integrity	Ensuring data accuracy, consistency, completeness, accessibility and reliability through effective data entry control measures and integrated operational systems for real-time (on-spot) data synchronization and retrieval during application, allocation, disbursement, and repayment processes	<ul style="list-style-type: none"> • 100% Correct Bills
Increased operational efficiency	Improving the Board's operations by leveraging technology and collaboration for increased productivity through timely and convenient disbursement, returns and collection of loans at low cost to meet stakeholders' expectations.	<ul style="list-style-type: none"> • 2% Operational cost • TZS 1.04 Trillion Revolving Funds
Strengthened management of the fund	Reduction in operational costs, development of effective investment portfolios, integration of budget into all operations as a strategic tool, regular monitoring of performance-to-budget, and ensuring that financial manuals and controls are in place to enhance proper cash management, timely disbursement and reconciliation, assets registration and utilization.	<ul style="list-style-type: none"> • Staff average Performance of 4.0

Objective	Description	Targeted Indicator by 2022
Improve Facilities and Infrastructure	<p>Putting good ICT infrastructure and working facilities in place by ensuring availability, accessibility, and fully functioning computers, internet, intranet, software, and security.</p> <p>Training the staff in new technology, developing functioning backup infrastructure, fully automating and integrating internal systems, integrating internal systems to systems of key stakeholders, and automating performance management and workflow management systems.</p>	<ul style="list-style-type: none"> • 9% Budget on ICT infrastructure

Source: Auditors' Analysis of HESLB Strategic Plan (2017/18-2021/22)



Appendix 7: HESLB's Human Resources as at 2022/23

DRR Managing Level			
Designation	Required	Current	Variation
Directorate of Loan Repayment and Recovery			
Director	1	1	0
Loan Repayment Section			
Asst. Director	1	1	0
Managers	2	2	0
Principal Officers	2	2	0
Senior Officers	7	7	0
Officer	17	17	0
Personal Secretary	1	1	0
Sub Total	31	31	0
Loan Recovery Section			
Asst. Director	1	0	1
Managers	2	2	0
Principal Officers	1	0	1
Senior Officers	2	2	0
Officers	4	4	0
Sub Total	10	8	2
Dodoma Zonal Office			
Zonal Manager	1	1	0
ICT Officer Manager	1	1	0
Principal Officer	1	0	1
Senior Officer	1	2	-1
Officers	13	13	0
Accountant	1	1	0
Office Assistant	1	1	0
Driver	1	1	0
Sub Total	20	20	0
Arusha Zonal Office			
Zonal Manager	1	0	1
Principal Officer	1	0	1
Senior Officer	1	1	0
Officer	11	11	0
Driver	1	1	0
Sub Total	15	13	2
Mwanza Zonal Office			

DRR Managing Level			
Designation	Required	Current	Variation
Zonal Manager	1	1	0
Principal Officer	1	0	1
Senior Officer	1	0	1
Officer	12	12	0
Driver	1	1	0
Sub Total	16	14	2
Mbeya Zonal Office			
Zonal Manager	1	1	0
Principal Officer	1	0	1
Senior Officer	1	0	1
Officer	9	9	0
Driver	1	1	0
Sub Total	13	11	2
Dar es Salaam Zonal Office			
Zonal Manager	1	1	0
Principal Officer	1	0	1
Senior Officer	1	0	1
Officer	13	13	0
Driver	1	1	0
Sub Total	17	15	2
Zanzibar Zonal Office			
Zonal Manager	1	0	1
Principal Officer	1	0	1
Senior Officer	2	2	0
Officer	5	5	0
Driver	1	1	0
Sub Total	10	8	2
Mtwara Zonal Office			
Zonal Manager	1	1	0
Principal Officer	1	0	1
Senior Officer	1	1	0
Officer	5	5	0
Driver	1	1	0
Sub Total	9	8	1
Grand Total	141	128	13

Source: Auditors' Analysis of the HESLB Staffing Level (2023)

Appendix 8: Status of Integration of ILMS with Other Systems in GoVESB

GovESB SYSTEMS INTEGRATION

The screenshot displays the GoVESB Systems Integration interface. On the left is a sidebar menu with the following items: Dashboard, Systems, Services, Data Fields, End Points, Connections (with a sub-menu for Available Systems, Outgoing Connections, and Incoming Connections), Reports, and Settings. The main area features a search bar and a table with the following columns: SN, Institution, Submitted Date, Consumer System, Producer System, End Point, and Actions. The table contains 13 rows of data. At the bottom right of the table, there is a pagination control showing 'Items per page: 50' and '1 - 13 of 13'. The footer of the interface reads '© 2023 - Designed and Developed By eGA'.

SN	Institution	Submitted Date	Consumer System	Producer System	End Point	Actions
1	Institute of Finance Management (IFM)	2023-02-24	EMS	HESLB-GATEWAY(HWGT)	Get all allocations for an institution	⋮
2	College of African Wildlife Management, Mweka	2022-12-20	SMIS	HESLB-GATEWAY(HWGT)	Receive Registered Students From HLIs	⋮
3	College of African Wildlife Management, Mweka	2022-12-20	SMIS	HESLB-GATEWAY(HWGT)	Receive FPT Invoice	⋮
4	College of African Wildlife Management, Mweka	2022-12-20	SMIS	HESLB-GATEWAY(HWGT)	Receive Student Bank Details From A HLI	⋮
5	College of African Wildlife Management, Mweka	2022-12-20	SMIS	HESLB-GATEWAY(HWGT)	Get all disbursements to a HLI	⋮
6	College of African Wildlife Management, Mweka	2022-12-20	SMIS	HESLB-GATEWAY(HWGT)	Get all allocations for a student in a HLI	⋮
7	Tanzania Public Service College	2022-12-20	TSIMS	HESLB-GATEWAY(HWGT)	Receive SFR Invoices From HLIs	⋮
8	Tanzania Public Service College	2022-12-20	TSIMS	HESLB-GATEWAY(HWGT)	Receive Tu-Invoice From HLIs	⋮
9	Tanzania Public Service College	2022-12-20	TSIMS	HESLB-GATEWAY(HWGT)	Receive Registered Students From HLIs	⋮
10	Tanzania Public Service College	2022-12-20	TSIMS	HESLB-GATEWAY(HWGT)	Receive FPT Invoice	⋮
11	Tanzania Public Service College	2022-12-20	TSIMS	HESLB-GATEWAY(HWGT)	Receive Student Bank Details From A HLI	⋮
12	Tanzania Public Service College	2022-12-20	TSIMS	HESLB-GATEWAY(HWGT)	Get all disbursements for a student in a HLI	⋮
13	Tanzania Public Service College	2022-12-20	TSIMS	HESLB-GATEWAY(HWGT)	Get all allocations for an institution	⋮

Appendix 9: Weak Application Control of ILMS as Over-Deductions Still Exist

INDEX_NO	CATEGORY	GRAD_YEAR	INSTITUTION	TOTAL_LOAN	REPAYMENT	OUTSTANDING	LAST_PAYMENT_YEAR	LAST_PAYMENT_MONTH	LAST_PAYMENT_AMOUNT
S0209.0002.2002	LUG	2006	MU	0	575,700.00	-575,700.00	2023	2	575,700.00
S0397.0032.1998	LUG	2006	UDSM	0	938,505.35	-938,505.35	2023	1	103,385.35
P0324.0010.1993	LUG	2006	PHCI	0	1,083,000.00	-1,083,000.00	2023	8	300,900.00
S0307.0051.1988	LUG	2007	CBEDSM	0	232,350.00	-232,350.00	2023	2	232,350.00
S0225.0046.2003	LUG	2007	CBEDSM	0	498,000.00	-498,000.00	2023	3	124,500.00
S0846.0077.2005	LUG	2009	UDOM	0	2,079,000.00	-2,079,000.00	2023	12	117,000.00
S0116.0066.2001	LUG	2009	TEKU	0	605,000.00	-605,000.00	2023	5	9,500.00
S0352.0105.2005	LUG	2009	MWUCE	0	419,150.00	-419,150.00	2023	6	107,150.00
S0201.0096.2004	LUG	2009	UDOM	0	666,499.40	-666,499.40	2023	11	18,599.40
S0325.0100.1994	LUG	2009	DIT	0	762,550.00	-762,550.00	2023	12	377,050.00
S0795.0011.2005	LUG	2009	MUCE	0	459,550.00	-459,550.00	2023	3	14,050.00
S0580.0026.2009	LUG	2009	TEKU	0	459,550.00	-459,550.00	2023	4	84,550.00

INDEX_NO	CATEGORY	GRAD_YEAR	INSTITUTION	TOTAL_LOAN	REPAYMENT	OUTSTANDING	LAST_PAYMENT_YEAR	LAST_PAYMENT_MONTH	LAST_PAYMENT_AMOUNT
2005									
P0631.0022. 2006	LUG	2009	ISW	0	375,450.00	-375,450.00	2023	12	114,900.00
S0332.0031. 2004	LUG	2009	MUCE	0	459,550.00	-459,550.00	2023	1	14,050.00
S0589.0036. 2000	LUG	2010	TUMA,TUMA(MUCO)	0	297,000.00	-297,000.00	2023	1	148,500.00
S0151.0104. 2005	LUG	2010	UDOM	0	561,150.00	-561,150.00	2023	8	148,500.00
S0550.0020. 2002	LUG	2010	TEKU	0	151,350.00	-151,350.00	2023	9	151,350.00
S0539.0029. 1994	LUG	2010	MUST,MUST(MIST)	0	702,188.05	-702,188.05	2023	8	186,188.05
S0328.0015. 1997	LUG	2010	UDSM	0	277,224.00	-277,224.00	2023	9	123,024.00
S0538.0112. 2004	LUG	2010	MUCE	0	600,000.00	-600,000.00	2023	2	150,000.00
S1048.0237. 2003	LUG	2010	ZU	0	747,000.00	-747,000.00	2023	5	124,500.00
S0248.0001. 2006	LUG	2010	UDOM	0	600,000.00	-600,000.00	2023	4	150,000.00
S1241.0063. 2006	LUG	2010	MUM	0	371,250.00	-371,250.00	2023	9	151,350.00
S0784.0205.	LUG	2010	TEKU	0	445,500.00	-445,500.00	2023	1	148,500.00

INDEX_NO	CATEGORY	GRAD_YEAR	INSTITUTION	TOTAL_LOAN	REPAYMENT	OUTSTANDING	LAST_PAYMENT_YEAR	LAST_PAYMENT_MONTH	LAST_PAYMENT_AMOUNT
2006									
P0502.0088.1996	LUG	2010	MNMA	0	631,250.00	-631,250.00	2023	1	46,250.00
S0359.0087.2006	LUG	2010	MUCE	0	692,879.10	-692,879.10	2023	9	1,979.10
S0371.0052.1992	LUG	2010	TEKU	0	250,200.00	-250,200.00	2023	9	250,200.00
S0652.0076.2007	LUG	2011	TEKU	0	318,100.00	-318,100.00	2023	8	148,500.00
S0934.0010.2002	LUG	2011	MUHAS	0	1,143,000.00	-1,143,000.00	2023	4	190,500.00
S1408.0014.2007	LUG	2011	SUA	0	718,650.00	-718,650.00	2023	8	148,500.00
S1203.0285.2007	LUG	2011	UOA	0	278,550.00	-278,550.00	2023	2	115,650.00
S0125.0067.2003	LUG	2011	SMMUCO	0	555,500.00	-555,500.00	2023	1	110,000.00
S0151.0082.2006	LUG	2011	SUZA	0	374,100.00	-374,100.00	2023	8	154,200.00
S0986.0058.2004	LUG	2011	TUMA(MUCO)	0	2,191,700.00	-2,191,700.00	2023	6	27,500.00
S0810.0022.2006	LUG	2011	UOA	0	516,900.00	-516,900.00	2023	3	148,500.00
S0409.0007.2006	LUG	2011	ISW	0	326,407.97	-326,407.97	2023	6	67,287.97

INDEX_NO	CATEGORY	GRAD_YEAR	INSTITUTION	TOTAL_LOAN	REPAYMENT	OUTSTANDING	LAST_PAYMENT_YEAR	LAST_PAYMENT_MONTH	LAST_PAYMENT_AMOUNT
1999									
S0320.0102.2001	LUG	2011	SAUT	0	626,700.00	-626,700.00	2023	5	192,000.00
S0456.0027.2002	LUG	2011	STEMMUCO(SAUTM TWARA)	0	148,500.00	-148,500.00	2023	2	148,500.00
S0305.0023.2003	LUG	2011	UDSM	0	202,000.00	-202,000.00	2023	1	77,500.00
S0333.0229.2003	LUG	2011	TUMA(MUCO)	0	5,379,900.00	-5,379,900.00	2023	7	120,900.00
S1433.0003.2007	LUG	2011	SUZA	0	469,650.00	-469,650.00	2023	2	7,050.00
S0312.0157.2007	LUG	2011	SAUT	0	375,150.00	-375,150.00	2023	8	120,750.00
S1504.0022.2006	LUG	2011	ISW	0	438,750.00	-438,750.00	2023	1	87,750.00
S0603.0029.2006	LUG	2012	UDOM	0	1,694,539.00	-1,694,539.00	2023	9	33,139.00
P1164.0011.2002	LUG	2012	TIA	0	467,756.00	-467,756.00	2023	1	17,756.00
S0160.0005.2000	LUG	2012	UDOM	0	707,000.00	-707,000.00	2023	8	131,000.00
S0467.0021.2004	LUG	2012	IAA	0	669,756.25	-669,756.25	2023	4	45,756.25
S0890.0031.2012	LUG	2012	UDOM	0	498,000.00	-498,000.00	2023	3	124,500.00

INDEX_NO	CATEGORY	GRAD_YEAR	INSTITUTION	TOTAL_LOAN	REPAYMENT	OUTSTANDING	LAST_PAYMENT_YEAR	LAST_PAYMENT_MONTH	LAST_PAYMENT_AMOUNT
2000									
S0745.0021. 2003	LUG	2012	MUCE	0	467,756.25	-467,756.25	2023	3	5,156.25
S3653.0005. 2008	LUG	2012	SAUTMOROGORO	0	578,250.00	-578,250.00	2023	6	115,650.00
S1336.0053. 2007	LUG	2012	UDOM	0	842,400.00	-842,400.00	2023	5	148,500.00
S0673.0044. 2008	LUG	2012	SMMUCO	0	692,481.25	-692,481.25	2023	4	114,231.25
P1474.0068. 2007	LUG	2012	MUCE,SAUT	0	467,756.25	-467,756.25	2023	2	25,256.25
S0835.0023. 2007	LUG	2012	STJCE	0	1,018,000.00	-1,018,000.00	2023	8	164,700.00
S0872.0039. 2005	LUG	2012	UDOM	0	693,900.00	-693,900.00	2023	3	115,650.00
S0316.0116. 1997	LUG	2012	MUCO,TUMA(MUCO)	0	1,635,800.00	-1,635,800.00	2023	1	244,500.00
S1584.0030. 2009	LUG	2013	SJUCAST	0	669,756.25	-669,756.25	2023	3	91,506.25
S0135.0158. 1997	LUG	2013	OUT	0	627,760.54	-627,760.54	2023	1	67,700.54
S1649.0087. 2009	LUG	2013	IFM	0	516,600.00	-516,600.00	2023	6	73,800.00
S1645.0224.	LUG	2013	RUCO	0	713,576.30	-713,576.30	2023	8	107,731.30

INDEX_NO	CATEGORY	GRAD_YEAR	INSTITUTION	TOTAL_LOAN	REPAYMENT	OUTSTANDING	LAST_PAYMENT_YEAR	LAST_PAYMENT_MONTH	LAST_PAYMENT_AMOUNT
2008									
S1250.0065.2008	LUG	2013	UDOM(CNMS)	0	665,968.75	-665,968.75	2023	5	94,468.75
S2206.0007.2009	LUG	2013	JOKUCO	0	231,300.00	-231,300.00	2023	6	115,650.00
S0983.0038.2008	LUG	2014	UDSM(CONAS)	0	40,000.00	-40,000.00	2023	5	2,000.00
S0592.0010.2004	LUG	2014	SJUCIT	0	669,756.25	-669,756.25	2023	2	75,756.25
S0716.0087.2006	LUG	2015	OUT	0	728,500.00	-728,500.00	2023	4	148,500.00
S0232.0083.2011	LUG	2015	MUCE	0	1,296,000.00	-1,296,000.00	2023	7	324,000.00
S2315.0110.2011	LUG	2015	OUT,UDOM(CHS)	0	745,506.25	-745,506.25	2023	5	57,006.25
S0787.0021.2006	LUG	2015	IAE	0	399,960.00	-399,960.00	2023	2	53,010.00
S0212.0078.2010	LUG	2015	UDOM(COED)	0	665,968.75	-665,968.75	2023	4	110,968.75
S1869.0158.2010	LUG	2016	MUST	0	126,750.00	-126,750.00	2023	6	126,750.00
S1291.0017.2009	LUG	2016	SUA	0	487,200.00	-487,200.00	2023	5	243,600.00
S0491.0037.2016	LUG	2016	IFM	0	372,882.60	-372,882.60	2023	5	171,441.30

INDEX_NO	CATEGORY	GRAD_YEAR	INSTITUTION	TOTAL_LOAN	REPAYMENT	OUTSTANDING	LAST_PAYMENT_YEAR	LAST_PAYMENT_MONTH	LAST_PAYMENT_AMOUNT
2012									
S1064.0017. 2012	LUG	2016	OUT	0	113,400.00	-113,400.00	2023	3	113,400.00
S1291.0002. 2013	LUG	2017	SUMAIT	0	567,000.00	-567,000.00	2023	7	113,400.00
S0392.0047. 2014	LUG	2018	SUZA	0	113,400.00	-113,400.00	2023	3	113,400.00
S0159.0037. 2014	LUG	2018	SJUT	0	60,000.00	-60,000.00	2023	6	30,000.00
S3701.0071. 2011	LUG	2018	UDOM(CNMS)	0	1,920,000.00	-1,920,000.00	2023	2	120,000.00
S0136.0060. 2010	LUG	2019	UDOM(CNMS)	0	263,250.00	-263,250.00	2023	2	87,750.00
S0218.0157. 2007	LUG	2019	SUA	0	637,815.00	-637,815.00	2023	2	13,815.00
S0328.0184. 2007	LUG	2019	SUA	0	526,715.00	-526,715.00	2023	3	67,715.00
S2813.0418. 2012	LUG	2021	SJUIT	0	540,855.00	-540,855.00	2023	4	78,855.00



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