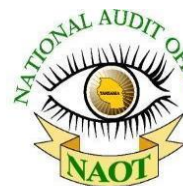




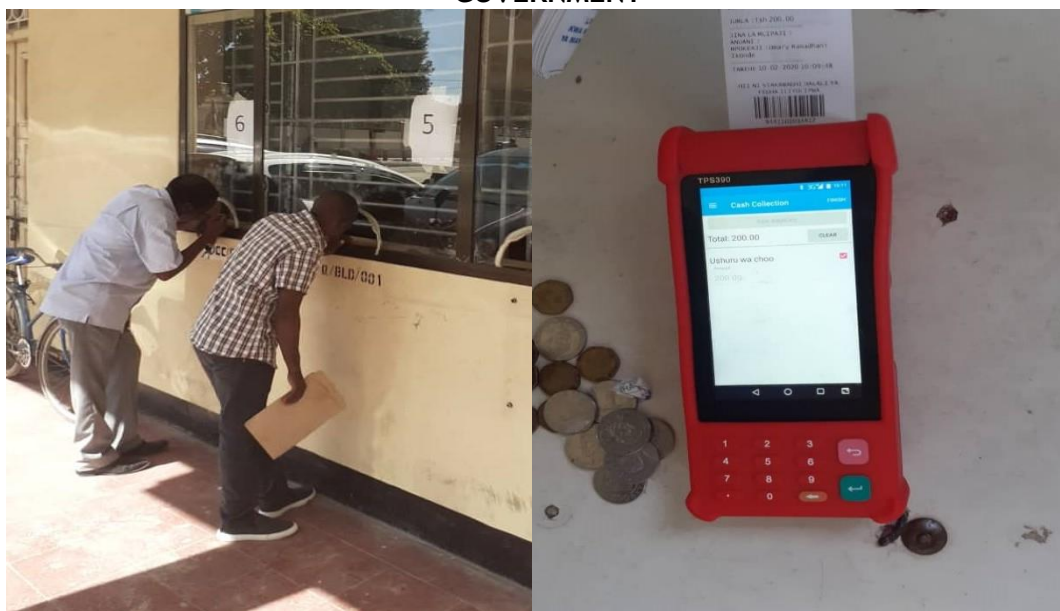
**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**



**PERFORMANCE AUDIT REPORT ON REVENUE COLLECTION FROM OWN  
SOURCES IN LOCAL GOVERNMENT AUTHORITIES**

**AS PERFORMED BY**

**THE PRESIDENT'S OFFICE - REGIONAL ADMINISTRATION AND LOCAL  
GOVERNMENT**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL OF THE UNITED  
REPUBLIC OF TANZANIA**

**MARCH 2020**





**THE UNITED REPUBLIC OF TANZANIA**  
**NATIONAL AUDIT OFFICE**



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## LIST OF ABBREVIATIONS AND ACRONYMS

CC	:	City Council
DC	:	District Council
DPs	:	Development Partners
ESRF	:	Economic and Social Research Foundation
ICT	:	Information, Communication and Technology
IFMIS	:	Integrated Financial Management Information system
INTOSAI	:	International Organization of Supreme Audit Institutions
LGAs	:	Local Government Authorities
LGRCIS	:	Local Government Revenue Collection Information System
MDAs	:	Ministries, Departments and Agencies
MoFP	:	Ministry of Finance and Planning
MC	:	Municipal Council
PO-RALG	:	President's Office - Regional Administration and Local Government
PoS	:	Point of Sale
RS	:	Regional Secretariat
TZS	:	Tanzanian Shillings
TC	:	Town Council
VEO	:	Village Executive Officer
WEO	:	Ward Executive Officer

## PREFACE

Section 28 of the Public Audit Act No. 11 of 2008, authorizes the Controller and Auditor General to carry- out Performance Audit for the purposes of establishing the economy, efficiency and effectiveness of any expenditure or use of resources in Ministries, Departments and Agencies (MDAs), Local Government Authorities (LGAs), Public Authorities and other Bodies. The Performance Audit involves enquiring, examining, investigating and reporting, as deemed necessary under the circumstances.

I have the honour to submit to His Excellency the President of the United Republic of Tanzania, Honorable Dr. John Pombe Joseph Magufuli and through him to Parliament of the United Republic of Tanzania the Performance Audit Report on the Effectiveness to Collect Revenues from Own Sources in Local Government Authorities in Tanzania. The main audited entity is the President's Office - Regional Administration and Local Government whereby a total of twelve Local Government Authorities were involved in the exercise.

The report contains audit findings, conclusions and recommendations that have focused mainly on improving the effectiveness of revenue collections from own sources in all Local Government Authorities in the country. The focus areas were on projections on revenues (setting targets), capacity to collect revenues, management of revenue collectors and monitoring and evaluation of performance of Local Government Authorities in the revenue collection.

The President's Office - Regional Administration and Local Government Authorities was given the opportunity to scrutinize the factual contents and comment on the draft report. I wish to acknowledge that the discussions with the President's Office - Regional Administration and Local Government were very useful and constructive.

My office intends to carry-out a follow-up audit at an appropriate time regarding actions taken by the audited entities in relation to the implementation of the recommendations of this report.

In completion of this audit assignment, I subjected the draft report to the critical reviews of Dr. Lewis John Ishemai from Institute of Tax Administration and Dr. Henry Chalu from University of Dar es Salaam who came up with useful inputs on improving the output of this report.

This report has been prepared by Mr. Victor Mapigano - Team Leader, Mr. Sayi Emmanuel - Team Member under the supervision and guidance of Asnath L. Mugassa - Ag. Chief External Auditor, Mr. George C. Haule - Assistant Auditor General and Mr. Benjamin Mashauri - Deputy Auditor General.

I would like to thank my staff for their commitment in the preparation of this report. My thanks should also be extended to the audited entity for their cooperation with my office which facilitated timely completion of this report.



**Mr. Charles E. Kichere**  
**Controller and Auditor General,**  
**The United Republic of Tanzania,**  
**March, 2020.**

## EXECUTIVE SUMMARY

Among the challenges facing Local Government Authorities in developing countries is the widening gap between availability of financial resources and Local Government Authorities spending needs. This is associated with the rapid growth of urban populations, which creates an increasing demand for public services like public infrastructures, education, health and water hence the need for sufficient funds for provision of these services. Thus, effective revenue collection is essential to ensure sustainability of provision of social services to the citizens. It is also vital for ensuring that Local Government Authorities reduce dependency on the central Government.

In Tanzania Local Government Authorities are mandated to collect revenues such as levies, fees, taxes, charges, licenses and grants depending on the availability of appropriate sources as stipulated in the Local Government Finance Act, 1982. In ensuring that Local Government Authorities meet their responsibilities, the Government of Tanzania in the last two decades did several reforms to facilitate improvement on revenue collections. Among the reforms included Local Government Reform Programme (LGRP) and Public Finances Reform Programme (PFRP).

Despite the government efforts geared towards supporting Local Government Authorities in improving their capacity to collect revenues, still there were reported challenges related to ineffectiveness in revenue collections in Local Government Authorities.

The overall objective of the audit was to assess whether the President's Office - Regional Administration and Local Government (PO-RALG) ensures that Local Government Authorities are effectively collecting revenues from their own sources so as to have sufficient funds for provision of social services in their areas of jurisdiction.

Following is a summary of major findings, conclusion and recommendations developed from this performance audit.

## **Major Findings**

### ***More than 70% of LGAs did not achieve their annual targets for revenue collections***

The audit noted that for the four financial years starting from 2015/16 to 2018/19, almost 70% of Local Government Authorities did not achieve their targets for revenue collection. On average more than 53% of Local Government Authorities recorded more than 20% variation from the set targets. This situation is despite the emphasis given to Local Government Authorities by PO-RALG that, variations in set targets and actual collection should not exceed 20% for each revenue source.

Furthermore, the audit noted a small increment of own source revenues contribution to the Local Government Authorities' budgets. From 2015/16 to 2018/19 the contribution of own source revenues decreased from 28% to 11%. This indicates that the Local Government Authorities dependency to Central Government increased tremendously because of an increased gap of funds needed in the Local Government Authorities against revenue collections from their own sources.

Limited and narrow tax base in the Local Government Authorities, while the available sources were those generating low revenues, unrealistic projections of revenue targets were among the causes for non-attainment of revenue collection targets. Moreover, inadequate supervision, failure to collect revenues to the full potentials of available sources and lack of effective strategies for expanding tax base in Local Government Authorities were also noted as contributing factors.

### ***Inadequate Capacity of LGAs to effectively collect revenues from own sources***

The audit noted that Local Government Authorities lacked adequate capacity to enable them to collect revenues effectively from their own sources. Revenue sections under the Department of Finance and Trade in Local Government Authorities had a shortage of staff ranging from 23% - 70% of the required staff. Similarly, the few available officials lacked adequate skills for projection of revenues and assessing taxes for some revenue sources such as hotels levy, service

levy etc. In addition, the officials did not have adequate knowledge and competence sufficient to enable them to operate revenue collection systems like Local Government Revenue Collection Information System (LGRSIS) and tools like Point of Sale Machines (PoS). As a result, revenue projections made were found to be inaccurate and in some cases, revenues were underestimated. Absence of regular trainings and delays in communicating changes and updates made in the local government revenues collection systems created a knowledge gap to users of revenue collection systems at Local Government Authorities.

Moreover, the audit team found out that Local Government Revenues Collection Information System and Point of Sale Machines had some anomalies. Among them but not limited to included generation of insufficient and incorrect information that can mislead decision makers; can be easily tampered with human being such as back dating and some operations such as estimation of penalties were done manually outside the system creating subjectivity. Further, revenue collection systems were not properly linked to some of Local Government Authorities' Bank Accounts, resulting into mismatch between revenue reports generated from the systems and those generated from the Bank.

The audit noted that 7 out of 12 visited Local Government Authorities were using by-laws that were not reviewed to update them with the current market rates in particular for fees and levies to be collected from market stalls. As a result, in three visited LGAs, approximately TZS 104.2 million per month were not collected due to the use of prices that were relatively lower than the market price.

Inadequate support from PO-RALG to approve and enforce the implementation of the reviewed council by-laws was among the causes. The interviewed officials also indicated that there was a delay in getting approval from PO-RALG for the developed by-laws, which sometimes took up to 6 months. Failure to review the existing by-laws has led to non-improvement on the collection of revenues from the existing sources due to use of outdated rates.

### ***Ineffective Management of Revenue Collectors by LGAs***

The audit noted that Local Government Authorities did not effectively manage revenue collectors in their respective areas. The procured revenue collectors were lacking tools for collection of revenues and competence sufficient to enable them to operate revenues collection systems and devices. This led to increased amount of defaulters due to repeated mistakes related to double transactions by the revenue collectors.

Moreover, the audit noted that Local Government Authorities did not effectively evaluate the implementation of contracts of outsourced revenue collecting agents as outlined in the Guidelines for Outsourced Revenue Collecting Agents, of 2016. In addition, Local Government Authorities did not take adequate corrective actions for the revenue collectors who underperformed. The audit noted that revenue collectors were not adhering to the terms of their contracts including non-banking of the collected revenues, remitting less amount of revenues collected and operating the Point of Sale Machines (PoS) in offline mode while Local Government Authorities did not take adequate corrective actions.

Inadequate supervision of collection of revenues and weak system for managing revenue collectors indicated by the absence of performance agreement between Local Government Authorities and revenue collectors and weak contract terms for the contracts entered with outsourced revenue collectors.

The contracts had omissions in key terms for monitoring the implementation of contracts like penalties for late submission of collected fund; lack of performance agreements between Local Government Authority and Ward Executive Officers who were responsible for collecting revenues. This situation indicates the presence of high risk for loss of revenues in the Local Government Authorities.

### ***Inadequate Monitoring & Evaluation of Performance of Regional Secretariats and LGAs by PO-RALG***

The audit noted that PO-RALG did not adequately monitor the performance of Regional Secretariats and LGAs in the collection of revenues from their own sources. The monitoring exercise carried out

by PO-RALG did not address the existing challenges hindering the capacity of Local Government Authorities to collect revenues from their own sources effectively.

Moreover, PO-RALG's monitoring reports for the financial year 2015/16 to 2018/19 from the Local Government Finance Section and Regional Secretariats were not providing comprehensive and detailed information regarding the performance of revenue collections in Local Government Authorities. Instead, the monitoring reports contain a summary of achievements of the overall revenue collection targets without any supporting explanations. It also lacked information on the performance of revenues for each source as well as the challenges associated with under-performances noted in order to allow proper actions to be taken.

Inadequate plan for monitoring revenue collections in Local Government Authorities indicates that PO-RALG did not adequately prioritize its essential role for enhancing the performance of LGAs in revenue collections.

## **General Conclusion**

The audit concludes that, President's Office - Regional Administration and Local Government (PO-RALG) did not ensure LGAs are effectively collecting revenues from own sources so as to have sufficient fund for provision of social services in their areas of jurisdictions. This is because revenue collections from own sources is associated with lack of mechanism for accurate projection of revenues targets, absence of effective strategies and plans for widening the tax base and inadequate capacity of LGAs in terms of staff with the required skills, and ineffective revenues collection systems and tools. At the same time, PO-RALG and Regional Secretariats are not effectively supervising and monitoring the performance of LGAs to improve their performance in revenues collection. Likewise, there is ineffective management of revenue collectors by LGAs.



## **Audit Recommendations**

### **Recommendations to the President's Office - Regional Administration and Local Government**

The President's Office - Regional Administration and Local Government should ensure that:

1. LGAs conduct feasibility studies for identified potential sources of revenues and use the results of the studies as a basis for setting revenues collection targets;
2. LGAs are regularly updating their database for each revenue sources and use it for setting projections for future revenue collections;
3. In collaboration with the Ministry of Finance and Planning evaluate all potential sources of revenue and re-consider the revenue targets to see if they reflect the reality;
4. Evaluate the effectiveness of the revenue collection systems and tools such as Point of Sale used for revenue collection in LGAs and address all the anomalies to ensure that these systems and tools are effectively functioning and capture all the requirements of users to ensure effective collections of revenue in LGAs;
5. Ensure that the system for collecting revenue (LGRCIS) is harmonized with other revenue collection systems such as Point of Sale machine including banks. The system should also be able to accurately and timely reflect the revenues collected and be able to produce the required reports necessary for decision making;
6. Ensure that LGAs develop effective revenue collection strategies and plans. The developed plans should also involve periodic reviews of by-laws for the available revenue sources in collaboration with all stakeholders in their areas for effective implementation; LGAs regularly evaluate the performance of contracted revenue collectors in their areas of jurisdictions and take immediate corrective actions to defaulters/underperformance;

7. LGAs have contracts or performance agreements with all revenue collectors including the outsourced agents. The contracts and performance agreements should capture all the necessary details and binding terms to enhance effective collection of revenues;
8. Regularly develop monitoring tools with sufficient details necessary for assessing the performance of Regional Secretariats and LGAs in revenue collections and use such tools to produce a comprehensive monitoring reports that is informative to allow proper corrective action and decision making; and
9. Regional Secretariats monitors the performance of LGAs on revenue collections and proactively use the results to enhance revenue collection performances in all LGAs.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

Government revenue refers to the income generated by the government through various sources inside and outside the country. This includes tax and non-tax revenues. Examples of non-tax revenue are such as fines, penalties, forfeits, settlements arising from judicial processes, income from international grants and rents dividend and interest from government owned property.

According to UN-HABITAT<sup>1</sup> the main challenges facing Local Government Authorities (LGAs) especially cities in developing countries, is the widening gap between availability of financial resources and LGAs spending needs. One of the main reasons for this increasing fiscal gap is the rapid growth of urban populations, which creates an over-increasing demand for public services, new public infrastructures and their maintenance.

Similar to other developing countries, the Local Government Authorities (LGAs) in Tanzania support public services in different areas such as in the provision of clean water, road facilities, health facilities, accessibility to clean energy and secondary school education, etc. Above all, LGAs are expected to decrease the dependence of fund injection from central government or development partners (DPs)<sup>2</sup>. Thus, effective revenue collection is essential to ensure sustainability of provision of social services to citizens.

Local Government Authorities (LGAs) are mandated to collect revenues through local taxes, levies and fees depending on the availability of appropriate sources<sup>3</sup>. The main sources of revenue in LGAs as stipulated in the Local Government Finance Act, 1982 are mainly levies, fees, taxes, charges, licenses and grants. In ensuring that LGAs meet their responsibilities, the Government of Tanzania in

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<sup>1</sup> UN-Habitat (2015); *The Challenges of Local Government Financing in Developing Countries*

<sup>2</sup> IBID

<sup>3</sup> Local Government Finance Act, 1982

the last two decades did several reforms to facilitate improvement on revenue collections in LGAs. Among the reforms included: Local Government Reform Programme (LGRP) and Public Finance Reform Programme (PFRP).

## **1.2 Motivation for the Audit**

Despite the government efforts geared towards supporting LGAs in improving their capacity to collect revenues, still there have been reported challenges related to revenue collections in LGAs. Thus the audit was motivated by the problems regarding the performance of LGAs in the collection of revenue as detailed hereunder:

***Failure of LGAs to collect more than 50% of the set target:*** Through the review of 2018/19 Second Quarter Report of the President's Office - Regional Administration and Local Government (PO-RALG)<sup>4</sup>, it was noted that LGAs were collecting less than 50% of the targeted revenues. According to the same report, LGAs planned to collect TZS 736 billion in 2018/19. However, they only managed to collect TZS 300 billion which is equivalent to only 41% of the set target. Similarly, in 2017/18 LGAs planned to collect TZS 687 billion and managed to collect TZS 281 billion only which is equivalent to 41% of the set target during that fiscal year.

***Declining Capacity to finance rising needs of social services:*** According to the paper titled 'Own Source Revenue Slippage in Tanzania's Local Government Authorities (LGAs), Trend, Challenge and Impact'<sup>5</sup>, it was reported that LGAs' financial capacities have been weakened indicated by decreasing ability to finance the rising needs of public services among Tanzanians. As a result, LGAs are experiencing poor financial capacity, limiting their capacity to serve the increasing and unlimited demands of public services to the people in their respective jurisdictions.

***It is one among the priority areas of the Government:*** It is also in line with the National Development Plan of 2015/16-2020/21, which insists on the need to strengthen the capacity of Local Government

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<sup>4</sup> Second quarter report for 2018/19

<sup>5</sup> Mbegu, S. and Komba, L. (2018); Own Source Revenue Slippage in Tanzania's Local Government Authorities (LGAs), Trend, Challenge and Impact: Evidence from Magu District Council

Authorities to mobilize resources through proper identification of potential sources and addressing the key factors undermining their capacity to collect revenues.

Moreover, it is in line with the Sustainable Development Goal Number 17, which calls for strengthening domestic resource mobilization, through international support to developing countries, improve domestic capacity for tax and other revenue collections. Therefore, improving effectiveness of LGAs in the collection of revenues from their own sources is strongly supporting the implementation of this goal, basically on domestic capacity for tax and strengthening domestic resource mobilization.

It is because of the above mentioned factors, the Controller and Auditor General decided to carry-out a performance audit on the collection of revenues from own sources in Local Government Authorities with an intention of identifying areas for further improvements.

### **1.3 Audit Design**

#### **1.3.1 Audit Objective**

The main objective of the audit was to assess whether President's Office - Regional Administration and Local Government (PO-RALG) ensures that LGAs are effectively collecting revenues from their own sources so as to have sufficient fund for provision of social services in their areas of jurisdictions.

In order to address the main audit objective, four specific audit objectives were used.

These specific audit objectives were to assess whether PO-RALG ensures that:

- a) LGAs meet set targets for the collection of revenue from their own sources;
- b) LGAs have adequate and appropriate capacity in terms of tools and human resources to facilitate revenue collections from the available revenue sources in their areas;
- c) LGAs effectively manage the outsourced revenue collections; and

- d) Performance of Regional Secretariats and LGAs on revenue collection is monitored and evaluated.

The audit questions and sub - questions used during the audit in order to answer the audit objective are presented in **Appendix 2** of this report.

### **1.3.2 Audit Scope**

President's Office - Regional Administration and Local Government (PO-RALG) was the main audited entity, since it is responsible for policy making and providing guidelines for implementing policies relating to revenue collections in LGAs. It is also responsible for facilitating capacity buildings to LGAs and Regional Secretariats (RSs) and monitoring and evaluating the system for revenue collection in LGAs. Regional Secretariats work on behalf of PO-RALG at regional level. Moreover, RSs through their Local Government Sections have the main role of managing collection of revenue in LGAs. On the other hand LGAs are responsible for ensuring revenues are effectively collected from different sources available in their areas of jurisdiction.

The audit focused mainly on the effectiveness of revenue collection from own sources in LGAs throughout the country. Specifically, the audit focused on assessing the reality of the set targets for revenue collection from own sources and capacity (in terms of tools and human resources) of LGAs to collect revenues from different sources of revenue. It also focused on the performance of LGAs in managing the revenue collecting agents. Lastly, the audit looked at the performance of PO-RALG in monitoring the performances of Regional Secretariats and LGAs on revenue collections.

The audit covered the entire country. Nevertheless, data were collected from the selected Regional Secretariats and LGAs from which the national status on the performance of LGAs in the revenue collection were drawn from.

The audit covered a period of four financial years from 2015/16 to 2018/19 in order to establish performance trend and come-up with an analysis that enabled the audit office to develop adequate conclusion based on that trend. This is also the period when collection of revenues was prioritized by establishing Local Government

Revenue Collection Information System (LGRSIS) in the country. The financial year 2015/16 was chosen as the cut off year since within this financial year, the use of Local Government Revenue Collection Information System was officially introduced in all LGAs in the country.

### **1.3.3 Audit Criteria**

In order to assess the effectiveness of LGAs to collect revenues from their own sources, assessment criteria were drawn from various sources such as legislations, guidelines, good practices and strategic plans from the audited entity. Below are the assessment criteria for each of the specific audit objective:

#### **(a) Set targets for revenue collection**

LGAs are required to set achievable targets for revenue collection by considering factors such as inflation, population growth and changes made in laws & regulations during the budget year. Targets for revenue collections should be established to all sources of revenues managed by LGAs (*Local Authority Revenue Administration Manual, 2019*)

#### **(b) Capacity of LGAs to collect revenues from own sources**

PO-RALG is required to improve on resource mobilization and strengthening financial management through planning, budgeting, monitoring and evaluation, and auditing process. It is also required to strengthen the capacity of LGAs to collect revenue from own sources by ensuring that LGAs have the required capacity in terms of skills, human resources and tools for efficient and effective revenue collections from different sources (*The Strategic Plan of PO-RALG for the year 2015/16-2020/21*)

Moreover, LGAs are required to collect revenues from their own sources using the Local Government Revenue Collections Information System (LGRSIS).

Furthermore, PO-RALG is required to provide technical support to Regional Secretariats and LGAs. The Ministry is further responsible for provision of capacity building to Local Government Authorities (LGAs)

and Regional Secretariats on matters regarding revenue collection (*Local Authority Revenue Administration Manual, 2019*)

PO-RALG is also required to capacitate Regional Secretariats and LGAs in the area of revenue collection through provision of trainings, tooling and retooling, guidelines (*Objective D of the PO-RALG Strategic plan of 2016/17- 2020/21*)

**(c) Management of Revenue Collectors**

LGAs are required to ensure that Revenue Collectors (both LGAs officials and outsourced revenue collection agents) are using electronic revenue collection devices (PoS), periodically report revenue collections using the format template issued to them by PO-RALG, issue acceptable official electronic receipts for all monies paid by the tax-payers through direct banking and e-payment system.

LGAs are further required to ensure that revenue collectors are appropriately keeping revenue collection devices (PoS) and bank deposit slips for revenue collected and banked. They are also required to deposit the collected revenues daily (during the working days) (*Local Authority Revenue Administration Manual, 2019*)

LGAs are also required to effectively administer the implementation of contracts terms in order to ensure that responsibilities of both parties are fully implemented and adhered to as stated in the laws and regulations governing revenue collections in the Local Government. They are also required to prepare a list of red flags/risks pertaining to failure to collect revenues during the implementation of the contracts and use it to evaluate each stage of implementation of contracts (*Guidelines for managing outsourced Revenue Collecting Agents, 2016*)

**(d) Monitoring and Supervision of the performance of Regional Secretariats and LGAs on revenue collections.**

Regional Secretariats are required to receive, compile and analyze financial reports relating to revenue collection in LGAs and submit them as part of advice to PO - RALG. They are also required to perform monitoring and evaluation on revenue systems at the



regional level (*Local Authority Revenue Administration Manual, 2019*)

PO-RALG is also required to provide technical advice to Regional Secretariats and LGAs scrutinizing, analyzing and consolidating Local Government Authorities' own source revenue budgets; monitoring of LGAs own source collection through Integrated Financial Management Information System (IFMIS) and Dashboard (*PO-RALG Organization Structure*)

#### **1.3.4 Methods for Sampling, Data Collection and Analysis**

Different sampling techniques, methods of data collection and analysis were used in order to realize the main objective for conducting the performance audit. Thus, the methodological approach applied in this audit is explained as follows:

##### **(a) Sampling Techniques Used**

###### *Sampling of Regions that were visited*

The audit team used multi-stage non-probability sampling techniques to select regions to be visited from the existing 26 regions in the country. These are stratified and purposeful sampling methods. First, the 26 administrative regions in Tanzania mainland were categorized based on their performance (the average achievement of revenue collection targets for four financial years that ranges from 64-100%). Regions which achieved 64- 76 % of their set targets were categorized as low performers; while those which achieved 77-87% were categorized as average performers; whereas regions which achieved 88-101% were categorized as higher performers. The detail of the categorization of the regions is presented in *Appendix 3(a)*.

The audit team selected a total six (6) regions from high, medium and low ranked performers whereby two regions were selected from each category. In addition, the audit team also took into consideration of the seven administrative geographical zones of Tanzania Mainland, and dispersion of the regions in the country.

Further, during the selection of the regions, the audit team took into considerations the type and nature of the revenue sources, to ensure that all main sources of revenues in LGAs were covered. The selected

regions were *Iringa, Kigoma, Mwanza, Dodoma, Mtwara and Dar es Salaam*.

### *Sampling of LGAs*

In each of the selected region, two LGAs were selected for comparison reasons on high and low revenue collection performance based on the percentage of achievement of the revenue set targets. Similarly, the audit team considered the categories of the LGAs to ensure that in each region one LGA with urban set up and one with rural set up are covered.

The aim of selecting these two categories of LGAs was to ensure coverage of all types of sources of revenue since in urban areas mostly service levy and business license have high contribution while in rural areas produce cess were noted to have high contributions to the LGAs' revenue.

Selection of the two categories of LGAs in the sampled regions, was also done so as to assess various challenges facing the LGAs based on their set-up. The selected LGAs are: Kinondoni MC, Kigamboni DC, Dodoma CC, Chemba DC, Iringa MC, Iringa DC, Kasulu TC, Kigoma DC, Mwanza CC, Sengerema DC, Mtwara MC and Masasi DC. The details showing the analysis of the selected regions and their respective LGAs are provided in **Appendix 3(b)**.

**Table 1.1** provides a summary of the selected regions and their respective LGAs.

**Table 1. 1: Summary of the Visited Regions and LGAs**

Administrative Zone	Selected Region		LGAs Covered	
	Name	Category of the performance in revenues Collection (High, Medium and Low)	Name	Category of LGAs Urban/Rural
Southern Highlands	Iringa	High	Iringa MC	Urban
			Iringa DC	Rural
Central	Dodoma	High	Dodoma CC	Urban
			Chemba DC	Rural
Lake	Mwanza	Medium	Mwanza CC	Urban
			Sengerema DC	Rural
Eastern	Dar es Salaam	Medium	Kinondoni MC	Urban
			Kigamboni MC	Urban
Western	Kigoma	Low	Kasulu TC	Urban
			Kigoma DC	Rural
Southern	Mtwara	Low	Masasi DC	Rural
			Mtwara MC	Urban

*Source: Auditors' Analysis, (2020)*

### **(b) Methods Used for Data Collection**

In order to gather reliable and sufficient audit evidences for answering audit questions, the audit team used two methods of data collection namely, desk review and interviews. These are detailed below:

#### ***Documents/ Desk Review***

The audit team reviewed various documents from the President's Office - Regional Administration and Local Government, selected Regional Secretariats and Local Government Authorities. The reviews of documents were done in order to verify the information collected through interviews.

The review focused mainly on documents relating to planning, performance as well as monitoring and evaluation reports containing information within the selected audit timelines that falls from the

financial years 2015/16 to 2018/19. These documents included: (1) Planning documents (2) Performance and progress reports (3) Monitoring Reports and other relevant reports. The list of key documents reviewed is as **Appendix 4**.

### ***Interviews***

The audit team conducted interviews with officials from PO-RALG, 5 selected regional secretariats and 10 LGAs. Interviews were conducted for the purposes of obtaining more information on the current and previous performance of LGAs in the collection of revenue. Interviews were also used as a means of getting more clarifications on the information obtained through reviewed documents. The details of officials interviewed are as detailed in **Appendix 5**.

### **(c) Methods Used for Data Analysis**

The audit team used different techniques to analyze the obtained qualitative and quantitative data from interviews and reviewed documents using different methods as detailed hereunder:

- a) Descriptive analysis whereby the obtained data were presented using pie chart, bar graph and tabulated in tables; and
- b) Trends analysis whereby the audit team analyzed the trends of given data in different years to check whether the issue to be analyzed was decreasing, increasing and to see whether there were some patterns in the data or relationships in the objects analyzed.

Qualitative data obtained from interviews and document reviews were analyzed by compiling, comparing them so as to obtain adequate conclusion based on objectives of this audit exercise.

Moreover, the obtained qualitative data were transformed into quantitative data by analyzing the interviews or documents reviewed and see its recurrence or frequency. Thereafter these data were expressed in terms of percentages or descriptive statistics.

## 1.4 Data Validation Process

The President's Office - Regional Administration and Local Government, which is directly concerned with this report, was given the opportunity to go through the draft report and commented on the figures and information being presented. They confirmed on the accuracy of the figures used and information presented in this audit report.

Furthermore, the information was cross-checked and discussed with subject matter experts with background on the revenue management to ensure validity of the information obtained and presented in the audit report.

## 1.5 Standards used for the Audit

The audit was done in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) on Performance Audit issued by the International Organization of Supreme Audit Institutions (INTOSAI).

These standards require that audit is planned and performed in order to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusion based on audit objectives.

## 1.6 Structure of the audit report

**Chapter two:** Presents the description of the system and processes involved in managing revenue collection in LGAs

**Chapter three:** presents the audit findings based on the audit questions that focused on the effectiveness to collect revenue from Own sources in LGAs

**Chapter four:** provides the overall conclusion and specific conclusions of the audit based on audit objective and specific audit objectives

**Chapter five:** outlines the audit recommendations in order to improve the current situations on collection of revenue from own sources in LGAs

## **CHAPTER TWO**

### **SYSTEM FOR MANAGING REVENUE COLLECTIONS IN LGAs**

#### **2.1 Introduction**

This chapter describes the system for revenues collection from own sources in Local Government Authorities. It presents the governing legislations, the roles and responsibilities of key players in the collection of revenues in LGAs. It also describes the process for managing revenues collection in LGAs.

#### **2.2 Governing Legislations and Regulations**

##### **2. 2.1 Governing Laws on the Collection of Revenue in LGAs**

###### **(a) *Local Government Finance Act, 1982***

The Local Government Finance Act, 1982 states the types of non-taxes which can be administered by LGAs. Moreover, the Act gives LGAs mandate to formulate by-laws for establishing other sources of revenues in their respective areas of jurisdictions. It also requires LGAs to maintain well, regularly update and implement the developed by-laws. Section 13(1) of this Act gives mandate to LGAs to establish rates for imposing non- taxes in their areas of jurisdictions. Specifically, the mandate for District Council and Urban Authorities are stated in Sections 6(3) and 7(2) of the Act respectively. Both Sections intend to ensure that each authority formulate by-laws for imposing taxes to local communities depending to identified sources of revenue.

The types of non-taxes as per the Act includes fees for licenses granted within the Local Government Authorities, money derived from registration of taxi-cabs and commuter buses; fees for licenses granted under the Business Licensing Act, 1972; revenue collected under the Road Traffic Act, 1973 in respect of vehicles which are ordinarily housed or kept within the area of Local Government Authorities. It also includes fees for licenses granted under the Intoxicating Liquors Act, 1968; fees in respect of theatres or other places of public entertainment granted under the Films and Stage Plays Act, 1976; all money derived from fees for licenses permits.

Other types of non-taxes are dues or other charges payable pursuant to the provisions of any by-law made by the urban authority; all money derived from fines imposed by, or the value of all things and articles forfeited as a result of an order of any court as per provision of the Act etc.

### **(b) *Business Licensing Act, 1972***

This Act is an important document guiding collection of non-tax revenues from businesses especially in urban areas whereby business license contributes higher amount of revenue in LGAs. It spells-out key issues such as validity of the license, descriptions of license fee, penalty for failure to take out license in time; rights to appeal by a person in relation to licensing fee, and a person who is ineligible to acquire a business license.

#### **2.2.2 *By-laws at LGAs***

LGAs have been given the mandate to formulate by-laws by Sections 6(3) and 7(2) of Local Government Finance Act. The by-laws provide guidelines on collections of revenues from available sources in respective LGAs. They provide legal ways and means for collecting non-tax revenues that include sanctions, penalties for none or late payment, various rates for different services offered by the LGAs as well as those for produce cess among others.

#### **2.2.3 *Guidelines***

##### ***Guidelines for outsourcing revenue collection to collecting agents in LGAs, 2016***

The guidelines for outsourcing revenue collection to collecting agents in LGAs was issued in June, 2016 by the President's Office - Regional Administration and Local Government in collaboration with the Public Procurement Regulatory Authority.

The guidelines describe key factors and steps which LGAs need to take into account when outsourcing revenue collection to collecting agents. It outlines the required procurement process and procedures for outsourcing revenue collection and the key issues to consider during supervision of outsourced revenue collection. The guidelines also describes the importance of strengthening the system for

monitoring collection of revenue and a guide on how to develop and strengthen by-laws for enforcing collection of revenues in LGAs.

***Local Authority Revenue Administration Manual, 2019***

The manual describes key considerations regarding collection of revenue throughout the country. Among the key considerations is the description on the roles and responsibilities of Ministries and LGAs' Departments in the collection of revenues. It further spells out the procedures for the collection of revenues including the available controlling mechanisms when collecting revenues.

***Local Authority Financial Memorandum, 2009***

The memorandum describes the important aspects on the operationalization of LGA's bank accounts. It includes the responsibility of individuals for signing cheque, and the general operations of the LGAs bank account. Moreover, it spells out the requirements for all monies received in Local Government Authorities to be paid into the Local Government Authority's bank accounts daily or the next working day.

***Local Authority Accounting Manual, 2019***

The manual describes important issues on accounting procedures. It includes the oversight bodies which are responsible for internal controls, risk management and fraud risk management. It further describes the responsibilities of key officials at LGAs including the authorization of financial transactions. Furthermore, the manual describes the revenue/income budget by stating important things to consider during budgeting such as: approval of sources of revenue by the council by-laws; collection trends; yields from each source and the cost involved in collecting each type of income.



## **2.2.4 Strategies and Plans**

### ***National Development Plan of 2016/17-2020/21***

The National Development Plan<sup>6</sup> insists on the need to strengthen the capacity of the Local Governments to mobilize resources through proper identification of potential sources for local revenues and addressing key factors undermining their capacities to collect. In this plan, one of the strategies was to build and maintain the technical and professional capacity to operate and maintain the ICT revenue collection systems at local and central level.

### ***PO-RALG Strategic Plan of 2015/16-2020/21***

The PO-RALG strategic plan for the year 2015/16-2020/21, emphasizes on improving resources mobilization and strengthening financial management through planning, budgeting, monitoring and evaluation and auditing process. Further, the plan indicates measure which aim at ensuring aggregate fiscal discipline, accountability, allocating resources according to Government priorities in order to provide efficient and quality services.

Among the described strategies in the plan include, to enhance resources mobilization and equitable allocation of funds; strengthen LGAs own source collection of funds from own sources; ensure availability of effective internal audit mechanisms; and enhance efficiency, transparency and accountability of public funds.

## **2.3 Key Players and their Responsibilities**

### **2.3.1 Role of Key Players**

The key actor responsible for managing revenue collection in LGAs is the PO-RALG through Regional Secretariats and LGAs. The roles for each one of the identified key actors are briefly explained below:

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<sup>6</sup> 2016/17-2020/21 page 53

**(a) President's Office - Regional Administration and Local Government**

PO-RALG through its Finance Section under the Local Government Division is responsible for ensuring effective revenue collection in LGAs. According to Local Authority Revenue Administrative Manual<sup>7</sup>, PO-RALG is responsible for:

- (i) making policy and providing guidance through circulars, manuals, guidelines on implementing the policies relating to revenue matters;
- (ii) setting standards including quality assurance relating to revenue in LGAs;
- (iii) providing technical advice/support to Regional Secretariats and LGAs whenever needed;
- (iv) facilitating capacity building to LGAs and Regional Secretariat;
- (v) performing monitoring and evaluation on revenue system in LGAs;
- (vi) facilitating approval of LGA's by-laws;
- (vii) ensuring proper management of the finances of the LGAs; and
- (viii) altering any item of revenue sources after consultation with other stakeholders.

In discharging these roles, the Finance Section and Regional Administration Division oversee it on behalf of PO - RALG. Their roles are described below:

***Regional Administration Division***

The division has the objective of building capacity of regional administration, coordinate and monitor regional affairs and support provided to LGAs by Regional Secretariats. The main functions include building capacity in the regional administration to Regional Commissioners, Regional Administrative Secretaries, District Administrative Secretaries and LGAs officials. It is also responsible for coordinating and monitoring Government activities in the regions.

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<sup>7</sup> Issued by PO – RALG, April, 2019

## ***Finance Section***

This section plays an important role in enhancing revenue collection in LGAs. According to PO-RALG functions and organization structure, its roles among others include to: provide technical advice to RSs and LGAs at all times; scrutinizing, analyzing and consolidating Local Government Authorities' own source revenue budgets; monitoring of LGAs own source collection through Integrated Financial Management Information System (IFMIS), and dashboard; etc.

### **(b) Regional Secretariat**

The Regional Secretariat works on behalf of PO-RALG at regional level. The Regional Secretariat (RS) through its Local Government Section has the main role of managing revenues collection activities in LGAs. Similarly, its Internal Audit Unit is responsible for monitoring activities in Local Governments while the ICT Unit provides support in monitoring the system for collecting revenues in LGAs.

According to Local Authority Revenue Administrative Manual<sup>8</sup> the roles of RS includes provision of technical backstopping on revenue matters to LGAs, including interpretation of relevant policies on revenues, capacity building to LGAs aimed at enhancing knowledge, skill, professionalism and overall understanding of revenue matters. It is responsible for scrutinizing LGAs plans and budgets at regional level; receiving, compiling and analyzing financial reports relating to revenue collection in LGAs and submitting them as part of advice to PO - RALG; and performing monitoring and evaluation on revenue systems at the regional level.

### **(c) Local Government Authorities (LGAs)**

Local Government Authorities are responsible for collecting revenues in their areas of jurisdictions including formulating by-laws for establishing other sources of revenue as specified in Local Government Finance Act, 1982. At LGA, the main department responsible for managing revenue collection is the department of Finance and Trade. Specifically, Revenue Section is responsible for collection of revenues in the LGA.

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<sup>8</sup> Issued by PO – RALG, April, 2019

According to Local Authority Revenue Administrative Manual, 2019<sup>9</sup> LGAs through their revenue committees are responsible for preparing and reviewing LGA's revenue enhancement strategies; monitoring revenue collection system and evaluating monthly revenue sources vis-à-vis budget. They are also responsible for assessing and appraising the performance of revenue collection agents and preparing outsourcing terms of reference.

#### **(d) Ministry of Finance and Planning (MoFP)**

According to Section 10 of the Budget Act 2015, the Minister of Finance and Planning is responsible for revenue estimates. In this regard, MoFP has been given mandate to set ceiling of projection of revenue from own sources in LGAs.

Additionally, according to Section 59 (2) of the Budget Act, the Minister (through Ministry of Finance and Planning) is responsible to manage and set principles for planning and searching existing and potential sources of revenue, establishing a mechanism and cut off points in receiving proposals for revenue measures, develop revenue measures for government budget; and promote and enforce transparency.

### **2.3.2 Roles of Other Stakeholders**

Other stakeholders involved in the revenue collection include tax payers and revenue collectors. Their roles are described hereunder:

#### **Taxpayers**

Taxpayers play an important role in ensuring that LGAs obtain planned revenue from their own sources. The willingness to pay by taxpayers has a positive effect on collection of revenue in LGAs. In this regard, the relationship between taxpayers and LGAs officials who are responsible for collecting revenue is very crucial. It is through mutual agreements (without breaking any of the provisions of the statute, guidelines or by-laws) on the tax to be paid is when the tax can be collected without difficulties.

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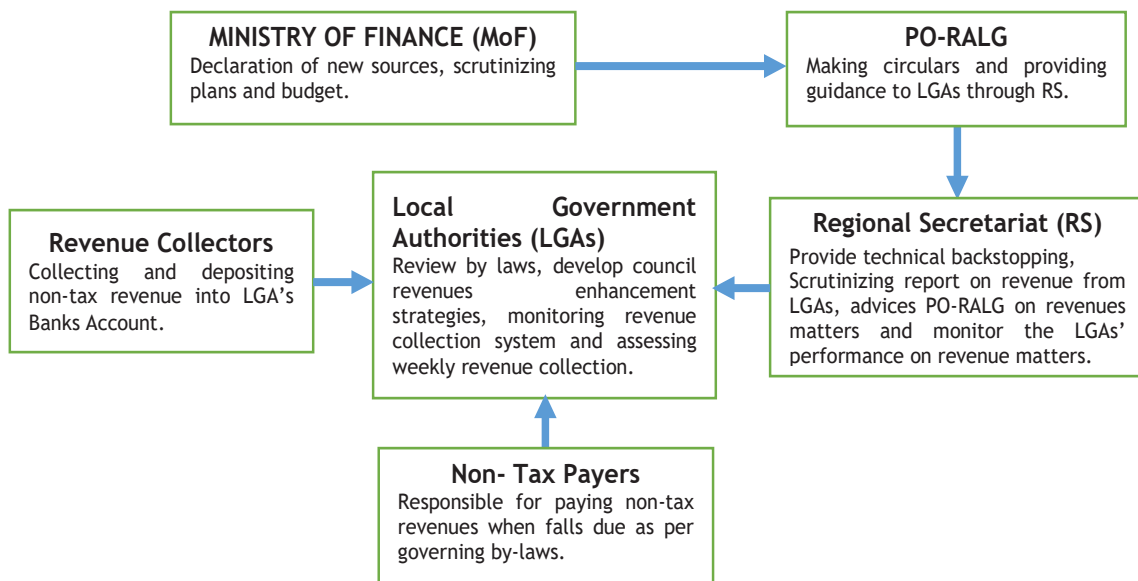
<sup>9</sup> Issued by PO – RALG, April, 2019

## Revenue Collectors

According to Section 29 of Local Government Finance Act, 1982, Revenue Collectors, be either LGAs officials or outsourced revenue collecting agents have the responsibility to:

- (a) collect revenue using electronic revenue collection machines;
- (b) periodically report on revenue collections as per reporting template in the revenue collection manual;
- (c) ensure all collected revenue are appropriately banked in the designated bank LGAs' bank accounts and recorded in books of accounts within electronic revenue collection system; and
- (d) ensure safe keeping of revenue collection devices (POS), bank deposit receipts of revenue collected and banked.

Figure 2.1 present the summarized relationship of the stakeholders described above.



**Figure 2. 1 : Summarized Roles and responsibilities of key stakeholders**

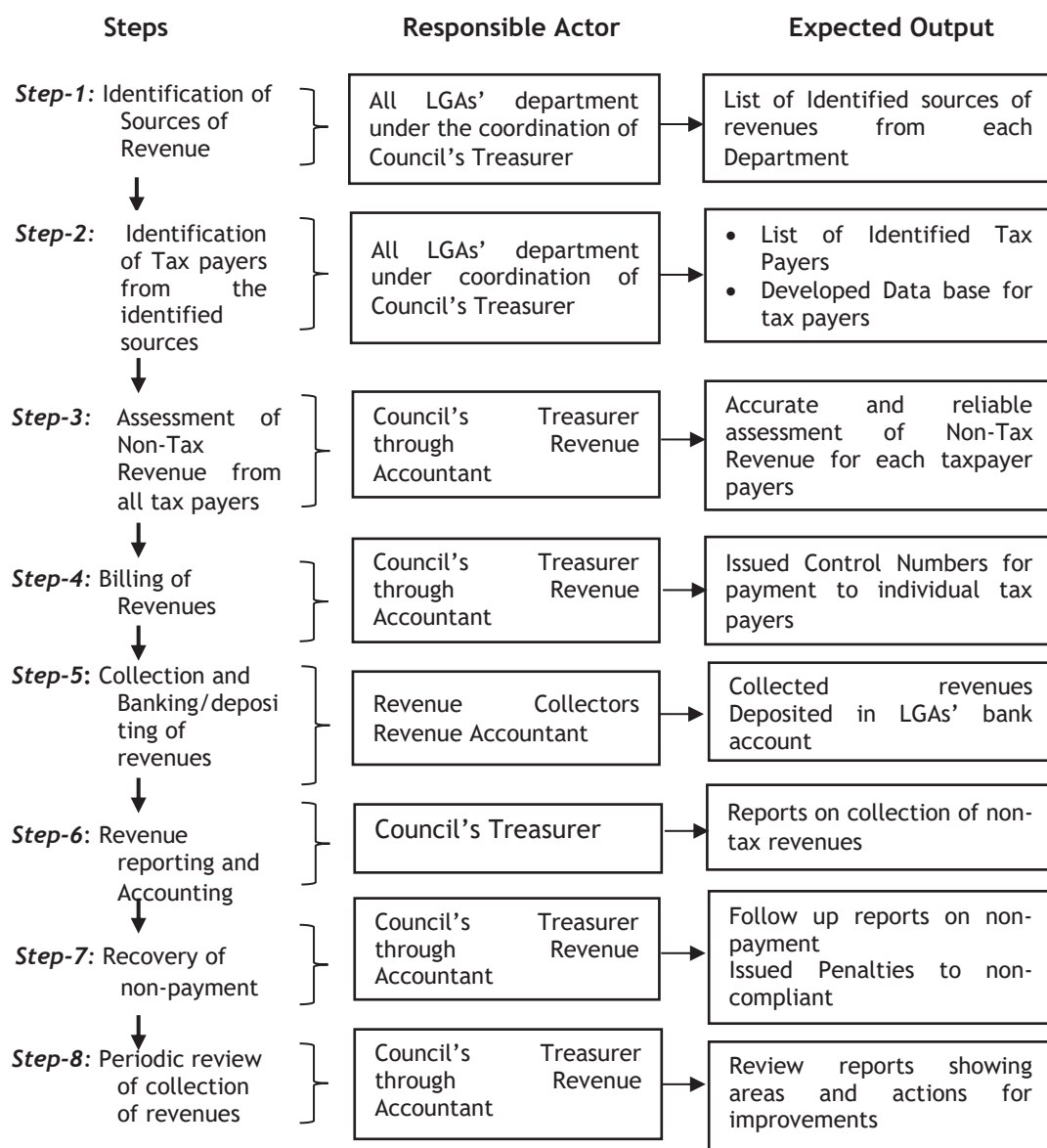
*Source: Auditors' analysis of information obtained from Revenue Guidelines Documents, 2020*

## **2.4 Process for Collection of Revenue in Local Government Authorities <sup>10</sup>**

According to the Local Authority Revenue Administration Manual, 2019, the collection of revenue in LGAs involves mainly eight steps/stages. These include identification of revenue sources, identification of tax payers, assessment and billing of revenues. Other steps are collection and banking/depositing of revenue, revenue reporting and accounting, recovery of non-payment and periodic review of collection procedures. Summarized processes, responsible actor(s) and the expected output(s) are as presented in **Figure 2.2**

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<sup>10</sup>



**Figure 2. 2: Actors and Expected Output(s) for each Revenue Collection Step in LGAs**

*Source: Local Authority Revenue Administration Manual, 2019*

The detailed explanations of each of the 8 steps for revenue collection in LGAs are provided below:

## ***Identification of Sources of Revenue***

According to Local Authority Revenue Administration Manual, 2019 LGAs are required to make sure that all actual and potential sources of revenue are identified and record of the same kept in accordance with major grouping as per laws and guidelines.

The sources are grouped into two main groups. One group is for groups falling within database of taxpayers, which are usually more certain and have clear collecting procedures. These sources are like hotel levy, business license, service levy, land sales, liquor license etc. The other group is revenue from miscellaneous sources; those which are not certain, on the probable amount, they only depend on number of taxpayer for a particular day e.g., produce cess, penalties and fines.

## ***Identification of Taxpayers***

LGAs are required to maintain updated electronic taxpayers' register for all sources of revenue and ensure all revenues are collected using an electronic revenue collection management system. The identification of taxpayers is necessary for making accurate and realistic revenue projections or estimations and periodically updating taxpayers' database.

## ***Assessment of Revenue***

Prior to identification of taxpayers, assessment of non-tax should be done. The nature, description and basis of assessment of various non-tax revenue sources shall be as per respective guidelines and Acts.

## ***Billing of Revenue***

After tax/revenue assessment by an assessor, the notification for payment of tax and revenue due from taxpayers is generated from the LGAs revenue collection system linked up with LGAs revenue accounting system (Epicor/IFMIS).

The taxpayer is required to pay the amount due direct to LGAs bank or e-payment. The taxpayers' records in the billing system will automatically be updated once the payment is effected by the



taxpayer. LGAs are required to ensure that all records are well-kept for easier management of non-payers or defaulters.

### ***Collection and banking/depositing of collected revenues***

Revenue collection and depositing involves interaction between taxpayers, revenue collectors, revenue collection office and commercial banks. The collection of revenue is done using the electronic system, electronic receipt is then issued. The revenue collector is required to ensure taxpayer pay non-tax direct to the LGA bank collection account or e-payment platform approved by LGAs. According to this Manual, revenue/ tax collectors working on behalf of the LGAs, after receiving the money, they are required to deposit into the LGAs bank accounts daily or in the next working day.

### ***Revenue reporting and Accounting***

In reporting and accounting, preparation of reports is required to utilize IFMIS/Epicor accounting system linked with the electronic revenue collection management system approved by PO-RALG. Further, the revenue collection manual insisted manual accounting system should only be applied as a back up to the electronic accounting system.

The LGA's revenue collection exercise must result into production and submission of revenue reports to various internal and external users as per laid down requirements. Some key reports generated through electronic revenue collection system includes collection milestones, collection by source of revenues, budgeted-profiled targets of collection per quarter for each source of income and list of defaulters.

### ***Recovery of non-payment***

In the recovery of non-payment, LGAs are required to notify a taxpayer on the amount due and due date. In case the taxpayer fails to comply with the notice, LGAs are required to invoke a penalty clause for non-payment and enforce recovery of the amount due. This is as per part III, Local Government Financial Act (1982) as revised 2002 Section 23 and the enforcement mechanism for payment of due taxes as prescribed in part III Section 22 and 33 of the same Act.

## ***Periodic review of collection procedures***

According to revenue collection manual, LGAs were required to review the whole process for collecting revenue periodically to find areas for improvement. They are also required to take appropriate actions for noted non-performed activity in the process including alternative ways for improving performance.

## **2.5 Resources for Managing Revenue Collection in LGAs**

Effective management of revenue collection in LGAs requires both financial and human resources. Details for allocated resources in each of the key stakeholders is as outlined hereunder:

### **2.5.1 Financial Resources**

#### ***Funding of activities at Local Government Finance Section in PO - RALG***

**Table 2.1** hereunder shows the budget from both the Government of Tanzania and Development Partners to Finance Section within the Local Government Division in PO - RALG. The budget covers the period of four years.

**Table 2. 1: Planned and Allocated Budget for period 2014/15 - 2018/19 (Figures in TZS million)**

Item	2015/16	2016/17	2017/18	2018/19
<b>Development Partners</b>				
Planned	395	395	378	2,135
Actual	395	395	378	2,135
Actual Percentage Released (%)	100	100	100	100
<b>Government of Tanzania</b>				
Planned	32	49	31	220
Actual	11	14	11	20
Actual Percentage Released (%)	34	28	35	9

*Source: Public Financial Management Reform Programmer's Plans and Budgets for year 2015/16-2018/19*

**Table 2.1** above shows that for the last four years, the sections received 100% of the budget from the development partners. The budget from development partners was specific for strengthening capacity of LGAs to collect revenues.

Budget disbursed by the Government of Tanzania, was below 40% for the whole period of four years. The worst scenario was in the financial year 2018/19 when the disbursed amount was only 9% of the planned budget.

### ***Funding of activities at Regional Secretariats***

Up to the time this audit report was finalized, PO-RALG was not able to provide to the audit team the budgeted and allocated funds to all Regional Secretariats in the country over the 4 financial years audit coverage period (i.e. from 2015/16 to 2018/19). Thus, the audit team was not able to establish the trend of the financial resources allocated to the Regional Secretariats for managing revenue collection in LGAs.

### ***Funding of activities at Local Government Authorities - Finance and Trade Department***

Table 2.2 provides the trend of budget and actual funds allocated to this Department from 2015/16 to 2018/19.

**Table 2. 2: Allocated budget for the Finance and Trade Department in all LGAs**

	Amount in billion-TZS			
	2015/16	2016/17	2017/18	2018/19
Planned/Budget	50	44	68	83
Actual	32	34	47	56
Percent allocated (%)	64	77	69	67

*Source: Budget books, President's Office - Regional Administration and Local Government*

Table 2.2 shows that for all four financial years under the audit, the budget disbursed was less than 80%. Similarly, trend analysis shows that percentage allocated has been declining for the last three financial years; decreasing from 77% to 67% in the year 2015/16 and 2018/19 respectively.

## 2.5.2 Human Resources

### (a) *Human Resources at Local Government Department at PO-RALG*

The current status of allocated staff responsible for monitoring activities performed by LGAs on the collection of revenues from own sources under the Local Government Department through its Finance Section is as detailed in **Table 2.4**.

**Table 2. 3: Human resources at Finance Section of Local Government Department at PO-RALG**

Professional	Required	Available	Gap
Assistant Director	1	1	0
Principal Accountant	3	2	1
Senior Accountant	3	2	1
Senior Finance Management Officer	1	1	0
Financial Management Officer	2	2	0
Accountant I	10	8	2
Accountant II	2	2	0
<b>Total</b>	<b>22</b>	<b>18</b>	<b>4</b>

*Source: Personnel Enrolment of staff from the President's Office - Regional Administration and Local Government (2019)*

**Table 2.3** shows the status of human resources for the Finance Section of the Local Government Division at PO-RALG that has a deficit of 4 out of 22 required human resources, equivalent to 18%.

### (b) *Human resources at the Regional Secretariat - Assistant RAS-Local Government Section*

In performing the monitoring and evaluation of LGAs on revenue matters at regional level, Regional Secretariat requires different professionals. **Table 2.4** shows the status of human resources available at the Regional Secretariats for the 26 regions in Tanzania mainland.

**Table 2. 4: Status of required professionals in Regional Secretariats in the country**

Required Profession	Required Number	Available Number	% Gap
Assistant RAS Local Government	26	24	8
Financial Management Officers	52	29	44
Internal Auditors	52	21	60
<b>Total</b>	<b>130</b>	<b>74</b>	<b>43</b>

*Source: Personnel Enrolment of staff from the President's Office - Regional Administration and Local Government (2019)*

**Table 2.4** shows that in total there is a shortage of 56 out of 130 required human resources, equivalent to 43%

**(c) Human resources at Local Government Authorities - Finance and Trade Department- all LGAs**

The Finance and Trade Department in LGAs require different professionals mainly Accountants, Trade Officers and ICT officers. These officials are highly involved in the collection of revenue from own sources in their respective LGAs. However, PO-RALG was not able to provide the statistics on the required and available number of Accountants, Trade Officers and ICT Officers responsible for the collection of revenues from own sources in all LGAs. PO-RALG officials stated that, they do not track and keep staffing record for LGAs.

## CHAPTER THREE

### AUDIT FINDINGS

#### 3.1 Introduction

This chapter presents findings of the audit which address audit objectives and corresponding audit questions outlined in Section 1.3.1 of this report. The audit findings focused on the effectiveness of revenue collections from own sources in LGAs.

Below are the detailed findings for each of the four sub-audit objective:

#### 3.2 Extent of Effectiveness of Revenue Collections from own Sources in LGAs

***To what extent LGAs are effectively collecting revenues from their own sources?***

According to PO-RALG's strategic plan 2015/16-2020/21, the President's Office - Regional Administrative and Local Government Authorities was required to strengthen the capacity of LGAs to collect revenues from their own sources. This was to ensure that LGAs are effectively collecting revenues from their own sources.

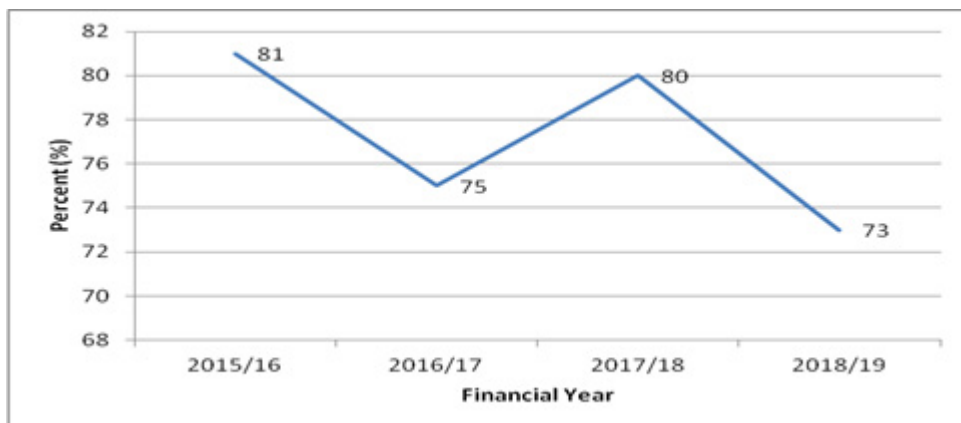
Through the review of revenues performance reports from PO-RALG, visited Regional Secretariats and their respective LGAs; the audit noted that, LGAs were not effective in the collection of revenues from their own sources. This was indicated by non-attainment of revenue collection targets and low contributions of revenue collected from own source to the total LGAs' budget needed for the provision of social services. The details are as presented in the subsequent subsections:

##### 3.2.1 Non-attainment of Targets for Revenue Collection by LGAs

PO-RALG was required to ensure that LGAs achieve their annual targets for revenue collections. However, the reviewed revenue performance reports from PO - RALG, indicated that LGAs did not achieve their annual targets for revenue collections as detailed hereunder:

### ***More than 70% of LGAs did not achieve their annual targets for revenue collections***

The audit noted that substantial number of LGAs did not achieve their targets for annual revenue collections. **Figure 3.1** presents the percentage of LGAs that achieved their revenue collection targets from financial year 2015/16 to 2018/19.



**Figure 3. 1: Percent of LGAs that did not achieve targets for Revenue Collections**

*Source: Reports on the collection of Revenue-President's Office - Regional-Administration and Local Government*

**Figure 3.1** above shows that, for the four financial years covered in this audit, more than 70% of the LGAs in the country did not achieve their revenue collection targets. The highest percentage achievement was noted in the financial year 2015/16, where 81% of the LGAs managed to achieve their annual revenues collection targets. The minimum percentage was in the financial year 2018/19 in which 73% of the LGAs did not achieve their targets for revenue collections.

Furthermore, the percent of LGAs that did not achieve targets for revenues collection increased from 75% in 2016/17 to 80% in 2017/18. This was caused by shifting collection of property tax from LGAs to TRA. The property tax, which was among the major sources of revenue in the LGAs was already included in the LGAs' plan and budget for year 2017/18 and no adjustment was made to the budget. It was further noted that, the percentage of LGAs achieving revenue

collection targets decrease from 80% in 2017/18 to 73% in 2018/19 even though the property tax was not included in the budget for 2018/19.

The same was noted through our analysis of the information obtained from revenues performance reports; which showed a significant variation between actual and set targets for various sources of revenues. This is despite the emphasis given to LGAs by PO - RALG insisting that the variation of set targets and actual revenue collection should not exceed 20% for each source of revenue.

For the period of four financial years covered by the audit, on average more than 53% of LGAs had significant variations from the set targets, as indicated in **Table 3.1** below:

**Table 3. 1: Variation of target versus actual revenues collected in LGAs**

Range of Variations from the target in %age	Number of LGAs			
	2015/16	2016/17	2017/18	2018/19
0-20	80	89	73	96
21-40	48	60	68	57
41 and above	39	36	44	32
Total No. of LGAs	167	185	185	185
% of LGAs deviated above 20%	52	52	61	48

*Source: Auditors' analysis of revenue data from PO - RALG for financial year 2015/16-2018/19*

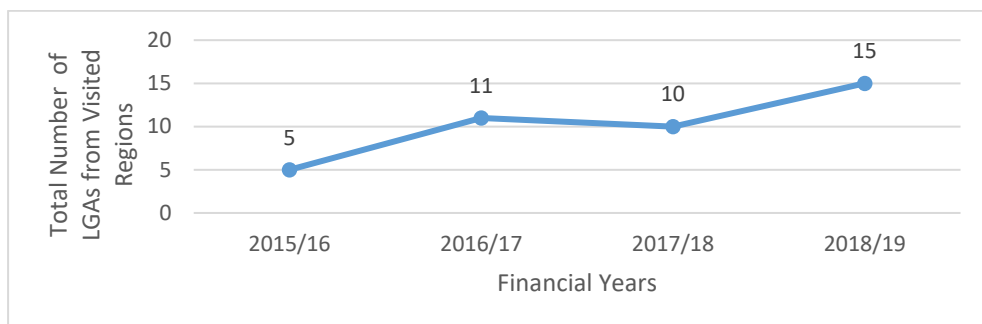
**Table 3.1** shows that, on average 53% of LGAs had percentage variations of above 20% between actual and target. The trend shows some improvements in revenue collections when the last two financial years are compared. The number of LGAs with lower variations increased while for those with huge variations decreased.

The improvement was mainly associated with the action taken by PO-RALG to all Council Executive Directors who did not achieve the targets for revenue collections in 2017/18 such as requiring them to provide a written explanation to the Permanent Secretary. It was also during this period, PO-RALG through its Finance Section managed to resolve conflict in some LGAs, and enabled them to collect service levy from Gold mines available in their areas e.g. in Geita TC and Geita DC.



***Out of 44 LGAs in the 6 sampled regions 15 did not achieve their targets for revenue collection***

Similar analysis was done for the six visited regions, where a number of LGAs that met targets for revenue collections were analyzed. The result is as presented in **Figure 3.2 below:**



**Figure 3. 2: Number of LGAs that met revenue collection targets in the visited regions**

*Source: Auditors' analysis of revenue collection performance reports of the respected Visited Regions, 2020*

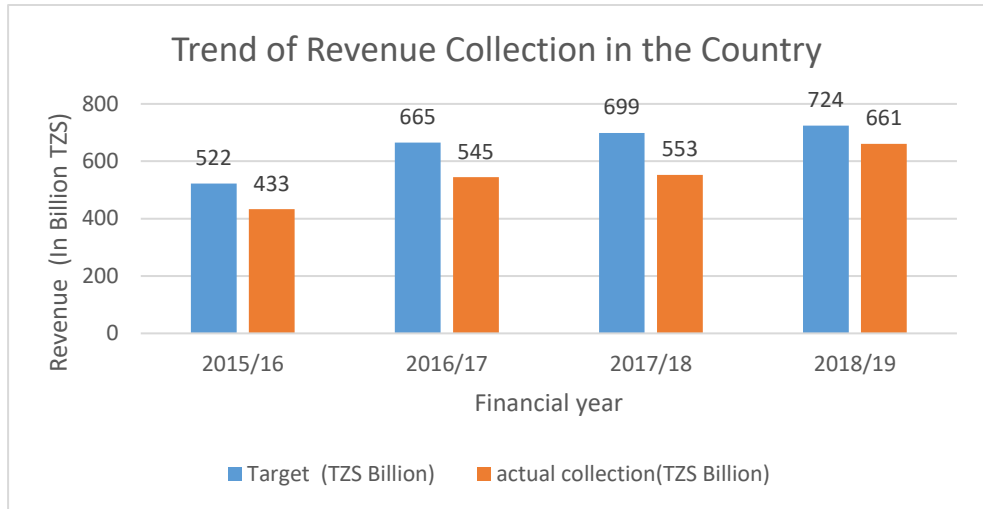
**Figure 3.2** shows that from 2015/16 the number of LGAs that met their targets for revenue collection increased from five to 15 in the year 2018/19. However, in the four consecutive financial years, the maximum number of LGAs which met targets of their revenues collection were 15 out of 44 equivalent to 34%. In the year 2015/16, few LGAs (5 out of 44) did not achieve target.

Similarly, from 2017/18 to 2018/19 there was noted increase of a number of LGAs that met their annual revenue collection target. This result shows that LGAs took into account the shifted source of revenue to TRA and therefore set more realistic projections.

Nevertheless, officials from PO-RALG indicated that to a larger extent LGAs have not managed to set realistic revenues collection targets. The interviewed officials from the visited RS and LGAs also confirmed this by indicating that the set targets either were under or over estimated.

### ***Significant Low Increment of Amount of Revenue Collected***

Further analysis done on the trends on the collection of revenue for the four financial years from 2015/16 to 2018/19 is as shown in the Figure 3.3 hereunder:



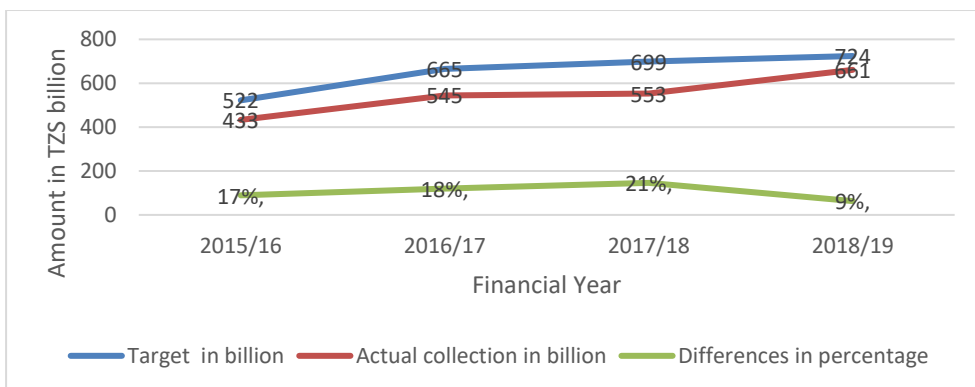
**Figure 3. 3: Target Vs actual amount of revenues collected in LGAs**

*Source: Report on collection of Revenue 2017/ 18-President's Office - Regional Administration and Local Government*

Figure 3.3 above shows that the trend for revenue collection was increasing for the past four financial years under the audit. Although the trend was noted to increase, there was slightly increase between 2016/17 to 2017/18 due to shifting of a property tax from LGAs to TRA.

### ***Increased variation between the set target and actual revenue collected by LGAs***

Reviewed annual statistics of revenue collections, indicated an increase of variation between set target and actual amount of revenues collected. The trend of variation is as shown in Figure 3.4 hereunder:



**Figure 3. 4: Trend of Target versus Actual Revenue Collected by LGAs**

*Source: Report on collection of Revenue 2017/18-President's Office - Regional Administration and Local Government*

**Figure 3.4** above shows that from 2015/16 the percentage difference decreased from 17% to 9% in 2018/19. However, actual amount of revenues collected in all LGAs were below the projected/targeted amount. The percentage difference increased from 17% in 2015/16 to 20% in 2017/18. The increase was associated with shifting sources of revenues like property tax and bill board from LGAs to TRA and TARURA without taking into account the fact that LGAs have included those sources in their annual budget plans. Moreover, in 2018/19 percentage difference decreased to 9%, as there was improvement since LGAs improved their projections by taking into considerations of the shifted revenue sources in their budget. Uses of PoS and LGRCIS also contributed to improved projections.

LGAs were not meeting the set targets for all the four years under the audit due to inadequate supervision, failure to collect revenue to the full potentials of available sources and setting of unrealistic targets and inadequate capacity in terms human resources and effective tools for revenue collection. For detailed information, see **Section 3.3 to 3.6** of this report.

The analysis of the extent of variations was made for the six visited regions and their respective LGAs, where it was noted that the set targets for revenue collections at regional and LGA levels were not met. Our analysis indicated that 20 out of 44 LGAs in the visited

regions had variation higher than 20%. This is despite that in 2017/18, PO-RALG required LGAs to ensure that deviation of revenues collection from their set targets do not exceed 20% for all revenue sources.

The details of the average percentage variations from the targets for revenue collection in the visited regions is as presented in **Table 3.2** below:

**Table 3. 2: Percentage of LGAs with variation greater 20% from the target**

Visited Regions	Range of the percentage Variation	
	21-40	41-60
Dar es Salaam	33	0
Dodoma	38	0
Iringa	20	0
Kigoma	38	13
Mtwara	22	22
Mwanza	50	0

*Source: Auditors' Analysis of Extracted revenue statistics from individual Regional Annual revenue performance reports, 2020*

**Table 3.2** shows that most of the LGAs had a variation falling between 21 to 40%. It also shows that 13% and 22% of LGAs from Kigoma and Mtwara regions respectively had variation ranging from 41 - 60 % from the target. For detailed information, see **Appendix 6**.

### ***Inconsistent reporting on the performance of revenue collection by PO-RALG***

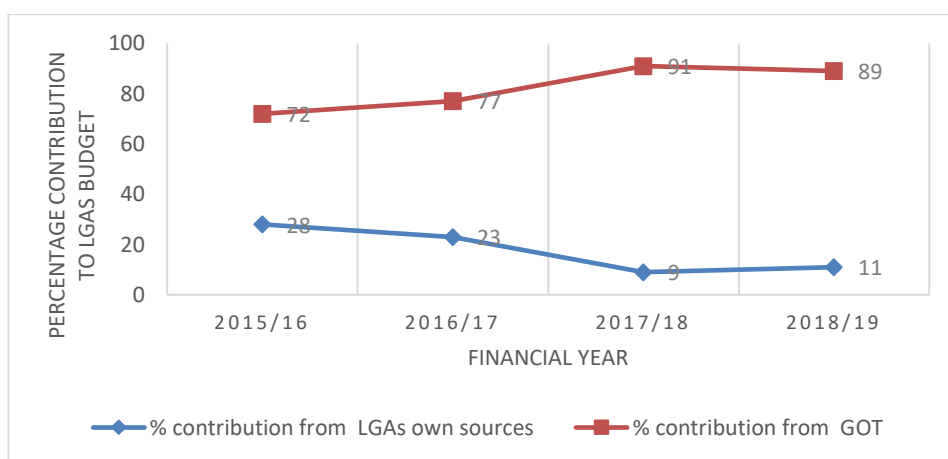
The reviewed semi-annual report on the revenue collection performance and the annual reports for year 2018/19, indicated that the performances were analyzed using different targets for revenue collection. The semi-annual performance was measured against the approved budget of TZS 735 billion, while the annual performance was measured against TZS 724 billion, which is less than the approved budget. As a result, the annual performance was 91%. This was supposed to be 90% had it been measured against the approved budgets.

### 3.2.2 Small Increments of own source revenues contribution to the LGAs' Budget

***Has the funding for provision of social services in LGAs from own sources revenue increased?***

With the concept of D by D, PO-RALG was expected to strengthen LGAs in the area of revenue collections from their own sources. In doing so, LGAs were expected to generate funds sufficient to finance the needed social services and operational cost and decrease dependence on fund injection from central government or development partners (DPs). In view of this, it was expected the contribution of revenues from own sources to the total LGAs' budget would increase annually.

Through the review of 2017/18 performance reports from PO-RALG on revenue collections from own sources in LGAs, it was noted that the contribution of revenues from own sources to the LGAs budget has not been increasing significantly year after year. The analysis of the trend of the LGAs budget and the contribution of own source is as indicated in **Figure 3.5**:



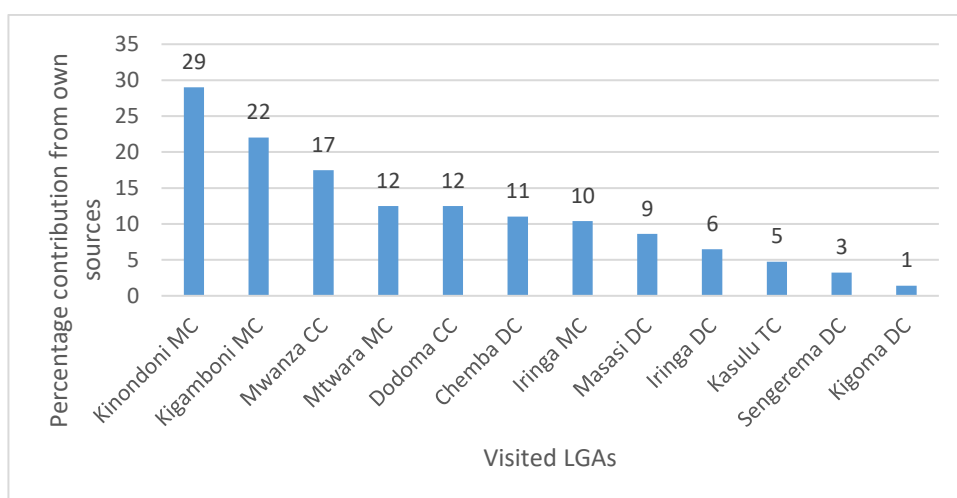
**Figure 3. 5: Gap of contribution of own source revenues to total LGAs' budget**

*Source: Auditors' Analysis of information Extracted from Annual Revenue Performance Report from PO-RALG, (2020)*

As it can be seen in **Figure 3.5** above, while the total budget was increasing, the trend of contribution from LGAs own sources was decreasing. The percentage contribution of revenues from own sources to the total LGAs budget decreased from 28% in 2015/16 to 11% in 2018/19. This means that there is an increased gap of the funds needed in the LGAs against that was available from their own sources. The decreasing trend of the contribution indicates ineffectiveness in revenue collection from own sources.

It was further noted that among the factors associated with the decrease in contribution included but not limited to narrow tax base in the LGAs. The available sources can only generate low revenues compared to the required financial resources. Some of the sources that can yield high amount of revenue shifted to central government and other public institutions. As a result, there was an increased/widened gap between availability of financial resources from own sources and LGAs spending needs for the provision of social services.

This means that contrary to D by D policy, the LGAs' dependency to central government increased tremendously. Further analysis done for the visited 12 LGAs and the result is as presented in **Figure 3.6** below:



**Figure 3. 6: Average percentage contribution of own source revenue to LGAs budget**

*Source: Auditors' Analysis of information extracted from LGAs Budget, in the visited LGAs (2020)*

**Figure 3.6** shows that LGAs differ in percentage contribution to their budgets. Kigoma DC and Sengerema DC, both with rural set-up, contributed an average of 1.4 and 3.2% respectively to their total annual budget from 2015/16 to 2018/19. Among the 12 sampled LGAs the highest performance were noted in LGAs that were located in urban areas. Kinondoni MC and Kigamboni MC contributed an average of 29% and 22 % respectively from own sources for the 4 financial years. Contribution trends indicates that LGAs with urban set up are relatively contributing higher than those located in rural set up, which is explained by the nature of economic activities in urban areas.

It was expected that, as population increases, the amount of revenues collected from own sources would increase in the same pace because of the increased demands for the social needs. However, the situation was different. Some LGAs failed to even finance their operational and development activities as required by PO-RALG e.g., funds for women and youth, fund for running the council meeting, etc.

Non-attainment of targets for revenue collection and low contribution of own source revenue to total LGA's budget indicates ineffectiveness in the collection of revenues. Review of performance reports on revenue collection from the PO-RALG, visited Regional Secretariats and their respective LGAs, noted that, ineffective revenue collection was associated with unrealistic revenue collection targets. Inadequate capacity of skilled staff to manage revenue collections in LGAs also contributed. Ineffective management of revenue collectors and weak monitoring and supervision of performance of Regional Secretariats and LGAs in managing revenues collection were contributing factors also.

The sub-subsequent sub-sections in this chapter provide details of each of the causes stated above.

### 3.3 Unrealistic Targets for Revenues Collection

*Are set targets for revenue collection in LGAs realistic and achievable?*

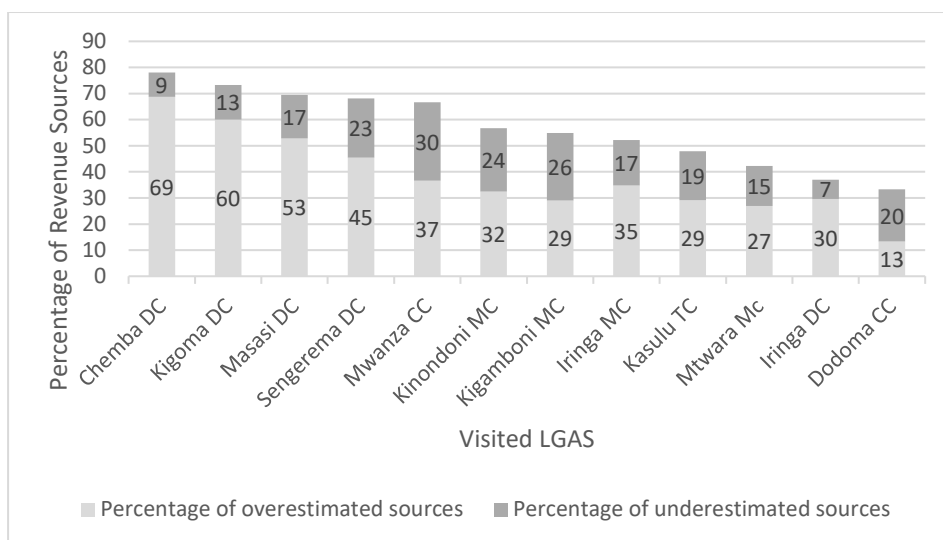
According to Local Authority Revenue Collection Manual, 2019 LGAs are required to set achievable targets while considering factors such as inflation, population growth and changes in laws & regulations during the budget year. Therefore, PO-RALG was expected to ensure LGAs set accurate and realistic revenue projections or estimations.

Interviews held with officials from PO-RALG indicated that most LGAs have not managed to set realistic revenues collection targets. Similarly, the interviewed officials from the visited Regional Secretariats and LGAs also confirmed this by indicating that the set targets either were under or over estimated.

The same was noted through our analysis of the information obtained from revenues performance reports; which showed a significant variation between actual and set revenues targets for various sources greater than 20%. For the period of four years, an average of 53% of all LGAs in the country formulated unattainable revenue collections targets as shown in **Table 3.1**.

Our analysis on the variations for each sources of revenue in the visited LGAs indicated that, the highest variations were noted for the sources of revenues as summarized in **Figure 3.7**. For detailed information on the specific sources and the percentages of deviation in specified LGA, see **Appendix 7**.





**Figure 3. 7: Percentage of revenue sources with high variations in the visited LGAs**

*Source: Auditors' Analysis of reports from collection of each revenue sources from visited LGAs, (2020)*

As indicated in **Figure 3.7**, the highest variation was noted in Chemba DC where 78% of the revenue sources had variations higher than 20%. The minimum variation was noted in Dodoma CC whereby 33% of the revenue sources had variation greater than 20%

The audit team further analysed the revenue sources that showed higher variations of more than 20% and the respective number of LGAs affected. The result is as summarized in **Table 3.3**. For detailed information on the specific source in given percentage and involved LGAs, see **Appendix 8**.

**Table 3. 3: Percentage average variation for various revenue sources in the visited LGAs**

Name of Revenue sources	Range of Average % Variations	Total Number of LGAs affected	Concerned LGAs
Fines and charges	Above 100	12	Dodoma CC, Chemba Dc, Masasi DC, Mtwara MC, Iringa MC,Iringa DC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni
Parking fees			
Forest produce cess			

Name of Revenue sources	Range of Average % Variations	Total Number of LGAs affected	Concerned LGAs
			MC, Mwanza CC and Sengerema DC
Taxi registration fees/license fee	81-100	7	Mtwara MC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC and Sengerema DC
Fishing license			
Building permit fees	61-80	12	Dodoma CC, Chemba Dc, Masasi DC, Mtwara MC, Iringa MC, Iringa DC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC and Sengerema DC
Charcoal fees			
Toilet fee			
Advertisement and boarding fees			
Sales of Plots			
Fees from sale of fish	41-60	12	Dodoma CC, Chemba DC, Masasi DC, Mtwara MC, Iringa MC, Iringa DC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC and Sengerema DC
Solid waste and sewerage services fees			
Market levy			
Bids fees (Tendering)			
Land survey fee			
Mineral and construction materials Fees			
Market stalls/ slab dues			
Fees meat inspection and abattoir use			
Property tax			
Liquor license			
Guest/Hotel levy	21-40	12	Dodoma CC, Chemba Dc, Masasi DC, Mtwara MC, Iringa MC, Iringa DC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC and Sengerema DC
Income from sale or Rents/Investment			
Land rent			
Crop produce cess			
Service levy			
Health contribution			
Livestock market fees			
Bus stand fees			
Hunting license			
Auctioning market fees			
Business license			

*Source: Analysis of revenue collection performance reports from visited regions*

**Table 3.3** shows that, for majority of the visited LGAs revenues sources with variations above 50% were tendering fees, fines and charges, sales of plot as well as parking fees. Detailed analysis for each source is presented in **Appendix 9** of this report.

### ***Causes for the Variations***

A number of causes for the existing huge variations were identified and they do form part of the recommendation of this report. The audit established the number of LGAs affected by the identified causes. **Table 3.4** presents the outcome of that analysis:

**Table 3. 4: Causes of large variations between targets and actual revenue collected**

Cause/Factor/Reason	Number of affected LGAs out of total 12 Visited LGAs	Concerned LGAs
Lack of reliable database for various sources of revenues leading to variations of revenue in different years	12	Kigamboni, Kinondoni, Dodoma CC, Chemba, Mtwara MC, Masasi DC, Iringa DC, Iringa MC, Kasulu TC, Kigoma DC, Sengerama DC and Mwanza CC
Ineffective mechanisms for setting targets for revenues collection	12	Kigamboni, Kinondoni, Dodoma CC, Chemba, Mtwara MC, Masasi DC, Iringa DC, Iringa MC, Kasulu TC, Kigoma DC, Sengerama DC and Mwanza CC
Inadequate feasibility study for proper projection of revenues to be collected from own sources	12	Kigamboni, Kinondoni, Dodoma CC, Chemba, Mtwara MC, Masasi DC, Iringa DC, Iringa MC, Kasulu TC, Kigoma DC, Sengerama DC and Mwanza CC
Non-considerations of key factors such as cost for collection, modality and working tools during	2	Kigamboni MC, Dodoma CC

Cause/Factor/Reason	Number of affected LGAs out of total 12 Visited LGAs	Concerned LGAs
estimation of probable revenues for each source		
Inadequate competence of the officials on revenues estimation/projections	2	Chemba DC, Kigamboni MC
Non-involvement of user department for the respective revenue source in setting the targets and rely on revenue accountants	1	Kigamboni MC
Absence of updated taxpayer data base for particular revenue source	1	Kigamboni MC

*Source: Auditors' analysis of interviews information, 2020*

As indicated in **Table 3.4**, factors which affected high number of LGAs include lack of reliable database for various sources of revenues leading to variations of revenue in different years, ineffective mechanisms for setting targets for revenue collection, and inadequate conduct of feasibility study for proper projection of revenues to be collected from own sources.

Details for each predominant cause is as elaborated in subsequent sections 3.3.1-3.3.4 below:

### **3.3.1 Ineffective functioning mechanism for setting revenue collection targets**

*Do LGAs have functioning mechanisms for setting targets for revenue collection from own sources in their areas of jurisdictions?*

PO-RALG was required to ensure that LGAs have effective mechanism for setting revenue collection targets. Additional, Section 10 of the Budget Act, 2015 provides the mandate, for the Ministry of Finance and Planning to set budget ceiling including projection of revenues from own sources in LGAs.

It was noted that the targets were set following the budgeting process whereby LGAs do set targets which are scrutinized by the

Regional Secretariat and then later on by PO-RALG. The projections were also compared to the budget ceiling provided by the Ministry of Finance and Planning.

However, through review of performance report for revenue collections for 2015/16 to 2018/19 and interviews held with officials from the visited Regional Secretariats and LGAs in the six visited regions, we noted that in all 12 visited LGAs, the estimation of target was based on the previous year's performance for each source. It was explained that normally a certain percentage is added to the percent achieved in the previous years. This is done in consideration of various factors such as taxpayers' database for the specific source and projection of business growth.

However, because of variations on the amount of revenue collected stated in Section 3.2 and 3.3, it indicates that this mechanism does not provide accurate estimates for most of the sources. Among the causes of inaccurate estimates include:

***Inadequate consideration of key factors for projections of revenues***

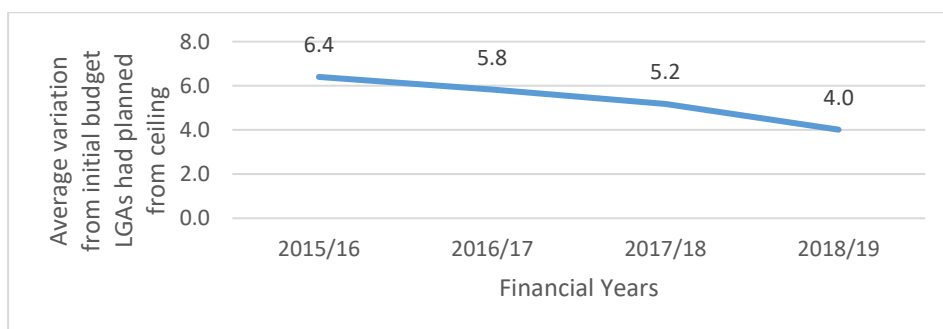
Officials from the Regional Secretariat and PO-RALG, indicated that, during the setting of targets for each source, user departments in LGAs such as agricultural section, education, livestock and health were required to provide their estimates. The officials declared that sometimes user departments were not considering all factors during the projection, rather than adding a certain percent on their previous performance. The audit noted that PO-RALG have seen this problem and took initiatives to rectify it. Some of the mentioned initiatives included issuing of directive insisting LGAs to prepare correct estimations, development and dissemination of the Revenue Administration Manual, which provides guidance on factors to be considered when developing revenues projections from different sources of revenues.

The audit team further noted that Revenue Administration Manual was approved in July 2019, and it has been disseminated to all LGAs. Through the interviews held with officials from the 12 visited LGAs, the team noted that 6 out of 12 visited LGAs have acknowledged receipt of this manual.

### ***Compliance to budget ceiling provided by the Ministry of Finance and Planning***

It was noted that during budget scrutinization by the Budget Committee, MoFP provides budget ceilings to LGAs, which in most cases are higher than the initial estimates prepared by respective LGAs. In order to comply with the budget ceiling, the officials from LGAs adjust their initial targets for revenue to match with the ceiling given by the Ministry of Finance and Planning, which were unrealistic, as they did not consider the real situation in the respective LGAs. As a result, there were significant variations between the targets and actual revenues collected.

The audit team compared the LGAs' budget proposals before adjustment and after adjustment based on the issued budget ceilings. The result is as presented in **Figure 3.8**:



**Figure 3. 8: Percentage variation between initial estimate and budget ceiling**

*Source: Auditors' analysis of data from five visited Regional Secretariats*

As shown in **Figure 3.8** the percentage difference between the LGAs' proposals and budget ceiling ranged from 4.0% to 6.4%. The trend decreased consecutively from 2015/16 to 2018/19. However, as discussed earlier, LGAs recorded a percentage variation higher than 20%, implying that the MoFP ceiling budget has also contributed to this variation.

Interviewed officials from PO-RALG indicated that, the adjustment made by the MoFP during budgeting are usually based on revenues projected using advance methods, which are more accurate than the LGA's estimate. They further explained that, this is also an effort to ensure that potential revenue in LGAs is fully explored.

### 3.3.2 Absence of effective mechanism to facilitate LGAs to conduct feasibility studies

*Are there mechanisms for ensuring LGAs conduct feasibility study for proper projection of revenues collections from own sources?*

According to Guidelines for Outsourcing Revenue Collectors, 2016, LGAs are required to conduct thorough feasibility studies prior to outsourcing revenues collection and use the result especially as inputs during projection of revenue in different years. Furthermore, Local Authority Revenue Administration Manual, 2019, requires LGAs to identify and keep record of sources in accordance with major groupings as provided in the Local Government Finance Act of 1982.

The audit noted that the Ministry lacked effective mechanism to ensure that all LGAs conduct feasibility studies. Instead, LGAs were required to follow the budget guidelines of 2015, process and use the previous performance to project the revenues of various sources without conducting feasibility studies. The officials indicated that currently, PO-RALG have included this item in the draft Local Government Reform Program which is under review.

This was also confirmed through interviews that were held with officials from the visited LGAs. Six out of 12 visited LGAs, revealed that they rarely conduct feasibility studies to properly ascertain potential revenues that can be collected from each source of revenue. Similarly, the audit noted that, even for the outsourced revenues sources, there was no record to justify that feasibility study was conducted prior to outsourcing the revenue collecting agents.

Analysis of sources and feasibility studies conducted in LGAs was done, and the results for the visited LGAs, showed that all 12 visited LGAs did not conduct feasibility studies for all sources of revenues in their areas. For detailed information, see **Appendix 10**.

Failure of LGAs to conduct feasibility studies has resulted in setting unrealistic targets for revenues collections. LGAs lacked sufficient and reliable data for effective projection of targets for revenue collections from own sources. In this regards, the LGAs failed to meet their targets of providing different social and development services to the community.

### ***Factors for not conducting feasibility studies***

The audit team identified various factors that hinder LGAs from doing feasibility studies. These factors are as detailed below:

*Inadequate skills needed for conducting feasibility studies:* The audit team found that LGAs do not have a tendency of conducting feasibility studies on their own. They hire experts to do the job on their behalf due to lack of capacity. Despite of hiring experts in some LGAs, the produced feasibility study reports did not suffice their needs. This was because some of the LGAs failed to procure competent experts who could meet the goal of conducting feasibility study for the LGAs. This resulted to experts presenting complains from the community instead of intended goal of the feasibility study.

*High cost involved in conducting feasibility studies:* It was revealed that a feasibility study requires significant amount of money, which LGAs could not afford. The officials from the visited LGAs further mentioned that LGAs did not have sufficient funds to cover cost for the feasibility studies of all available sources of revenue. However, the audit team did not see the analysis of the cost required for the feasibility studies and even this cost item was not included in their annual activity plan.

*Absence of plans for conducting feasibility studies:* Review of the LGAs' Annual Activity Plans, revealed that none of 12 visited LGAs included the activity of conducting feasibility studies in their annual plans.

#### **3.3.3 Ineffective strategies and plans for widening revenue tax base**

*Do LGAs have effective strategies and plans for widening their revenue base that match with expenditure growth?*

Effective plans for collection of revenues are vital since it is a basic tool for financial management and accountability, and can also be used as the monitoring tool against which actual revenue collection performance can be compared with the budget.

The Five Year National Development Plan of 2016/17-2020/21<sup>11</sup> calls for the PO-RALG to strengthen the capacity of Local Government

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<sup>11</sup> 2016/17-2020/21 page 53



Authorities to mobilize resources through proper identification of local revenues potentials and addressing the key factors undermining their revenues collection capacity. Further, section 54 (1) of CAP 288 RE 2002, requires LGAs to establish and maintain reliable sources of revenues and other resources to enhance their financial accountability.

However, it was revealed that LGAs do not have adequate and effective strategies to widen their tax bases despite of various actions taken by PO-RALG requiring LGAs to identify new sources of revenues. The officials from PO-RALG indicated that they have conducted a study to identify potential revenues sources in 11 LGAs and the study will cover all LGAs by end of 2020.

The audit team confirmed this through review of plans and interviews with officials from the visited Regional Secretariats and LGAs, which revealed the followings:

**(a) Not all LGAs have developed strategies and plans for identification of new revenue sources**

The study report conducted by PO-RALG aimed at identifying potential sources of revenues in LGAs, indicated that not all LGAs have strategies in place for increasing their tax bases. This was also confirmed through the review of Medium Term Strategic Plan of the visited LGAs, where it was noted that only 6 out of 12 visited LGAs have developed strategies for widening their tax bases. These included strategic development projects such as construction of bus stands and markets among others.

**(b) Plans were not adequately developed to facilitate implementation for widening the tax base**

Through the Reviewed Medium Term Strategic Plans of the 12 visited LGAs, the audit noted that, few LGAs have strategies for widening tax base. However, they did not adequately implement plans. It was further noted that the strategies were mainly focused on increasing the amount of revenues but not explaining or indicating what the LGAs had to do in order to ensure that the revenues are raised. For instance, one of the strategies in the Medium Strategic Plan of 2017/18 to 2021/22 for Kigamboni MC was to increase collection of revenue from 8 billion to 12 billion, without detailing plans that identify new sources of revenue.

The audit noted that 6 out of 12 visited LGAs have initiated strategic projects such as constructions of bus stands and renovation of markets etc. Nonetheless they did not have plans for implementation of the initiated strategic projects.

As a result, most of the initiated strategic projects were not implemented. This was because the implementation of the planned strategic projects required a substantial funding which could not be provided by LGAs. On the other hand, it was noted that these projects are a big burden to the LGAs and government at large as its payback period could take many years. This situation necessitated the government to stop implementation of all strategic projects in the country especially those that are dependent on loans instead of revenue from own sources.

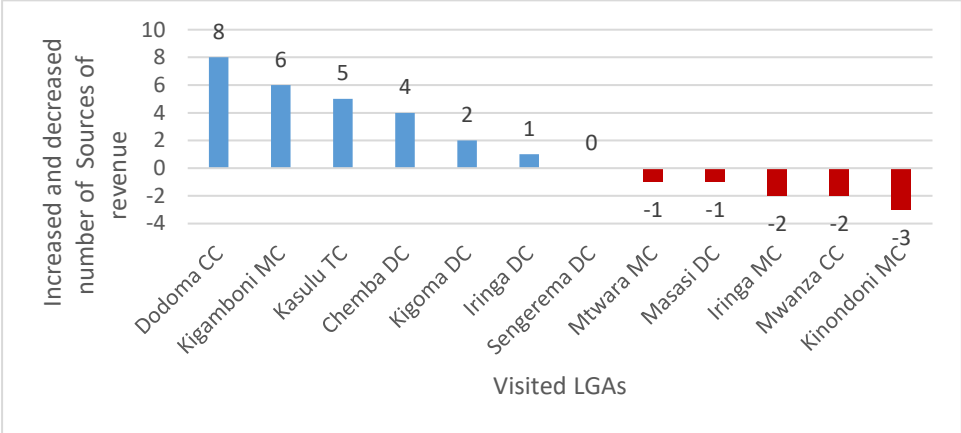
It was noted that 2 out of 12 visited LGAs namely, Dodoma CC and Kinondoni MC have started the implementation of their strategic projects using their own sources of revenue while other LGAs with low revenue incomes from own sources were struggling to implement their projects. As a result, tax bases of most of the LGAs remained constant for a number of years while their annual expenditure growth increased significantly.

The trend of increasing tax bases in each of the visited LGAs was assessed against the increase of number of new sources of revenues and coverage of the available sources in LGAs. The result of the analysis indicated the following:

#### ***Decreasing number of sources for revenues in the LGAs***

It was noted that a number of sources of revenues in the 5 out of 12 visited LGAs were decreasing and in 1 out of 12 visited LGAs their revenue sources remain constant over 4 years covered in this audit. On the other hand, we noted that 6 out of 12 visited LGAs increased their revenue sources. **Figure 3.9** shows the detailed information on average status of sources of revenue for the past 4 years.

**Figure 3. 9: Trend of identification of new sources of revenues in the Visited LGAs**



*Source: Auditors’ analysis of Sources of revenue in the12 visited LGAs (2020)*

**Figure 3.9** shows that 6 out of 12 visited LGAs (50%) of them managed to increase the number of revenue sources in the past 4 years; while 5 out of 12 visited LGAs (42%) of them had their number of revenue sources decreased.

This trend shows that LGAs did not have adequate strategies for expanding their tax base, because no new sources were registered in their database of sources of revenue.

The interviewed officials indicated that the decrease in the number of sources of revenue was mainly contributed by some of the sources being shifted to the central government and other public institutions. Examples of the shifted revenue sources were bill boards and parking fees that were shifted to TARURA, property tax which was shifted to TRA etc. However, our further analysis indicated that some of the potential sources of revenues in LGAs have not been exhausted as explained below.

***Poor Coverage of Potential sources for non-tax revenue available in the LGAs***

Review of the study report conducted by PO-RALG in 2018/19 aimed at identifying potential sources of revenue in LGAs, indicated that 6 out of 11 LGAs covered by the study had sources of revenue that have not been collected by the respective LGAs. **Table 3.5** presents

a summary of sources of revenue not covered and the reasons for not doing so.

**Table 3. 5: Potential Revenues Sources Not Captured by the respective LGAs**

Name of the LGAs	Number of New sources identified	Name of the revenue sources	Reasons
Iringa MC	1	Local taxes from 3 tourist centres at Kalenga, Isimila na Mingoro	The centers have not been renovated, developed and advertised well
Mbinga DC	2	Local taxes from Gold mining areas at Mkako Ward and from vehicles running businesses eg	Lack of strategies and developed by laws Shortage of PoS
Songea MC	2	Local taxes from Auction Mart centre /area at Kilanwa Ward	Absence of Council by-laws Non-sharing of information for auctions/minada/zabuni expected to be carried out
Itigi DC	4	Tax from Telecommunication Towers/Base Transmission Stations (BTS), Tax from construction Building mining Centres, Parking fees and tax from small industries	Absence of Council by-laws and knowledge on what taxes are expected to be collected from the BTS Shortage of PoS

Name of the LGAs	Number of New sources identified	Name of the revenue sources	Reasons
Siha DC	5	Tax from Telecommunication Towers/Base Transmission Stations (BTS), Tax from motor vehicle, Tax from tourist visiting Kilimanjaro Mountains, Market Fees and Fees from hired/rented big plantation farms	Political interferences
Mbulu DC	1	Tax from Telecom Towers/Base Transmission Stations (BTS)	Absence of Council Bylaws and knowledge on what taxes are expected to be collected from the BTS

*Source: PO-RALG's Revenues Potential Study Report, 2019*

From **Table 3.5**, there are potential sources which have not been covered by LGAs for various reasons. Other noted cases for revenues that were not fully harnessed are as presented below:

**(i) Failure to collect revenues from Mobile Telecommunication Companies/ Operators**

Further, the audit team noted that 3 out of 12 visited LGAs namely, Iringa MC, Iringa DC and Masasi DC failed to mobilize and collect service levy from some Mobile Telecommunication Companies which were operating and doing business in their areas of jurisdictions. **Table 3.6** present cases of LGAs which did not collect service levies from Mobile Telecommunication Companies operating in their areas.

**Table 3. 6: LGAs which did not collect service levy from Mobile Telecommunication Operators**

Name of the LGAs	Telecommunications Companies which do not pay service levy	Reason for not paying
Iringa MC	Vodacom	Vodacom did not pay with a reason that their office in Iringa MC had been relocated out of the Municipal Council.
Masasi DC	Airtel Voda Tigo	The reason is that, mobile network operators are supposed to pay service levy only in Dar es Salaam
Iringa DC	Tigo Airtel Vodacom	No reason was stated to why these companies were excluded from liabilities for paying service levies

*Source: Auditors' Analysis of information obtained through the interviewed officials of the visited LGAs, 2020*

**Table 3.6** above shows that none among the 3 LGAs namely Masasi DC, Iringa MC and Iringa DC were not collecting service levies from mobile network operating companies; while no actions were taken to ensure that service levy is paid plus penalties. It was also noted that the situation of Iringa DC was even worse, none of the Telecommunication companies were remitting service levies.

#### **(ii) Loss of Revenue due to ineffective Revenue Collections from Produce Cess**

The audit noted cases of losses of revenues that were not collected from produces cess in 2 out of 12 visited LGAs, namely Masasi DC and Iringa DC. For the case of Masasi DC revenues from cashew nuts cess were below the market price. It was noted that the LGA was charging cashew nuts cess based on indicative price which was below the market price. In this regard, the LGA lost almost TZS 5.9 billion<sup>12</sup> in a period of 3 years starting from 2015/16 to 2017/18 while in 2018/19 the LGA lost TZS 2.6 billion<sup>13</sup> after the government decided to buy the

<sup>12</sup> 0.03 x 196.7 billion

<sup>13</sup> 0.03 x 87 billion

cashew nuts since they didn't receive the cashew nuts cess from the government.

**At Iringa MC** we noted that the council was losing revenue due to non-adherence to Local Government Finance Act, 1982. The responsible officials to monitor productions of timbers and logs to all LGAs which had this source were not effectively monitoring. Instead of charging 5% of the price of log, they were charging TZS 5,000 per log. This was contrary to the requirement of the Local Government Finances Act which requires that all, moneys derived from any cess payable at source or any agricultural or other produce cess produced in a particular LGA, to range between 0 to 5% of the farm gate price to be paid at source.

The reviewed survey reports conducted by Iringa Regional Secretariat, indicated that for 3 months (from January to March, 2019) the number of logs exported from Kilolo, Mafinga and Mufindi DCs totalled 73,536 logs. By considering 5% of the price of log instead of TZS 5,000 per log, the region increased revenue by TZS 374 million in 3 LGAs.

In this regards, the regions were losing almost TZS 1.496 billion per year<sup>14</sup> from 3 LGAs namely Kilolo, Mafinga and Mufindi DCs due to non-adherence to available laws and regulations. The responsible officials in respective LGAs were not fulfilling their responsibilities. **Table 3.7** presents the summary of the above noted cases related to revenues from produce cess.

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<sup>14</sup> 374 billion x 4

**Table 3. 7: Cases of Produce Cess Revenues Not Effectively Collected by the Visited LGAs**

Name of the LGAs	Type/Source of revenue	Amount required as per councils' by-laws (TZS)	Market Price (TZS)	Estimated loss per month (million TZS)	Reasons
Masasi DC	Produce cess from Cashew nuts	1,200 per kg	3,000 per kg	5,465	Selling at indicative price that was far below the market price from 2015/18-2017/18
3 LGAs Kilolo, Mafinga and Mufindi DCs	Produce cess from Timber	5% of the Log Price	5,000 per log	125	non-adherence to available laws and regulations by using incorrect rate contrary to Local Government Finance Act

*Source: Auditors Analysis of information obtained through the interviewed officials of the respective councils, 2020*

As it can be seen from **Table 3.7**, the respective LGAs were losing significant amount of revenues approximately a total of TZS 5,590 million per month from the produce cess. The highest amount was noted in Masasi MC subject to uncollected cashew nuts produce cess fee averaging TZS 5,465 million per year (equivalent to TZS 196.7 billion for three years 2015/16-2018/19) due to the use of prices that were lower than the market price. This was the period before the implementation of the government decision to directly buy cashew nuts from the farmers.

In response to this observation, PO-RALG the use of indicative price was a decision of Cashew nut Board. However, there officials did not



provide any documentary evidence of their response. Other factors mentioned included indicate that the decision to use indicative price was

**(ii) Loss of revenue due to non-collection of service levy and business license fee**

*For the case of Kigamboni MC*, the audit team noted that the Council was not collecting service levy and business license from mining of building materials. The audit team noted that the LGA was only charging trucks which were collecting building materials from mining sites. The average revenues from a truck were ranging from TZS 5,000 to 15,000 per trip and the LGA collected an average of TZS 840,000 from 84 average trips per day. In this regards the LGA lwere losing service levy amounting to TZS 756,000 per month.<sup>15</sup>

Moreover, the audit team noted that owners of the sites had no business licenses to operate the mining activities. The interviewed officials confirmed that they were only collecting revenues on a basis of charging trucks per trip collected leaving service levy untouched as it is difficult to trace the owners. It was also noted that up to the time of this audit, the LGA had not taken efforts to identify owners of the mining sites so as to ensure that they collect due service levy.

*In Chemba DC*, the audit team further noted that in Chemba DC, the council were not collecting revenues from telecom towers. The audit team noted that the LGAs was collecting revenue from Halotel Mobile Network Company while Vodacom and Tigo Mobile Network Companies were not remitting revenues to the LGAs. Furthermore, official from Chemba DC disclosed that Halotel was voluntarily paying, in this regard the officials from Chemba DC had failed to make follow-ups on the unpaid non-tax revenues.

**Table 3.8** presents the summary of the above noted cases related to revenues from service levy and licence fees.

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<sup>15</sup> 840,000 x 30 days x 3%

**Table 3. 8: Service Levy and Business License not effectively collected by Visited LGAs**

Name of the LGAs	Type/Source of revenue	Amount required as per councils' by-laws (TZS)	Estimated loss per month (million TZS)	Reasons
Kigamboni MC	Service levy and Business License fees from Construction Building mining sites	0.3%	0.8	Absence of mechanism for identifying the owners of the sites
Iringa MC	Service Levy from Mobile Network Operator Company	0.3%	5	Inadequate control from LGAs. The operator is still operating within the LGA but the officials failed to locate the current operator's office as they have shifted from their original office
Chemba DC	Service Levy from Telecommunication Towers	0.3%	0.5	Absence of Council by -laws

*Source: Auditors' Analysis of information obtained through the interviewed officials of the visited LGAs, 2020*

The most commonly noted reasons were absence of LGAs' by-laws or presence of outdated by-laws, lack of strategies, inadequate knowledge on the side of tax collectors and taxpayers, and shortage of revenue collection tools such as PoS and human resources which is more elaborated in Section 3.4 of this Chapter. Other reasons include:

***Inadequate involvement of WEOs and VEOs in the identification and setting of targeted revenue:***

Despite of LGAs involving WEOs and VEOs in the collection of revenue from own sources like produce cess, building materials and etc, It was noted that in some areas such as Kasulu TC, Chemba, Kigoma

and Masasi DCs, WEOs and VEOs were not fully involved in the identification of revenue sources. There were no justifications on how they involve them in setting and projection of revenue. As a result, LGAs failed to capture all potential revenues sources and new additional businesses that were carried out within their areas.

During factual clearance official from PO-RALG clarified that, WEOs and VEOs are involved in the whole budgeting process due to the fact that they have their own sources of revenue. They argued that WEOs and VEOs are involved indirectly through heads of department in LGAs.

***Poor follow-up of revenues collected by other government entities:***

Service levy is a charge imposed by Local Government Authorities (LGAs) on Corporate entities or a person conducting business in the LGA, in conformity with Local Government Finance Act No.9 of 1982; service levy payable at the rate not exceeding 0.3% of the turnover net of the value added tax and the excise duty.

Through the review of the revenue identification study report conducted by PO-RALG, LGAs were not effectively following up to ensure that, other government entities who are also collecting revenues from the resources available in their areas of jurisdiction, pay the required percentage of collected revenue to LGAs. An example was given of a case where 5% of forest fees was required to be paid back to LGAs by Tanzania Forest Service Authority.

**3.3.3 Database of Taxpayers and Revenues Source were not Updated Regularly**

*Do LGAs have updated database and register for the available taxpayers in the specified revenue sources in their areas of jurisdictions?*

According to Local Authority Revenue Administration Manual 2019, LGAs are required to review and update register of all revenue sources in their area of jurisdictions. They were also required to make use of taxpayers' database contained in electronic revenue collection system for each source of revenue and ensure that they are updated on yearly basis.

In this regard the applicable sources shall be the sources of revenue of permanent nature/main sources like service levy, produce cess, business license and permits, hotel and guest house levy etc.

It was further noted that LGAs did not regularly update the database of taxpayers for each source of revenue. Similarly, the same information was also mentioned by interviewed officials from 5 out of 6 visited Regional Secretariats.

Further review of the taxpayers' database, confirmed that taxpayers' database were not updated annually as required. According to Trade Officers from the 12 visited LGAs, traders closed their businesses due to different reasons and they do not report to the respective LGA after closing their businesses. In this regard the existing databases on available non-tax payers were not realistic and LGAs have failed to update them regularly. This resulted into making unrealistic projections of revenue from own sources due to lack of appropriate data for enhancing efficient projections.

#### **3.4 Lack of Capacity of LGAs to effectively collect revenues from own source**

According to objective D of the PO-RALG Strategic Plan of 2016/17-2020/21, PO-RALG is required to capacitate Regional Secretariats and LGAs in the area of revenue collection through the provision of trainings, tooling and retooling policies and guidelines.

Review of Revenue Performance Reports from PO-RALG, visited Regional Secretariats and LGAs, noted that some LGAs did not have adequate capacity to facilitate effective revenue collections. This was indicated by weaknesses related to the four aspects used to assess the adequacy of LGAs in the collection of revenues. These include: availability of guidelines for revenues collections; skilled staff responsible for assessing and managing revenues collections; effective revenues collection tools and system; and the availability and uses of an updated data that could facilitate effective revenue collections in LGAs.

The details of each aspect are as described hereunder.

### **3.4.1 Absence of Revenues Collection Guideline in LGAs**

*Does PO-RALG developed and disseminated revenue collection guidelines to LGAs?*

The audit noted that before July 2019, there was no guideline developed and disseminated to LGAs to guide revenue collections. The audit also noted that, in 2016 PO-RALG developed and disseminated guidelines for managing outsourced revenue collectors and outsourced revenue collections.

It was noted that PO-RALG has currently managed to develop, approved and signed in July 2019 a Local Authority Revenue Administration Manual, 2019. It means that prior to this manual there was no prescribed procedure specifically designed for guiding revenues collections in LGAs. Instead, LGAs were required to follow what is stated in the Local Government Finance Act, 1982 and associated by-laws developed by the respective LGAs for various sources of revenues.

Interviewed officials from all 6 visited regions and their respective 12 LGAs also confirmed prior to July 2019 there was no guideline for revenue collections. The officials indicated that they were using Local Government Finance Act, by-laws and budget guidelines that were detailed sufficiently enough to facilitate effective revenue collections.

Among the missing details as mentioned by the interviewed officials include steps for projection/estimation of revenue; risk management and control in revenue administration; roles and responsibilities in the revenue collection; and collection procedures and controls. Most of the LGAs did not manage effectively revenues collection from the available sources as detailed in Section 3.3 of this report.

It was further noted that PO-RALG did not effectively disseminate the new Local Authority Revenue Administration Manual despite the Ministry claiming it had done so through the annual meetings and trainings of the same conducted at the national level. It included 12 revenue team members from each LGA in the country. However, it

was observed that 6 out of 12 visited LGAs have not started using the manual.

Officials from PO-RALG acknowledged that although they have developed the guidelines, including designed training, they have not effectively managed to carry out a follow up to ensure that the guidelines are operational. It was further noted that the guidelines lack hands-on and feedback mechanism leading to under-utilization of the manual by the most of the visited LGAs.

#### **3.4.2 LGAs Staff Lack sufficient capacity to assess and collect revenues**

*Does PO-RALG ensured that LGAs' staff responsible for assessment and collection of revenues are capacitated with required skills?*

PO-RALG's Strategic Plan (2015/16-2020/21) and Section 20 of Local Government Laws (Miscellaneous Amendments) Act, 2006 requires PO-RALG to ensure availability of qualified staff as required by the staff establishment for efficient and effective revenue collections from different sources. In that case, PO-RALG was expected to have in place and implement its Human Resources Development Plan to equip its staff with required capacity. However, the audit noted the followings:

##### **(a) Shortage of Staff for managing revenue collections at both Regional Secretariat and LGAs**

From the Reviewed Revenue Reports from PO-RALG, it was noted that Revenue Section under the Department of Finance and Trade did not have adequate staff for effective revenue collection. It was indicated that the deficiency was more noted for Accountants compared to Trade and ICT Officers. Our analysis of the extent of shortage of Accountants in the six visited region was made, and the result is as indicated in **Table 3.9** below:

**Table 3. 9: Percentage Shortage of Accountants<sup>16</sup> in the visited Regions**

Region	Total Number of LGAs in the Regions	Required Number as per Ikama	Available Number	Deficiency (%)
Kigoma	8	74	11	85
Mtwara	9	107	32	70
Dodoma	8	64	36	44
Iringa	5	90	55	39
Mwanza	8	175	114	35
Dar es Salaam	2	111	88	23

*Source: Analysis of information Extracted from a staffing lists of the visited LGAs*

**Table 3.9** shows that, for the visited 6 regions, Kigoma Region was noted to have higher deficit of 85% while Dar es Salaam Region was noted to have the least shortage of accountants 23%. The figures show an imbalance in staff capacity as there was a high workload in some LGAs compared to others.

Further analysis of workload especially for accountants and trade officers who were mainly involved in managing revenue collection was made and the result is as presented in **Table 3.10(a) and (b)**.

**Table 3. 10 (a): Workload Ratio for Accountants in the visited LGAs**

Visited LGAs	Number of Accountants Available as of June 2019	Average Revenue Collection Target for the four years (TZS Millions)	Ratio of Accountants to Amount of Revenues to be collected (Accountants/TZS million)
Kigamboni MC	36	6,508	1:181
Chemba DC	6	1,530	1:255
Iringa MC	16	4,109	1:257
Masasi DC	13	3,524	1:271
Mwanza CC	40	13,591	1:340
Mtwara MC	13	4,735	1:364
Iringa DC	10	3,767	1:377

<sup>16</sup> Accountant responsible for management of revenues collection under the Department of Finance and Trade in LGAs

Visited LGAs	Number of Accountants Available as of June 2019	Average Revenue Collection Target for the four years (TZS Millions)	Ratio of Accountants to Amount of Revenues to be collected (Accountants/TZS million)
Kigoma DC	2	788	1:394
Kasulu DC	2	910	1:455
Sengerema DC	4	2,035	1:509
Kinondoni MC	52	40,473	1:778
Dodoma CC	24	25,150	1:1,048

*Source: Extracted from a staffing lists of the visited LGAs*

**Table 3.10(a)** shows that in these 12 visited LGAs one Accountant was required to collect revenue ranging from TZS 181 to 1,048 million, and an average of TZS 436 million. It also indicates that there was a high workload in terms of the amount of revenues to be collected in comparison to accountants allocated in Dodoma CC than in Kigamboni MC and Chemba DC. Furthermore, it shows that a lesser number of accountants were allocated to Dodoma CC as compared to Kigamboni MC, which was required to collect TZS 25,150 million. This amount is almost 4 times the amount of revenue that was to be collected in Kigamboni MC.

Furthermore, it also shows that, LGAs with urban set ups such as Kigamboni MC, Mwanza CC and Kinondoni MC had larger number of accountants compared to those allocated in rural set ups. This indicates that there is inequitable allocation of accountants in the respective LGAs with respect to the expected revenue to be collected.

Similar analysis was done for the Trade Officers and the results is as presented in **Table 3.10 (b)**.



### 3.10 (b): Workload Ratio of Trade Officers in the visited LGAs

Visited LGAs	Number of Trade officers Available as of June 2019	Average Revenue Collection Target for the four years (TZS Millions)	Ratio of Trade Officers to Amount of Revenues to be collected (Trade office/TZS million)
Kigoma DC	1	788	1:788
Kigamboni MC	8	6,508	1:814
Iringa MC	5	4,109	1:822
Kasulu DC	1	910	1:910
Sengerema DC	2	2,035	1:1018
Mwanza CC	9	13,591	1:1510
Chemba DC	1	1,530	1:1530
Iringa DC	2	3,767	1:1884
Kinondoni MC	14	40,473	1:2891
Masasi DC	1	3,524	1:3524
Mtwara MC	1	4,735	1:4735
Dodoma CC	3	25,150	1:8383

*Source: Extracted from a staffing lists of the visited LGAs*

**Table 3.10(b)** shows that there was high workload in terms of the amount of revenues to be collected to Trade officers allocated in Dodoma CC than in Kigoma DC and Kigamboni MC.

Furthermore, it shows that lesser number of Trade Officers were allocated to Dodoma CC as compared to Kigamboni MC and Iringa MC which had 8 and 5 Trade Officers respectively. It is noted that Dodoma MC was required to collect TZS 25,150 million, an amount that is 4 times and 6 times for the amount of revenue that was to be collected in Kigamboni MC and Iringa MC respectively. This indicates that there was a disproportionate allocation of Trade Officers in respective LGAs based on the amount of revenues targeted.

The audit further noted that disproportionate allocation of human resources, was also contributed by the lack of accountability by PORALG in terms of following up on the status of the available and required staff in each LGA. This was evidenced by failure of the PORALG to provide to the audit team the requested data made through a letter with Reference No. 282/343/02/04 dated 09<sup>th</sup>

August, 2019 and the second one with Reference No. 282/343/02/16 dated 03<sup>rd</sup> January, 2020.

Despite the fact that the audit team requested these statistics twice, PO-RALG provided the information for 14 out of 26 regions in the country. Moreover, for some of the regions, the available data was for only one LGA. This was the case for Kigoma and Tabora Regions. The absence of statistics showing the current LGAs staffing levels of, implies that PO-RALG lacked sufficient information to enable them to equitably allocate human resources proportionately in LGAs.

**(b) Revenue Collectors lacked adequate skills to effectively collect revenue**

The audit noted that some revenue collectors (both outsourced and in-house LGAs' officials) in LGAs were lacking sufficient skills and competence for effective collection of revenues as presented below:

**(i) Inadequate skills for revenue collectors within LGAs**

The audit noted a shortage of the following skills for revenue collectors.

***Insufficient skill for assessing revenues to some sources:*** It was noted that some revenue collectors working in LGAs lacked required skills for assessing taxes for some of revenue generating sources such as hotels levy, service levy, etc. This was evidenced by case of officials who provided assessment to one hotel but underestimated the revenue. The officials explanations were for effective assessment of tax, LGAs must have tax officers in addition to accountants who are currently unavailable in all of the 12 visited LGAs.

***Insufficient skill for operating LGRCIS:*** It was also revealed that, Revenue Collectors lacked competence to properly operate revenue collection systems (LGRCIS) currently used in all LGAs. According to the officials from PO-RALG and LGAs most revenue collectors were making errors. For example, entering the details of quantity instead of amount and vice versa, double or multiple billing due to double entries for a single transactions; issuing receipt indicating more than the received amount accidentally etc.

Through the review of PO-RALG Reports on Revenue Collection from Own Sources for the month of May 2019, showed that there was questionable PoS figures of defaulters noted in LGRCIS for 11 LGAs amounting to TZS 301,677,803,841,104,000,000,000,000/- a figure which was not realistic and is still questionable.

Table 3.11 provides the summary of LGAs with their respective defaulted amounts which are unrealistic and questionable.

**Table 3. 11: Summary of LGAs with their respective defaulted amount**

<b>LGA</b>	<b>Questionable defaulters Amount (TZS)</b>
Bunda TC	50,450,498,429,278,200,000,000,000.00
Moshi DC	50,000,001,268,882,100,000,000,000.00
Bagamoyo DC	200,901,086,020,012,000,000,000,000.00
Shinyanga MC	326,073,440,000,000,000,000,000.00
Songwe DC	101,333,335,224,970,000,000,000.00
Dar CC	43,345,999,252,673,700,000,000.00
Buchosa DC	2,596,566,770,647,040.00
Ubungo MC	1,000,213,377,980,520.00
Kisarawe DC	555,593,644,850.00
Mafia DC	92,579,009,133.71
Chunya DC	30,000,171,620.00
<b>Total</b>	<b>301,677,803,841,104,000,000,000,000.00</b>

*Source: PO-RALG Reports on Revenue from Own Sources (2019)*

Moreover, there were noted different cases regarding huge figures of defaulters in reviewed internal audit report in the visited LGAs from 2015/16 to 2018/19. Among the noted cause for huge figure of defaulters was incompetence among users of both PoS and LGRCIS.

The interviewed revenue collectors indicated that they had not been adequately trained on how to use LGRCIS. LGAs' officials further stated that PO-RALG made some improvements to the system for revenue collection without communicating properly to the users on the changes made or areas improved. As a result, it created a lot of errors in the application of the system during collection of revenue.

While the system for collecting revenue was set depending on the type of source of revenue with different required input in the system, revenue collectors were not adhering to this leading to errors and increased number of defaulters. We confirmed this

scenario, through site visits to different points of revenue collections in the 12 visited LGAs where we noted that revenue collectors had insufficient knowledge to help them effectively collect revenues as expected.

## **(ii) Inadequate skills for the outsourced revenue collectors**

The audit further noted that LGAs were not employing revenue collecting agents who have the required capacity for effective revenue collection in that respective source of revenue. Apart from these other gaps related to the skills, resources and tools are further explained below:

### ***Insufficient knowledge for operating revenue collecting devices (PoS):***

It was noted that 9 out of 16 interviewed revenue collectors lacked sufficient skills on how to use PoS. As a result, PoS users make errors such as entering transaction twice and entering details or inputs to the revenue collection system contrary to the requirements leading to increased amount of defaulters which ultimately affects decision making processes.

***Outsourced revenue collectors Lacked tools compatible with the required LGAs specification:*** It was further noted that the outsourced agents did not have PoS with the required specifications to enhance efficiency and effective collection of revenues. This was associated with the failure of LGAs to verify the capacity of the bidders in terms of their ability to provide the required tools to execute the contracts. The officials further stated that, this was noted to pose high risk for loss of revenue.

It was also noted that the outsourced agents were not recruiting and regularly training new revenue collectors, instead they just adopt other agents' practices whose contracts were terminated by other LGAs without assessing their competence. This scenario was noted in Iringa MC.

The main reason for the existing skills gap for operating PoS and LGRCIS was mainly due to absence of continuous trainings to staff involved in revenue collection in LGAs. Further, revenue collectors have not been sufficiently trained on how to operate /use the commonly used systems for revenue collection in LGAs i.e. LGRCIS

and PoS. It was also, noted that the few trainings that were conducted involved only accountants leaving aside other officials such as trade officers and revenue collectors (WEOs and Contracted officials) who were directly involved in the operation of the revenue collection systems in their normal duties.

Absence of plans for capacity building programs for revenue collection officials in LGAs was also mentioned as the main reason for observed insufficient capacity trainings to revenue collectors.

Interviewed officials from PO-RALG responsible for capacity building stated that, despite the Division having a role of building the capacity to LGAs' officials, it did not conduct trainings to officials at LGAs. Through review of training reports from PO-RALG's Directorate of Region Administration, the audit team noted that the Division trained only District Commissioners and District Executive Directors. Moreover, the report was for two years despite the requested information being for four years. For the two provided reports there was no single training offered to LGAs officials regarding revenue collection regardless of them being responsible for conducting revenues in their respective areas of jurisdictions.

It was further noted that, the main cause for ineffective implementation of the training programme was a shortage of funds. It was also revealed that the provided funds, mainly from CSOs, were not enough to facilitate planned training programme although the officials did not provide budget for the training programme.

Failure to train officials at LGAs was partly caused by inadequate planning and implementation of training programme by PO-RALG. Through the review of approved Plan and Budgets on PFMRP programmes for the period 2015/16 to 2018/19, the audit team noted several planned training programmes which the Finance Department failed to provide status reports on their implementation. One of the plans include training to 46 LGAs officials on identifying and planning new own sources of revenue potential by June, 2019.

### 3.4.3 Malfunctioning Revenues Collection Systems and Tools

*Is there properly functioning revenue collection system designed for effective collection of revenues in LGAs?*

According to PO-RALG's Strategic Plan 2015/16 - 2020/21 and its approved organizational structure, PO-RALG through its Finance Section under the Division of Local Government, was required to ensure that LGAs have the required tools for efficient and effective revenue collections from different sources. The tools were expected to facilitate improvement of LGAs' financial accounting systems and reporting.

We noted that PO-RALG managed to establish Local Government Revenue Collections Information System (LGRSIS) and Point of Sale devices (PoS) to facilitate revenue collections in LGAs. However, through the review of revenues collection reports it was noted that the available system and tools for collection of revenues were not functioning properly. This was due to different anomalies noted as detailed below:

#### **(a) Weaknesses noted for Local Government Revenue Collection Information Systems (LGRSIS)**

Through the review of reports on the functionality of LGRSIS from the 6 visited RS and their respective 12 LGAs, the audit team noted various operational weaknesses of LGRSIS. These are such as:

##### **(i) *Limited information on the status of PoS from LGRSIS***

It was noted that the generated reports from PoS cannot provide enough information to facilitate effective monitoring. The generated reports can only tell when the device was online and lack the provision for ensuring the lost or defaults PoS can be detected/ reflected in central revenue collection system (LGRSIS). Further different users of the system cannot assess and tell exactly the actual status of available number of PoS in specified LGA. This problem was reported by 2 out of the 6 visited Regional Secretariat namely, Dar es Salaam and Dodoma.

In addition, the system had no provision for reporting defaulters on yearly bases. The generated reports only tell the cumulative number

of defaulters since the establishment of the system for collecting revenue. The users of this system for revenue collection are unable to know the trend of defaulters in different years for the purpose of decision making or further improvement.

In response to our observation, officials from PO-RALG acknowledged the existence of this problem and indicated that they have made some changes to improve the situations. Among the improvement included a change of PoS application which cannot be tampered easily by the users; and installation of new application on PoS to ensure all information are captured in the LGRCIS. However, the officials from PO-RALG did provide any assurance to auditors to support their statement on the improvement made, despite of the efforts requesting to verify through pulling the defaulters information from various LGAs form the system.

(ii) *Variation between reporting and business calendar*

It was noted that, the system did not consider the difference between financial and business license year. This has increased the number of defaulters which is unrealistic since business licenses which are not paid at the end of financial year was recognized as defaulters despite the fact that when considering the business license year, their debt is was still uncollected. It was said that, User Department namely Finance Section did not closely scrutinize their demands and provide proper requirements including factors to be considered to the system developers for proper setting.

(iii) *Delayed reflection of some banked revenue into the LGRCIS at LGAs*

The audit indicated that some of the deposited revenues in the LGAs' bank accounts were not reflected in the Local Government Revenue Collection Information System. The reasons given by interviewed officials was ineffective links between LGRCIS and Bank Accounts of LGAs. It was also noted that, LGAs have reported this matter to PO-RALG, using various means, but so far no improvement has been made.

In response to this, the officials from PO-RALG pointed out that they were aware of this challenge. They noted that usually, this challenge

is caused by communication (network) breakdown between the Bank and Government Payment Gateway (GPG) and LGRCIS. When the fault is between Bank and GPG usually the officials can enter records manually using the printed bank statements. When the fault is between Government Payment Gateway and LGRCIS the system is automatically reconciled during the evening.

This weakness of the system led to generation of unrealistic revenues statistics particularly on the number of defaulters which could mislead the decision makers.

(iv) *Incorrect formula Configured in LGRCIS for calculating guest house business licenses*

It was noted that in the LGRCIS, business license for guest houses were fixed at TZS 100,000 and there was no further option for adding TZS 2000 per room as per business license law. Instead, LGAs' officials and taxpayers are required to do adjustments so as to include this amount during the registration time. This was verified through the review of adjustment letter from taxpayer of Iringa MC dated 27/12/2019, 30/12/2019, 17/09/2019 and 30/09/2019.

Through the review of monitoring of performance of LGRCIS<sup>17</sup> it was noted that the system does not capture defaulters on Hotel and Guest house levies. Among the objective of the report was to find out the available defaulters and their genuinity. The report on defaulter shows an outstanding debt amounting to TZS 8.9 and TZS 5.3 billion in 2017/18 and 2018/19 respectively. This amount does not include the defaulters from hotel and guest house levy. There is a risk that, this scenario is associated with the practice of calculating charge per room outside the system during the issuance of license for guest house levy.

(v) *Failure of the system to generate penalties for late payment of business license*

There is an option for charging penalties for late payments especially for business license as indicated in the law. According to officials, late payment of business license is subjected to penalties which cannot be generated by the system. This forced the officials to

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<sup>17</sup> Report issued by Dar es Salaam Region Secretariats March, 2019



determine the penalties outside the system. This weakness of the system leads to generation of unrealistic revenues statistics particularly on the amount of defaulters and may mislead the decision makers. Moreover, it gives room for revenue collectors to carry out negotiations on amounts to be paid outside the system which is contrary to the law.

(vi) *Incorrect reflection of paid revenues from Hotel levies*

The audit indicated that for the issued control number for amounts to be paid as hotel levy, there are scenarios whereby the system, instead of reflecting the whole debt paid, it only reflect part of the amount while remaining amount is noted as prepaid. In this regard, someone is seen to have paid more than what he/she has really paid.

(vii) *Unrealistic Prepaid amount for some PoS captured in the LGRCIS*

Through review of PoS debts and interviewed officials from Mwanza CC, it was noted that the system for revenue collection created advance payments to revenue collectors who used PoS in collecting city revenues. Among cases found was one from Fish Landing Facilitations Fees where a total of TZS 53.8 million appeared as prepaid in the LGRCIS; while it was not actually paid in advance.

The officials could not provide a clear answer on why this happened and the way forward. This anomaly poses risk for revenue losses.

The summary of the weaknesses of LGRCIS and the LGAs affected is as indicated in Table 3.12 below:

**Table 3. 12: Weaknesses noted on the performance of LGRCIS and LGAs affected**

Weakness noted	Number of LGAs affected out of the 12 LGAs visited	Name of the LGAs affected	Effect/Implication to the Revenue performance
<i>Inadequate capacity to provide sufficient</i>	12	Kinondoni, Kigamboni, Mtwara, and Iringa MCs, Iringa, Kigoma,	Lack of clean data on the actual number of PoS can create room for some PoS to keep on collecting revenue

Weakness noted	Number of LGAs affected out of the 12 LGAs visited	Name of the LGAs affected	Effect/Implication to the Revenue performance
<i>information on PoS</i>		Sengerema and Masasi DCs, Chemba DC, Mwanza, Dodoma CCs and Kasulu TC	offline while untraced leading to revenue leakage.
<i>LGRCIS at LGAs don't capture all collected revenues deposited in the LGAs' Bank Accounts</i>	8	Kinondoni, Kigamboni, Mtwara, and Iringa MCs, Mwanza CC, Sengerema DC, Iringa and Masasi DCs	contribute to the number of uncleaned debts in the system and mislead management who views the progress of revenue collections such as DED or MED
<i>Variation between reporting and business calendar</i>	12	Kinondoni, Kigamboni, Mtwara, and Iringa MCs, Iringa, Kigoma, Sengerema and Masasi DCs, Chemba DC, Mwanza, Dodoma CCs and Kasulu TC	It contributes to unrealistic number of defaulters in the system, also impacts any judgment to be based on the data directly obtained from the system particularly on planning session and follow-up for unpaid customers
Slow and lack of network	10	Mtwara, and Iringa MCs, Iringa, Kigoma, Sengerema and Masasi DCs, Kasulu TC, Mwanza, Dodoma CCs and Kasulu TC	Direct loss to revenue collections, because when the network goes down no bills are generated creating unnecessary disturbance to customers with cash and most often take back their money unpaid and refuse to come back again and the council loses revenue,
Mismatch between user ID and its revenue data webpage of the respective LGAs in the LGRCIS	12	Kinondoni, Kigamboni, Mtwara, and Iringa MCs, Iringa, Kigoma, Sengerema and Masasi DCs, Chemba DC,	It increases the number of Defaulters in one LGAs from another, and such defaulters last long in the system uncleaned.

Weakness noted	Number of LGAs affected out of the 12 LGAs visited	Name of the LGAs affected	Effect/Implication to the Revenue performance
		Mwanza, Dodoma CCs and Kasulu TC	
Delay in the Issuance of control number to client timely	12	Kinondoni, Kigamboni, Mtwara, and Iringa MCs, Iringa, Kigoma, Sengerema and Masasi DCs, Chemba DC, Mwanza, Dodoma CCs and Kasulu TC	Lost revenue due to impatient customers who can't be kept waiting for the control number issuance.
Ineffective synchronization of LGAs' Bank Account and LGRCIS leading to mismatch between the revenues amount of recorded in the Banks in the LGAs account and revenues collection systems. Banks and LGAs	12	Kinondoni, Kigamboni, Mtwara, and Iringa MCs, Iringa, Kigoma, Sengerema and Masasi DCs, Chemba DC, Mwanza, Dodoma CCs and Kasulu TC	Add to the list of undeserved defaulters, and make disturbance to the customers by reminding them to pay while they have already paid

*Source: Auditors' analysis of minutes from interviews conducted with officials from the visited regions and LGAs, 2020*

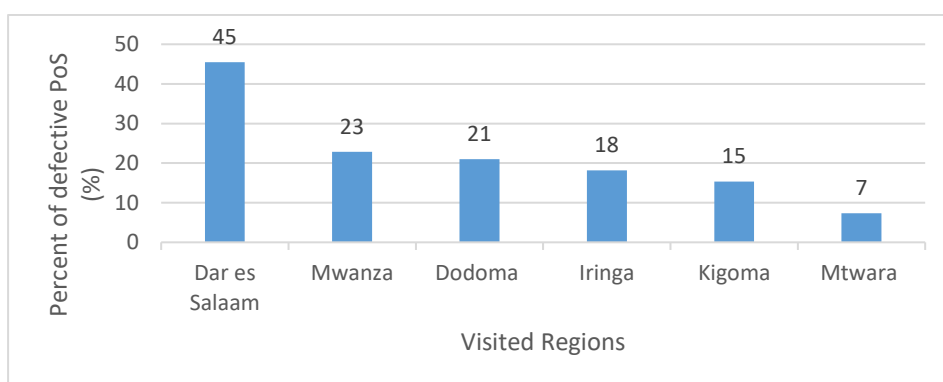
From **Table 3.12**, it is indicated that the common weakness that were experienced by all 12 visited LGAs included: inadequate capacity to provide sufficient information on PoS; ineffective synchronization of LGAs' Bank Account and LGRCIS leading to mismatch between the revenues amount recorded in the Banks in the LGAs account and revenues collection systems; and Banks and LGAs, Mismatch between user ID and its revenue data webpage of the respective LGAs in the LGRCIS. These problems indicate a risk for having incorrect revenue information as well as potential loss of revenues.

## Weaknesses noted for Point of Sale Machine (PoS)

Through the review of PoS status reports from the visited Regional Secretariats and LGAs, the audit noted the following weaknesses:

### (i) Presence of Defective PoS in the Visited Regions

Similar analysis was done to determine the extent of the presence of the defective PoS in the visited regions, as indicated in **Figure 3.10**:

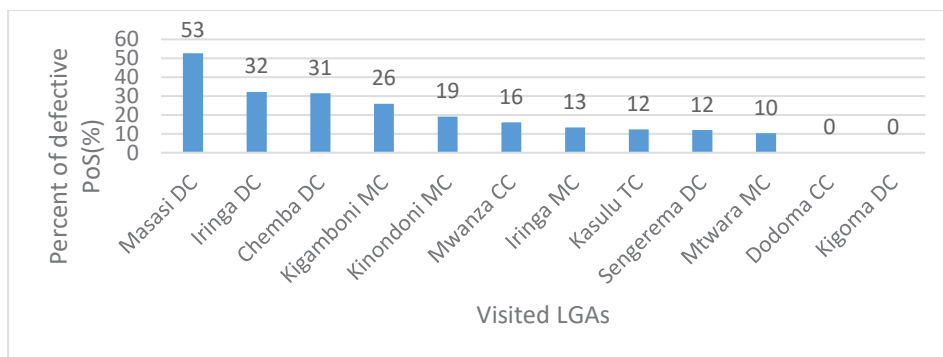


**Figure 3. 10: Percentage of Defective PoS in the Visited regions**

*Source: PoS status reports from the respective Regions*

**Figure 3.10** shows that, Dar es Salaam region has the highest percentage defective PoS (45%) among the visited regions and the least percentage was noted in Mtwara Region with 7%. More details are indicated in **Appendix 11** of this report. Interviewed officials indicated that the high defective rate of PoS was mainly due to the failure of the users to keep PoS in safe condition. It was claimed that some were damaged by rains, and others had low quality so they got damaged easily.

Similarly, the audit noted that 10 out of 12 visited LGAs had defective PoS as indicated in **Figure 3.11** below:

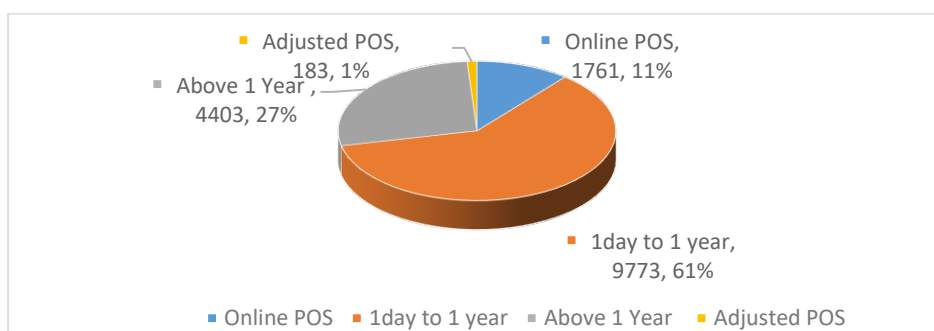


**Figure 3. 11: Percent of Defective PoS in the Visited LGAs**  
*Source: PoS status reports from the respective Regions*

**Figure 3.11** shows that the percentage of defective PoS ranges from 10 to 53 percent with the minimum percent noted in Mtwara MC. The presence of defective PoS poses a high risk for revenue loss.

**(ii) Presence of PoS that were offline for considerable Long period of Time**

Through the review of the PO-RALG's Revenue Collection Performance Evaluation Report for the financial year 2018/19, the audit team noted that 6,212 out of 15,479 PoS that were registered in the LGRCIS (equivalent to 40%) stayed in offline mode for a period ranging from 1 month to 4 years. The audit team confirmed this scenario through the analysis of the information on available PoS extracted from the system in November 2019. It was also noted that 61% of the PoS were in offline mode from 1 day to one year. **Figure 3.12** provides the status in November 2019.



**Figure 3. 12: Status of PoS, online, offline and adjusted POS**  
*Source: Extracted information from LGRCIS at PO-RALG, 2020*

**Figure 3.12** shows the status of PoS in the country. Only 11% of the available PoS were noted to be online while 61% were offline up to 1 year. 1% of PoS equivalent to 183 PoS was noted to have adjusted date (either forwarded date or backdated). Despite of the percentage being small this was significant as it could provide a major loophole for revenue leakage.

The audit team performed a similar analysis for the visited LGAs and the result is as presented on **Table 3.13**:

**Table 3. 13: Status of a Number of PoS which were Off-Line in visited LGAs**

Name of LGA	Total No. of PoS	Number of PoS stayed offline				
		Less ≤ days	8-30 days	31-60 days	60 days to 1 year	above 1 year
Iringa DC	63	44	9	2	8	0
Iringa MC	141	41	6	1	53	40
Kigamboni MC	24	9	4	0	5	6
Kinondoni MC	408	150	136	19	67	31
Kigoma DC	62	41	9	5	4	3
Kasulu TC	35	19	7	0	4	5
Mtwara MC	123	43	4	6	32	37
Masasi Dc	27	6	6	2	6	7
Mwanza CC	292	46	24	60	23	134
Sengerema DC	63	10	8	16	18	11
Dodoma CC	231	98	38	16	52	13
Chemba DC	58	21	16	3	4	13

*Source: Auditors' analysis of data from LGRCIS at PO-RALG (Extracted on 30<sup>th</sup> October, 2019)*

**Table 3.13** shows that Kinondoni MC lead in the number of LGAs with PoS that are offline with a maximum number of 408 days. Masasi DC was noted to have a minimum number of days for PoS operating offline.

Interviews held with LGA officials indicated various reasons for having PoS that were offline included defective, lost, lacking internet connectivity. It was also disclosed that some may be collecting revenue offline intentionally in order to avoid remittance of collected revenue on time.

The summary of the reasons and a number of LGAs affected are as tabulated in **Table 3.14** below:

**Table 3. 14: Summarized Causes for having offline and adjusted date of PoS**

Weakness noted	Reasons	Number of LGAs affected	Names of the LGAs
Offline POS	Revenue collectors purposely or unknowingly turn off POS in order to delay in remitting collected revenue and to hide the actual amount of revenues collected.	8	Chemba DC, Dodoma CC, Kinondoni MC, Kigamboni MC, Mtwara MC, Masasi DC Iringa DC and Iringa MC
	Collection activities are carried out in remote areas where there is no internet connection / coverage	1	Chemba DC
	Depletion of internet connection due to miss-use of internet bundles for personal benefits, eg. accessing you U-tube, face book and what's sup	8	Chemba DC, Dodoma CC, Kinondoni MC, Kigamboni MC, Mtwara MC, Masasi DC Iringa DC and Iringa MC
	Defective or stolen PoS	8	Chemba DC, Dodoma CC, Kinondoni MC, Kigamboni MC, Mtwara MC, Masasi DC Iringa DC and Iringa MC
PoS with adjusted date	Intentionally holding collected revenue for personal benefit for some time prior to remitting to LGAs	5	Kinondoni, Mtwara MCs, Mwanza, Dodoma CCs and Chemba DC

*Source: Analysis of the information obtained PO-RALG, 2020*

**Table 3.14** shows the noted weaknesses and the reasons for issuing of adjusted PoS. It is also shown that the practice is more common in developed regions. Cities like Mwanza, Dar es Salaam and Dodoma all experienced adjustments of date.

The adjusted dates in PoS may have led to failure to track substantial revenues that was entrusted in the hands of individuals to collect revenues on behalf of LGAS and not for benefiting themselves. Moreover, the scenario creates problems to users of PoS especially when the first user decided to change the PoS for collection of revenue as the forwarded date reach the transaction would be detected. According to PO - RALG officials from ICT Unit, the officials tend to provide different reasons in order to change the PoS so that the detection of transaction date should not be captured in the LGRCIS, while they still have the same PoS.

It was further revealed that there is a risk of loss of collected revenues when PoS are not operating online since the amount collected cannot be captured in the LGRCIS. In response to this, PO-RALG officials stated that they have taken some initial steps to solve this problem. The audit team reviewed a letter from PO-RALG to Regional Administrative Secretaries with Reference No. 151/297/01/79 dated 06/10/2017 requiring Local Government Authorities to make sure that all PoS have access to internet connectivity / bundles and are working online throughout.

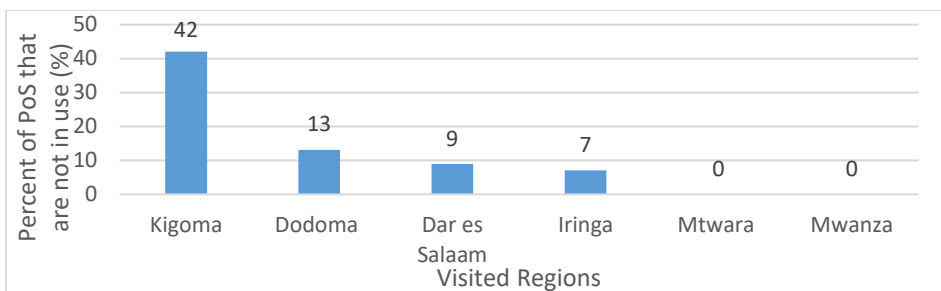
### **(iii) Presence of lost and unused PoS in the visited LGAs**

It was indicated that the presence of reported cases of lost PoS, damaged and those that were not properly functioning were due to various faults but they were not rectified. It was also noted that there were PoS that were not used by the revenue collectors.

#### *Presence of unused PoS*

The audit noted a presence of unused PoS that in the 4 out of 6 visited regions. The analysis of the extent of the Unused PoS in the visited regions is as shown in **Figure 3.13** below:



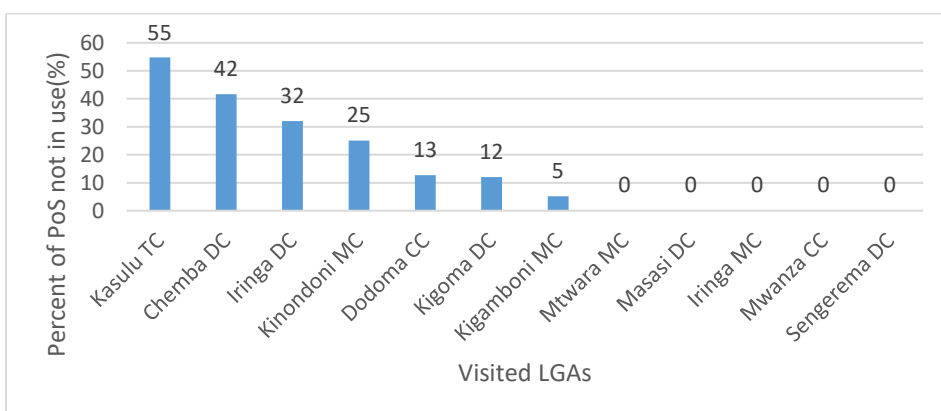


**Figure 3. 13: Percent of Unused PoS in the Visited Region**

*Source: PoS status reports from the respective Regions*

From **Figure 3.13** above, it shows 4 out of 6 visited regions have unused PoS. The highest percent was noted in Dodoma region where 13 percent of the available PoS were not in use.

Further analysis was done for the visited LGAs in the respective regions and the result is as presented in **Figure 3.14** below:



**Figure 3. 14: Percentage of Unused PoS**

*Source: PoS status reports from the respective Regions*

As it can be seen in **Figure 3.14**, Kasulu TC recorded the highest percentage of its Unused PoS whereas the minimum percentage was noted in Kigamboni DC.

It was also noted that some of the LGAs were allocated with extra PoS more than what they needed. This was noted in Iringa DC where they had 105 PoS while they only needed 56 PoS. The same was reported in Dar es Salaam Region that indicated a presence of excess PoS than the required number. In other LGAs, they had excess PoS so as they can be used for the seasonal revenue sources such as

produces cess e.g., fruits, football match entrance fees. The interviewed officials indicated that having excess PoS can create high risk of the devices getting damaged.

### *Few reported cases of lost PoS*

The audit team noted that there were few reported cases of lost PoS in the 4 out of the 6 visited regions. Our analysis has shown that 9% of PoS in Dar es Salaam were lost, whereby two regions of Dodoma, Kigoma and Iringa each had 1% of their PoS lost. The main reason for not reporting of these cases of lost PoS was the weak internal control on the side of LGAs that included lack of placed accountability to the revenue collectors on the management of PoS.

According to officials from PO-RALG usually loss of PoS was associated with loss of revenue. The users pretend to lose them especially when they were collecting in offline mode where they know the transaction would not be detected especially prior to making improvements on existing PoS.

Sometimes revenue collectors tend to report cases of lost PoS intentionally knowing that they would be required to pay small amount of money compared to what they have collected. It was further noted that the person reporting loss of PoS was required to only pay to the LGAs approximately TZS 600,000/= to TZS 800,000/= without consideration of the revenues that was expected to be collected.

However, the officials stated that the conditions were made a bit tougher in 2018/19 whereby whoever claims a loss of his/her PoS, in addition to the value of the lost PoS was required to pay the estimated amount of the expected revenues to be collected up to the time when PoS was officially reported. According to PO-RALG officials, this condition reduced the incidences of reported cases of lost PoS from different LGAs.

Contrary to the said action, during our visits to the LGAs the audit noted that in 3 out of 12 visited LGAs namely Kinondoni MC, Iringa MC and Iringa DC have not yet implemented this directive instead they only claim the value of PoS for cases of loss reported.

The incidences of lost PoS was said to be associated with weak management of revenue collection mechanisms and absence of binding agreements. This poses the risk of losing collected revenue using the reported lost PoS especially when the PoS was offline and while in actual practice it was used for collecting revenues.

**(iv) Users can easily tamper with date and input wrong date**

Through review of status of PoS from the LGRCIS, the audit team noted several PoS with forwarded date. The users of PoS tend to forward date or backdate while collecting and return to normal date when remitting collected revenue. According to officials the system do not detect the amount collected for forwarded date or backdated date. The ICT officials used to command the PoS to show transactions from the last time it was submitted to the current date submitted. Although currently PO-RALG official stated that when PoS is submitted for remitting revenue they command it to show transaction from the date it was manufactured, the audit team noted that not all ICT officials have the same understanding on the practice. In the previous years, revenue collectors benefited from this practice.

**(v) Unrealistic Debt reflected in PoS records of revenue collectors**

Interviewed revenue collectors in 2 out of 12 visited LGAs, namely Chemba DC and Mwanza CC, revealed that revenue collectors had additional debt amounting to TZS 54.5 million from revenue sources that were not responsible for as per contracts signed. This was verified through review of letter with reference number ACM/LGA/089/2019-2020/NC/01/15 dated 12/07/2019 which were directed to Mwanza CC, requesting the City Director to cancel the additional revenue debt from the revenue collectors.

The interviewed revenue collectors were of the view that, PoS have been tampered by LGA officials. The detail of the cases of unrealistic debt is as appended in **Appendix 12**:

**(vi) Use of Outdated PoS application**

Similarly, the audit team noted that in some of the LGAs, were still using PoS with outdated technologies which were not compatible

with the current system for the collection of revenue. When installing new applications for improving operations of PoS they were not responding at all. Moreover, revenue collectors were using systems for collecting revenue which allow them to collect revenue when the machine is offline.

#### **(vii) Issuing receipt in Chinese language**

The audit further noted that during site visits to users of PoS during the collection of revenue some issued receipts were in Chinese language which forces them to re-issue them, this action adds to defaulters list.

Other causes for the noted weaknesses of PoS were:

#### ***LGAs having PoS without registered responsible/accountable officials***

A letter from PO-RALG to Regional Administrative Secretaries with Reference No. 151/297/01/79 dated 06/10/2017 required each PoS to be registered with user name and station for revenue collection with users' number for follow up purposes.

Through review of internal auditor's second quarter report for the financial year 2018/19 from Chemba DC, the audit team noted an existence of PoS defaulters list without any accountable officials for the respective PoS. The noted PoS namely, Chemba District one and two<sup>18</sup> had a total debt of TZS 6.6 million without the name of officials who were responsible for using these POS. In this regard Regional Secretariats, PO-RALG and any other persons who wish to conduct monitoring cannot make accountable responsible officials with these PoS.

Furthermore, through review of the defaulters list from Mtwara MC, the audit team noted the use of PoS without specific responsible person who is finally accountable. The audit noted a defaulted amount of TZS 37 million under the name of Mtwara Football Regional Association. Despite the PoS being used by more than one revenue collector, it was named Mtwara Football Regional Association. There is a risk of accountability issues in case of

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<sup>18</sup> These were the given names of Point of Sale (PoS) Machines

anything regarding the collected amount since the PoS does not specify the actual revenue collector and can't be linked to a specific person or institution .

#### **3.4.4 Existing by-laws on Revenue Collection were not regularly reviewed by LGAs**

*Are by-laws for revenue collections regularly reviewed to facilitate effective revenue collection in LGAs?*

Contrary to the Local Government Finance Act 1982, which requires LGAs to develop and update their revenue collection by-laws in order to take on board issues like inflation and present situation at the market in general, the audit noted the following:

##### **(a) Presence of Outdated Revenue Collection By-laws**

Review of the study report on the identification of potential revenues conducted by PO - RALG, March 2019, indicated that 6 out of the 11 LGAs covered by the study have not developed and reviewed their by- laws, leading to failure to effectively collect revenues from some of revenue sources available in their areas. The audit team also confirmed this through interviews held with officials from the visited 6 Regional Secretariats and their respective 12 LGAs. During the interview it was revealed that LGAs were not regularly reviewing by-laws to facilitate effective revenues collection. 8 out of 12 visited LGAs were using by-laws that were not reviewed to update them with the current market rates.

It was further noted that 2 out of 4 LGAs that have reviewed their by - laws namely Mtwara MC and Kinondoni MC for collecting fees and levies from market stalls / slabs, the reviewed by-laws were not yet implemented due to the resistance originated from the citizens or stakeholders.

Failure of LGAs to develop and regularly review their by-laws was partly caused by the inadequate support from PO-RALG in approving and enforcing implementation of the reviewed by-laws in LGAs. This is despite activity being budgeted under PFMRP programme. The audit team further noted that PO-RALG planned to support LGAs in reviewing by-laws in 2017/18 but no report regarding that support

was availed to the audit team despite funds being disbursed for the implementation of the activity.

The interviewed officials also indicated that there was a delay in getting approval from the PO-RALG for the developed bylaws which sometimes it takes up to 6 months. This was noted in 3 out of the 12 visited LGAs namely Kinondoni MC, Mtwara MC and Masasi DC. **Table 3.15** shows time taken by PO-RALG to approve the submitted by-laws from the visited LGAs.

**Table 3. 15: Time Taken to Approve Council by-laws by PORALG**

Name of LGA	By-laws submitted for approval	Date submitted for approval	Date obtaining approval and gazetting	By-laws which were not approved to date
Kinondoni MC	<ul style="list-style-type: none"> <li>• Fees and Levies</li> <li>• Market fees</li> <li>• Fish landing fees</li> <li>• Environmental related by-laws</li> </ul>	Submitted to PO-RALG on February 2019	Government Notice No. 389 dated 10/05/2019	<ul style="list-style-type: none"> <li>• Fish landing fees</li> <li>• Environmental related by-laws</li> </ul>
Mtwara MC	Fees and Levies in general	Submitted to PO-RALG on May, 2017	Government Notice No. 161 dated 27/04/2018	Nil
Masasi DC	Fees and Levies in general	Submitted to PO-RALG on March , 2016	Government Notice No. 290 dated 29/09/2017	Contributions of education sector
Iringa MC	Fees and Levies in general	Submitted to PO-RALG on August, 2017	Government Notice No. 220 dated 18/05/2018	NIL
Mwanza CC	Fees, levies and Road user fees	Submitted to PO-RALG on June 2015	Government Notice No. 220 dated 15/09/2017	NIL

*Source: Analysis of interviews minutes and approved by-laws, 2020*

**Table 3.15** shows that not all the by-laws submitted for approval to PO-RALG were not approved. 2 out of 5 by-laws that were sent for approval to PO-RALG were not approved. In Kinondoni MC 2 out of 4

by-laws which were sent for approval were approved while in Masasi DC only one by-law was not approved.

**(b) Absence of revenue collection by-laws for some of the existing potential revenue sources**

Through the review of semi-annual report on the revenue collection for 2018/19 from PO-RALG, it was noted that LGAs lack by-laws for revenue collection for some of the sources. Examples of the sources of revenues that were lacking by-laws included services levy (from network providers, industries), produce cess, guest house levy etc. According to this report, this has affected the performance of LGAs in the collection of revenues.

Failure to review the existing by-laws has led to stagnation of the collection of revenues from the existing sources of revenues. It was also noted that there were several cases where low rental charges or rates are applied in visited LGAs as detailed hereunder:

The audit noted cases of losses of revenues as a result of low rental charges for the Councils commercial building used as markets. These cases were noted in 3 out of 12 visited LGAs namely, Dodoma CC, Mtwara MC and Kinondoni MC. For the case of Dodoma CC revenues from city's stalls at Uhuru ward were not effectively collected due to applying outdated rental rates of stalls leading to loss of revenues amounting to TZS 18.5 million per month. Moreover, there was an outsourced revenue collector on solid waste management who was not submitting any amount from collected revenues. It was also noted that there was no feasibility studies conducted in this area in order to know the potential of revenues from those sources.

**At Ilala MC**, the same company which was collecting solid waste was not remitting funds at all and it was noted later on that the source had potential of revenue and the agent started to submit remittances. It was also noted that this was a 10 years duration contract which come to expire in 2019. However, the interviewed officials indicated that despite the fact that the contract has expired, still the same people are conducting same businesses and providing services without valid contracts.

**At Kinondoni MC**, the audit noted a similar case of ineffective collection of revenues from Tegeta Market, where the Council was

using outdated rate for charging ‘vizimba’ which was a meagre TZS 100 per day. This rate is far below the market rate used by other LGAs in the same region, which ranged from TZS 300 to 500 per day. Due to the use of these rates that were much lower than the market price, our analysis indicated that the LGA could be losing TZS 180,000/ per day<sup>19</sup>.

The officials from Kinondoni MC acknowledged that the rates are lower than the market price, and the LGA has made some changes in its newly reviewed by-laws. Contrary to what was mentioned by the interviewed officials, the audit team did not see the changes in the new approved by-laws which were published in Government Gazette on 19<sup>th</sup> of April, 2019. It was noted that the new by-laws did not indicate specific rates to be charged for hiring/renting “vizimba” *and instead it states that the revenue would be charged as per contract* which was not yet signed.

Moreover, the approved by-laws was not in use because stakeholders did not accept it as they were not involved in its preparations. Our further interviews with the revenue collectors, indicated that even the current by laws that are in use have not specified the rates for various revenue sources including the council’s stall rate.

**At Mtwara MC**, the audit team also noted a typical case that indicated ineffective revenue collections from the LGA’s stalls located at Mtwara market place where applied rental charges were lower than the market price. According to the officials from Mtwara MC, the LGA was charging a rate of TZS 25,000 and 40,000 for big and small stalls respectively per month whereas the market price charges ranges from TZS 100,000 to 250,000 per month. From the available 584 stalls the municipality was losing approximately TZS 80.3 million each month which could have been collected if the applicable rental charges were to be reviewed to reflect the real market price rental charges.

According to LGA’s officials, the LGA reviewed its by-laws whereby it proposed to increase the rate to TZS 50,000 and 75,000 for small and big stalls respectively. However, the proposal was not accepted by the stakeholders as they were not fully involved in the review of the by-laws, thus it has not been implemented.

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<sup>19</sup> 600 vizimba x (400 average price - 100 current rate)



**Table 3.16** presents the summary of the above examples of the revenue sources that were not collected from the visited LGAs:

**Table 3. 16: Cases of Market Fees and Rental Charges Not Effectively Collected by the Visited LGAs**

Name of the LGAs	Type/Source of revenue	Amount required as per councils' by-laws (TZS'000)	Market Price (TZS'000)	Estimated loss per month (million TZS)	Reasons
Mtwara MC	Market rent fees (stalls)	25-40	100-250	80.3	Use of outdated rate for rent of vizimba due to not reviewing council by-laws
Dodoma CC	Rent Charges for Dodoma City's stalls at Uhuru Ward	100	300	18.5	Use of outdated rate for rent of stalls due to not reviewing council by-laws
Kinondoni MC	Market fees - Tegeta	0.1	0.3-0.5	5.4	Use of outdated rate for rent of vizimba due to not reviewing council by-laws

*Source: Auditors' Analysis of information obtained through the interviewed officials of the visited LGAs, 2020*

Table 3.16 above shows that the 3 LGAs lost approximately TZS 104.2 million per month as a result of use of low rates of rental charges relatively lower than the market price for rented stalls and markets available in their area.

### 3.5 Ineffective Management of Revenue Collectors by LGAs

#### *Do LGAs effectively manage revenue collectors?*

The effectiveness of LGAs in managing revenue collectors was also assessed based on adequacy of supervision and evaluation of revenue collection activities to ensure that revenue collectors adheres to the contract terms. It was also assessed based on the adequacy of action taken to address under-performance of revenue collectors.

The audit noted that PO-RALG has effectively ensured that LGAs are managing revenue collectors effectively as indicated by the weaknesses in the assessed aspects. These weaknesses are detailed below:

#### 3.5.1 Ineffective Supervision of Revenue Collection by LGAs

##### *Do LGAs effectively supervise collection of revenue in their respective areas?*

LGAs were expected to effectively supervise revenue collectors in their areas so as to ensure that they comply with the available laws and regulations. However, the audit team noted that LGAs were not effectively supervising the activity of revenue collection in their areas as detailed below:

##### *Lack of Robust Enforcement of terms of Contract for the Outsourced Revenue Collecting Agents*

LGAs were required to effectively administer the implementation of the terms of contracts in order to ensure that responsibilities of both parties are fully implemented and adhered to as stated in the revenue laws, principles and regulations in place (Guidelines for managing outsourced Revenue Collecting Agents, 2016).

Through the review of contracts between outsourced revenue collections at LGAs, it was noted that LGAs did not effectively

enforce the agents to adhere to the terms stated in their contracts. The summary of the observed scenarios of non-compliance to the terms of contracts as presented in **Table 3.17** below:

**Table 3. 17: Scenarios of Non-compliance of terms of contracts by revenue collectors in LGAs**

Non adherence scenario	No. of LGAs with the case	No. of LGAs took actions	Reason for defaulting
Failure to meet the minimum agreed amount of revenue collections	2	NIL	Weak monitoring by LGAs towards outsourced agents in respect of agreed contracts terms
Absence of evaluation reports on the contracted agents as stated in contracts	2	NIL	Ignorance of some terms of contracts by LGAs officials.

*Source: Contracts between revenue collectors and performance reports on collection of revenue from the respective visited LGAs*

As it can be seen in **Table 3.17**, the above cases were noted in Iringa DC and Iringa MC whereby outsourced revenue collectors who deviated from the terms of contracts through remitting less amount of collected revenue below the agreed minimum amount to be deposited into LGAs Banks Accounts. Despite LGAs being aware of the breach of the agreed terms, LGAs did not take any action to revenue collectors.

Also, through the review of 11 contracts for outsourced agents at both Iringa MC and Iringa DC, only 5 had stated the clause which requires LGAs to periodically evaluate the performance of outsourced agents and the level of adherence to contract terms. But there was no report obtained from these 2 LGAs showing the implementation or reinforcement of such clauses. Thus inadequate enforcement of terms of contracts pose a risk for the revenue being collected from agent and used for the intended benefits. The LGAs were not in the position to know the amount of revenue collected by the agent.

The audit team further noted that LGAs were not effectively supervising revenue collectors when collecting revenue from own

sources. The requested reports regarding supervision of the performance of revenue collectors were not given to the audit team.

### *Inadequate Supervision of revenue collectors*

Although interviewed LGAs officials argued that they do close supervision and evaluation the performance of revenue collectors, there was no report supporting this argument. The audit noted that in the 2 out of 12 visited LGAs, no evaluation was conducted and there were no supervision reports concerning the performance of revenue collectors. Inadequate supervision has led to under estimation of the amount of revenues collected from each source, especially for those outsourced sources as indicated in the revenue performance for the financial years 2017/18 and 2018/19.

The under estimation was mainly indicated by a huge variation between agreed minimum annual collection and actual collections remitted as indicated in **Table 3.18** below:

**Table 3. 18: Percentage Variations for the Underestimated Cases**

Name of LGAS	Name of the Agent	Outsourced Revenue Source	Financial Year	Contractual Minimum Annual Collections Agreed (million TZS)	Actual Collections Remitted (million TZS)	Variation in Percentage (%)
Iringa MC	Gratius Co Ltd	Bus stand fee	2018/19	252.00	302.35	16.7
	Kastom Mwampiki Supplies	Parking and Bus stand fee	2015/16	376.20	403.33	6.7
	Sokoni Partners	Toilet fees	2017/18	59.40	63.45	6.4
Iringa DC	Lax spacer	Fees for Fish sales		96.00	167.09	74
	Usafi Mazingira	Fee for Fish sales		84.00	110.70	32
	Okoamali	Auction fee		98.40	106.44	8
	Lax spacer mazao	Lot 2		275.00	294.00	7
		Lot 1		360.00	368.29	2

*Source: Analysis of information extracted from Individual Contracts from visited LGAs and LGRCIS, 2020*

**Table 3.18** shows underestimation of the available sources of revenues in Iringa MC and Iringa DC which were outsourced to revenue collecting agents. The signed contracts varied between 2 and 74%

The audit team further analyzed the reasons for underestimation which was noted to be due to lack of feasibility studies on the available sources of revenue. Through interviews with officials in the visited LGAs, it was noted that in the previous years when controls were low revenue collectors were benefitting from underestimation due to inability to assess the actual amount to be collected. According to officials, the effective use of online PoS would reduce the effect of underestimation since all collected revenues would be monitored.

### **3.5.3 Ineffective Systems for managing Revenue Collectors in LGAs**

*Do LGAs have effective systems for controlling revenue collectors to ensure that they adhere to the contract terms?*

LGAs are required to effectively administer the implementation of contract terms in order to ensure that responsibilities of both parties are fully implemented and adhered to as stated in the laws, principles and regulations governing collections of revenues are in place<sup>20</sup>.

However, through the review of revenue performance reports and contract documents for the outsourced revenues collecting agents, the audit noted various scenarios indicating ineffective system for controlling revenue collectors as detailed below:

#### **(a) Absence of Contracts between LGAs officials (WEO) and outsourced revenue collectors**

We noted that 4 LGAs namely Dodoma MC, Masasi MC, Kigoma DC and Chemba DC assigned their WEOs an activity for collecting revenues in their respective wards. Further, we noted that, they also delegated this activity to other collecting agents claiming that they are occupied by many other routine activities, thus they can't manage the collection of revenues effectively. However, it was

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<sup>20</sup> Guidelines for managing outsourced Revenue Collecting Agents, 2016

noted that there were no contractual agreements between WEO in Kizota and the hired individuals. Moreover, there was no contractual agreement between WEO at Chemba DC with the Village Executive Officer who was assigned to collect revenue on behalf of WEO. The audit team noted that LGAs' officials have no control on individuals and WEOs' office since WEOs are the ones who can hire and fire the revenue collection agents without the knowledge of LGAs.

From the interviews held with revenue collectors 10 out of 16 revenue collectors indicated that although they were using PoS, they were not yet trained properly and they were facing some difficulties when using them. According to them trainings was provided by ICT officials from LGAs when handling PoS and no regular on job training were conducted to enforce use of PoS and to evaluate whether the trainings were effective or not. In most cases they tend to duplicate transactions when entering data into the PoS due to lack of knowledge on how to use it.

This was said to contribute to increase in the number of defaulters and also creates security risk of PoS since the agent hired by WEOs were not recognized by LGAs and they lack contracts.

#### **(b) Absence of Performance Agreements between LGAs and WEOs**

The audit noted that WEOs who were assigned the task of collecting revenues had no performance agreement between them and LGAs. WEOs were only required to collect revenues in the specified sources of revenues without having performance agreement with LGAs.

#### **(c) Weak Contracts Terms with Outsourced revenue Collecting Agents**

The review of individual contracts, disclosed lack of binding terms for outsourced revenue collector such as revenues remittance terms, time required for remitting the funds, amount to be shared and also responsibilities of the agents in the use of PoS. They also lack critical terms indicating penalties to be imposed in case of failure to attain the agreed performance terms. **Table 3.19** provides analysis of the identified gaps in the contract agreement from 14 reviewed contracts between LGAs and outsourced revenue collectors.

**Table 3. 19: Gaps noted in the sampled contracts in LGAs**

Identified gap in the contract agreement	No of contracts sampled	No. of LGAs experiencing	Concerned LGA
Absence of term for periodic evaluation of collecting agent	14	3	Iringa MC , Mwanza CC and Iringa DC
Responsibilities for managing PoS	14	2	Iringa MC and Iringa DC
Penalties in case of under performance	14	2	Iringa MC and Iringa DC
Absence of revenue remittance terms (time and amount)	14	2	Iringa MC and Iringa DC

*Source: Contracts documents from the visited LGAs (2010)*

**Table 3.19** indicates that among the key elements that were missing in the contracts was the clause on the penalties to be imposed in case of under performance of the revenue collecting agents. In this regard, LGAs lacked legal contractual back up to take actions for noted underperformance of the revenue collecting agents. Moreover, there was no clause setting and attaching the responsibility to the agents to manage given PoS. Also, there was no clause setting out the requirements for periodic review and evaluation of implementation of the contracts terms. This could have ensured LGAs are mandated to review implementation of the contracts and act upon any measures which required immediate actions from them.

#### **3.5.4 Inadequacy in addressing underperformance of Revenue Collectors**

*Do LGAs adequately address underperformance of revenue collectors?*

LGAs were required to prepare a list of red flags/risks pertaining to failure during the implementation of the contracts and use the list to evaluate the implementation of contract at each stage of its implementation (Guidelines for managing Outsourced Revenue Collecting Agents, 2016).

The audit revealed that LGAs were not adequately addressing the underperformance of revenue collectors as presented in section 3.5.3 above.

In practice due to many responsibilities which LGAs' officials had they hired private revenue collectors to help them in collecting revenue. According to the officials, neither WEOs nor LGAs were effectively monitoring the performance of hired officials to collect revenue. Moreover, the officials had no formal legal contracts with the LGAs and WEOs which waive the power to legally bind them.

**Table 3.20** presents the summary of the performance issues that were not addressed by the LGA.

**Table 3. 20: Scenario that needed immediate action from LGAs**

Name of LGAs	Responsible Revenue Collector	Noted Scenarios which were not addressed
Chemba DC	ICT Officials who support and form task force for collecting revenue	<p>Used his knowledge to hack and collect revenue using PoS with password and payer ID of another PoS where the debt were reflected. The officer collected TZS 95,000 which he did not remit to the council, later on the official was recognized and was discussed in Council Management Meeting and the council did not take any actions</p> <p>The interviewed officials at Chemba DC were surprised that the officer is still there. The revenue collector don't have confident and trust with the ICT officials and questioning decision makers on the reported scenario.</p>
Mtwara DC	Revenue collector at Mtwara main market	Not being at the working station most of the time and no action has been taken. We also verified this during our visit where we made trail for two days we did not meet the agents even his/her representative. This means that most of the time revenues were not collected.
Iringa MC	Official responsible for supervising revenue collectors collecting revenue daily for	Contracted revenue collectors are supposed to deposit collected fund themselves instead of giving to LGAs officials since all the risks rely to users of PoS (contracted revenue collectors). This was verified during site visit and interview with contracted revenue



Name of LGAs	Responsible Revenue Collector	Noted Scenarios which were not addressed
	depositing purposes	collector at Igumbilo Bus Stand (new) in Iringa MC. Iringa MC seemed to be comfortable with this practice.

*Source: Observations for Site visit and Review Finance Committee Meeting and Monitoring Reports from the respective LGAs*

**Table 3.20** shows scenarios which needed immediate action from LGAs. But, LGAs did not act accordingly. For example, the scenario noted at Chemba DC needed immediate action in order to maintain trust to revenue collectors and raise their morale in revenues collection.

### **3.5.5 Ineffective Evaluation of implementation of Revenue Collector's Contract**

*Do LGAs effectively evaluate the implementation of contract with the outsourced revenue collection agents?*

It was noted that LGAs did not effectively evaluate the implementation of contracts of outsourced revenue collecting agents as outlined in the Guidelines for Outsourced Revenue Collecting Agents, of 2016. According to this guideline, LGAs were required to evaluate the implementation of the contract at each stage of its implementation. However, the audit team noted that, 4 LGAs who had outsourced revenue agents, were not evaluating the performance of outsourced agents. It was further noted through the review of contract documents for Iringa MC, it requires the council to conduct evaluation on contract implementation and performance of outsourced revenue collecting agents after every 3 months.

The evaluation reports were not availed to the audit team and the respective officials declared that they have not conducted any evaluation. The reason for non-evaluation of the performance of outsourced revenues collectors included unassigned contract managers from LGAs and from the outsourced agents who could be responsible for ensuring that terms of contracts and agreements are properly adhered. This hinders the ability of the LGAs to take corrective actions to the under-performing revenue collecting agents.

### 3.5.6 Inadequate Corrective Actions taken to Defaulting Revenue Collecting Agents

*Do LGAs take necessary corrective actions for the noted by revenue collecting agents in the implementation of contracts?*

As presented in Section 3.5.5, LGAs were not evaluating the performance of the outsourced revenue collectors, as a result LGAs were not taking adequate corrective actions to revenue collecting Agents who were underperforming.

**Table 3.21** hereunder shows the evaluation of the corrective actions taken by LGAs in the visited LGAs.

**Table 3. 21: Noted Scenarios without Corrective Action taken by LGAs**

Name of LGAs	Name of the Revenue Collectors	Noted scenarios without action from LGAs
Iringa DC	Okoamali	Remitted revenue below agreed amount in the contracts without the council taking any actions.
	Okoamuda	
	Sokoni Partner	
	Lax spacer	Huge difference between agreed amount in the contracts and Actual collected amounts  Due to lack of feasibility study, the agent collected more than 80% over and above the agreed amounts in the contract without sanctions from Iringa DC to revise the contracts terms
Iringa MC	Kastom Mwampiki Suppliies	Remitted revenue below agreed amount in the contracts without the council taking any actions.
Mtwara MC	Collector at Bus stand	Revenue collector was collecting revenue from motor cycles using applicable rates for Bajaj.  This needed immediate action since the rate used for motorcycle was TZS 300 instead of TZS 200. This was also contrary to council by-laws.

*Source: Contracts documents and Supervision Reports from the Visited LGAs*

### 3.6 Inadequate Monitoring of performance of Regional Secretariats and LGAs on Revenue Collections

***Does PO-RALG adequately monitor the performance of RS and LGAs on revenue collections?***

PO-RALG is required to monitor the performance of LGAs to collect revenue from own sources using the Integrated Financial Management Information System (IFMIS) and Dashboard. It was also required to monitor and evaluate the implementation of the PO-RALG's Annual Plans and Medium Term Strategic Plans<sup>21</sup>. Furthermore, PO-RALG was required to provide technical advice to Regional Secretariats and LGAs by scrutinizing, analyzing and consolidating Local Government Authorities' own source revenue budgets.

Through the review of monitoring reports and interviews held with officials from PO-RALG, the audit noted that, PO-RALG did not adequately monitored the performance of Regional Secretariats and LGAs in the collection of revenues from their own sources. The argument was based on the details presented hereunder:

#### 3.6.1 Lack of proper Planning for Monitoring & Evaluation of the RSs and LGAs

***Does PO-RALG plan for monitoring and evaluation of the activities performed by RSs and LGAs on the collection of revenues in LGAs?***

PO-RALG is required to prepare plans for monitoring the activities performed by the Local Government Directorate at PO-RALG. It was further required to prepare plans for monitoring the Division of Local Government and Finance; and Trade at Regional Secretariats and LGAs respectively. It was also required to monitor and evaluate implementation of the PO-RALG's Annual Plans and Medium Term Strategic Plan<sup>22</sup>. However, the audit noted the following:

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<sup>21</sup> PO-RALG's Strategic Plan 2013-2018; The Functions and Organisation Structure of The President's Office, Regional Administration and Local Government (PO-RALG) (Approved by the President On 12<sup>th</sup> February, 2015);

<sup>22</sup> PO-RALG's Strategic Plan 2013-2018; The Functions and Organisation Structure of The President's Office, Regional Administration and Local Government (PO-RALG) (Approved by the President On 12<sup>th</sup> February, 2015);

**(a) Absence of activity plans for monitoring Regional Secretariats and LGAs performance at Division of Local Governments.**

Through the review of availed MTEF for the Division of Local Government for the period from 2015/16 to 2018/19, it was noted that the Division had no specific plans for monitoring the performance of Regional Secretariats and LGAs on revenue collection. Similarly, interviewed PO-RALG officials acknowledged the absence of specific monitoring components for enhancement of revenue collection in LGAs under their OC even in the PFMRP. Instead, monitoring was carried out on ad-hoc basis on noted issues related to underperformance.

It was further explained that monitoring of revenue collections in LGAs was done through the review of revenues information extracted from the Integrated Financial Management Information System (IFMIS) and Dashboard. With regard to monitoring visits, it was explained that, normally monitoring visits are included in the overall monitoring and evaluation plans of PO-RALG, which are carried out once a year under the Division of Policy and Planning.

The officials explained that, in most cases PO-RALG depended on monitoring conducted by Regional Secretariats on their behalf since they cannot visit all 185 LGAs in the country. The interviewed officials further mentioned that monitoring revenue collection in LGAs was a component within the Finance Section and therefore it was not a highly prioritized activity. However, the interviewed officials indicated that, currently PO-RALG through the Division of Local Government has included monitoring plans for revenue collection in the PFMRP as one of the components of the five-year business strategy for revenue enhancement.

Absence of the specific plan for monitoring revenue collection in LGAs, was said to affect PO-RALG's role in enhancing the performance of LGAs in revenue collection. The officials also said that, they lacked sufficient information which could enable them to properly and timely advice LGAs on challenges related to revenue collections.

The audit noted that the Division of Inspectorate and Financial Tracking developed a plan for conducting inspections and financial

tracking to LGAs. The plan include collection of revenue from own source and expenditure performance. However, the officials mentioned that this activity, which was planned in the financial year 2017/18, was omitted in the subsequent financial years.

We noted that, despite of absence of plan, the Division of Inspectorate and Financial Tracking has conducted special audit in some of the LGAs, where among the issue assessed were performance on own source revenue collection.

**(b) Indicators used were not comprehensively measuring performance of LGAs and Regional Secretariats in revenue collections**

Performance measurement is a key element in determining whether the entity is achieving its targets or goals and would be able to achieve them at a given timeframe. The audit team noted that PO-RALG developed performance indicators in its M&E framework and Strategic Plan.

Audit review of the PO-RALG's Strategic Plan (2016/17-2020/21) e and M&E Plans of 2015/16-2018/19, noted that the performance indicators were not comprehensive to measure both performance outputs and impact levels. Moreover, the indicators did not make PO-RALG and Regional Secretariats directly accountable in terms of their performance in enhancing capacity of LGAs in the collection of revenues.

We noted that the performance indicators used were mainly measuring performance at output level, and did not outcomes. The indicators focused mainly on tracking target achievements in the collection of revenues, which in reality is not sufficient to provide adequate information for assessing the extent to which PO-RALG have enhanced capacity of LGAs in the collection of revenues.

The audit noted further that, indicators were not sufficient to provide information for the PO-RALG to respond to the National Development Plan (NDL). This plan placed a focus on proper identification of potential sources for local revenues and addressing key factors undermining LGAs capacities to collect revenues, building and maintaining the technical and professional capacity to

operate and maintain the ICT revenue collection systems in the Local government level.

Likewise, the reviewed indicators focused on tracking whether LGAs have developed and submitted quarterly own source revenue collection reports and financial performance reports. Thus, these indicators were only adequate to justify the performance of specified LGAs, and for use by a third person to come up with the same assessment of LGAs performance.

### **(c) Poor planning for monitoring the performance of LGAs on revenue collections by Regional Secretariats**

Through the review of MTEF from the visited Regional Secretariats for the financial years from 2015/16 to 2018/19, the audit team noted that 3 out of 6 visited Regional Secretariats planned to monitor the performance of their LGAs. Further, the officials indicated that Regional Secretariats monitor the LGAs' performance through the review of the quarterly reports submitted by LGAs or information extracted from dash board (revenue collection information systems). It can also do it through quarterly meetings held with officials responsible for revenue collections and visits made to the respective LGAs. However, our review of the MTEF from RS the audit team noted that only 3 out of 6 visited Regional Secretariats were budgeting for monitoring activity.

### **3.6.2 PO-RALG and Regional Secretariats did not comprehensively Monitored LGAs Performance**

*Does PO-RALG measure/evaluate the performance of RS and LGAs for ensuring effective collection of revenue from their own sources?*

Through the review of monitoring reports from PO-RALG and Regional Secretariats, the audit team noted that although monitoring were conducted at both levels they were not comprehensive enough as detailed below:

#### ***Partial reporting of revenue performance by Local Government - Finance Section***

Through the reviewed Revenue Performance Reports from PO-RALG, we noted that the Ministry has been evaluating the performance of

LGAs using the revenue information extracted from the Integrated Financial Management Information System (IFMIS) and Dashboard.

However, our analysis of the monitoring reports for the financial year 2015/16 to 2016 it indicated that monitoring was not comprehensive enough to provide detailed information regarding the performance of revenue collection. The reports just provided a summary of achievements of the overall revenue collection targets without any supporting explanations. It also lacked information on the performance of revenues for each source as well as the challenges associated with the underperformances noted so as to allow proper action.

The audit further noted that, from the financial 2017/18 the reports were improved and became more comprehensive and were also submitted to the Minister of State for further actions. The reports included a detailed analysis of the performance for each source of revenues, expenditure of the collected revenues if it has been spent as per the planned activities and contribution to the development activities. It also provided information on sufficiency of the collections to cover the needed LGAs' operational cost.

Despite of the improvements that were noted in the financial year 2017/18 on the monitoring reports, it was revealed that, information such as performance of revenue collection tools, adequacy of skilled staff, strategies for widening tax base and challenges hindering the performance among others like effectiveness in setting revenue projections which are necessary for effective performance of revenue collections were not appearing in the reports.

In response to this observation, officials from PO-RALG indicated that absence of reporting format, undefined key performance indicators and follow up plan were among the causes for not having a comprehensive monitoring report. Instead, the details and contents of the reports were just depending on the person requesting the report. As a result, it affected the performance of PO-RALG in reinforcing and evaluating the performance of LGAs due to partial information required for proper corrective actions.

***Setbacks on reporting of revenue performance by M & E Unit at PO-RALG***

Through the review of availed PO-RALG's M&E Plans of 2015/16 - 2018/19 and Strategic Plan of 2016/17 - 2020/21 it was noted that the assessment of Regional Secretariats and LGAs key performance indicators had been done on their ability to collect revenues. However, the review of M &E reports indicated that there was information that was reported not to be linked with or addressing the capacity of LGAs to collect revenue as expected.

In regard to revenue collections, the reported information include adjustment of the reported defaulters in the system, PoS which are operating offline, collected revenue which were not deposited in the bank, non-reconciliation of amount deposited in the LGAs' bank account and LGRCIS. **Table 3.22** shows status of evaluation of activities performed by RS and LGAs.

**Table 3. 22: Status of evaluation of activities performed by Regional Secretariats and LGAs**

Means of evaluation performance of RS and LGAs	Noted areas which needed immediate actions	Actions taken by PO-RALG/Recommendation issued
Visits to Regional Secretariats and LGAs	Adjustment of the reported defaulters in the system, Reasons given being errors while posting eg. reported adjustment in 2018/19 TZS of 95 billion	PO-RALG suggested to conduct thorough auditing in order to ascertain whether the defaulters are realistic or not (subject to adjustment). Despite of monitoring conducted, the audit team were not in the position to justify the correctness of the adjustments done.
	Untimely deposit of collected revenues in 2018/19 of TZS 77.6 billion	Nil
	Non-reconciliation of amounts collected in the bank and reflected in LGRCIS	Nil



Means of evaluation performance of RS and LGAs	Noted areas which needed immediate actions	Actions taken by PO-RALG/Recommendation issued
	Receipt of revenue through cashier instead of bank from revenue collectors eg. in 2018/19 around TZS 79 billion were collected through cashiers in LGAs	Revenue collector at Igumbilo Bus Stand in Iringa MC was handling the collected revenues (in cash) to officials who was responsible for supervising them instead of themselves depositing the money in the bank.

*Source: Auditors' analysis of monitoring and evaluation reports from PO-RALG and site interview minutes from site visit, 2020*

As indicated in **Table 3.22**, despite of PO-RALG managing to identify weaknesses related to revenues collection, the reports did not show what actions were proposed or taken by PO-RALG to prevent their re-occurrence. Thus, there is a potential risk for PO-RALG not to realize its efforts towards improving the performance of LGAs in revenue collection.

### ***Weak supervision and analysis of the LGAs' revenue collection information by Regional Secretariats***

It was noted that all 6 Regional Secretariats were not compiling and analyzing the revenue information for their LGAs on quarterly basis as required. Instead Regional Secretariats officials were producing the individual reports for each LGA which could not provide the overall picture of the performance of the region as a whole.

Similarly, through the review of Internal Audit Reports, it was revealed that 2 out of 6 Regional Secretariats (namely Mtwara and Dar es Salaam) were analysing submitted internal audit reports from respective LGAs to identify the common weaknesses and advise accordingly. In this regard, the monitoring of the activities of LGAs were weak and not effective specifically for LGAs which were not analyzing the received internal audit reports from respective LGAs. As a result, Regional Secretariats were not well informed on the performance of their LGAs, which means that they were not aware of the common problems that required interventions for proper corrective actions and advice PO-RALG.

Furthermore, officials from the visited regions, indicated that they did not managed to visit all LGAs in their regions for supervision due to insufficient funds allocated for that task. However, the officials could not justify their statement to indicate if these activities were inclusively planned in their annual budgets.

### **3.6.3 Regional Secretariats and PO-RALG did not take commensurate corrective actions for poor Performances**

***Do RSs and PO-RALG take necessary actions for the noted poor performance in LGAs on collection of revenues?***

It was expected that monitoring conducted by PO-RALG to address the current challenges affecting the performance of LGAs in the areas of revenue collection from their own sources. These could have included but not limited to the achievement of revenue collection targets, revenue targets/ projections, expansion of tax base, poor functioning of revenue collection tools, capacity of human resources as well as management of revenue collectors, etc.

Through the review of the availed monitoring reports from the M&E Section and the Finance Section of the Division of Local Government, it was noted that, for the period under audit, PO-RALG has not reported and addressed adequately the existing challenges affecting the performance of LGAs in the collection of revenues from their own sources.

It was noted that, the major identified challenges were mainly the failure to achieve the set targets for revenue collection, presence of defective PoS, lost PoS, non-reconciliations between Banks and LGRCIS, poor management/control of requested and approved revenue information adjustments as detailed in section 3.4.3 above. It was also indicated by the presence of unrealistic defaulters list without initiatives to rectify it, and non-conduction of feasibility studies to the available sources of revenue.

In addressing these underperformances, PO-RALG asked the accounting officers from each LGA to provide explanations including submitting a written action plan showing how they are going to improve their performances. In supporting the arguments raised by the interviewed officials on the said corrective actions, the audit team requested letters sent to different LGAs from PO-RALG but

were not availed. The review of revenue performance reports for the financial year 2018/19 from PO-RALG, showed that 80 LGAs underperformed on the collection of revenues from own sources which was below 80%. The report further stated that all DEDs in the respect LGAs were required to give explanations as to why they underperformed although no official letter sent to them was shown to auditors for verification.

Matters related to receipt of revenue from revenue collectors through cashier instead of banking them, collected revenue which were not deposited on time, adjustments of defaulters without justifications and non-reconciliation of amounts deposited in bank and reflected in LGRCIS were not adequately addressed. Moreover, there was only one monitoring report availed to the auditors by the Policy and Planning Division relating to the management of revenue for the four financial years under the audit (i.e., from 2015/16 to 2018/19)

Our analysis on the effectiveness of these actions taken by PO-RALG, indicated that the actions were not comprehensively addressing the existing challenges. This was indicated by the increasing number of LGAs that failed to attain their revenue collection targets, malfunctioning of PoS, increasing number of incidences of lost PoS and increased number of defaulters.

Through the reviewed of reports on the status of defaulters from the 12 visited LGAs, the audit team noted that LGAs did not ensure that revenue collectors were competent enough to eliminate any defaulters resulting from improper use of devices during the collection of revenue. LGAS also did not ensure that revenue collectors and billed people had deposited timely (daily) the money collected onto LGAs' Bank accounts as required by Local Government Financial Memorandum (2009) Order No. 50(5). This requires LGAs to ensure that all monies collected are banked/ deposited into the Local Government Authority's Bank Accounts daily or the next working day.

The failure was due to the increasing number of defaulters who were involved in delays or non-banking of collected revenues, duplicating of transactions made from incompetent PoS user and mismatch of business financial years from the government financial years were pointed out to be the contributing factors.

Furthermore, through the review of defaulters' report of the visited LGAs namely; Kigamboni MC, Kinondoni MC, Masasi DC and Mtwara MC, the audit team noted that there were revenue collectors who did not bank the collected revenues, and also found bills and duplicate transactions which were pending for payments. The detail for each of the region/LGAs covered is as presented in **Table 3. 23** below:

**Table 3. 23: Amount of Non Banked Revenue in LGAs**

Name of LGAs	Financial Year (TZS. Million)					Average per annum (TZS Million)
	2014/15	2015/16	2016/17	2017/18	2018/19	
Kigamboni MC	N/A	N/A	N/A	391	133	262
Kinondoni MC	N/A	N/A	N/A	1,621	1,430	1,526
Mtwara MC	73	73	73	73	73	73
Masasi DC	97	97	97	97	97	97
Total Defaulters (Average annually)						1,958

*Source: Defaulters Reports of the respective LGAs January, 2020 and PORALG system audit report March, 2019*

There were noted lost PoS in LGAs without any intervention of Regional Secretariats and PO-RALG. It was revealed that there was no designed mechanisms for LGAs reporting the lost PoS to PO-RALG. In this regard PO-RALG did not take any action to LGAs since they were not aware of lost PoS.

Furthermore, the available system for collecting revenue shows the actual time when PoS was online. There is no provision for report on lost or malfunctioning PoS. PO-RALG did not monitor the performance of available tools for collecting revenue and take appropriate actions.

The audit team further noted that the main causes for inadequate corrective action taken by PO-RALG on the poor performance in the collection of revenue in LGAs included:

***Incompetence / lack of knowledge for operating LGRCIS:***  
Interviewed officials responsible for revenue management at PO-

RALG indicated that they were not well conversant with the use of LGRCIS, to the extent that sometimes they fail to extract information from the system. This affected their ability to perform different analysis to assess the performance and advice accordingly. The audit team verified this, where officials responsible for revenue management failed to extract information on status of PoS from LGRCIS until the ICT officials were summoned for assistance.

***Insufficient revenue Information captured in the LGRCIS:*** The officials at PO-RALG indicated that LGRCIS is currently missing key information for the revenue collection leading to inadequate information to PO-RALG for decision making. The missing information were such as status of the PoS, accurate numbers of defaulters categorized in different financial years as it was noted in Iringa MC & DC, the requested information on a number of defaulters were the same for different number of years under the scope of the audit after commanding from the system. According to officials the system can only provide the status from the time when the system was created.

In this regard, PO-RALG and users of the information could not get the actual trends of the problem. Provision of inadequate features needed in the system for collecting revenue from own sources in the country by ICT Department were among the causes of the noted weaknesses in this system.

***Corrective Actions taken by Regional Secretariats were not effectively addressing the underperformance of the LGAs***

Regional Secretariats were required to receive, compile and analyze financial reports relating to revenue collection in LGAs and submit them as part of advice to PO - RALG including taking corrective actions.

Through the analysis of the corrective action issued to LGAs by the Regional Secretariats, it was revealed that actions and recommendation issued to LGAs were not commensurate enough to address the problems identified. Among the challenges and the corresponding corrective actions issued are summarized in **Table 3.24** below:

**Table 3. 24: Analysis of effectiveness of the advice issued by the Regional Secretariats to LGAs**

Name of the Region	Most commonly identified Challenge/weaknesses by RS	Issued Advice/Recommendation/ Action	Auditors Comments on its adequacy in addressing the challenge (Adequate/Inadequate)
Dodoma	Insufficient knowledge of LGAs officials on how to use the system for collecting revenue effectively	DTs and MTs to make sure that officials who are not competent do not use the system until proven that they have sufficient knowledge.  DED and MED to make sure that officials are trained on how to use the system	No initiatives have been taken by Regional Secretariats to make sure that officials are trained, instead they leave it to LGAs. Hence the challenge was inadequately addressed
	PoS given as aid from Local Investment Climate (LIC) are not compatible with the new application, require regular maintenance and fail to collect revenue	NIL	Despite the issue being sensitive there was no recommendation regarding the same while the government was losing revenue. Hence, the challenge was not addressed at all.
	Presence of defaulters of paid bills	NIL	There was no recommendation given on the noted scenario.
	Lack of some category of business in the system	NIL	
Dar es Salaam	Kinondoni MC had challenge of late approval of by-laws specifically on applicable rates for market levy	The LGA to do conduct close follow ups so that approval of by-laws is obtained.	The issue was reported by the LGAs, the RS could have supported the LGA by engaging in follow up as well.
	Kigamboni MC had achieved target on collection of	The council was advised to find the reasons for	The RS gave option to council to find the reasons for failure to achieve the target. The challenges was

Name of the Region	Most commonly identified Challenge/weaknesses by RS	Issued Advice/Recommendation/ Action	Auditors Comments on its adequacy in addressing the challenge (Adequate/Inadequate)
	market fees by only 27 percent annually	nonperformance of this source	not addressed since no time limit was set and mandatory requirement for LGA to submit reasons for non-achievement
	In Temeke the sources of revenue from business license and other sources had more than 230 and 550 percent variation.	The LGA was advised to find the reasons for huge variation of revenue projections vs actual collection	The RS gave option to the LGA by advising them to find the reasons for big variations between projected Vs actual collected revenue, the challenge was not addressed, no time limit and mandatory requirement for them to find the reasons for the big variations.
Iringa	<p>Repetitive underperformance of revenue collecting agents who failed to meet target for revenue from crop cess in different months for Lot 1 up to 3 as per contracts amounting to TZS 226 million (Agent name: Lax spacer)</p> <p>Agent namely Okoa Mali who was responsible for collecting revenue from bus stand failed to remit the fund as per contract. The agent accumulated a Total of TZS 3.7 million from July, 2018 to march, 2019</p>	<p>The management were advised to supervise execution of the contracts</p> <p>Management were advised to reimburse the deficit from the agents' securities The reimbursed amount is well deposited at councils account</p>	The issued recommendation was from internal auditor, there was no specific report from regional secretariat regarding the noted underperformance despite of compiling the report with noted problems. The RS did not address the challenge at all.

Name of the Region	Most commonly identified Challenge/weaknesses by RS	Issued Advice/Recommendation/ Action	Auditors Comments on its adequacy in addressing the challenge (Adequate/Inadequate)
	Unbanked revenue by revenue collectors namely Laxspecer Ltd, Silverlands Tanzania Ltd and Others debtors	Council to ensure supervision of implementation of contracts To put in place strategies for ensuring age deposit the collected revenue	Despite of compiling internal audit reports from councils, RS in Iringa region failed to address the noted repetitive problems addressed by internal auditors. Moreover, there was no single report produced by RS addressing the problem
Mtwara	Repetitive errors when entering transaction by revenue collectors	To provide regular training to all PoS users Accumulation of unrealistic defaulters which need adjustment	Despite of repetitive cases on the inadequate skills in using PoS, Mtwara has not adequately addressed the problem to revenue collectors through provision of regular training.

*Source: Auditors' Analysis of the information extracted from the Visited RS Monitoring Reports, 2020*

### 3.6.4 Weak Mechanisms for monitoring revenue collections tools in LGAs

*Do RS and PO-RALG have functioning mechanisms for monitoring the performance of tools and for revenue collection in LGAs?*

The Regional Secretariats and PO-RALG were required to perform monitoring and evaluation on revenue systems at the regional level respectively (Revenue collection Manual, 2019). However, our analysis of the information obtained from the revenue collection reports from PO-RALG showed that the mechanism used for monitoring the performance of revenue collection systems and tools/devices was weak. This was based on the facts noted during the audit as detailed hereunder:

#### **(a) Absence of effective systems for tracking and evaluating the performance of tools or system**

The audit revealed an absence of properly functioning system for tracking the Point of Sale Machines used by the revenue collectors in various LGAs at the national level. This is contrary to the



expectation that all PoS would be linked to the LGRCIS and centralized at PO-RALG and could be able to track their performances.

Further, there were reported cases for the loss of PoS, non-functioning PoS and those not in use for various reasons including unavailability of power and internet in some LGAs located in remote areas as detailed under section 3.4.3 above. However, for the four years covered in this audit, PO-RALG could not make adequate efforts to find a mechanism that tracks the status of the PoS. As a result, PO-RALG could not provide the detailed and accurate statistics for the status of PoS nationally on whether they were in good state, in use or otherwise.

## **CHAPTER FOUR**

### **AUDIT CONCLUSIONS**

#### **4.1 Introduction**

This chapter gives out the conclusions of the audit based on the audit objective and specific objectives presented in chapter one of this report. The conclusions are categorized into two parts namely, general and specific conclusions as detailed below:

#### **4.2 General Conclusion**

The audit concludes that, President's Office - Regional Administration and Local Government (PO-RALG) did not ensure LGAs are effectively collecting revenues from own sources so as to have sufficient fund for provision of social services in their areas of jurisdictions.

PO-RALG has not managed to ensure LGAs achieve their revenues collection targets. Large number of LGAs (70%) did not achieve their revenues collection targets for the period from 2015/16 to 2018/19. Moreover, the gaps between the actual and target increased from 44% to 78% for the same period. Similarly, while the demand for financial resources to meet different social services in LGAs has been increasing, the contribution of own source revenues kept on decreasing, from 28% in 2015/16 to 11% percent in 2018/19. This trend implies that the Government is injecting higher proportion of funds to LGAs budget, contrary to the D-by-D policy that aimed at reducing the dependency of LGAs on Central Government funding.

The ineffectiveness of revenue collections from own sources is associated with lack of mechanism for accurate projection of revenues targets, absence of effective strategies and plans for widening the tax base and inadequate capacity of LGAs in terms of staff with the required skills, and ineffective revenues collection systems and tools. At the same time, PO-RALG and Regional Secretariats are not effectively supervising and monitoring the performance of LGAs to improve their performance in revenues collection. Likewise, there is ineffective management of revenue collectors by LGAs.

### **4.3 Specific Conclusions**

#### **4.3.1 LGAs do not meet set targets for the collection of Revenue from own sources**

LGAs do not achieve targets set for revenue collection from their own sources. This is because LGAs are not setting accurate and realistic revenue collection targets. In most cases, the targets are either over or under estimated leading to significant variations between set and actual targets for most of the revenue sources. Lack of updated and reliable revenue source database; ineffective mechanisms for setting revenue targets; and inadequately conducted feasibility studies are among the reasons contributing to setting unrealistic revenue collection targets.

#### **4.3.2 LGAs lack sufficient capacity to facilitate effective revenue collections**

PO-RALG has not ensured that LGAs have appropriate tools and sufficient human resources to facilitate effective revenue collections. This is because of the ineffective system and tools currently in use for revenues collection.

LGAs' staff responsible for revenue collections lack skills for assessing revenue sources and for operating the revenue collection tools and systems. As a result, they make avoidable errors in the systems especially for defaulters' information, which may mislead decision makers. The system has limited revenues information reports and thus hinders PO-RALG from its role in monitoring and evaluating the performance of Regional Secretariats and LGAs at large.

The revenue collection tools used can easily be meddled by human hence creating a risk for revenue losses. Absence of guidelines for revenue collection and sustainable trainings are among the causes of insufficient skills to operate revenue collection system and assessing revenues for some sources effectively.

In addition, inadequate support by PO-RALG to facilitate review and approval of the by-laws is among the factors contributing to LGAs' failure in collecting revenues from some revenue sources. Due to that, LGAs do not regularly update the revenue collection by-laws, leading to charges far below the market price rates. Further, LGAs

have not developed by - laws for some revenue sources which are available in their areas, therefore failing to collect revenues from those sources.

#### **4.3.3 LGAs are not effectively managing Revenue Collectors**

PO-RALG has not ensured that LGAs are effectively managing revenue collectors. This is because LGAs do not regularly take corrective actions against revenue collectors who fail to comply with terms of contracts and who lack required capacity and tools for revenue collections.

Besides, revenue collectors are not remitting revenues collected as per agreement; LGAs have not taken any disciplinary action against those revenue collectors even though remittance of collected revenues to LGAs being the fundamental aspect of the contracts. Ineffective administration of contracts, absence of contract between LGAs and some revenue collectors such as WEOs are among the causes of weak supervision of revenue collectors. As a result, the performance of LGAs in revenue collection has not improved overtime.

#### **4.3.4 PO-RALG does not effectively monitor the performance of Regional Secretariats and LGAs on revenue collections**

PO-RALG does not effectively monitor the performance of Regional Secretariats and LGAs on revenue collection. This is because PO-RALG is not doing comprehensive analysis of the revenue collections to identify challenges facing LGAs for proper corrective action. Instead, PO-RALG is only tracking the achievement of targets. Consequently, it affects the role of PO-RALG in enhancing the performance of LGAs in revenue collections.

## **CHAPTER FIVE**

### **AUDIT RECOMMENDATIONS**

#### **5.1 Introduction**

The audit findings and conclusions point-out areas that need further improvements in the management of revenue collections from LGAs' own sources in the country. Suggestions for improvements in the four areas covered by the audit have been identified. These areas include: planning for revenue collections (targets projections), enhancement of capacity of LGAs to collect revenues, management of revenue collectors, and monitoring the performance of LGAs on revenue collections.

The National Audit Office believes that based on the principles of 3Es of Economy, Efficiency and Effectiveness, these recommendations need to be fully implemented to ensure improvements in the revenue collection in LGAs from own sources in the country.

#### **5.2 Recommendations to the President's Office - Regional Administration and Local Government**

##### **5.2.1 To improve Projection of Revenues Collection Targets**

The President's Office - Regional Administration and Local Government should ensure that:

1. LGAs conduct feasibility studies for identified potential sources of revenues and use the results of the studies as a basis for setting revenues collection targets;
2. LGAs are regularly updating their database for each revenue sources and use them for setting projections for future revenue collections; and
3. In collaboration with the Ministry of Finance and Planning, evaluate all potential sources of revenue and re-consider the revenue targets to see if they reflect reality.

### **5.2.2 To enhance capacity of LGAs to effectively collect Revenue from their own sources**

The President's Office - Regional Administration and Local Government should:

1. Evaluate the effectiveness of the revenue collection systems and tools such as Point of Sale used for revenue collection in LGAs, address all the anomalies to ensure that the systems and tools are effectively functioning and capture all the requirements of users for effective collection of revenue in LGAs;
2. Ensure that the system for collecting revenue (LGRCIS) is harmonized with other revenue collection systems such as Point of Sale machines and banks. The system should also be able to accurately and timely reflect the revenues collected produce required reports necessary for decision making; and
3. Ensure that LGAs develop effective revenue collection strategies and plans. The developed plans should also involve periodic reviews of by-laws for the available revenue sources. Collaboration with all stakeholders for effective implementation of the by-laws.

### **5.2.3 To improve management of revenue collectors**

The President's Office - Regional Administration and Local Government should ensure that:

1. LGAs regularly evaluate the performance of contracted revenue collectors in areas of jurisdiction and take immediate corrective actions to defaulters; and
2. LGAs have contracts or performance agreements with all revenue collectors and outsourced agents. The contracts and performance agreements should capture all the necessary details and binding terms to enhance effective collection of revenues.

#### **5.2.4 To improve monitoring performance of Regional Secretariat and LGAs**

The President's Office - Regional Administration and Local Government should:

1. Develop monitoring tools with sufficient details necessary for assessing the performance of Regional Secretariats and LGAs in revenue collection and use the tool to produce a comprehensive monitoring reports that are informative to allow proper corrective action and decision making; and
2. Ensure Regional Secretariats monitors the performance of LGAs on revenue collection and proactively use the results to enhance revenue collection performances in LGAs.

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## **APPENDICES**

### **Appendix 1: Responses from the President's Office - Regional Administration and Local Government**

This part covers the responses from the President's Office -Regional Administration and Local Government. The responses are divided into two parts, namely General comments and Specific comments for each of the issued audit recommendations. This is detailed below:

#### ***A: Overall Response***

The President's Office -Regional Administration and Local Government is appreciating the Performance Audit on Revenue Collection from own sources of Local Government Authority which was conducted with the National Audit Office. We understand that this is an opportunity to make further reforms in the whole revenue enhancement system in PO-RALG (from Ministry level to Local Authority level). The Audit process was conducted fairly and friendly with a lot of communications which lead to common understanding of many concerned issues.

Through this exercise we are going to work on all recommendations given to us within specific time and we believe that, Local Authorities are going to improve their collection of own source revenue and manage to achieve their annual targets each year. Therefore, they would be able to offer better services intended to the Community of each Council's jurisdictions and contribute enough fund towards the National Non-Tax Income.

#### ***B: Specific Responses***

<b>No</b>	<b>Recommendation</b>	<b>PO-RALG Comment (s)</b>	<b>Action(s) to be taken</b>	<b>Time line</b>
1.	LGAs are planning and budgeting for feasibility studies for identifying potential revenues and use the results of the studies as a basis for setting revenues collection targets	LGAs have been identifying potential revenues through regular analysis which are conducted by each Department responsible for revenue collection. However, due to high costs of conducting feasibility studies most of the LGAs do not budget for, but also	PO-RALG has noticed the gap and its importance in increasing revenue collection and therefore LGAs will be directed to budget and undertake feasibility study on phases depending on availability of Funds. Also in the year 2021/2022 PO - RALG will budget for building	June, 2023

No	Recommendation	PO-RALG Comment (s)	Action(s) to be taken	Time line
		<p>most of the Councils lack expert Staffs to do conduct such studies.</p> <p>Revenue Administration manual 2019 provides a framework for identifying taxpayers ,validation of input data of collected taxpayers information, an update and safekeep of taxpayers data base (appendix I of Revenue Administration Manual 2019)</p>	<p>capacities of LGA's staff on how to conduct feasibility study. In the absence of feasibility study Councils have to apply a framework for taxpayers' data collection and management to improve taxpayers' database.</p>	
2.	<p>LGAs are regularly updating their database for each revenue sources and use for setting projections of future revenue collections targets</p>	<p>LGAs have been updating their database for main sources with respective taxpayers such as Service levy, Hotel Levy and Business License. However, there are some revenue sources in LGAs which are difficult to maintain database due to their nature for example, Livestock Market fees &amp; magulio fee where by taxpayers are not certain. However, it is known there permanent traders in local</p>	<p>Apart from issuing the Local Authority Revenue Administration Manual that guide LGAs on Revenue Management including tax payer's database management, PO-RALG will continue to insist LGAs on cleaning and updating tax payer's database.</p>	Continues

No	Recommendation	PO-RALG Comment (s)	Action(s) to be taken	Time line
		livestock markets which may form the basis of establishing trades and common buyers in the local markets.		
3.	In collaboration with the Ministry of Finance and Planning evaluate all potential sources of revenue and re-consider the revenue targets to see if they reflect reality.	During budgeting process PO-RALG in collaboration with the Ministry of Finance and Planning conducts LGAs budgets scrutinization and through that process LGAs revenue targets are analyzed and evaluated basing on several factors one of them being potential productive and services Sectors within the LGAs jurisdiction. Marching local GDP with local revenue.	As advised, PO-RALG will collaborate with Ministry of Finance in developing a relevant tool for assessing realistic revenue for potential Local revenue sources.	Continues
4.	Evaluate the effectiveness of the revenue collections systems and tools such as Point of Sale used for revenue collection in LGAs and address all the anomalies to ensure that the systems and tools are effectively functioning and capture all the requirements of users to ensure effective collections of revenue in LGAs	PO-RALG have regular training program to FMOs, council ICTOS and Revenue Accountants to ensure they have all basic skills in supervising revenue administration at the Council level including the use and control of revenue collection systems.	ALL revenue accountant and ICTO have been trained on how to use system and its devices. ALL purchases of PoS to be centralized to PO-RALG. New application has been installed in all PoS machine which will resolve current anomalies found. PO-RALG expect to do major improvement to the revenue	By June, 2020

No	Recommendation	PO-RALG Comment (s)	Action(s) to be taken	Time line
		<p>All changes in the system adhere to the requirement of users and other stake holder for the improvement of revenue collection and internal control, therefore several update have been made in LGRCIS to meet user and other stake holder requirements. Together with updates training have been conducted to the users on the new LGRCIS update.</p> <p>The future training will use the outcome or M&amp;E reports to deal with specific needs.</p>	<p>collection system to enhance the system to better suit users' needs and want moreover, the improvement and enhancement will ensure the system is fit for purpose, fit for use, more responsive and much simpler to use. The improvement shall commence on the mid of April 2020.</p>	
5.	Ensure that the system for collecting revenue (LGRCIS) is linked and harmonized with other revenue collection systems such as Point of Sale machine including banks. The system should also be able to accurately and timely reflect the revenues collected and able to produce required reports necessary for decision making	Point of Sale machines are just tools and part of LGRCIS to facilitate collection. System Integration and harmonization of other systems like Epicor, GePG and BLS are in place.	On the coming LGRCIS major improvement more interfacing and integration with other systems from TRA, NIDA and other MDAs have been taken into serious consideration.	By December 2020
6.	Ensure that LGAs develop effective revenue collection strategies and plans. The developed plans should also involve periodic reviews of by-laws for the available revenues sources in collaboration with all stakeholders	It is true that currently, PO RALG, Regional Secretariats and LGAs do not have formal Revenue collection enhancement strategies as	The next financial year (2020/2021) PO-RALG has planned to develop a formal Revenue Collection Enhancement Strategy. By	By June, 2021

No	Recommendation	PO-RALG Comment (s)	Action(s) to be taken	Time line
	in their areas for their effective implementation	each LGAs' collection strategies depends on who is leading the Council. The Revenue Administration provides for step by step procedures to formulate revenue enhancement strategies such as introduction of new rates or sources, business meeting with key private sector stakeholders and business community.	applying procedures outlined in the Revenue administration manual.	
7.	Ensure LGAs regularly evaluate the performance of contracted revenue collectors in their areas of their jurisdictions and take immediate corrective actions to the defaulters/underperformance	We accept that the existing practice of taking corrective action do not remove inefficiencies in the collection system immediately. The region should have the capacity to take appropriate corrective action timely by conducting supervising regularly.	On overcoming this challenge, PO-RALG has prepared a Local Government Revenue Collection and Information System Guideline that apart from guiding the use of the system also provide explains about Responsibilities of Revenue Collectors as well as System Management specifically POS management. This guideline will be finalized in this financial year.	By June, 2020

No	<i>Recommendation</i>	<i>PO-RALG Comment (s)</i>	<i>Action(s) to be taken</i>	<i>Time line</i>
8.	LGAs have contracts or performance agreements with all revenue collectors including the outsourced agents. The contracts and performance agreement should capture all necessary details and binding terms to enhance effective collection of revenues	Apart from developing a Circular that guide the use of Revenue Collection Agents in LGAs, PO RALG has been insisting LGAs on proper Revenue collection Contract Management including evaluation of Agent's performance before awarding another contract	PO - RALG will continue build the RSs capacity to supervise LGAs to evaluate performance of collection agents and take action of defaulters. Also as a means of solving such challenges, PO-RALG has planned to introduce a Collection Agent Portal that will enable the Agent to monitor collections of all the POS assigned to him. Furthermore, PO RALG has planned to introduce among other controls a Agent's Virtual Account that will require the Agent to pay in advance and issuing of collection receipts will be limited by funds available in the virtual account. (a float system).	By June, 2021
Improving Monitoring and Supervision of Performance of Regional Secretariats and LGAs on Revenue Collections				
9.	Regularly develop monitoring tools with sufficient details necessary for assessing the performance of Regional Secretariats and LGAs in revenues collections and used the tools to produce a comprehensive monitoring reports that are informative to allow taking proper corrective actions and making correct decisions	Among other measures taken PO-RALG through PFMRP V has Reviewed Financial Benchmarking 2015 to accommodate the revenue management changes which occurred in the past four years of its	PO-RALG would fast tract the process and make sure the updated Financial Benchmarking 2020 is completed and put into implementation. Also, training to Regional Secretariats Staff would be conducted.	June, 2020



No	Recommendation	PO-RALG Comment (s)	Action(s) to be taken	Time line
		implementations. The first draft has been completed. This tool has all basic details in revenue administration, procurement, expenditure and reporting.		
10.	Regional Secretariats monitors the performance of LGAs on revenue collections and proactively use the results to enhance revenue collection performances in LGAs	PO-RALG through PFMRP V has Reviewed Financial Benchmarking 2015 to accommodate the revenue administration anomalies which predominantly occurred in the past four years.	PO-RALG would fast tract the process and make sure the updated Financial Benchmarking 2020 is completed and put in use in year 2020/2021.Regional Secretariats Staff would be trained to be accustomed to its fully use.	June, 2020

## Appendix 2: Audit Questions and Sub - Questions

This appendix provides details of the Audit questions and Sub - Audit questions used in this audit to answer each of the specific audit objective.

<b>Audit Question 1:</b>	<b>To what extent LGAs are effectively collecting revenues from their own sources?</b>
<i>Sub-question 1.1:</i>	<i>Do LGAs achieve their set targets for revenue collections?</i>
<i>Sub-question 1.2:</i>	<i>Are the funding for provision of social services in LGAs from own sources revenue increased?</i>
<b>Audit Question 2:</b>	<b>Are set targets for revenue collection in LGAs realistic and achievable?</b>
<i>Sub-question 2.1:</i>	<i>Do LGAs have functioning mechanisms for setting targets for revenue collections from own sources in their areas of jurisdictions?</i>
<i>Sub question 2.2:</i>	<i>Are there mechanisms for ensuring LGAs conduct feasibility study for proper projection of revenues to be collected from own sources?</i>
<i>Sub question 2.3:</i>	<i>Do LGAs have effective strategies and plans for widening their revenue base that match with expenditure growth?</i>
<i>Sub question 2.4:</i>	<i>Do LGAs have updated database and register for the available taxpayers in the specified revenue sources in their areas of jurisdictions?</i>
<b>Audit Question 3:</b>	<b>Do LGAs have adequate and appropriate capacity (revenue collection tools, guidelines, by-laws and skilled human resources) to effectively collect revenues from revenue sources in their respective areas?</b>
<i>Sub-question 3.1:</i>	<i>Does PO-RALG develop and disseminate revenue collection guidelines to LGAs?</i>
<i>Sub-question 3.2:</i>	<i>Does PO-RALG ensure that LGAs' staff responsible for assessment and collection of revenues are capacitated with required skills?</i>
<i>Sub-question 3.3:</i>	<i>Are there properly functioning revenue collection systems designed for effective collection of revenues in LGAs?</i>
<i>Sub-question 3.4:</i>	<i>Are by-laws for revenue collections regularly reviewed to facilitate effective revenue collection in LGAs?</i>
<b>Audit Question 4</b>	<b>Do LGAs effectively manage revenue collectors?</b>
<i>Sub-question 4.1:</i>	<i>Are revenue collecting agents procured by LGAs possess the required capacity (in terms of skills and facilities) to collect revenues in the respective revenue source?</i>
<i>Sub-question 4.2:</i>	<i>Do LGAs effectively supervise collection of revenue in their respective areas?</i>
<i>Sub-question 4.3:</i>	<i>Do LGAs have effective systems for controlling revenue collectors to ensure compliance to the contract terms?</i>
<i>Sub-question 4.4:</i>	<i>Do LGAs adequately address underperformance of revenue collectors?</i>
<i>Sub-question 4.5:</i>	<i>Do LGAs effectively evaluate the implementation of contract with the outsourced revenue collection agents?</i>
<i>Sub-question 4.6:</i>	<i>Do LGAs take necessary corrective actions for the noted poor performance by revenue collecting agents in the implementation of contracts?</i>
<b>Audit Question 5</b>	<b>Does PO-RALG adequately monitor the performance of RS and LGAs on revenue collections?</b>

<i>Sub-question 5.1:</i>	<i>Does PO-RALG plan for monitoring and evaluation of the activities performed by RSs and LGAs on the collection of revenues in LGAs?</i>
<i>Sub-question 5.2:</i>	<i>Does PO-RALG measure/evaluate the performance of RS and LGAs for ensuring effective collection of revenue from the own sources?</i>
<i>Sub-question 5.3:</i>	<i>Do RS and PO-RALG take necessary actions for the noted poor performance in LGAs on collection of revenues?</i>
<i>Sub-question 5.4:</i>	<i>Do RS and PO-RALG have functioning mechanisms for monitoring the performance of tools and for revenue collection in LGAs?</i>

### Appendix 3 (a): Analysis of the Selected and Regions

This appendix presents the analysis of the regions based on their performance in meeting their set targets for revenues collection. The regions were categorized into 3 categories based on their performance namely, Best, Medium, and Least Performers.

Category	Region	Percentage achievement of targets for revenue collections from 2015/16-2018/19	Region Sampled
Best Performers (average score 88 - 101%)	Njombe	101	Dodoma & Iringa
	Geita	100	
	Dodoma	97	
	Pwani	93	
	Katavi	93	
	Mbeya	91	
	Arusha	89	
	Iringa	88	
Medium Performers (average score 77- 87%)	Kagera	87	Dar- es Salaam & Mwanza
	Tanga	87	
	Ruvuma	86	
	Dar es Salaam	85	
	Mara	84	
	Rukwa	83	
	Lindi	83	
	Tabora	82	
	Kilimanjaro	81	
	Songwe	81	
	Mwanza	79	
	Morogoro	78	
Least Performers (average score 64- 76%)	Manyara	76	Mtwara & Kigoma
	Mtwara	76	
	Kigoma	74	
	Shinyanga	73	
	Singida	72	
	Simiyu	64	

*Source: Auditors' Analysis of the performance of Region in achievement of Revenue Collection Targets, 2019*

### Appendix 3 (b): Selected Regions and LGAs Visited

This appendix presents the analysis of the LGAs in the sampled regions based on their performance in meeting their set targets for revenues collection and their location in the region. It also shows the 12 selected LGAs that were visited by the audit team.

Selected Region	Council	Percentage Achievement of Revenue Target from 2015/16 -2018/19)	Selected LGAs Highest/Least	Category of LGA Set Up (Urban/Rural)
Dar es Salaam	Kinondoni MC	100	Kinondoni MC	Urban
	Dar es Salaam CC	97		
	Temeke MC	90	Kigamboni MC	Rural
	Ilala MC	8		
	Ubungu MC	63		
	Kigamboni MC	60		
Dodoma	Dodoma CC	121	Dodoma CC	Urban
	Kondoa TC	103		
	Kondoa DC	90		
	Bahi DC	90		
	Chamwino DC	85	Chemba DC	Rural
	Kongwa DC	71		
	Mpwapwa DC	64		
	Chemba DC	60		
Iringa	Iringa MC	102	Iringa MC	Urban
	Kilolo DC	93		
	Mufindi DC	91		
	Mafinga TC	83	Iringa DC	Rural
	Iringa DC	72		
Kigoma	Kibondo DC	104	Kasulu TC23	Urban
	Kasulu TC	89		
	Kasulu DC	83		
	Kakonko DC	81		
	Buhigwe DC	79	Kigoma DC	

<sup>23</sup> Kasulu TC replaced Kibondo DC in order to meet urban representation criteria

Selected Region	Council	Percentage Achievement of Revenue Target from 2015/16 -2018/19)	Selected LGAs Highest/Least	Category of LGA Set Up (Urban/Rural)
	Uvinza DC	76		Rural
	Kigoma MC	66		
	Kigoma DC	49		
Mwanza	Misungwi DC	98	Mwanza CC24	Urban
	Ukerewe DC	96		
	Magu DC	91		
	Mwanza CC	87		
	Buchosa DC	73	Sengerema DC	Rural
	Kwimba DC	72		
	Ilemela MC	68		
	Sengerema DC	60		
Mtwara	Tandahimba DC	87	Mtwara MC	Urban
	Nanyumbu DC	83		
	Masasi TC	82		
	Mtwara MC	80		
	Newala TC	77	Masasi DC	Rural
	Newala DC	74		
	Mtwara DC	71		
	Masasi DC	59		
	Nanyamba TC	59		

*Source: Auditors' analysis of Revenue Performance Reports from PO-RALG, 2020*

<sup>24</sup> Mwanza CC replaced Misungwi DC in order to meet urban representation criteria

## Appendix 4: List of Key Documents Reviewed

This part provides the list of key documents that were reviewed by the audit team and the reasons for their review:

Title of the Reviewed Documents	Reason (s) for Review
<b>1. Documents from President Office Regional Secretariat and Local Government Authority (PO-RALG)</b>	
<ul style="list-style-type: none"> <li>• Quarterly Revenue Collection Reports</li> <li>• Annual Internal Audit Reports</li> <li>• Budgets set aside for collection of revenues in LGAs (2015/16-2018/19)</li> <li>• Regional Secretariat and LGAs Defaulters Reports</li> <li>• Monitoring reports on collection of revenue from Regional Secretariats and PO-RALG</li> </ul>	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• extent of LGAs in attaining set targets on revenue collection</li> <li>• capacity of the PO-RALG through LGAs in collecting revenue</li> <li>• effectiveness of PO-RALG through LGAs in outsourcing revenue collections</li> <li>• adequacy of monitoring of performance of LGAs by RS</li> <li>• adequacy of monitoring conducted by PO-RALG regarding the performance of RS in monitoring LGAs revenue collections</li> </ul>
<b>2. Documents from Regional Secretariats</b>	
<ul style="list-style-type: none"> <li>• RS Monitoring and Evaluation reports on LGAs regarding their activities on revenue collection</li> <li>• Consolidated Annual Revenues Collection from own sources Performance Reports for all LGAs</li> <li>• A report showing summaries of outsourced sources of revenues from each LGAs</li> <li>• Regional Action Plans and Strategies for improving revenues collection from LGAs own sources</li> <li>• Annual Defaulters reports from all LGAs in the respective regions</li> <li>• Annual Action Plan / Activity plan of the Local Government Section</li> <li>• Annual Approved Budget of the Local Government Section</li> </ul>	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• extent of LGAs in attaining set targets on revenue collection</li> <li>• capacity of the PO-RALG through LGAs in collecting revenue</li> </ul>

Title of the Reviewed Documents	Reason (s) for Review
<b>1. Documents from President Office Regional Secretariat and Local Government Authority (PO-RALG)</b>	
<ul style="list-style-type: none"> <li>• Annual Internal Audit (Local Government) reports</li> <li>• Consolidated Regional Report showing the Status of Point of Sales Machine (POS). The reports should provide information of number of POS available, functioning, lost and those defective for each financial year</li> </ul>	
<b>3. Documents from Local Government Authorities</b>	
<ul style="list-style-type: none"> <li>• Annual Action Plan / Activity Plan of the Finance and Trade Department.</li> <li>• Annual Approved Budget of the Finance and Trade Department</li> <li>• Revenue collection supervision reports for all revenue collectors</li> <li>• Annual Revenues Collection Performance Reports</li> <li>• A report showing summaries of outsourced sources of revenues</li> <li>• Annual Internal Audit (Local Government) Reports</li> <li>• District/ Council Action Plans and Strategies for improving revenues collection from their own sources</li> <li>• Annual Defaulters Reports from the respective regions</li> <li>• Consolidated Council Report showing the Status of Point of Sales Machine (POS). The reports should provide information of number of POS available, functioning, lost and defective ones for each financial year.</li> </ul>	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• extent of LGAs in attaining set targets on revenue collection</li> <li>• adequacy of supervision of collection of revenue of LGAs</li> </ul>

*Source: Auditors' analysis of documents from PO-RALG and visited regions with respective LGAs, 2020*



## Appendix 5: List of Officials Interviewed and reasons for Interview

This part presents the list of officials interviewed from the entities and institutions covered during the audit and the reasons for being interviewed.

Institution	Officials Interviewed	Reasons for the interview
President's Office - Regional Administration and Local Government Authority	Director, Local Government Departments	<p>To examine the:</p> <ul style="list-style-type: none"> <li>• extent to which LGAs have attained set revenues collection targets and reasons for non-attainments</li> <li>• Performance of PO-RALG in monitoring the performance of LGAs in revenue collection from own sources</li> <li>• effectiveness of RS and LGAs in monitoring revenue collectors</li> <li>• efforts made by PO-RALG in enhancing capacity of LGAs in the collection of revenues through provision of technical supports, tools and guidelines.</li> </ul>
	Assistant Director, Local Government Department	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• performance monitoring of LGAs when collecting revenue in their areas of jurisdictions</li> <li>• capacity of LGAs in revenue collection in general</li> <li>• efforts made by PO-RALG in enhancing capacity of LGAs in the collection of revenues through provision of technical supports, tools and guidelines</li> <li>• effectiveness of the Local Government's collection information systems, revenue collection devises (POS) and actions taken by PO-RALG to correct any existing challenges</li> </ul>
	2 Finance Management Officers from Local Government Department	<p>To examine:</p> <ul style="list-style-type: none"> <li>• extent of attaining set targets on revenue collection in LGAs.</li> <li>• performance of PO-RALG in enhancing capacity of LGAs in collecting revenues</li> </ul>

Institution	Officials Interviewed	Reasons for the interview
		<ul style="list-style-type: none"> <li>• performance of LGAs in managing revenue collectors</li> <li>• effectiveness of RS and LGAs in monitoring revenue collection</li> </ul>
	Head of ICT Department/ Section	<p>To examine the:</p> <ul style="list-style-type: none"> <li>• capacity of the system in facilitating collection of revenue in LGAs</li> <li>• effectiveness of the local Government Revenue Collection Information Systems, Revenue Collection Devices (POS) and</li> <li>• actions taken by PO-RALG to correct any existing challenges</li> </ul>
	Official from ICT Department	<p>To examine the:</p> <ul style="list-style-type: none"> <li>• capacity of the system in facilitating collection of revenue in LGAs</li> <li>• effectiveness of the local Government Revenue Collection Information Systems, Revenue Collection Devices (POS) and</li> <li>• actions taken by PO-RALG to correct any reported challenge</li> </ul>
	Director Legal Services Department	<p>To examine the:</p> <ul style="list-style-type: none"> <li>• performance PO-RALG in facilitating LGAs regarding development of by-laws for revenue collection</li> <li>• performance of LGAs in developing and reviewing their bylaws for revenue collections</li> </ul>
Regional Secretariats	Regional Administrative Secretary	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• performance monitoring of LGAs when collecting revenue in their areas of jurisdictions</li> <li>• capacity of LGAs in revenue collection at the regional level</li> <li>• efforts made by RS in enhancing capacity of their LGAs in the collection of revenues through provision of technical supports, tools and guidelines</li> <li>• effectiveness of the local Government collection</li> </ul>

Institution	Officials Interviewed	Reasons for the interview
		<p>information systems, revenue collection devises (POS) and</p> <ul style="list-style-type: none"> <li>• actions taken by RS to correct any existing challenge</li> </ul>
	Assistant RAS - Local Government	<p>To examine the:</p> <ul style="list-style-type: none"> <li>• performance monitoring of LGAs when collecting revenue in their areas of jurisdictions</li> <li>• capacity of LGAs in revenue collection at the regional level</li> <li>• efforts made by RS in enhancing capacity of their LGAs in the collection of revenues through provision of technical supports, tools and guidelines</li> <li>• effectiveness of the local Government collection information systems, revenue collection devises (POS) and</li> <li>• actions taken by RS to correct any existing challenge</li> </ul>
	Regional Finance Management Officer	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• extent of attaining set target on revenue collection in LGAs</li> <li>• capacity of LGAs in identification revenue sources and assessment of revenue</li> <li>• performance of RS in enhancing capacity of LGAs in collecting revenues</li> <li>• performance of LGAs in managing revenue collectors at the Regional Level</li> <li>• effectiveness of RS and LGAs in monitoring revenue collection</li> </ul>
	Regional Information Technology Officer	<p>To examine the:</p> <ul style="list-style-type: none"> <li>• capacity of the system used in facilitating collection of revenue in LGAs</li> <li>• effectiveness of the local Government Revenue Collection Information Systems, Revenue Collection Devises (POS) and</li> <li>• actions taken by RS to correct any reported challenge</li> </ul>
	Regional Internal Auditor	To assess the:

Institution	Officials Interviewed	Reasons for the interview
		<ul style="list-style-type: none"> <li>• performance of the LGAs in the collection of revenues from their own sources</li> <li>• effectiveness of the internal audit functions in enhancing controls of revenue collections in the LGAs through advice issued to the RS</li> </ul>
	Regional Trade Officers	<ul style="list-style-type: none"> <li>• To examine the performance of LGAs in identifying, examining and assessing taxes from their own revenue sources</li> </ul>
Local Government Authorities	Council /District Executive Directors	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• extent of attaining set targets on revenue collection in their LGAs</li> <li>• performance of PO-RALG and RS in facilitation LGAs in the collection of revenue from their own sources</li> <li>• strategies and plans for enhancing revenues collections in the councils</li> </ul>
	District Treasury	<p>To assess the:</p> <ul style="list-style-type: none"> <li>• extent of attaining set targets on revenue collection in their LGAs</li> <li>• capacity of the LGAs in identifying, assessing and collection of revenues from all potential revenue sources available in the council</li> <li>• strategies and plans for enhancing revenues collections in the councils</li> <li>• effectiveness of the systems and devises used in the collection of revenues in LGAs</li> <li>• effectiveness of the LGAs in managing revenue collectors</li> </ul>
	Revenue Accountants	<p>To examine the:</p> <ul style="list-style-type: none"> <li>• extent of attaining set targets on revenue collection in LGAs</li> <li>• capacity of the LGAs in identifying, assessing and collection of revenues for the potential available revenue sources</li> </ul>

Institution	Officials Interviewed	Reasons for the interview
		<ul style="list-style-type: none"> <li>• management of revenue collectors</li> <li>• effectiveness of RS and LGAs in monitoring revenue collection</li> </ul>
	Head of Planning and Monitoring	To examine the: <ul style="list-style-type: none"> <li>• extent of attaining set revenue collection targets in LGAs</li> <li>• capacity of LGAs in setting attainable goals</li> <li>• performance problems related to revenue collections and corrective measures taken by LGAs</li> </ul>
	Trade Officers	<ul style="list-style-type: none"> <li>• To assess their performance regarding collection of revenue from business licenses</li> </ul>
	Internal Auditor	To assess the: <ul style="list-style-type: none"> <li>• performance of the LGAs in the collection of revenues from their own sources</li> <li>• effectiveness of the internal audit functions in enhancing controls of revenue collections in the LGAs</li> </ul>
	Local Government Legal Officers	To examine the: <ul style="list-style-type: none"> <li>• performance of LGAs in developing and reviewing by-laws for facilitating revenue collections in their areas</li> <li>• effectiveness of the existing by laws for revenue collections and reasons for any identified weakness</li> </ul>
	2 Ward Executive Officers from each selected LGA	<ul style="list-style-type: none"> <li>• To assess their performance in identifying sources of revenues for their wards</li> <li>• To examine their performance in supervision of revenue collectors working in their areas</li> </ul>
	Two Outsourced Agents in each selected LGA	To examine the: <ul style="list-style-type: none"> <li>• performance problems when collecting revenues</li> <li>• performance problems when supervising collection of revenue by LGAs</li> </ul>

*Source: Auditors' analysis, 2020*

## Appendix 6: Average Percentage Achievement of Revenue Targets in the Visited Regions

This part presents the extent to which selected regions and their respective LGAs have achieved in revenue collections targets over a period of 4 years

Visited Regions	Name LGAs	Annual achievement in Percentage (%)					%age of LGAs with variation above 20 %of the set targets
		2015 /16	2016 /17	2017/ 18	2018/ 19	Average %age for the four Years	
Dar es Salaam	Kinondoni MC	105	125	67	104	100	33
	Dar es Salaam CC	120	70	95	101	97	
	Temeke MC	82	73	101	103	90	
	Ilala MC	78	65	74	102	80	
	Ubungu MC	N/A	49	42	98	63	
	Kigamboni MC	N/A	42	59	78	60	
Dodoma	Dodoma CC	80	173	128	104	121	50
	Kondoa TC	N/A	86	90	133	103	
	Kondoa DC	N/A	144	56	88	96	
	Bahi DC	55	122	90	92	90	
	Chamwino DC	102	55	72	113	85	
	Kongwa DC	59	62	78	87	71	
	Mpwapwa DC	34	41	58	121	64	
	Chemba DC	44	69	66	61	60	
Iringa	Iringa MC	83	90	103	133	102	20
	Kilolo DC	71	67	82	150	93	
	Mufindi DC	83	84	89	108	91	
	Mafinga TC	71	56	94	109	83	
	Iringa DC	68	82	49	90	72	
Kigoma	Kibondo DC	94	131	133	57	104	50
	Kasulu TC		90	91	85	89	
	Kasulu DC	43	89	126	75	83	
	Kakonko DC	93	103	52	76	81	
	Buhigwe DC	59	94	82	80	79	
	Uvinza DC	102	84	64	57	76	
	Kigoma MC	79	42	52	93	66	

Visited Regions	Name LGAs	Annual achievement in Percentage (%)					%age of LGAs with variation above 20 %of the set targets
		2015 /16	2016 /17	2017/ 18	2018/ 19	Average %age for the four Years	
	Kigoma DC	26	36	61	72	49	
Mtwara Mwanza	Tandahimba DC	93	129	108	19	87	55
	Nanyumbu DC	106	112	78	36	83	
	Masasi TC	78	105	94	50	82	
	Mtwara MC	81	91	85	61	80	
	Newala TC	N/A	103	89	40	77	
	Newala DC	83	82	105	27	74	
	Mtwara DC	47	72	59	104	71	
	Masasi DC	99	59	53	26	59	
	Nanyamba TC	N/A	113	54	11	59	
	Misungwi DC	81	82	150	81	98	50
	Ukerewe DC	91	63	109	120	96	
	Magu DC	70	83	106	103	91	
	Mwanza CC	90	83	78	97	87	
	Buchosa DC	N/A	64	60	96	73	
	Kwimba DC	62	70	74	83	72	
	Ilemela MC	67	75	40	89	68	
	Sengerema DC	59	38	71	71	60	

*Source: Auditors' Analysis of Extracted revenue statistics from individual Regional Annual revenue performance reports, 2020*

### Appendix 7: Average percentage variations in revenues between actual collections and set targets

This part shows source of revenue and average percentage variation in revenue collection and set targets from different sources of revenue in the visited LGAs. In this table (N/C) means that the respective source was not collected in that specific LGAs.

Source of Revenue	Average Percentage Variation											
	Dodoma a CC	Kinondo ni MC	Kigambo ni MC	Mtwar a MC	Masas i DC	Iringa MC	Iringa DC	Chemba a DC	Mwanza a CC	Sengerere ma DC	Kigoma a DC	Kasulu u TC
Service levy	50	1	18	32	46	34	42	47	21	48	72	28
Business license	16	10	45	13	21	21	14	35	12	40	25	18
Fines and charges	25	70	141	10	55	70	N/C	82	9971	192	79	24
Guest/Hotel levy	22	38	36	44	61	N/C	20	15	40	48	69	43
Fees for meat inspection and abattoir use	26	12	0	121	72	N/C	46	36	32	31	55	68
Liquor licenses	34	36	47	13	78	32	12	N/C	16	47	66	67
Bids fees (Tendering)	112	39	N/C	N/C	71	30	32	22	82	47	47	37
Parking fees	15	552	1211	275	N/C	N/C	42	25	38	49	46	55
Sales of Plots	199	34	48	65	N/C	65	36	77	52	19	N/C	49
Advertisement and boarding fees	14	9	7	61	398	22	N/C	24	38	27	N/C	67
Building permit fees	35	97	168	76	N/C	N/C	62	80	12	64	N/C	N/C
Fishing licenses	10	59	285	87	N/C	N/C	N/C	N/C	35	97	47	31
Forest produce cess	34	N/C	N/C	N/C	N/C	279	63	70	N/C	45	224	68
Mineral and construction materials Fees	N/C	N/C	N/C	N/C	N/C	37	25	25	30	85	54	75
Land survey fees		73	40		64	56		75		24		18
Market stalls/ slab dues	29	N/C	109	52	N/C	N/C	N/C	N/C	16	31	62	32



Source of Revenue	Average Percentage Variation											
	Dodoma a CC	Kinondo ni MC	Kigambo ni MC	Mtwara a MC	Masasi i DC	Iringa MC	Iringa DC	Cherombi a DC	Mwanza a CC	Sengerere ma DC	Kigoma a DC	Kasulu u TC
Income from sale or Rents/Investment	N/C	N/C	N/C	N/C	N/C	31	24	N/C	47	60	31	41
Property tax	N/C	N/C	33	51	N/C	N/C	26	N/C	56	44	N/C	62
Land rent	N/C	24	N/C	N/C	N/C	23	7	N/C	88	57	N/C	25
Fees from sale of fish	N/C	N/C	N/C	N/C	N/C	N/C	26	N/C	71	95	34	8
Solid waste and sewerage services fees	8	N/C	62	N/C	N/C	28	N/C	N/C	146	40	N/C	N/C
Crop produce cess	N/C	N/C	N/C	N/C	N/C	N/C	15	31	N/C	55	39	46
Toilet fees	39	70	N/C	191	N/C	N/C	N/C	N/C	20	22	N/C	N/C
Market levy	N/C	35	N/C	N/C	90	N/C	N/C	N/C	N/C	49	N/C	N/C
Auctioning market fees	N/C	N/C	N/C	N/C	N/C	N/C	9	0	61	N/C	N/C	25
Bus stand fees	N/C	70	N/C	N/C	N/C	N/C	N/C	N/C	14	10	N/C	25
Livestock market fees	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C	38	24	N/C	N/C
Fines from roaming livestock	N/C	N/C	N/C	N/C	N/C	N/C	N/C	11	N/C	26	N/C	N/C
Taxi registration fees/licence fees	N/C	N/C	94	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C
Hunting licenses	N/C	N/C	N/C	N/C	N/C	N/C	28	N/C	N/C	N/C	N/C	N/C
Health contribution fees	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C	33	N/C	N/C	N/C
Charcoal fees	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C	72	N/C

*Source: Auditors' Analysis of Revenue Performance Reports from respective LGAs*

## Appendix 8: Analysis of variations of revenue sources in LGAs

This part shows the average percentage variations from estimations of different sources of revenue in respective variations.

Name of LGA	Name of the Sources of Revenues	Average Percentage deviation	Number of sources
<b>Over Estimated Cases</b>			
Chemba DC	Loans interests	25	22
	revenue from hired sources	25	
	Buses Parking Fee	25	
	Receipts from Voluntary Contributions	25	
	Cost sharing Fund	27	
	3% Council Development contribution	30	
	Agriculture and Farm produce	31	
	Business licenses	35	
	Receipts from Ante Mortal and Meat Inspection	36	
	Receipts from Dipping Fees	39	
	Community health fund (C H F)	46	
	Service Levy	47	
	Tender fees	47	
	Forest producess fees	70	
	Plot application fees	73	
	Advertisements fees	74	
	Billboard fees	75	
	Receipt from survey Fees	75	
	Sales of Plots	77	
	Building permit fees	80	
	Fines and penalties	82	
	Building materials extraction license fees	100	
Masasi DC	Secondary schools fees	21	19
	Health checkup fees	24	
	sesame seeds	25	
	Money from debuted	25	
	Property Taxes	25	
	Hired Council Properties	25	
	Greengram	26	
	Sales of scraped properties	31	
	Forest produces fees	38	
	Hotel and Guest House levy	45	
	Peas	49	

Name of LGA	Name of the Sources of Revenues	Average Percentage deviation	Number of sources
	Bust stand fees	50	
	Maize	54	
	Farm surveying fees	64	
	Tender Fees	71	
	Meat Inspection fees	72	
	Liquor license fees	78	
	Market fees	96	
	Auctioning market fees	96	
Dodoma CC	Revenue from D Centre	21	8
	Gobore fees	25	
	Fines and penalties	25	
	School fees	26	
	Forest produce cess	33	
	Sale of IDs	35	
	Community health fund(CHF)	41	
	Waste water removal fees	42	
Kinondoni MC	School fees	23	12
	TIKA	25	
	Fencing fees	28	
	Bajaj Registrations	29	
	Tender Fees	34	
	Plot sales	34	
	Liquor license fees	36	
	Motorcycle Registration fees	40	
	Investments	48	
	Parking fees	49	
	Taxi registration fee	81	
	Dividends from shares	83	
Mtwara MC	Tender Fees	48	7
	Ceremonial Permit Fees	24	
	Development House Rent	50	
	Property Taxes	51	
	Land sales	65	
	Solid Waste Fees	68	
	Building Permit Fees	76	
Kigambo ni MC	Plot application fees	21	9
	Tender fees	28	
	Land rent	33	

Name of LGA	Name of the Sources of Revenues	Average Percentage deviation	Number of sources
	GP	33	
	Intoxicating liquor license fees	47	
	Sale of plots	48	
	Refuse collection fees	62	
	Dividends non-financial joint ventures	77	
	Taxi license fees	94	
Iringa DC	Food license fees	22	8
	Land survey	26	
	Property Taxes	26	
	market fees	33	
	sales of Plots	36	
	Parking fees	42	
	Building permits	62	
	Dividends from TBL and CRDB shares	81	
Iringa MC	Fencing fees	21	8
	Business licenses	21	
	environmental cleanliness fee	21	
	property hire and House rents	28	
	tender fees	30	
	bricks, sands and pebbles fees	37	
	Land request fees	56	
	Sales of Plots	65	
Mwanza CC	Advertisement fees	24	11
	School fees	32	
	Health contributions	33	
	Sales of Plots	37	
	Parking fees	38	
	Guest /Hotel Levy	40	
	Council's halls rent fees	47	
	Billboard fees	56	
	Property Taxes	56	
	Market fees	61	
	Land Rent	88	
Sengere ma DC	Fees from Cotton	21	20
	Compensations sources	23	

Name of LGA	Name of the Sources of Revenues	Average Percentage deviation	Number of sources
	Parking fees	24	
	Land survey fees	24	
	House rent and stalls	31	
	Land service fees	36	
	Market fees	37	
	Environmental cleanliness fee	38	
	Telecom towers fee	38	
	Tendering Fees	39	
	Fishing License	40	
	Property taxes	44	
	permit for all cultural activities	44	
	Fines from business license	47	
	Hotel levy	48	
	Abattoir fees	48	
	Land rent	57	
	SUMATRA	59	
	Buildings rent	60	
	Building materials extraction license fees	85	
Kigoma DC	Revenue from renting of houses	31	18
	Tabacco crops cess	33	
	Extraction of Minerals	33	
	Fish Action Fees	33	
	Building materials extraction license fee	35	
	Forest Produce License Fees	45	
	Parking fees	46	
	Tender Fees	47	
	Maize Crops Cess	55	
	Meat inspection charges	55	
	Market stalls / slabs dues	62	
	Beans Crops Cess	65	
	Liquor license	66	
	Hotel Levy	69	
	RU	70	

Name of LGA	Name of the Sources of Revenues	Average Percentage deviation	Number of sources
	Service Levy	72	
	Rice Crops Cess	83	
	Timber Produces Cess	376	
Kasulu TC	Permit fee for billboards	21	14
	Advertising fees	24	
	Fines	24	
	Auctioning market fees	25	
	Land rent Fees	25	
	Fishing vessel license fees	31	
	Tender Fees	37	
	Sales of Plots	49	
	Parking fees	55	
	Property rate fee	62	
	Revenue from renting assets	66	
	Liquor License	67	
	Building materials extraction license fee	75	
	Sanitation fees and charges	84	
	Under Estimated Cases		
Chemba DC	National Health Insurance Fund - NHIF	-146	3
	Miscellaneous Collection	-58	
	Livestock vaccination	-33	
Masasi DC	Advertisements	-352	6
	Groundnuts	-243	
	Groups registration fee	-213	
	Tomatoes	-104	
	Other sources	-64	
	Service levy	-31	
Dodoma CC	sales of surveyed plots	-199	12
	Fish fees	-120	
	Revenue collections from SUMATRA (50%)	-104	
	Tender fees	-82	
	Night club and entertainments fees	-77	

Name of LGA	Name of the Sources of Revenues	Average Percentage deviation	Number of sources
	Permit from use of open spaces and gardens	-61	
	Service Levy	-50	
	Equipment's lease	-49	
	Building permit	-35	
	Liquor license fees	-34	
	Mineral permit fees	-27	
	Building inspection fees	-24	
Kinondoni MC	forest produce cess	-524	9
	Other sources (Nguvu za wananchi)	-128	
	contribution on environment cleanliness (ward)	-128	
	Building permit fees	-97	
	Fines and penalty	-57	
	Toilet fees	-56	
	Open spaces rent and Municipal properties rentals	-50	
	TFDA	-22	
	Bus stands fees	-21	
Mtwara MC	Parking fees	-275	4
	Slaughter Fee	-99	
	Fishing landing and license	-59	
	Hotel Levy	-39	
Kigambo ni MC	Parking fees	-1150	8
	Revenue from renting of houses	-412	
	Other own source revenue	-376	
	Fishing vehicle license fees	-259	
	Building materials extraction fees	-189	
	Building permit fees	-167	
	Other fines and Penalties	-106	
	Guest house levy	-26	
Iringa DC	Service Levy	-42	2
	Abattoir fees	-36	

Name of LGA	Name of the Sources of Revenues	Average Percentage deviation	Number of sources
Iringa MC	Other sources (entertainments and books sale)	-323	4
	Forest produce cess	-217	
	Health Insurance , Cost sharing, CHF	-85	
	service Levy	-34	
Mwanza CC	Fines and penalty	-9937	9
	Service provider health inspection fee	-292	
	Refuse collection service fee	-145	
	Fines from business license	-100	
	Tendering Fees	-69	
	Fish fees	-68	
	Business transfer request forms	-37	
	Fishing vessel license fees	-34	
	Service levy	-21	
Sengere ma DC	Gobore Licenses	-3782	10
	Fees from animals dried skins	-624	
	Fines and other charges	-175	
	Crop produce cess	-67	
	Fishing vessel license fees	-64	
	fish and beaches fees	-42	
	Building permit fees	-38	
	Others income	-37	
	Fees from TFDA Charges	-33	
	Business licenses from fish products	-29	
Kigoma DC	Other produces cess	-109	4
	Other own sources	-90	
	Charcoal produce cess	-36	
	Other fines and penalties	-31	
Kasulu TC	Own Sources - Other	-102	9
	Rental assets( houses)	-70	
	Other food crop cess	-68	
	Timber produce cess	-68	
	Beans Crop cess	-66	
	Hotel Levy	-28	



Name of LGA	Name of the Sources of Revenues	Average Percentage deviation	Number of sources
	Livestock market fee(Abattoir slaughter fee)	-25	
	Market stalls / slabs dues	-25	
	Auctioning market fees	-22	

*Source: Revenue Collections Performance reports for the respective LGAs*

## Appendix 9: Sources of revenue and percentage variations.

This part specifies sources of revenue, average variations in percentage and the total number of affected LGAs

Name of the Revenue Source	Average Variation in Percentage	Total affected LGAs out of 8 visited LGAs	Concerned LGAs
Fines and charges	974	10	Dodoma CC, Chemba Dc, Masasi Dc, iringa MC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC and Sengerema DC
Parking fees	231	9	Chemba Dc, Mtwara MC, Iringa DC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC and Sengerema DC
Forest produce cess	112	7	Dodoma CC, Chemba Dc, Iringa DC, iringa MC, Kigoma DC, Kasulu TC and Sengerema DC
Taxi registration fees/license fees	94	1	Kigamboni MC
Fishing license	81	7	Mtwara MC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC and Sengerema DC
Building permit fees	74	7	Dodoma CC, Chemba Dc, Iringa DC, Kasulu TC, Kinondoni MC, Kigamboni MC and Sengerema DC
Charcoal fees	72	1	Kigoma DC
Toilet fees	68	4	Dodoma CC, Kinondoni MC, Mtwara MC and Sengerema DC
Advertisement and boarding fees	67	7	Chemba Dc, Mtwara MC, Masasi Dc, iringa MC, Kasulu TC, Mwanza CC and Sengerema DC
Sales of Plots	64	9	Dodoma CC, Chemba, Mtwara MC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC, Iringa DC And Iringa MC
Fees from sale of fish	59	5	Dodoma CC, Iringa DC, Kigoma DC, Mwanza CC and Sengerema DC
Solid waste and sewerage services fees	57	4	Iringa MC, Kigamboni MC, Mwanza CC and Sengerema DC
Market levy	52	4	Kinondoni MC, Masasi DC, Iringa DC and Sengerema DC
Bids fees (Tendering)	52	10	Dodoma CC, Chemba Dc, Masasi Dc, iringa MC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC and Sengerema DC
Land survey fee	50	6	Chemba Dc, Masasi Dc, iringa MC, Kinondoni MC, Kigamboni MC and Sengerema DC
Mineral and construction materials Fees	47	7	Chemba Dc, Iringa DC, iringa MC, Kigoma DC, Kasulu TC and Sengerema DC and Mwanza CC

Market stalls/ slab dues	47	6	Dodoma CC, Mtwara MC, Kigoma DC, Kasulu TC, Kigamboni MC and Sengerema DC
Fees on meat inspection and abattoir use	45	9	Dodoma CC, Chemba DC, Mtwara MC, Masasi Dc, Iringa DC, Kigoma DC, Kasulu TC, Mwanza CC and Sengerema DC
Property tax	45	6	Mtwara MC, Iringa DC, Kasulu TC, Kigamboni MC, Mwanza CC and Sengerema DC
Liquor license	41	8	Dodoma CC, Masasi Dc, Iringa MC, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC and Sengerema DC
Guest/Hotel levy	40	9	Dodoma CC, Mtwara MC, Masasi Dc, Kigoma DC, Kasulu TC, Kinondoni MC, Kigamboni MC, Mwanza CC and Sengerema DC
Income from sale or Rents/Investment	39	6	Iringa DC, Iringa MC, Kigoma DC, Kasulu TC, Mwanza CC and Sengerema DC
Land rentals	37	5	Iringa MC, Kasulu TC, Kinondoni MC, Mwanza CC and Sengerema DC
Crop produce cess	37	4	Chemba DC, Sengerema DC, Kigoma DC and Kasulu TC
Service levy	37	10	Dodoma CC, Chemba Dc, Mtwara MC, Masasi Dc, Iringa DC, Iringa MC, Kigoma DC, Kasulu TC, Mwanza CC and Sengerema DC
Health contribution	33	1	Mwanza CC
Livestock market fees	31	2	Mwanza CC and Sengerema DC
Bus stand fees	30	2	Kinondoni MC and Kasulu TC
Hunting license fees	28	1	Iringa DC
Auctioning market fees	24	2	Mwanza CC and Kasulu TC
Business license fees	23	6	Chemba Dc, Masasi Dc, Iringa MC, Kigoma DC, Kigamboni MC and Sengerema DC
Fines from roaming livestock	19	1	Sengerema DC

*Source: Revenue Collections Performance reports for the respective LGAs*

## Appendix 10: Extent to which Visited LGAs conduct Feasibility Studies for Various Revenue Sources

This part shows the sources to which feasibility studies in respective LGAs have been conducted. Moreover, (✓) means feasibility study was conducted while (×) means feasibility study was not conducted

Source of Revenue	Feasibility Study Conducted (✓/×)							
	Dodo ma CC	Chem ba DC	Kinondo ni MC	Kigambo ni MC	Mtwa ra MC	Masa si MC	Iring a MC	Iring a DC
Service Levy	×	×	×	×	×	×	×	×
Toilet fees	×	×	×	×	×	×	×	×
Business license	×	×	×	×	×	×	×	×
Fishing license	×	×	×	×	×	×	×	×
Property tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Land rentals	×	×	×	×	×	×	×	×
Building permit fees	×	×	×	×	×	×	×	×
Fines and charges	×	×	×	×	×	×	×	×
Guest/Hotel levy	×	×	×	×	×	×	×	×
Liquor license	×	×	×	×	×	×	×	×
Fees on meat inspection and abattoir use	×	×	×	×	×	×	×	×
Parking fees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Income from sale or Rents/Investment	×	×	×	×	×	×	×	×
Advertisement and boarding fees	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market levy	×	×	×	×	×	×	×	×
Solid waste and sewerage services fees	×	×	×	×	×	×	×	×
Fees from sale of fish	×	×	×	×	×	×	×	×
Taxi registration fees	×	×	×	×	×	×	×	×
Stadium fees	×	×	×	×	×	×	×	×
Crop produce cess	×	×	×	×	×	×	×	×

Source of Revenue	Feasibility Study Conducted (✓/×)							
	Dodo ma CC	Chem ba DC	Kinondo ni MC	Kigambo ni MC	Mtwa ra MC	Masa si MC	Iring a MC	Iring a DC
Market stalls fees	×	×	×	×	×	×	×	×
Auctioning market fees	×	×	×	×	×	×	×	×
Bus stand fees	×	×	×	×	×	×	×	×
Mineral and construction materials Fees	×	×	×	×	×	×	×	×
Charcoal fees	×	×	×	×	×	×	×	×
Forest produce cess (Timber)	×	×	×	×	×	×	×	×
Hunting license fees	×	×	×	×	×	×	×	×
Land survey fee	×	×	×	×	×	×	×	×
Livestock market fees	×	×	×	×	×	×	×	×
Fines from roaming livestock	×	×	×	×	×	×	×	×
Tender Bids fees	×	×	×	×	×	×	×	×

*Source: Auditors' analysis of interview minutes and reports on conducted feasibility study*

## Appendix 11: Status of PO in the Visited Regions and their respective LGAs

This part presents the current status of Point of Sale (PoS) devices in the visited regions and their respective LGAs. The analysis shows the total number of PoS in use, defective and lost.

Region	Name of Council	Total No. of PoS	No. of PoS in use	No. of PoS not in use	No. of defective PoS	No. of PoS lost
Dar es Salaam	Dar es Salaam CC	1,306	148	0	947	211
	Ilala MC	400	300	22	65	13
	Kinondoni MC	395	244	99	49	3
	Temeke MC	180	70	91	17	2
	Kigamboni MC	254	159	13	80	2
	Ubungu MC	22	14	3	5	0
Total for DSM Region		2,557	935	228	1163	231
Dodoma	Dodoma CC	339	187	43	109	-
	Chamwino DC	123	63	25	33	2
	Chemba DC	120	47	50	23	-
	Kongwa DC	116	80	14	20	2
	Mpwapwa DC	153	126	12	15	-
	Bahi DC	139	105	-	33	1
	Kondoa DC	79	66	-	13	-
	Kondoa TC	103	92	10	-	1
Total for Dodoma Region		1,172	766	154	246	6
Mtwara	Mtwara MC	142	142	-	-	-
	Masasi DC	25	25	-	-	-
	Mtwara DC	40	36	-	4	-
	Masasi TC	29	11	-	18	-
	Tandahimba DC	50	44	-	6	-
	Newala TC	19	15	-	4	-
	Newala DC	108	98	-	10	-
	Nanyumbu DC	21	18	-	3	-
	Nanyamba TC	15	9	-	6	-
Total for Mtwara region		449	398	-	33	-
Iringa	Iringa MC	81	56	-	21	4
	Iringa DC	78	45	25	8	-
	Kilolo DC	45	33	-	12	-
	Mafinga TC	70	47	-	23	-
	Mufindi DC	79	79	-	-	-
Total for Iringa region		353	260	25	64	4
Mwanza	Mwanza CC	241	114	-	127	-

Region	Name of Council	Total No. of PoS	No. of PoS in use	No. of PoS not in use	No. of defective PoS	No. of PoS lost
	Ilemela MC	160	144	-	16	-
	Kwimba DC	83	76	-	7	-
	Magu DC	56	45	-	10	-
	Misungwi DC	97	79	-	8	-
	Sengerema DC	60	52	-	8	-
	Buchosa DC	85	77	-	8	-
	Ukerewe DC	68	58	-	10	-
Total for Mwanza region		850	645	0	194	0
Kigoma	Kasulu DC	108	78	25	5	-
	Uvinza DC	105	64	25	16	-
	Kakonko DC	108	38	70	20	-
	Kasulu TC	93	27	51	15	-
	Kibondo	133	35	81	16	1
	Kigoma DC	75	56	9	9	1
	Kigoma Ujiji MC	162	52	69	39	2
	Buhigwe DC	-	-	-	-	-
Total for Kigoma region		784	350	330	120	4

*Source: Analysis of Information Extracted from Point of Sale reports from the Visited Regions and Their respective LGAs*

## Appendix 12: Revenue claimed to be added to the bills of revenue collectors contrary to the amount collected

This part shows the amounts claimed by revenue collectors to be added in their respective bills contrary to the amounts that have been collected from specific revenue sources

Source of revenue claimed to add bill contrary to amount collected	Debt Amount (TZS 000)
Market stalls slabs dues	365
Market stalls slabs dues	142
Open space user charges	111
Open space user charges	6,626
Market stalls slabs dues	265
Market stalls slabs dues	235
Open space user charges	111
Other levies on business Activity	6,060
Other levies on business activities	6,053
Market stalls dues	1,434
Market stalls slabs dues	35
Other levies on business activity	65
Market stalls	295
Other levies on business activity	576
Fish landing facilitation fees	4
Other levies on business activity	1,466
Other levies on business activity	1,707
Other levies on business activity	299
Market stalls slabs	241
Other levies on business activity	80
Fish landing facilitation fees	4
Fish landing facilitation fees	6
Other levies on business activity	4,519
Other levies on business activity	481
Market stalls dues	25
Other levies on business activity	1,216
Market stalls dues	950
Market stalls slabs dues	1,190
Market stalls dues	440
Market stalls slabs dues	1,133
Market stalls slabs dues	16,761
Other levies on business activity	930
Market stalls slabs dues	632
<b>Total Claimed Debt</b>	<b>54,457</b>

*Source: Defaulters list of revenue collectors with complaints in visited LGAs*