



## Factors Influencing the Implementation of the Controller and Auditor General's Revenue Recommendations in Mwanza City Council, Tanzania

By

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### Abstract

This paper aimed at exploring the reasons behind the inadequate execution of revenue recommendations proposed by the Controller and Auditor General (CAG) within Tanzania's Local Government Authorities (LGAs). This study arose from the observation that a considerable number of CAG audit recommendations were not acted upon in LGAs, in contrast to other public sector organizations in Tanzania. Specifically, the study investigated contribution of institutional resources in the implementation of the CAG's revenue recommendations, examined the responsiveness of LGA officials in implementing the CAG recommendations and evaluated the follow-up mechanisms in ensuring the implementation of CAG revenue recommendations. The research utilized a qualitative approach, employing thematic analysis for data interpretation. Primary data were collected through interviews and Focus Group Discussions. The results indicated a lack of sufficient institutional resources aimed at ensuring the implementation of CAG revenue recommendations within LGAs, a shortfall in commitment from LGA officials, and limited capacity for follow-up and subsequent execution of the CAG audit recommendations. Contributing factors included a lack of interest in the audit reports, inadequate collaborative efforts during the implementation phase, general weaknesses in follow-up actions, and delays in the submission of audit reports to the relevant authorities. The study recommends that both the CAG and LGAs fulfill their roles to improve service delivery to citizens. The CAG office should develop effective mechanisms for implementing audit recommendations in collaboration with the respective LGAs. Furthermore, the productive utilization of Audit Committees could aid in the execution of pending recommendations.

**Keywords:** Controller and Auditor General, Revenue, Local Government Authorities, Mwanza City, Tanzania

### 1. Introduction

Local Government Authorities (LGAs) in Tanzania were established under the 1977 Constitution to decentralize authority and enhance public participation in development planning and execution. Their responsibilities include social development, public service provision, and law enforcement, all conducted through participatory methods. The governance structure emphasizes transparency and accountability, supported by the Controller and Auditor General (CAG) (Rugeiyamu et al., 2018).

A key responsibility of LGAs is revenue collection, which is essential for their sustainability and growth (Mgonja & Poncian, 2019). Financial independence is promoted through the establishment of autonomous revenue sources, crucial for funding public services and development initiatives (Kessy, 2020). Strategies to enhance revenue generation include effective cash flow management, appropriate tariff selection, and accurate billing practices. However, many LGAs face

challenges in meeting revenue targets due to administrative inefficiencies, corruption, and inadequate planning (Rugeiyamu et al., 2018 and Mtebe & Sausi, 2021).

The Civil Service Reform program initiated in 1991 aimed to improve civil service efficiency by decentralizing governmental functions to empower local authorities (Rugeiyamu et al., 2018). The Local Government Reform Agenda of 1996 sought to enable LGAs to operate as independent entities, promoting participatory governance and accountability (Yusuph & Guohua, 2017). Despite these reforms, many LGAs, including Mwanza City, continue to struggle with revenue collection, which affects their ability to provide public goods and services effectively (Kimario, 2014; Kaongo, 2015; and Kosaye, 2018).

Auditor-General reports are crucial for enhancing accountability in government operations, as they identify systemic issues and instances of mismanagement, prompting necessary reforms (Quampah et al., 2021). In regions like Asia and Africa, civil society and media scrutiny of these



reports fosters public dialogue on governance issues. However, challenges such as political interference and weak enforcement mechanisms hinder the effectiveness of audit institutions matters (Osei-Tutu et al., 2017 and Kumar and Sharma, 2020).

In Tanzania, the CAG plays a vital role in auditing public accounts and ensuring the proper use of public funds (Felix et al., 2022). The CAG's findings have uncovered significant financial discrepancies, highlighting the need for improved accountability in public institutions (Matlala & Uwizeyimana, 2020). The oversight provided by the CAG is essential for maintaining public trust and ensuring compliance with financial governance regulations. The CAG aims to promote transparency, detect financial mismanagement, and recommend corrective actions to enhance governance and fiscal responsibility. The outcomes of the CAG's reporting over the past five years reflect the responses of LGAs and their accountability to the public, who are the ultimate beneficiaries of these financial processes as shown in Table 1.

**Table 1: CAG Reporting Function for the Past Five Years**

Fiscal Year	Audited LGAs	Implemented CAG Recommendations	Not Implemented CAG Recommendations
2018/2019	185	3334	2139
2019/2020	185	2275	1093
2020/2021	185	3511	1864
2021/2022	185	4408	960
2022/2023	185	3496	609

**Source:** CAG Audited Reports from 2018/2019 to 2022/2023

The analysis reveals a significant reduction in the number of unimplemented recommendations, although several unresolved issues remain that necessitate further exploration. The study highlights the importance of understanding the implications of these unimplemented recommendations, the reasons for delays, and the challenges that obstruct their execution. Field research is proposed to address these critical questions.

The recommendations from the Auditor-General are vital for the Mwanza City Council, which is grappling with financial and service delivery challenges. The Auditor-General identifies key weaknesses, including ineffective revenue collection and poor financial management, and proposes a strategic framework aimed at fostering improvements. Successful implementation of these recommendations is expected to enhance revenue generation, financial accountability, and resource allocation, ultimately improving

the quality of services for Mwanza's residents and supporting the city's development

Mwanza City Council encounters significant hurdles in its revenue collection efforts, primarily due to tax evasion and avoidance by individuals and businesses. Limited financial and human resources further impede the effective execution of revenue collection strategies and compliance monitoring. Additionally, a lack of public awareness regarding tax responsibilities complicates the council's ability to secure adequate revenue for essential services.

Despite the critical role of Local Government Authorities (LGAs) in revenue generation and service delivery, issues related to financial mismanagement and inefficiency persist. The Controller and Auditor General (CAG) regularly issues recommendations to enhance revenue collection and financial accountability; however, the low implementation rate of these recommendations hampers LGAs' ability to optimize revenue and deliver quality public services (Tanzania Audit Corporation, 2020). Various factors contribute to the ineffective implementation of CAG recommendations, raising concerns about governance and resource utilization (Mbelwa and Lenatusi, 2021).

Various studies such Poncian & Mpambije (2015), Babeiya (2023), and Matto (2017) have identified significant challenges in financial governance, accountability, and procurement processes within LGAs, as highlighted in CAG reports. However, the reasons behind the insufficient execution of CAG recommendations remain underexplored. The study aims to investigate the factors that hinder the effective implementation of CAG revenue recommendations in local government authorities, focusing on Mwanza City Council as a case study.

The overarching objective of the study is to examine the factors affecting the implementation of CAG revenue recommendations in Local Government Authorities. Specific objectives include assessing the role of institutional resources in the implementation process, evaluating the responsiveness of LGA officials to these recommendations, and analyzing the follow-up mechanisms that ensure the implementation of CAG revenue recommendations.

## 2. Theoretical Framework

The research study is grounded in Agency Theory, which addresses the conflicts that arise from the separation of ownership and management, as highlighted by Jensen and Meckling in 1976. This separation can lead to managers prioritizing their personal interests over those of the owners, resulting in information asymmetry and increased agency costs. To counter these issues, the convergence of interest model advocates for aligning the interests of owners and managers through shared ownership, which can effectively reduce agency costs. The promotion of share ownership among managers is identified as a key strategy to incentivize them to enhance the firm's value, benefiting both themselves and the owners.

The study specifically applies Agency Theory to analyze the challenges faced by Local Government Authorities (LGAs) in Tanzania in implementing revenue recommendations from the Controller and Auditor General (CAG). It emphasizes the relationship between the principal, represented by the Central Government and the public, and the agent, the LGAs responsible for executing the CAG's directives. A critical issue identified is the information asymmetry between the principal and the agent, where the agent's superior knowledge can lead to conflicts of interest, undermining effective revenue collection. The successful implementation of CAG recommendations is also contingent upon the political will within governance systems, with a noted lack of obligation felt by agents to fulfill their responsibilities, which complicates the achievement of public value for money.

The research draws connections to existing literature, such as the work of Parker et al. (2018), which explores similar dynamics in public-private partnerships in international development projects. This literature illustrates how conflicts can arise when the interests of the principal diverge from those of the agent, particularly during project execution. The authors propose a conceptual framework to better understand these complexities, supported by evidence from a case study in Kenya.

Additionally, studies by Lambricht (2009) and Egbon et al. (2023) provide a thorough examination of Agency Theory in public administration, focusing on its implications for service monitoring and administrative accountability within local government councils in Delta State. Lambricht's research integrates agency and stewardship theories to analyze the motivations of contracted providers in utilizing service monitoring tools effectively. The findings suggest that the application of Agency Theory can lead to significant improvements in public service provision, employee performance, and administrative accountability, despite facing criticism and public skepticism.

The research highlights that while administrative accountability is frequently referenced in Nigerian public administration, it remains underdeveloped. The term is often used to denote the obligation of administrators and organizations to justify their actions, yet its application within local government councils lacks depth. The studies advocate for a stronger commitment to accountability among local government leaders to enhance public trust and service effectiveness.

Agency Theory is recognized for its advantages in explaining and resolving issues in the relationship between business principals and their agents, particularly between shareholders and company executives. However, it faces limitations, including criticism for overlooking social relationships and assuming that social life is merely a series of contracts. The applicability of Agency Theory findings from Western contexts to African organizations, such as LGAs, remains uncertain. Limited prior studies suggest that agency effects may be lower in Africa, indicating a need for more empirical research in different cultural contexts. This study aims to

provide evidence that supports or challenges previous research findings in Tanzania regarding the inadequate implementation of CAG revenue recommendations in the LGAs.2.3 Empirical

### 3. Literature Review

The research conducted by Erkie (2023) highlights significant barriers to the implementation of audit recommendations within Namibia's Ministry of Works and Transport. The study, which involved qualitative methods and a sample of 20 employees from the finance division, identified insufficient funding, ineffective communication, lack of training, management unawareness, and a deficiency in accountability as primary obstacles. The findings suggest that without adequate management support and commitment, the risks of fraud and mismanagement of public resources will persist.

Scott and MacCarthaigh (2023) examined the evolution of Ireland's Office of the Controller and Auditor General (OCAG), noting its critical role in maintaining public sector integrity. The agency's shift from traditional financial audits to performance evaluations has improved its visibility and effectiveness. However, challenges such as resource limitations and the need to adapt to new financial management frameworks remain. The study emphasizes the importance of maintaining the OCAG's independence and professionalism to safeguard public funds.

Mbelwa and Lenatus (2021) focused on Tanzania's Central Government, identifying institutional factors that affect the implementation of audit recommendations. Their research revealed that pressures from professional boards and external influences significantly impact decision-making within the Ministry of Finance.

Research by Msenga (2017) and Shao and Hou (2018) on local government authorities in Tanzania underscored the importance of management support, active Audit Committees, and effective follow-up mechanisms for successful implementation of audit recommendations. Recommendations included enhancing support from management teams and ensuring competent committee appointments.

Kamau et al. (2023) addressed the audit expectation gap in Kenya, highlighting the disparity between public expectations and actual auditor services. The study calls for improved communication and the establishment of clear standards to enhance audit quality.

Lian and Kusumah (2022) investigated financial reporting quality in Indonesia, finding that auditor professionalism and a supportive organizational culture significantly enhance reporting standards.

Alqudaha et al. (2023) explored factors influencing internal audit effectiveness in Jordan, emphasizing the role of management support and extrinsic rewards in empowering internal auditors to mitigate corruption.

Kiure-Mssusa et al. (2020) examined the impact of external audit services on the implementation of International Public Sector Accounting Standards (IPSAS) in Tanzania,

concluding that these services are essential for compliance and effective public financial management.

Omona et al. (2023) focused on local governments in Kampala, Uganda, revealing challenges in implementing Auditor General recommendations and emphasizing the need for improved accountability and transparency.

Lee and Wang (2020) found that stakeholder awareness significantly influences the outcomes of implementing Auditor General recommendations, suggesting that fostering transparency is crucial for compliance.

Kashem and Adekoya (2019) identified a lack of awareness among stakeholders as a major challenge in implementing audit recommendations in Tanzania, highlighting the need for increased engagement.

Matlala and Uwizeyimana (2020) identified various factors hindering the implementation of audit recommendations in South African municipalities, proposing strategies such as regular monitoring and enhancing the quality of recommendations.

Van der Walddt et al. (2024) stressed the importance of implementing audit recommendations to enhance accountability and service delivery in municipalities, warning that neglecting these recommendations could erode public trust.

Prawanth and Perera (2022) explored the perception of stakeholders regarding auditors in Sri Lanka, revealing an expectation gap due to a lack of understanding of audit standards, advocating for increased education and awareness.

Recent changes in England's audit regime have led to private sector firms conducting external audits for local authorities, with stakeholders expressing concerns about the overall usefulness of these audits despite positive perceptions of auditors' competence.

Masli et al. (2022) identified key determinants of audit committee effectiveness, emphasizing the need for both firm-level and national-level considerations in enhancing audit practices.

#### 4. Conceptual Framework

The study assumed that the dependent variable and independent variables. The study assumed that the dependent variable of the Implementation of CAG revenue recommendations by LGAs. The independent variables included the institutional resources, response among LGA revenue officials, and follow-up mechanisms in ensuring the timely implementation of CAG revenue recommendations. These assumptions are summarized in Figure 1.

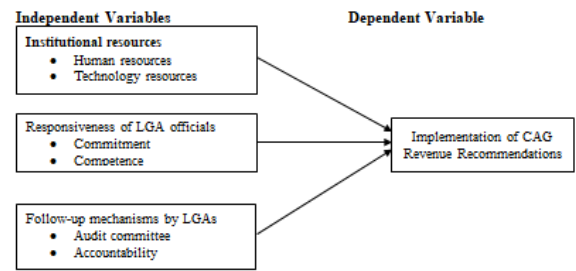


Figure 2.1: Conceptual Framework

#### 5. Methodology

The research employed a qualitative methodology to conduct an in-depth analysis of operations within the Mwanza City Council, focusing on the perspectives of respondents and the functions of a specific entity related to the study variables. This approach facilitated the triangulation of data collected through interviews and Focus Group Discussions (FGDs), forming the framework for the analysis.

The study was conducted at the Mwanza City Council, selected due to its identified shortcomings in implementing revenue recommendations from the Controller and Auditor General (CAG) for the financial years 2020/2021 to 2022/2023. The research population comprised 150 participants from various departments, with a notable distribution across departments such as Finance and Accounts, Industry, Trade and Investment, and Administration and Human Resources Management.

A purposive sampling technique was utilized to select six key departments responsible for revenue collection, resulting in a sample size of 12 respondents, including department heads and staff. The multi-stage sampling method was employed, beginning with the selection of Mwanza City Council, followed by the purposive selection of departments and individual staff members.

Data collection involved both primary and secondary sources. Secondary data were gathered through document reviews, while primary data were collected via interviews and FGDs. Interviews aimed to assess the implementation of CAG revenue recommendations, with responses documented and analyzed. FGDs included small groups of stakeholders categorized by gender, focusing on institutional resources and strategies for adherence to CAG recommendations.

Thematic analysis was employed to analyze the data from interviews and FGDs, involving stages such as understanding the data, developing initial codes, identifying themes, and establishing thematic frameworks. Ethical considerations were prioritized, with formal permission obtained for the study, confidentiality maintained, and participation based on informed consent. The findings are intended for academic purposes, with potential publication in scholarly venues.

#### 6. Findings and Discussions

This chapter provides a summary and analysis of the research findings from a study aimed at identifying the factors affecting the implementation of the CAG revenue



recommendations within local government authorities. The discussion is structured around the specific objectives of the research: to assess the role of institutional resources in the execution of the CAG's revenue recommendations, to evaluate the responsiveness of local government authority officials in adhering to these recommendations, and to analyze the follow-up mechanisms that ensure the implementation of the CAG revenue recommendations. The data were subjected to thematic analysis. Additionally, this chapter includes details regarding the demographic characteristics of the sample before the presentation of the data.

### 6.1 Socio-economic Factors

This study examines the demographic characteristics, particularly age, educational background, and professional experience of department heads and staff (including those in Finance, Trade, Health, Agriculture, Environment, and Engineering) responsible for overseeing revenue collections in Local Government Authorities (LGAs). Additionally, it analyzes their responsibilities in implementing the recommendations provided by the Controller and Auditor General (CAG) related to revenue management. The research included interviews with six department heads, whose median age was 40 years, with ages spanning from 30 to 50 years.

#### Age of the Respondents

Age serves as a critical demographic factor for classifying individuals in essential statistics, censuses, and surveys. The data indicates that respondents aged between 35 to 50 years old possess considerable experience working with LGAs, thereby placing them in a pivotal position to mentor younger staff on the significance of adhering to CAG revenue recommendations for the community. The participants in this study represent a diverse array of perspectives, missions, visions, and an appreciation for the necessity of implementing CAG revenue recommendations within the LGAs.

#### Education of the Respondents

Additionally, a survey was conducted to evaluate the educational qualifications of the department heads and staff. The results indicated that six respondents (50%) held master's degrees, while the remaining six possessed bachelor's degrees. Education significantly influences an individual's lifestyle and social standing. Numerous studies have consistently shown that the level of education attained by individuals greatly affects their compliance with governmental financial regulations, including the implementation of CAG revenue recommendations. This was proved by one of the heads of the department who asserted that:

*In the execution of CAG revenue recommendations and the enhancement of revenue collections within our councils, it is indeed essential that the management of these issues is underpinned by education. Consequently, the government has released a directive stipulating that henceforth, department heads are required to possess a master's degree. This initiative aims to elevate the level of professionalism in the administration of our councils, particularly in the area of revenue collection (KI 1).*

#### Professional Experience of Respondents

The research aimed to understand the professional experiences of participants in their roles within the Local Government Authorities. The experiences of the participants were deemed crucial for elucidating the factors influencing the implementation of the Controller and Auditor General's Recommendations. Participants' experiences were classified based on their years of service: 1-5 years, 6-10 years, 11-15 years, 16-19 years, and over 20 years. The findings indicated that six participants (50 percent) had between 6 to 10 years of experience, followed by two participants (12 percent) with 11 to 15 years, and four participants (33 percent) with 1 to 5 years of experience. These results suggest that the participants possessed sufficient experience within the Local Government Authorities, as well as knowledge regarding the factors impacting the implementation of the Controller and Auditor General's revenue recommendations, thereby allowing the researcher to gather reliable and credible data on the study's topic. This can be justified by the response from one of the heads of department from Mwanza City Council:

*In this office, I have accumulated over 14 years of professional experience, beginning my career as a Ward executive officer at the entry-level. This experience has provided me with a clear understanding of the significance of adhering to the revenue recommendations set forth by the Controller and Auditor General, as compliance with these recommendations is a legal obligation (KI 2).*

Numerous studies such as Marwa (2024) and Mbogella et al. (2024) indicate that the educational background and age of council employees play a crucial role in the execution of government directives, particularly in relation to the implementation of CAG revenue recommendations.

### 6.2 The Contribution of Institutional Resources

This study investigated the influence of LGA's institutional resources in the implementation of CAG revenue recommendations. Without exception, LGA officials acknowledge the challenges they face in the implementation of CAG revenue recommendations due to the inadequacy of resources to boost LGA revenues.

#### Findings from the Key Informants

This research entailed performing comprehensive interviews with department heads responsible for revenue collection and the execution of CAG revenue. All department heads recognized that Local Government Authorities (LGAs) are facing inadequate implementation of CAG revenue recommendations, primarily due to resources, including human, financial, and technological assets. From the analysis of the interview transcripts, three key themes were identified.

*"The implementation of the CAG revenue recommendations aimed at enhancing revenue collection necessitates access to essential resources, including financial, human, and technological assets. Inadequate provision of these resources is a significant factor contributing to the inability to comply with the CAG's revenue recommendations,*

*particularly those focused on bolstering internal revenue"(KI3)*

This implies that without sufficient resources, such as funding, skilled personnel, and appropriate technology, the office will struggle to effectively implement the CAG's revenue recommendations. As a result, the inability to meet these recommendations may lead to reduced revenue collection and hinder the overall financial performance of the organization.

Another important source stated the following:

*"The lack of sufficient working tools, including motor vehicles, coupled with a limited sensitization budget, has hindered our progress. With adequate funding for sensitization efforts, a significant number of individuals would likely be contributing to local taxes. (KI 4)*

This implies that the lack of essential tools, such as motor vehicles, and insufficient funding for sensitization efforts are key barriers to improving local tax contributions. If these resources were provided, a more effective outreach program could increase public awareness and participation in tax compliance, leading to higher revenue generation.

The other speaker said:

*It is indeed accurate to state that new sources of income exist; however, we do not effectively utilize them. This is primarily due to a deficiency in resources, time, personnel, skills, and other factors"(KI 5).*

This implies that while potential new income sources are available, the office is unable to capitalize on them due to a lack of necessary resources, including time, skilled personnel, and expertise. As a result, the failure to harness these opportunities limits the organization's ability to diversify and increase its revenue streams effectively.

Additionally, the researcher undertook a study to assess the extent to which Local Government Authorities (LGAs) departments were supported in implementing the revenue recommendations of the Controller and Auditor General (CAG). The focus was particularly on whether financial resources were allocated to the units for this specific purpose. The results indicated that a significant number of respondents neither affirmed nor denied that the departments possessed adequate resources to effectively fulfill their duties related to the implementation of CAG's revenue recommendations. It was concluded that providing sufficient resources to the LGAs would enhance the execution of these recommendations, with adequate financial resources and personnel being essential components. This was proved by one of the key informants in the study area as follows:

*.....Human resources are available; however, there are only a limited number of individuals who possess the expertise to comprehend matters related to the CAG. Financial constraints often pose a significant challenge for the CAG, as the resources necessary for*

*conducting audits are insufficient within the institution....(KI 6)*

This implies that while there are personnel available, the limited number of individuals with the specialized knowledge required to address CAG-related matters hampers effective compliance and audit processes. Additionally, financial constraints exacerbate the challenge, as inadequate funding restricts the ability to carry out thorough audits and implement necessary improvements in line with the CAG's recommendations.

Another key informant reported that:

*.....In terms of technological resources, the GARI-ITS system exists to assist the government in identifying which institutions possess specific recommendations and to provide audit and internal audit information for any government entity utilizing this system, which is overseen by the Ministry of Finance. This system primarily serves to update audit information; however, to ascertain which actions have been implemented or not, it is essential for both the CAG and the LGAs to collaborate and review the arguments together. Moreover, LGAs currently lack effective inspection systems. For instance, various inspection systems, such as the TeamMate Audit Management System, could enhance efficiency in inspection processes if the government were to invest in them ... (KI 7)*

This implies that while the GARI-ITS system provides useful audit information, its effectiveness is limited without active collaboration between the CAG and Local Government Authorities (LGAs) to track the implementation of recommendations. The absence of robust inspection systems within the LGAs further hampers the ability to evaluate and enforce these recommendations effectively. Investing in advanced tools, such as the TeamMate Audit Management System, could significantly improve the efficiency and thoroughness of inspections, leading to better compliance and stronger accountability in government operations. Furthermore, the Internal Audit Unit in the study area lacked independence and was not sufficiently resourced in terms of both personnel and finances as was further remarked by a key informant:

*"...Internal auditing within the LGAs is integrated into the Council Management Team. However, it is challenging for the CMT to allocate distinct resources to internal auditors for the execution of the CAG's recommendations...(KI 8)"*

As part of the management structure, it was observed that all internal audit functions within the LGAs were not entirely independent regarding their operations and resource distribution. It was recognized that audit recommendations often addressed the management and operations of the LGAs, making it difficult for management to allocate substantial resources to the Internal Audit Function (IAF) to ensure the effective implementation of these recommendations.

The current findings are consistent with the research conducted by Laizer (2023) and Fredrick (2023), which suggested that a lack of resources—specifically in finance, human capital, and technology (such as the utilization of e-bills)—has hindered the implementation of CAG revenue recommendations. Furthermore, this study offers supplementary evidence that supports the conclusions of Mwombeki (2022), who emphasized that the successful implementation of the CAG report regarding local government authority (LGA) revenue is contingent upon skills, technology, exposure, and significant investment in community awareness initiatives.

### 6.3 The Responsiveness of LGA Officials

In numerous local governments across Tanzania, ineffective tax administration significantly contributes to the low levels of own-source revenues. Persistent challenges include inadequately managed revenue databases, inconsistent experiences with outsourced revenue collection, and a lack of voluntary compliance among taxpayers. In the majority of Local Government Authorities (LGAs), taxpayer records are not integrated with other databases and lack comprehensiveness, often failing to capture data on tax arrears. Manual revenue databases are prone to revisions and exhibit deficiencies in transparency and consistency compared to digital databases. Enhancing the responsiveness of LGAs in executing the Controller and Auditor General's (CAG) revenue recommendations is as crucial as the revenue generated by the LGAs themselves.

#### *Insights from Key Informants*

This research involved comprehensive interviews with department heads responsible for revenue collection and the implementation of CAG revenue recommendations. The department heads recognized that the effectiveness of LGAs in executing CAG revenue recommendations is contingent upon a robust political environment that supports reforms, spearheaded by a capable Executive Director who comprehends the significance of tax administration and ensures the availability of adequate resources for cost-effective reform. Each reform initiative necessitated substantial initial investment, which could be recovered over time. Furthermore, realistic reforms that emphasize gradual changes to primary revenue sources were highlighted by the key informants:

*.....Updating and digitizing databases, along with enhancing technology for administrative processes and payment systems, can lead to substantial revenue increases. However, this initiative necessitates additional training for Local Government Authority (LGA) staff, as well as sufficient monitoring and enforcement capabilities. Both the digitalization process and staff training entail considerable initial investments, which are ultimately recouped over time through heightened revenues. We believe that the exposure provided to LGA officials can enhance their capacity to implement the revenue recommendations*

*from the Controller and Auditor General (CAG) (KI 9).*

This implies that digitizing databases and improving administrative and payment systems could significantly boost revenue, but requires upfront investment in both technology and staff training. Additionally, without robust monitoring and enforcement, the potential benefits of digitalization may not be fully realized. Over time, however, the enhanced capabilities of LGA staff to implement CAG revenue recommendations, along with improved systems, are expected to lead to a substantial increase in revenue and operational efficiency.

Another key informant suggested that:

*To hold LGAs accountable for implementing CAG revenue recommendations, it is essential to carefully evaluate the costs and benefits associated with outsourcing tax collection. While private tax collection may enhance revenue generation, it also risks imposing high private premiums and undermining the social contract between citizens and the state. Successful outsourcing demands precise revenue forecasts, transparent tendering processes, and robust accountability systems to mitigate aggressive collection practices, all of which incur costs (KI 10).*

This implies that while outsourcing tax collection could potentially increase revenue, it must be carefully weighed against the risks of high private costs and the potential erosion of public trust in the state's role. To ensure successful outsourcing, it is crucial to implement accurate revenue forecasts, transparent tendering processes, and strong accountability mechanisms to prevent exploitative collection practices. However, these measures require significant investment, and the long-term benefits depend on the effective management of both financial and operational risks.

Furthermore, during a Focus Group Discussion, respondents overwhelmingly agreed that:

*It is crucial to treat taxpayers as clients. Enhancing voluntary compliance in many LGAs can be achieved through effective communication, increased convenience, and tangible investments that foster trust in the fairness of revenue procedures, tax incidence, and adequate service delivery.*

This implies that by treating taxpayers as clients, LGAs can improve voluntary compliance through better communication and creating a more user-friendly, transparent tax system. Building trust in the fairness of tax procedures and ensuring that revenue is reinvested in visible, quality public services will encourage citizens to willingly fulfill their tax obligations, ultimately boosting revenue generation.

Another key informant reported that:

*There exists a significant knowledge deficiency among Local Government Authority (LGA) officials regarding matters related to the Controller and Auditor General (CAG). A considerable number of*

*these officials cannot adequately address the arguments presented by the CAG and manage the content of those arguments effectively. Most officers demonstrate a lack of competence when it comes to responding to inquiries. The audit conducted by the CAG, which includes recommendations, highlights the existing weaknesses in the internal controls of the pertinent institutions such as LGAs...(KI 11).*

This implies that the lack of expertise among LGA officials in handling CAG-related matters undermines the ability to effectively address audit findings and implement the necessary corrective actions. As a result, the weaknesses identified in internal controls persist, limiting the LGAs' capacity to respond to the CAG's recommendations and improve overall governance and accountability. Strengthening the knowledge and skills of LGA officials is essential to ensuring that audit recommendations are properly understood and acted upon.

The results align with the research conducted by Rugeiyamu et al. (2021), which indicated that Local Government Authorities (LGAs) are making significant progress in fulfilling their responsibilities. This is evident through their efforts to implement the recommendations related to CAG revenue by establishing support for business empowerment, which includes the provision of favorable business infrastructure and local investment assistance.

#### 6.4 Follow-up Mechanism

The researcher also sought to gather insights regarding the extent to which management follows up on the revenue recommendations provided by the Controller and Auditor General (CAG). This included an assessment of management's monitoring practices. The results indicated that a significant number of respondents acknowledged that the follow-up mechanism related to the implementation of CAG revenue recommendations in Local Government Authorities (LGAs) remains a considerable challenge for many of these entities. A stronger emphasis on the follow-up process could lead to enhanced implementation of the CAG revenue recommendations. The management's follow-up system encompasses actions such as verifying the responses received and ensuring the presence of an internal control system dedicated to tracking CAG revenue recommendations.

The study identified the presence of an information system designed to monitor CAG revenue recommendations, known as the Government Audit Recommendations Implementation Information Tracking System (GARI-ITS), in certain government institutions. This system was initiated by the Ministry of Finance and Planning (MoFP) in 2019 to facilitate the tracking of audits issued by the CAG to Ministries, Departments, and Agencies (MDAs) as well as LGAs.

The objective of the research was to assess the degree to which this system within the Local Government Authorities (LGAs) could facilitate the execution of the Community Advisory Group (CAG) revenue recommendations. An interview conducted with the head of a department in Mwanza City Council, the study area, indicated that the system is

utilized by the council solely for maintaining records of the audited recommendations. However, the system does not substantially improve the management's ability to follow up, as detailed below:

*".....in 2019, MoFP, through the Internal Auditor General Division, established GARI-ITS to enable robust tracking in the execution of Controller and Auditor General Recommendations, including revenue recommendations. Once implemented in LGAs, this system will facilitate the expedited execution of CAG recommendations, thereby ensuring their effective and timely implementation... (KI 12)."*

The GARI-ITS represents the culmination of the Ministry of Finance and Planning's endeavors to ensure the thorough implementation of all recommendations put forth by the CAG. Currently undergoing a pilot study within a select number of central government institutions, the system has yet to be fully deployed across all government entities, including the Local Government Authorities (LGAs). Once fully operational across all government institutions, it is anticipated that GARI-ITS will significantly enhance the execution of CAG recommendations.

Research has indicated that management support significantly impacts the execution of the Auditor General's revenue recommendations. For effective implementation, it is essential for management to oversee the process, allocate necessary resources to the internal audit function, and conduct thorough follow-ups on the Auditor General's recommendations as explained by one of the key informants:

*...The follow-up process is typically conducted by the accounting officers, specifically the City Director of the pertinent City Council. Generally, GAG prepares and submits a draft report to the institution, allowing 21 days for review and response. Subsequently, the accounting officer is required to verify the responses and ascertain their status, which will be presented at the respective council meetings prior to the issuance of the final audited report... (KI 13)*

The monitoring of these recommendations is a continuous obligation, and the status of outstanding recommendations should be assessed regularly (Rubin, 2011). Aikins (2012) indicates that the complexity of monitoring and follow-up systems can vary, influenced by factors such as the size and intricacy of the audited organization. Zahran et al. (2010) found that the availability of resources for the Internal Audit Function (IAF) and the sophistication of follow-up systems for implementing the CAF revenue recommendations differ widely, with only a limited number of organizations utilizing online systems. Furthermore, Daugherty (2012) emphasizes that audit firms must communicate the importance of audit follow-up as a valued activity, ensuring that audit staff do not perceive follow-up time as secondary to other tasks deemed more important. Local Government Authorities (LGAs) should be supported with adequate staffing and funding. With management's backing and collaboration with the IAF, the



internal audit unit can secure additional resources to fulfill its responsibilities effectively. Additionally, it has been shown that management's acknowledgment and endorsement of internal audit initiatives contribute to their perceived value (Liu et al., 2014).

The actions of Local Government Authorities (LGAs) are often not executed due to insufficient managerial support, as noted by Hay and Cordery. The inability to carry out internal audit functions indicates a lack of backing for the efforts of internal auditors, according to Alzeban and Sawan (2015). This research highlights a negative correlation between the implementation of recommendations from the Controller and Auditor General (CAG) regarding revenue and the responses from senior management, as well as the availability of an adequate budget. Liu et al. (2014) examined whether the presence of accounting expertise on audit committees mitigates expectation management to prevent negative earnings surprises. After controlling for the endogenous selection of an accounting expert, the findings revealed that firms with an accounting expert on the audit committee demonstrated: 1. Reduced expectation management to avert negative earnings surprises, 2. Fewer instances of non-negative earnings through expectation management, and 3. An increase in non-negative surprises that are less prone to manipulation of both reported earnings and earnings expectations. The study concluded that accounting experts on the audit committee effectively curtailed expectations primarily during interim quarters.

## 7. Study Discussion and Findings

This part discusses the findings as per the objective of the study; it also analyzes other empirical findings on the subject under study. Moreover, it discusses based on the opinion with evidence and logic flow. The discussion involves also suggestions and points of view through interviews and discussions with key figures. The discussion is based on the objectives of the study as follows:

### 7.1 The contribution of institutional resources

The study highlights the essential importance of resource independence in implementing revenue recommendations from the Comptroller and Auditor General (CAG) within Local Government Authorities (LGAs), as well as the level of autonomy of internal audit units in relation to the performance of government entities. The results suggest that internal audit units maintain a moderate degree of independence in their routine activities; however, the precise extent of this independence is unclear, especially concerning the perception of auditors regarding their decision-making authority and their assessment of the organization's transactions and performance processes.

Danga et al. (2020) further noted that the independence of audits in numerous public organizations remains a significant challenge, primarily due to a lack of adequate resources required for effective auditing practices. The main factors contributing to this issue include financial resources, human resources, necessary tools, and transportation. Among these,

financial resources are identified as the most critical barrier to the effectiveness of internal audit functions.

Several factors impede the independence of internal auditing practices within LGAs. These factors encompass the absence of receipt and register books for expenditures, limited access to board members or auditing committees, pressure from senior management, insufficient recognition of auditors' work or recommendations, political interference in auditing activities, and an excessive burden of unrelated and unclear responsibilities assigned to auditors.

Kalufya and Nyello (2021) highlighted that the lack of cooperation from departmental heads in acquiring reports poses a significant obstacle. A substantial number of respondents indicated that they did not receive the essential reports and statements necessary for the effective execution of their responsibilities. When such information was eventually provided, it was often delayed, thereby hindering the efficiency of internal audit operations.

Additionally, Erkie (2023) determined that the management at the Ministry of Works and Transport is insufficiently supportive, dedicated, and committed to the implementation of audit recommendations. This suggests that the absence of support and commitment from management at the Ministry of Works and Transport constitutes a major impediment to the effective execution of audit recommendations. In the absence of robust leadership and engagement, the necessary changes and improvements identified in the audits are unlikely to be achieved, which could adversely impact the ministry's overall performance and accountability.

Furthermore, Scott and MacCarthaigh (2023) discovered that the Office of the Controller and Auditor General (OCAG) has played a vital, albeit underrecognized, role in upholding the integrity of Ireland's public sector, significantly contributing to the nation's resilience against systemic corruption. Nevertheless, the OCAG encounters resource challenges and must adapt to new financial management systems, such as accrual accounting, as well as increasingly complex digital public sector practices. This indicates that while the OCAG has been instrumental in maintaining public sector integrity and combating corruption, its capacity to effectively fulfill these responsibilities is constrained by resource limitations. To continue ensuring transparency and accountability, the OCAG will need to invest in adapting to changing financial systems and digital public sector practices, which will necessitate additional resources and expertise.

The research further revealed that a significant number of auditors within Local Government Authorities (LGAs) do not possess Certified Public Accountant (CPA) credentials. This situation has led to many individuals undertaking internal audit responsibilities without the necessary qualifications. Such a shortfall, combined with insufficient governance and accountability from senior executives and upper management, adversely affects the efficacy of internal audit functions in LGAs.

Conversely, Msenga (2017) highlights that management support, the role of the Audit Committee, and the effectiveness of the follow-up mechanism significantly influence the implementation of the Controller and Auditor General's recommendations in Local Government Authorities. This suggests that robust management support, an active Audit Committee, and a strong follow-up mechanism are essential for the successful execution of the Controller and Auditor General's recommendations within LGAs. In the absence of commitment from leadership and oversight from the Audit Committee, necessary actions to address audit findings may be overlooked or postponed. Additionally, an effective follow-up system is crucial for monitoring progress, ensuring accountability among relevant parties, and guaranteeing that corrective actions are properly implemented.

Similarly, Lian and Kusumah (2022) assert that the auditor's competence and professionalism, along with the organizational culture of the company, significantly influence the quality of financial reporting. A higher level of auditor competence and professionalism correlates with improved financial reporting quality. This indicates that the effectiveness of financial reporting is largely contingent upon both the auditor's expertise and the organizational culture of the company. Enhanced competence and professionalism in auditing contribute to more accurate and reliable financial reports, thereby fostering transparency and trust in the company's financial statements.

The research identifies various obstacles that impede the effectiveness of internal audits and the implementation of recommendations from the Controller and Auditor General (CAG) within Local Government Authorities (LGAs). Significant challenges include a lack of resource independence, inadequate management support, and a shortage of qualified auditors, particularly those lacking CPA credentials. Additionally, internal audit operations are adversely affected by political interference, insufficient tools, and delays in obtaining essential reports. The importance of robust management support, active audit committees, and effective follow-up mechanisms is highlighted as vital for the successful implementation of audit recommendations. Moreover, the quality of financial reporting is closely linked to the skills and professionalism of auditors, indicating that enhanced training and resources, along with a supportive organizational culture, are crucial for improving transparency and accountability in both public and private sectors.

In conclusion, the research emphasizes the essential nature of internal audit independence in fostering accountability and enhancing employee performance. Many organizations are still in the process of acknowledging the significance of this independence within their operational frameworks. The findings further indicate that the absence of independence among internal auditors undermines the efficiency and effectiveness of the internal control system, ultimately impacting the proper, economical, efficient, and effective use of government resources.

## 7.2 Responsiveness of LGA officials

Local governments in Tanzania often face significant difficulties in achieving their revenue targets from local sources, which limits their capacity to deliver vital services such as healthcare, infrastructure, and water supply. This predicament can impede the establishment of a culture of tax compliance and undermine the social contract between citizens and their government. A key contributor to the low levels of own-source revenue is the inefficacy of tax administration, which is marked by poorly managed revenue databases, inconsistent experiences with outsourced revenue collection, and a lack of voluntary compliance among taxpayers. The effective execution of the CAG revenue recommendations relied on a strong political climate, adequate resources for cost-effective reforms, and practical strategies that focused on gradual enhancements to primary revenue streams. Importantly, these reforms were achieved without the need for amendments to national legislation.

Lee and Wang (2020) highlighted that agencies with well-informed stakeholders were more successful in achieving higher compliance levels and performance enhancements after implementing recommendations. Their research emphasized the importance of fostering a culture of transparency and accountability to improve stakeholder awareness and facilitate effective implementation. This suggests that when stakeholders are adequately informed and actively engaged, organizations are more likely to realize significant compliance and performance improvements post-implementation of recommendations. Establishing a culture of transparency and accountability is vital, as it enhances stakeholder awareness, thereby supporting the successful execution of recommended changes and overall performance enhancement.

Furthermore, Van der Waldt et al. (2024) asserted that the effective implementation of the AGSA's recommendations is critical for advancing good local governance, accountability, and adherence to statutory obligations. These recommendations stem from an objective evaluation of municipalities' financial management practices, pinpointing areas that require improvement to ensure the efficient allocation of public funds. This indicates that the execution of the AGSA's recommendations is essential for bolstering local governance, ensuring accountability, and fulfilling legal obligations. By offering an objective assessment of municipalities' financial management practices, these recommendations assist in identifying crucial areas for enhancement, ultimately promoting a more efficient and transparent utilization of public resources.

Millinga and Naho (2022) found that the independence of Audit Committee (AC) members and the frequency of their meetings are statistically significant factors that positively correlate with the effectiveness of the committee. In contrast, the age and gender of the members were found to be significant but negatively correlated with effectiveness. This indicates that a higher level of independence among AC members, along with more frequent meetings, enhances the committee's ability to fulfill its responsibilities. Conversely, the age and gender of the members may detract from the

committee's effectiveness, suggesting that diversity and experience are important for improving the performance of the AC.

Generally, the successful execution of revenue recommendations and the advancement of good governance in local governments necessitate a blend of knowledgeable stakeholders, robust political backing, and sufficient resources. Obstacles such as ineffective tax administration, inadequate management of revenue databases, and low taxpayer compliance can impede local governments' ability to achieve their revenue goals and deliver essential services. Nevertheless, fostering a culture of transparency and accountability, as emphasized by Lee and Wang (2020), can greatly enhance stakeholder engagement and compliance, resulting in improved outcomes. Moreover, as highlighted by Van der Waldt et al. (2024), the implementation of well-evaluated recommendations, such as those from the AGSA, is vital for promoting accountability and the effective utilization of public funds. Additionally, the findings of Millinga and Naho (2022) suggest that the effectiveness of Audit Committees is positively affected by the independence of their members and the regularity of their meetings, reinforcing the necessity of strong oversight and governance frameworks. Ultimately, a unified approach to enhancing resource management, stakeholder participation, and institutional independence is crucial for fostering sustained progress and accountability in local governance.

### 7.3 Follow-up mechanisms

The audit follow-up process involves a comprehensive examination and validation of management actions to confirm that the corrective measures proposed by the auditor have been appropriately accepted and fully executed. The findings reveal an insufficient level of follow-up activities to ensure the implementation of revenue recommendations from the Controller and Auditor General (CAG). This follow-up mechanism allows auditors to evaluate the adequacy, effectiveness, and timeliness of the actions taken by management in response to the observations and recommendations reported (IIA, 2003). A review of the follow-up on previous audit recommendations was carried out, concentrating on the methods utilized by the CAG and the parliamentary committees, especially the Local Authority Accounts Committee (LAAC). The LAAC is responsible for supervising the accounts of Local Government Authorities (LGAs). The knowledge that auditors will perform follow-ups on issued recommendations motivates auditees to adopt the audit recommendations (Aikins, 2012).

The process of following up on audits is crucial for ensuring that management acts on the corrective measures suggested by auditors, while also assessing the adequacy and timeliness of these actions (IIA, 2003). Research indicates that inadequate follow-up efforts pose a significant obstacle to the effective implementation of audit recommendations within the public sector, especially among Local Government Authorities (LGAs). Tariku and Shibru (2016) and Demeke and Kaur (2021) point out that issues such as a lack of coordinated efforts, insufficient follow-up, and management's indifference

towards audit reports impede the utilization of audit findings. Moreover, Salihu and Hoti (2022) and Yussuf et al. (2024) stress the significance of follow-up mechanisms in enhancing accountability, noting that when audits are not adequately followed up, management often overlooks necessary actions. Effective follow-up is vital for promoting transparency and ensuring compliance, with studies by Farqan et al. (2020) and Kamara (2023) highlighting the beneficial impact of follow-up on the quality of financial reporting and public service outcomes. Additionally, the role of parliamentary committees, such as the Local Authority Accounts Committee (LAAC), in monitoring audit recommendations, as noted by Aikins (2012), further underscores the necessity for robust oversight to ensure that the audit process results in meaningful improvements and enhanced governance.

### 7.4 The Agency Theory and Findings

The results of the research corroborate Agency theory (Jensen and Meckling, 1976), which provides a significant framework for examining the challenges faced in the implementation of revenue recommendations proposed by the Controller and Auditor General (CAG) within Local Government Authorities (LGAs) in Tanzania. Agency theory clarifies the relationship between the principal, represented by the Central Government through the CAG, who sets forth goals and objectives, and the agent, which is the LGA tasked with executing the CAG's recommendations aimed at improving revenue collection. This relationship is characterized by information asymmetry, where the agent possesses more knowledge about their actions than the principal. Such a situation can give rise to conflicts of interest, as the agent may prioritize personal benefits over the principal's objectives. The CAG's responsibility is to ensure the maximization of public value for money. The study suggests that local governments (LGAs) are not effectively implementing the CAG's revenue recommendations, potentially leading to staff members pursuing their own interests to the detriment of the LGAs.

The research highlighted additional concerns regarding the reports issued by the Controller and Auditor General (CAG) pertaining to Local Government Authorities (LGAs). A limited number of respondents articulated the following issues:

**Inadequate recommendations:** In certain instances, the recommendations provided by the CAG appear to overlook the fundamental challenges faced by LGAs. While they may address superficial symptoms, they fail to tackle the core issues.

**Concerns about auditor expertise:** There are doubts regarding whether some auditors employed by the CAG possess the requisite skills to formulate effective recommendations.

**Information deficiencies:** At times, the CAG may lack access to all necessary or accurate data to perform a thorough audit. This deficiency can result in misleading findings and ineffective recommendations.

**Time limitations:** The restricted timeframe allocated for audits may hinder CAG auditors from thoroughly exploring the root causes of issues. Consequently, this can lead to recommendations that do not resolve the actual problems.

## Conclusion

Based on the review conducted on the related literature, analysis, and interpretation of data made, the following are the major findings of the study: The study concludes that the effective execution of the CAG's revenue recommendations within the LGAs necessitates the allocation of adequate resources to the various units tasked with implementing these recommendations. Additionally, it is essential to maintain a close oversight throughout the implementation process. The study concludes that the successful execution of the CAG's recommendations within the LGAs necessitates a strong sense of accountability among the personnel, including department heads and the internal auditor of the Council. This accountability entails regular meetings, the selection of qualified individuals, and the delegation of appropriate power and authority. The greater the effectiveness of the LGA officials, the more significant their impact will be on the implementation of the CAG's revenue recommendations. The study concludes that the effective execution of the previously outstanding CAG revenue recommendations necessitates a robust follow-up mechanism involving both the CAG and the Local Authority Audit Committee. This follow-up mechanism entails the verification of management responses to assess their relevance. Such a process aids in clarifying which recommendations have already been implemented.

## Study Recommendations

The recommendations designed to improve the implementation of the Controller and Auditor General's suggestions within Local Government Areas (LGAs) are based on the findings of this study. This research examines the influence of management support on the application of the Controller and Auditor General's recommendations in LGAs. It was noted that senior management in the selected councils plays an active role in overseeing the execution of these recommendations, with a considerable number of respondents suggesting that enhanced monitoring processes would result in a greater rate of implementation. Furthermore, the Central Management Team (CMT) has instituted follow-up procedures regarding the execution of the Controller and Auditor General's recommendations in LGAs, emphasizing the importance of follow-up actions.

The study also pointed out the maximum use of GARI-ITS in LGAs; however, their future implementation is expected to facilitate the execution of the Controller and Auditor General's recommendations. Additionally, the research revealed the significant importance of institutional resources, the responsiveness of LGA officials, follow-up systems, and the effective implementation of the Controller and Auditor General's revenue recommendations.

Audit Committees have been recognized as instrumental in promoting the execution of recommendations within Local Government Authorities (LGAs), with those committees that

are more proactive exhibiting a greater impact. There is a positive relationship between the frequency of meetings conducted by Audit Committees within a year and their effectiveness in implementing the revenue recommendations provided by the Controller and Auditor General.

Additionally, the study revealed that the effectiveness of follow-up mechanisms concerning previous audit recommendations is vital. The follow-up approach utilized by the Controller and Auditor General significantly influences the implementation of these recommendations, ensuring timely responses from the auditees. Likewise, the follow-up efforts of the Parliamentary Committee (LAAC) positively affect the execution of the Controller and Auditor General's recommendations, as thorough follow-up by LAAC assists in addressing unresolved recommendations within LGAs.

In summary, the study underscores the significance of efficient allocation of institutional resources, the responsiveness of LGA officials, and effective follow-up mechanisms in facilitating the successful implementation of the Controller and Auditor General's revenue recommendations in LGAs.

## Suggestions for Further Study

This research concentrated on the factors influencing the implementation of the Controller and Auditor General's recommendations in Local Government Authorities in Tanzania. Given that the study was limited to three factors support from institutional resources, the responsiveness of LGA personnel, and the effectiveness of follow-up mechanisms on prior audit recommendations future research should explore additional factors and other Local Government Authorities beyond Mwanza City Council to enhance the generalizability of the findings. Potential areas for further investigation in LGAs that may affect the implementation of the Controller and Auditor General's recommendations include the effectiveness of GARI-ITS, the role of Development Partners (DPs), political influences, the quality of the auditor providing the recommendations, and staffing levels within the LGAs.

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