

**THE IMPACT OF INSPECTION, AUDIT AND REVIEW OF ALL MINING COMPANIES'
OPERATIONS SERVICES ON REVENUE COLLECTION IN MINING SECTOR IN
TANZANIA:**

A CASE OF TANZANIA MINING COMMISSION ARUSHA REGION

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ABSTRACT

Mining sector is the main source of government revenue that needs special attention to ensure effective inspection, audit and review of all mining resources. However, majority of African countries are still poor indicating that African countries are not benefiting effectively from the mining sector due to the presence of poor regulation and administration comprising poor inspection, lack of reliable audit and absence of review of mining companies' operations service. Therefore, the purpose of this study is to assess the impact of inspection, audit and review of all mining companies' operations services on revenue collection in mining sector using the case of Tanzania mining commission Arusha region. The study used the sample size of 175 respondents from public institutions in Arusha city. The study collected primary data using questionnaire and data were analyzed using the Statistical Package of Social Science where tables were computed to represent the mean and correlations results of this study. The study found that the overall mean of audit and review was rated at 3.55 indicating that inspection, audit and review play important role in revenue collection in mining sector in Tanzania. Also, the correlation analysis indicated the presence of positive and significant relationship between revenue collection and inspection, audit and review in mining sector. These findings indicates that inspection, audit and review in mining sector have positive influence on revenue collection and any improvement in inspection, audit and review in mining sector will increase the revenue collection in mining sector. Therefore, the study recommends that the challenge facing revenue collection in mining sector should be addressed. Also, the government should empower revenue collector with proper regulations that support effective revenue collection.

Keywords: Inspection, Audit, Review, Revenue Collection, Mining Sector

INTRODUCTION

According to Rossouw and Mngadi,(2019), mining sector is the valuable source of government revenue. However, majority of African countries are not benefiting effectively from the mining sector due to the presence of poor regulation and administration which disregard effective inspection, audit and review of important document and activities for the purpose of increasing revenue collection (Jiwan,2016). Inline to that in Tanzania mining is one of the leading sectors in Tanzania where the leading minerals are found including gold, iron ore, nickel, copper, cobalt, silver, diamond, Tanzanite, tin, ruby, garnet, limestone, soda ash, gypsum, salt, phosphate, coal, uranium, and gravel, graphite, and dimension stones (Rahman, 2019). However, the legislation governing mining activities in Tanzania is the Mining Act of 2010. Under this Act, the Government established the Mining commission to enhance management of the Mining Sector and to ensure that the Government is benefiting from the income generated in a sustainable manner. Therefore, the proper functioning of the Mining Commission of Tanzania ensures effective and efficient collection of government revenue from the mining industry (Mushimiyimana, 2019) Nevertheless, there have been reported cases on mining industry which reveal that corruption is still a huge challenge the service delivery of government officials especially in the mining commission of Tanzania (Ayub, et al., 2021). For instance there have been several cases of officials confiscating land on grounds of the “general good”, without paying any compensation” (Rahman, 2019). However, majority of studies have failed to identify the impacts of inspection, audit and review of all mining companies’ operations services on revenue collection in mining sector in Tanzania. Therefore, the purpose of this study was to examine the impact of inspection, audit and review of all mining companies’ operations services on revenue collection in mining sector in Tanzania, using the case of regional mining commission in Arusha.

LITERATURE REVIEW

The study reviewed the theory of policeman which regarded auditor as a policeman who is responsible for inspection, audity and review to ensure correctness of financial standings. (Hayes, *et al.*, 2005). The theory suggests that auditor should prevent fraud and verify the truth and fairness of the financial statements. This theory relate with this study because it indicates the positive impact of inspection, audit, and review in the operation of mining sectors in Tanzania. **Nevertheless**, the study reviewed several studies which support this study as explained below. Kichere (2020) on the performance audit report on the management of revenue collection found that Tax revenues are effectively collected sector establish a compliance level for all service providers, ensure it identifies possible opportunities for revenue collection from over-the-top (OTT) applications and services, carry out regular studies in order to come up with the best mechanism for dealing with over-the -top (OTT) applications with a view to enhance revenue collection; and strengthen collaboration with TRA by ensuring that there are regular reconciliation meetings in order to help TRA collect all rightful revenues from public sector and Service Providers. OXFAM (2019) elaborated that, the increase in the collection of more progressive revenues often requires policy decisions that challenge the interests of powerful political and economic actors. Taking such a step thus requires strong non-state stakeholders to raise awareness, generate political will, and hold policymakers accountable. Public and social accountability is

fundamental to building citizen–state trust, the essential ingredient for an effective and fair tax system. This point is intuitive, and evidence backs it up. For example, research in the Democratic Republic of Congo finds that citizens are more willing to pay taxes when they have greater trust in government and are more satisfied with public services.

According to Scheerens and Ongevalle (2018), in their report providing an overview of existing taxation initiatives in low- and middle-income countries revealed that, tax compliance at local levels is often low in low- and middle-income countries. It was revealed that, important factors that may contribute to increased tax compliance are good service delivery by the local government, access to information by citizens and a high degree of trust in the local government. A general absence of these factors, however, leads to a weak social fiscal contract between taxpayer and local government.

Akitoby (2018) on factors to consider by governments so as to raise the revenue collection in their economies using Georgia as a striking example of successful tax revenue reforms revealed that, as soon as the government of Georgia improved service delivery on its public sectors, their economy started to observe positive results. For instance, it was observed that, a simpler tax system with a limited number of rates is critical to fostering taxpayer compliance, as seen in the Georgia example. Simplicity of the tax system and legislation is the guiding principle for fragile states. This makes tax administration less challenging to taxpayers and hence encouraging effective government revenue collection.

Manwaring (2017) on means to improve tax administration in Tanzania using lessons from Uganda’s tax reforms showed that, the administrative reforms may be able to offer quick and sustainable gains to local revenues. Experiences from several cities reveal that administrative reforms to improve identification, assessment, and collection of tax liabilities can be as important as tax policy to raise revenues. The study revealed that the administrative capacity can be boosted by various ways such as; increasing staff capacity through recruitment and training, digitizing data bases to reduce the potential for human error, and bringing revenue collection in house. At the same time, tax compliance was encouraged by improving tax services and through communication campaigns that illustrated what citizens’ tax payments were being used to finance. Underlying these reforms was an understanding of taxpayers as clients who would be willing to pay their taxes voluntarily in exchange for valuable public goods and services.

According to OECD (2017) the level of tax revenues in an economy is influenced by tax policy and tax administration as well as the level of taxpayer compliance and government enforcement. Developments in information and communication technology (ICT) in recent decades, both for electronic filing and payment of taxes, have presented many opportunities for revenue bodies to increase government revenue, improve efficiency, and enhance the quality of services delivered to taxpayers, while at the same time reducing taxpayer compliance burden and government administration costs, and improving enforcement.

Gitaru (2017) conducted a study on the Impact of System Automation on Revenue Collection in Kenya Revenue Authority. The study found that the revenue collected increased at an increasing rate after the implementation of Simba system. The study recommended that the Information and Communications Technology (ICT) department should ensure that there is effective project

coordination and change management for success of this automated system. Further, the department should ensure that there is a good data system and that is compatible with the system's needs so as to improve the quality of services delivered at the expense of an increased government revenue collection.

Methodology

The study adopted the case study design to collect information from 175 respondents using questionnaires within selected public institutions in Arusha city.

Finding and Discussion

Influence of Inspection, Audit and Review of Mining Companies' Operation Services on Revenue Collection in Mining Commission in Tanzania

The study sought to assess the influence of inspection, audit and review of all mining companies' operation services on revenue collection in mining commission. The mean for each of the attributes was computed where the highest was 5 for strongly agree and the lowest was 1 for strongly disagree as the results shown in Table 1.

Table 1: Influence of Inspection, Audit and Review

Attributes	Mean (N=175)
Safety inspection of license create the cohesive environment in mining sector which results to increases in revenue collection	3.36
Inspection and ensuring orderly exploitation affected the business undertakings ability to pay for taxes.	3.17
Due to audit mining entities, brokers and dealers, there is a decline in business revenue, profit so does the revenue.	3.96
The safety inspection of license led to decrease in customers demand in mining sector which in turn affected the revenue	3.70
Revenue collection is very large during audit mining entities, brokers and dealers in financial and tax records.	3.58
Overall mean of Inspection, Audit and Review	3.55

These findings indicated that Safety inspection of license create the cohesive environment in mining sector which results to increases in revenue collection was rated at the mean score of 3.36 indicating to some extent safety inspection of license increases in revenue collection. The inspection and ensuring orderly exploitation affected the business undertaking's ability to pay for taxes was rated at the mean score of 3.17 indicating that inspection increase ability to pay tax and to collect revenue. There is a decline in business revenue scored the mean of 3.96 indicating that mining sector collect less than it was expected. The safety inspection of license led to decrease in customers demand in mining sector which in turn affected the revenue scored the mean of 3.70 indicating that safety inspection of license led to decrease in customers demand. Revenue collection is very large during audit mining entities, brokers and dealers in financial and tax records scored the mean of 3.58 signifying that revenue collection is very large during audit mining

entities, brokers and dealers. However, the overall mean of inspection, audit and review was found to be 3.55 indicating that inspection, audit and review play important role in revenue collection.

Furthermore, the study conducted Pearson Correlation analysis between independent variable namely inspection, audit and review in mining sector; and the dependent variable namely level of revenue collection. The results were presented as shown in Table 2.

Table 2: Correlation between Revenue Collection and Inspection, Audit and Review

Revenue collection	decline in revenue collection	Mining sector ensure the increase in quality of mineral	Amount of revenue collected is effective for the mining sector	Entire amounts collected from the mining sector facilitate development activities	Mining sector is ensuring market value for each activity
Inspection, Audit and Review	.438**	.407**	.318**	.239**	.285**
*. Correlation is significant at the 0.01 level (2-tailed).					
**. Correlation is significant at the 0.05 level (2-tailed).					

The findings indicated that the inspection, audit and review had positive and significant correlation with decline in revenue collection (.438), Mining sector ensure the increase in quality of mineral (.407), Amount of revenue collected is effective for the mining sector (.318), Mining sector is ensuring market value for each activity (.285), and Entire amounts collected from the mining sector facilitate development activities (.239). The results indicate the presence of positive and significant relationship between revenue collection and inspection, audit and review in mining sector. Therefore, it can be said that the inspection, audit and review in mining sector have positive influence on revenue collection and any improvement in inspection, audit and review in mining sector will increase the revenue collection in mining sector.

Conclusion

On influence of inspection, audit and review of all mining companies' operations services on revenue collection in mining commission the study found that safety inspection of license create the cohesive environment in mining sector which results to increases in revenue collection was rated at the mean score of 3.36 indicating to some extent safety inspection of license increases in revenue collection. The inspection and ensuring orderly exploitation affected the business undertakings ability to pay for taxes was rated at the mean score of 3.17 indicating that inspection increase ability to pay tax and to collect revenue. There is a decline in business revenue scored the mean of 3.96 indicating that mining sector collect less than it was expected. The safety inspection of license led to decrease in customers demand in mining sector which in turn affected the revenue scored the mean of 3.70 indicating that safety inspection of license led to decrease in customers demand. Revenue collection is very large during audit mining entities, brokers and dealers in financial and tax records scored the mean of 3.58 signifying that revenue collection is very large during audit mining entities, brokers and dealers.

Recommendations

The study recommends that the challenge facing revenue collection in mining sector should be addressed. Also, the government should empower revenue collector with proper regulations that support effective revenue collection.

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