

**REVENUE COLLECTION AND COST REDUCTION IN LOCAL
GOVERNMENTAUTHORIES.
CASE OF KAMPALA CAPITAL CITY AUTHORITY**

BY

APOLOT ANNET

BBA/37243/121/DU

**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF APPLIED
ECONOMICS AND MANAGEMENT IN PARTIAL FULFILMENT
FOR THEAWARD OF BACHELORS DEGREE OF BUSINESS
ADMINISTRATION OF KAMPALA
INTERNATIONAL
UNIVERSITY**

DEC 2014.

DECLARATION

I Apolot Annet hereby declare that this research report is my original work and has not been published or submitted to any University before and where other people's literature has been used, acknowledgement has been duly accorded.

RESEARCHER:

Signature.....

Date.....12th/1st/2015

APOLOT ANNET

APPROVAL

This is to certify that this piece of research is submitted to the University with my approval as the researcher's supervisor.

Signature..........

Date..........

MADAM IRAU FLORENCE

(SUPERVISOR)

DEDICATION

I dedicate this report to my Dad Etukoit Micheal, Mom Ayait Angella and the entire family for the material, financial and mental support they rendered un to me during the training. Lastly I dedicate this piece of work to the almighty who made everything happen in my favour and his endless grace upon me

ACKNOWLEDGEMENTS

I wish to extend my gratitude to all persons for the immeasurable support and useful contribution towards my studies.

I would like to extend my sincere thanks to my supervisor Madam Irau Florence for the assistance, advice, patience and time accorded to me towards the success of this work.

I equally thank all my lecturers, who beyond their core duty of teaching, overwhelmingly imparted wisdom that has remained a guiding stick in my life and my studies at the University.

To my parents for the continuous support they rendered to me who have made my studies a complete success, My brothers and sisters for all the love, care and prayers. May God bless them. I owe much to my friends, Dickson, Winnie, Helen, joy, faith for your constructive advise and ideas that you gave me in the course of this report that have enabled me to successfully produce this work. May God bless you

Most importantly, I praise and thank God for the love, grace, strength and providence. I pray that He leads me yet again into the green pastures.

ACRONYMS

KCC..... Kampala capital city authority

PAYE.....Pay As You Earn

ITA..... Income Tax Act

TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS.....	iv
ACRONYMS.....	v
TABLE OF CONTENTS	vi
LIST OF FIGURES	x
 CHAPTER ONE	 1
1.0 Introduction	1
1.1 Background of the study.....	1
1.1.1 Historical perspective	1
1.1.2 Theoretical perspective.....	3
1.1.3 Contextual perspective	3
1.1.4 Conceptual perspective.....	3
1.2 Statement of the Problem	4
1.3 The purpose of the study	5
1.4 The study objectives	5
1.5 Research Questions.....	5
1.6 Scope of the Study	5
1.6.1 Content scope.	5
1.6.2 Geographical scope.....	5
1.6.3 Time scope.....	6
1.7 Significance of the study	6

1.8 Justification of the study	6
1.9 Limitation of the Study	6
CHAPTER TWO	8
LITERATURE REVIEW	8
2.0 Introduction	8
2.1 Theoretical review	8
2.2 Revenue Collection an Overview	8
2.3 Sources of Revenues and Cost reduction in Local Government Authorities	8
2.3.1 Property taxes	9
2.3.2 City Service Levy	9
2.3.3 Miscellaneous Receipts	9
2.4 Tax Base and Cost reduction	10
2.1.10 Tax avoidance and evasion and cost reduction	10
2.1.10.1 Tax evasion;.....	10
2.1.10.2 Tax avoidance;	11
2.1.12 How to minimize Tax Evasion and Avoidance	11
2.1.14 Tax Administration.....	13
2.1.15 Control of Revenues	13
2.1.16 Revenue Accounting Systems	13
2.1.17 Internal Control Systems	13
2.1.18 Characteristics of a Good Internal Control.....	14
2.1.19 Categories of Internal Control	14
2.1.20 Control of Public Fund	15
2.2 Empirical Literature Review	15

2.2.1 A Synthesis of Literature Review	16
CHAPTER THREE.....	17
METHODOLOGY	17
3.0 Introduction	17
3.1 Research Design	17
3.2 Study Population.....	17
3.3 Sample Size	17
3.4 Sample Selection	18
3.5 Data Collection instruments	18
3.5.1 Questionnaires	18
3.5.2 Observation.....	18
3.5.3 Interviews	19
3.5.4 Documentation.....	19
3.6 Validity and reliability of the instrument	19
3.7 Reliability on instrument	20
3.8 Types of Data Collected.	20
3.8.1 Primary data.....	20
3.8.2 Secondary data.....	21
3.9 Data Analysis and Reporting.....	21
CHAPTER FOUR	22
DATA ANALYSIS, RESULTS AND DISCUSSION	22
4.0 Introduction	22
4.1 Response Rate.....	22

4.1.1 Position of respondents.....	23
4.1.2 Duration of service	24
4.1.3 Age of respondents	25
4.1.4 Qualification of respondents.....	26
4.7 Presentation of findings and analysis	27
4.2 Revenue collections.....	32
CHAPTER FIVE	36
SUMMARY, CONCLUSION AND RECOMMENDATION	36
5.0 Introduction.	36
5.1 Summary of Findings	36
5.2 Conclusion	36
5.3 Recommendations	37
REFERENCES	41
APPENDICES	43
APPENDIX 1 QUESTIONNAIRE	43
SECTION C: COST REDUCTION	45
APPENDIX II: THE RESEARCH BUDGET	46
APPENDIX III: SCHEDULE OF ACTIVITIES	47

LIST OF TABLES

Table 1: Showing the Response Rate	22
Table 2: showing the position of respondents in Kampala City Council Authority.....	23
Table 3: showing the duration served by the respondents in Kampala City Council Authority.....	24
Table 4: showing the age of the correspondents in Kampala City Council Authority	25
Table 5: Showing the highest education level attained by respondents	26
Table 6 Presentation of findings and analysis	27
Table 8: General summary budget and actual collection from 2008 - 2013	29
Table 9 Presentation of revenue collection for the year 2013	30
Table 10: Table showing information on revenue collections in the Authority	32
Table 11: Table showing information on cost reduction in the authority	33
Table 12: Significant relationship between revenue collection and cost reduction	35

LIST OF FIGURES

Figure 1: Conceptual framework.....	7
Figure 2 A Chart showing the position of respondents in Kampala City Council Authority	24
Figure 3 A Chart showing the duration served by the respondents in Kampala City Council Authority	25
Figure 4 A Chart showing the age of the correspondents in Kampala City Council Authority.....	26

CHAPTER ONE

1.0 Introduction

The study was carried out to establish the relationship between revenue collection and cost reduction among local authorities in Uganda in Kampala capital city Authority

This chapter contains the background of the study, the problem statement, the purpose of the study, the objectives of the study, the study questions, scope of the study, significance of the study, justification of the study and the conceptual frame work.

1.1 Background of the study

1.1.1 Historical perspective

The first fiscal organization in Ottoman Empire was established in the time of Murat the first.(1359-1389) In times of Mehmet II (Conqueror) and Süleyman I (Magnificent) as a result of the rise in revenues and expenditures of the empire this organization had been developed. However, first tax practice in Ottoman lands had been started by Osman Gazi; the founder of the Ottoman Empire; with the decree ;” Whoever makes profit trading in bazaar gives two silver coins (Money) , whoever has no sale does not give anything and whoever violates this rule , the God will violate his religion and his world.”

Until 1838 there was no ministry of finance precisely in Ottoman Empire. Till to that time, the head of the organization dealing with the financial matters was barely a civil servant named as district treasurer (defterdar).

With a decree published in 1838, the Ministry of Finance was officially established in the state organization. This ministry’s structure was formed of Departments(Daire) under the leaderships of Chiefs (Reis). In one sense today’s Revenue Administrations duties were carried out by this department. In 1881 The Ministry of Finance was divided into two administrations as Committee of Center and Committee of Province.

In constitutional monarchy era, in 1908, some changes were made in the mission and organization of the Ministry of Finance. That era’s Finance Consultant Monsieur Loran has embedded the ministry on eight directorates including general directorate of revenue

administration. In the First Turkish National Grand Assembly the first law accepted was a tax law. In 1923 the Ministry of Finance was established, although The Code on the Ministry of Finance and Its Duties was accepted in 1936.

In Uganda Graduated tax was eliminated in 2005, which had provided local governments with discretionary expenditures which were very crucial in the provision of service delivery. This has made local governments to become more dependent on non-discretionary central governments transfers which contribute to over 77% of the total revenue to the local governments and making it difficult for local governments to account to local citizens.

The alternative revenue collection avenues that central government introduced like; the market dues, local service tax, hotel tax, Land based revenues include property rates and ground rents etc have had a big challenge in collection by most local governments.

A report by Seppala P (1998) on Tanzanian Local Administration- A vehicle for democratic development conducted in East Africa Cities found that, the district council receives income from two sources; central government allocations and its own taxes and levies. The Central government allocation covers the salaries of the majority of officers. He also found that the district councils have their own tax base, since the poli tax has been unpopular and generated only a little income, districts have concentrated on other forms of taxation. He said, in southern Tanzania, the crop levy collected on cashew production has greatly generated a sizeable income, especially for Newala and Masasi districts.

He concluded that central government allocations are very important source of local government revenue in Tanzania and Uganda cities, but are almost nonexistent in the case of Kenya. He said that in Dar es Salaam they constitute an average of 60% of the city's total revenue sometimes reaching significantly higher levels than this, as in 1995 when they peaked to 81.8%.

1.1.2 Theoretical perspective

The Cost of Service Theory:

Some economists were of the opinion that if the state charges actual cost of the service rendered to the people, it will satisfy the idea of equity or justice in taxation. The cost of service principle can no doubt be applied to some extent in those cases where the services are rendered out of prices and are a bit easy to determine, e.g., postal, railway services, supply of electricity, etc. But most of the expenditure incurred by the state cannot be fixed for each individual because it cannot be exactly determined. For instance, how can we measure the cost of service of the police, armed forces, judiciary, etc., to different individuals?

1.1.3 Contextual perspective

Revenue is a key factor for Kampala Capital City Authority (KCCA) in achieving her mandate as provided for in Kampala Capital City Act 2010 (Section 50). The Act provides for the power to levy taxes giving KCCA the responsibility to levy, charge, collect and appropriate fees and taxes in accordance with the law as enacted by Parliament under article 152 of the Constitution.

Consideration of alternative tax systems must consider underlying levels and distributions of income. Broad, simpler tax bases would facilitate administration, increase revenues, and reduce opportunities and incentives for tax evasion. It is that simpler tax structures with lower tax rates that would achieve at least equal revenue and distributional objectives that are superior in terms of efficiency and equity.

A better-designed redistribution and income support tax system may not only foster equality but also improve the configuration of incentives and by this route contribute in its turn to efficiency. The efficiency might however, be tested in two sides, the government being responsible for collecting taxes and the taxpayers' side.

This study was designed to highlight on the effectiveness of revenue collection procedures in Kampala Capital City Authority and how the revenue department strategies and policies are contributing to effective collection and control.

1.1.4 Conceptual perspective

Dalton has defined public revenue in a broad and a narrow sense. In the wider sense, it includes all the income and receipts which the government happens to get during any

period of time. Public revenue includes income from taxes, prices of goods and services supplied by the public enterprises, revenue from administrative activities, such as fees, fines etc and gifts and grants while public receipts include all the incomes of the government which may have received during a given period

Bradley R Schiller (1993) defined revenue as “the price of a product multiplied by the quantity sold in a given time period” Revenues are equal to the tax rates times the tax base and increase in the tax rate results in decrease in tax base.

For the purposes of the study, public revenue will be defined as the funds that the government raises to facilitate the delivery of services to public

The business dictionary defines cost reduction as the process of looking for, finding and removing unwarranted expenses from a business to increase profits without having a negative impact on product quality. Many business managers will engage in periodic cost reduction drives in order to make their company's operation more efficient and to boost profits.

Wikipedia defines Cost reduction as the process used by companies to reduce their costs and increase their profits. Depending on a company's services or Product, the strategies can vary. Every decision in the product development process affects cost

However to serve the purposes of this study, cost will be defined to mean the process of an authority to reduce its costs during its activities of raising funds, delivering of services of goods and monitoring of such activities

1.2 Statement of the Problem

Good revenue collection policy is believed to help in cost reduction, as cited by Bryant terry and Beth Kanter. For Kampala Capital city Authority council to attain such a good revenue collection policy it needs policies and guidelines to come up with a revised position which is expected to enhance revenue operations in terms of data collection and analysis through conducting taxpayer sensitizations, education and mobilization, policy review, decision making, and ultimately Revenue collection maximization.

Therefore the purpose of this study is to establish the relationship between revenue collection and cost reduction by Kampala Capital City Authority (KCCA) in achieving her mandate

1.3 The purpose of the study

The purpose of the study is to establish the relationship between revenue collection and cost reduction by the local authorities.

1.4 The study objectives

The study is carried out in order to attain the following objectives:

1. To establish the relationship between revenue sources and cost reduction
2. To establish the relationship between tax bases and cost reduction
3. To establish the relationship between tax avoidance and evasion and cost reduction

1.5 Research Questions

The study is mainly guided by the following research questions:

1. What is the relationship between revenue sources and cost reduction?
2. What is the relationship between tax bases and cost reduction?
3. What are the relationship between tax avoidance and evasion and cost reduction?
- 4 What are the relationship between public debt costs and revenue collection?
5. What are the relationship between revenue collection costs and revenue collection?
- 6 What are the relationship between internal control costs and revenue collection?

1.6 Scope of the Study

1.6.1 Content scope.

The study covers revenue collection with emphasis on; revenue sources, tax base and minimization of tax avoidance and evasion relating them to cost reduction by the local authority.

1.6.2 Geographical scope

The scope of this research is highly limited to the accounts/finance department of the Kampala Capital City Authority headquarters located on Nakasero Hill, in the central business district of Kampala, Uganda's capital city. The headquarters are immediately

southwest of the Uganda Parliament Building. The main entrance to the KCCA Complex is located on Kimathi Avenue, which comes off of Parliament Avenue.

1.6.3 Time scope

The study is intended to be carried out in local authorities that have existed for at least two years in order to avail the researcher with information that facilitates comparison between periods. This explains why Kampala Capital City Authority created in November 2010, to become effective on 1 March 2011 was selected to serve as a case study,

1.7 Significance of the study

This study has the following significance:

1. The study will broaden the knowledge of the researcher in the area of revenue collection
2. Findings from the study will provide feedback to the Authority about the policies and strategies and determine the way which could be the best to harmonize the taxpayers' expectations and hence compliance.
3. The evaluation done in this study will provide empirical framework that would further contribute to additional enquiry for other researchers who need the inner concept of the same study.

1.8 Justification of the study

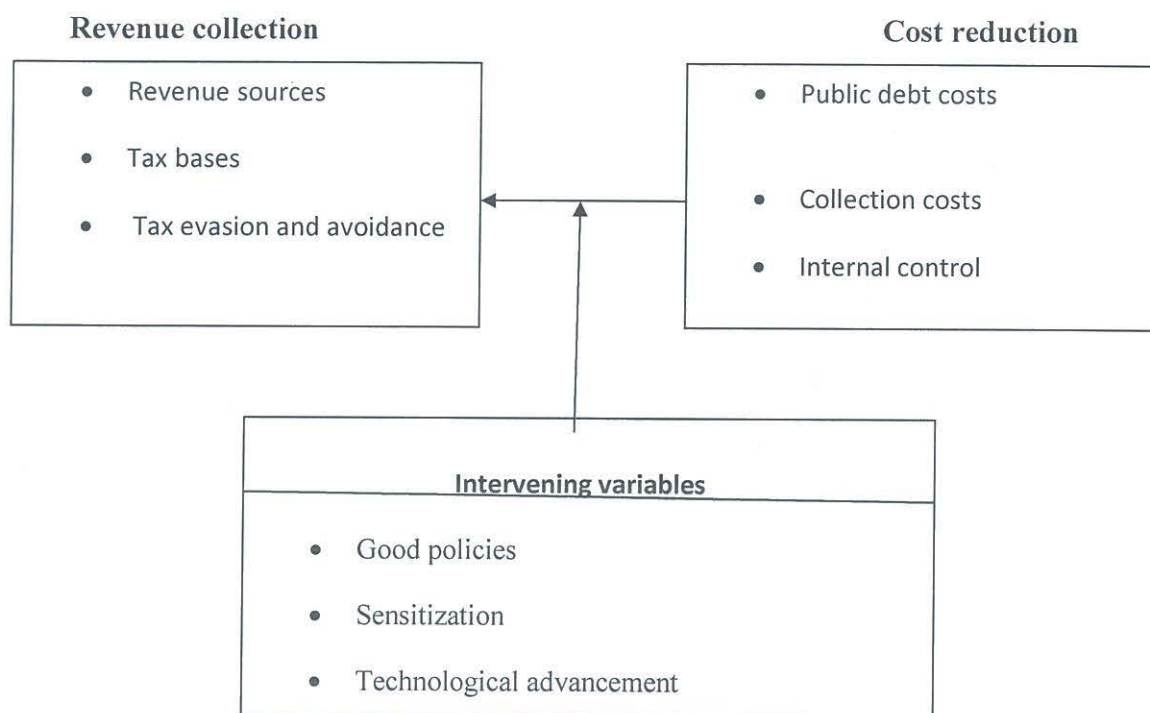
The local government authorities with Kampala City Council Authority inclusive require information on how best they can cut down on the heavy costs they incur while offering services to the public which explains why this study was considered important

1.9 Limitation of the Study

The study has the following limitations:

The main difficulty faced during the study was the confidentiality of data, written data in particular. There was a limitation to publish data from expenditure department as they were confidential. This has made it difficult for the researcher to have access to secondary data. However the researcher was allowed to write manually some data which were confidential and also she had tried as she could to find primary data.

Figure 1: Conceptual framework



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter will summarize the literature to the study. The chapter tells about what has been put forward already by other scholars. Since the study was about revenue collection and control in local government authorities, the chapter will concentrate much on theories of revenue collection

2.1 Theoretical review

Some economists were of the opinion that if the state charges actual cost of the service rendered to the people, it will satisfy the idea of equity or justice in taxation. The cost of service principle can no doubt be applied to some extent in those cases where the services are rendered out of prices and are a bit easy to determine, e.g., postal, railway services, supply of electricity, etc., etc. But most of the expenditure incurred by the state cannot be fixed for each individual because it cannot be exactly determined. For instance, how can we measure the cost of service of the police, armed forces, judiciary, etc., to different individuals? Dalton also rejected this theory on the ground that there is no quid pro quo in a tax.

2.2 Revenue Collection an Overview

Usually taxes in most countries are assumed to be major and main source of revenue to finance government expenditures. The amount of revenue collected from a particular tax depends on the tax rates, the charge per unit and the tax base.

Most governments aim at collecting higher revenues but changing the rates may alter the level of revenues collection, e.g. Lower tax rates may results in lower revenues. However higher tax rates do not always result in higher revenue collection.

Among the reasons which lead to collection of lower revenue is tax avoidance and tax evasion and as well as, one of the causes of tax avoidance and evasion is higher tax rates indicating therefore, higher tax rates may results into lower revenue rather than higher revenue collection.

2.3 Sources of Revenues and Cost reduction in Local Government Authorities

Local government authorities have been empowered to administer delivery of public services which are of local character within its area such as provision of education,

health, water and other social services. To ensure that local authorities are capable of providing these services, funds must be raised from various sources to finance them. Local Government Finance Act (1982) spelt out some sources as follows

2.3.1 Property taxes

This is the form of tax paid normally by occupier of building(s) within a local authority. The owners of these properties are obliged to pay for their properties to the respective municipal council so that the council can have funds to provide public services.

2.3.2 City Service Levy

This is a kind of levy charged on the revenue collected by the industries and other business.

2.3.3 Miscellaneous Receipts

The Local Government Act no 9 of 1982 part 11 section 4 states that “Any receipt derived from any trade, industry, work, service or other undertaking carried on or owned by a city council either in whole or in part, with the approval of proper office, be paid into separate fund to be maintained by the city council, for the purpose of trade, industry, works, service or undertaking as the case may be from which the receipt is derived”.

Grants/Subvention

These normally come from central government, these include, grants for education and health department

Grants are categorized into two basic grants and specific grants.

Basic grants

These are given to enable the local government authorities to discharge their obligatory functions taking into account their tax and other sources.

Specific grants

These are given by government as an inducement to local action or when a demand is made up on the grant.

Grants are essentially a way of providing incentives to local government authorities so as to perform functions in national interest.

The Uganda ministry of finance gave instructions that local governments have the mandate to raise certain revenues from taxes, levies and fees. The local governments set their own revenue policy within the limits set by Central Government. They retain all their revenue and use it as part of their own budgets — these revenues do not form part of Central Government revenue.

All the above revenue sources do not attract interest as a cost hence using these sources to raise revenue will aid in reducing such costs as interest on borrowings if their collection costs are not high. Therefore the type revenue source whether it attracts interest or not has an impact on cost reduction

2.4 Tax Base and Cost reduction

This is the government's assessed value of a set of assets, investments or income streams to which its various taxes can be applied. They include land, labor, capital, mineral resources, and level of production and consumption. Some countries have unique resources such as oil and/or diversified economies, while others have a very narrow tax base, with only minimal economic resources or activities on which to draw for own-source revenues. For any specific tax, the tax base is the resources to which the tax rate is applied. The tax base may refer to that of an individual asset, such as the tax base of a house, or a pool of assets, such as the tax base of all houses in a city. For example, the property tax base of a house is its value. The property tax base of a city is the collective value of all taxable real estate in the city.

To obtain a desired amount of revenue, the rate can be lower if the tax base is broad than if the tax base is narrow hence the lower the cost of raising revenue.

2.1.10 Tax avoidance and evasion and cost reduction

2.1.10.1 Tax evasion;

The tax evasion involves a taxpayer deliberate contravention of the tax law in order to pay or little tax respectively by breaking the law. Thus tax evasion is the application of fraudulent practices in order to minimize or eliminate tax liability. The following can be considered as a tax evasion for the case a person observed to do either for intention or unintentional

- a) Preparing or maintenance of false book of accounts or records.
- b) Making a false return of income by omitting or understating income or overstating expenses
- c) Application of fraud e.g. manipulation of stock sheet and valuation, destruction of accounting records, non- issue of sales receipts etc.
- d) Making false statement in a return affecting tax liability.

Where such act are made with an intent to evade tax or assist another person to evade tax it constitute fraud or gross neglect, which is heavily punishable by law,

2.1.10.2 Tax avoidance;

Tax avoidance is the practice and technique where by one so arranges his business affair such as he pays little or no tax at all but without contradiction of the tax laws. Tax avoidance take advantage of any loopholes and weakness, deficiencies and loose or vague clause in the tax legislation to minimize or eliminate tax liability altogether. Tax avoidance is not punishable by law. Where the tax authorities detect the practice, the only solution is to amend the law in order to plug the loopholes and weakness in the law that allow the possibility of tax avoidance, it is for this reason that the practice of tax avoidance is sometimes considered as legally allowed.

2.1.12 How to minimize Tax Evasion and Avoidance

It becomes relatively costly to design effective ways and means of fighting tax avoidance and evasion if we know the causes. All efforts should go towards minimizing or containing the causes.

In the light of the causes of tax avoidance and evasion the following should be undertaken.

Keep the marginal tax rate law, bearable and not subject to frequent changes
 Promote administrative efficiency to providing better tool e.g. computer, transport, adequate financial resources and staff motivation such as good salary, housing, promotion etc

Carrying out technical staff training on accountancy, tax law, exchange visit with other countries, practical business exposure and taxpayer education especially for small businessmen to encourage voluntary compliance.

Carry out a measure selective prosecution policy and punishment particularly on major taxpayer with a view of punishing them for deterrence effect. Tax officials may be punished for corruption and inefficiency.

Avoid multiplicity of taxes by remaining with few major productive taxes only to make easier administration and compliance.

Design clear and simple tax laws and avoid ambiguity (better legal draftsmanship of the laws).

‘Although from economic point of view, keeping legal consideration apart, tax avoidance and tax evasion have similar effects that is a reduction of revenue yield and are based on the same desire of taxpayers to reduce tax burden, it is likely that individuals perceive them as different and as unequally fair’ (Friedrich Schneider)

Tax collection costs

Although governments must spend money on tax collection activities, some of the costs, particularly for keeping records and filling out forms, sensitization of the public and extra expenses incurred to track down those that manipulate the tax system and also establishing measures against such which contribute to the rising costs within local authorities

Tax Incentives/Tax Exemptions

Many developing countries which are seeking to encourage business development and capital investment encounter pressure to provide tax incentives or exemptions, especially when they are competing for foreign direct investment. Evidence from local and national development efforts, in both developed and developing countries show limited if any, gain from such incentives. Socio-economic and political factors such as basic infrastructure, stable government, sound fiscal condition, available labor force and low social conflict are generally more decisive in influencing business investment decisions. In practice, however, decisions around tax incentives are often driven by political pressure.

Tax Reform

Both developing and developed countries have engaged in periodic tax reform efforts over the last several decades. In developing and transition economies, tax reform has

often been driven by international agencies such as the World Bank and the IMF, seeking to address countries' budget deficits and to open markets to globalization.

Their recommendations have resulted in the following reforms in most countries:

Simplification — eliminating minor taxes and consolidating others so as to reduce the number and complexity of taxes;

Base-broadening — bringing various forms of in-kind income into the base of the income tax and reducing special credits and exemptions;

Rate reduction and harmonization — reducing top marginal tax rates and making these consistent across personal and corporate income taxes, and reducing the number of applicable tax rates and/or tax brackets.

2.1.14 Tax Administration

The tax system must be consistent with each country's level of administrative capacity. Developing countries especially, suffer from inadequate tax administration resources, weak public sector infrastructure, the lack of both quantity and quality of civil service workers, low public sector salaries and high levels of corruption. Thus, tax administration considerations are critical issue for the design of tax systems in developing countries.

2.1.15 Control of Revenues

It is not enough that, the local government authority has reached its certain revenue that it has expected to collect before. The aspect of revenue collection and spending should if possible result into a nil balance. The collected revenue must be under a good control, local authority however, is supposed to control and manage the collection of revenue so that it can be able to finance the services that it is required to deliver.

2.1.16 Revenue Accounting Systems

For effectiveness of revenue collection, an organization must have well accounting procedures. These procedures involve the recording of accounting transactions and economical events affecting revenue to produce operating and financial information needed by management to direct and control operation.

2.1.17 Internal Control Systems

According to the Institute of Chartered Accounts of England and Wales, Internal control is meant not only internal check and internal audit but the whole system of controls, financial and otherwise established by management in order to carry on the business of

organization in orderly manner, safeguarding its assets and obtain as far as possible the accuracy and reliability of its records (NBAA, Student Manual).

2.1.18 Characteristics of a Good Internal Control

For a satisfactory good internal control system, the following must be among characteristics:

A plan of organization, which provides appropriate segregation of functional responsibilities.

A system of authorization and record procedures adequate to provide reasonable accounting controls over assets, liabilities, revenue and expenses.

Sound practices to be followed in performing duties and functions of each department in organization.

Personnel of quality and caliber commensurate with the responsibility entrusted to them.

A reliable system of internal control system, which operates effectively to detect and correct data processing.

2.1.19 Categories of Internal Control

Internal control is in two categories namely, administrative control and accounting control.

According to NBAA student manual, Book keeping, principles of accounting and auditing, administrative and accounting controls are explained as follows:

Administrative control

These controls include, but are not limited to the plan of organization and the procedures and records that are concerned with decision making process leading to managerial authorization of transactions.

Accounting control

Accounting controls which are usually derived from administrative controls, comprise the plan of the organization and the procedures which are concerned with the safeguarding of assets and the reliability of accounting records and consequently are designed to provide reasonable assurance that

a). Transactions are recorded as necessary

To permit preparation of financial statements in conformity with the generally acceptable accounting principles or any other criteria applicable to such statements and
To maintain accountability of assets

b). Transactions are executed according to management's general or specific authorization

c). Access to assets is permitted in accordance with management's authorization

d). The recorded accountability for assets is compared with existing assets at reasonable interval and appropriate action is taken with respect to any differences

Every organization whatever its size should have some form of internal control system which includes such controls as accounting controls, standard costs controls, budgetary controls and so on.

2.1.20 Control of Public Fund

These attempts to establish financial control over public funds, to go beyond the monitoring of financial resources. Over the years, a set of procedures has been created to report the financial affairs of the vast array of functions carried out by the state and local government units. This process is especially important since public officials often hold authority over sums of money that can be staggering in size (Joe B Hoyle and Thomas F Schaefer, 1998:691). They continued go on saying that 'Stressing accountability and stewardship role played by government officials is in diametric contrast to a profit oriented business where stockholders contribute capital voluntarily and then elect a board of directors to monitor operating and financial activities. Because the citizens desire to monitor elected officials, governmental accounting has developed its own specialized control procedures. Budget for example, must be legally adopted by a government's legislative body to indicate anticipated revenues and approved expenditures.

2.2 Empirical Literature Review

A report by Seppala P (1998) on Tanzanian Local Administration- A vehicle for democratic development conducted in East Africa Cities found that, the district council receives income from two sources; central government allocations and its own taxes and levies. The Central government allocation covers the salaries of the majority of officers. He also found that the district councils have their own tax base, since the poli tax has been unpopular and generated only a little income, districts have concentrated on other

forms of taxation. He said, in southern Tanzania, the crop levy collected on cashew production has greatly generated a sizeable income, especially for Newala and Masasi districts.

He concluded that central government allocations are very important source of local government revenue in Tanzania and Uganda cities, but are almost nonexistent in the case of Kenya. He said that in Dar es Salaam they constitute an average of 60% of the city's total revenue sometimes reaching significantly higher levels than this, as in 1995 when they peaked to 81.8%.

According to Donal O' Donoghue (2003) on his report about strategies for local government authorities conducted at Gaiway country council, he said that the availability, control and use of finance are at the core of any organization's existence, and not least local authorities, in their public service delivery role.

He found that there are growing demands on local authorities funding, as the requirements for new and improved services increases. He found that local authorities current or day to day expenditures, are financed from a range of revenues, payments for provision of services (charges, rents on property and others), commercial rates and government grants is the general purposes block grant, which is allocated to authorities annually from the local government fund.

He concluded that existing sources of funding for local government are considered to be secure, uncertain and the base for rising revenue too narrow, new system should identify sources of funds, which would be under the control of local authorities.

2.2.1 A Synthesis of Literature Review

The above two researchers have recognized the fact that sources of finance for local government authorities are not sufficient. However the possible sources of finance that shortage has not been put forward by them. It is the task of this research to bridge that gap by coming up with suggestion to cater for that shortage.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the research design and methodology. It spells out the techniques and methods of data sampling, collection, processing and analysis. The limitations and problems encountered while carrying out the study were also highlighted.

3.1 Research Design

The study adopted a descriptive research design especially cross section survey design using both the quantitative and qualitative methods of collecting data. Descriptive study was to enable me to collect information from a cross section of the target population for example the financial officer, Accountants, treasurers and managers. This design was used because it would help the researcher to produce accurate representation of the target population.

The researcher used both Qualitative and Quantitative technique during the study.

3.2 Study Population

The target population that was enquired in this study was of 35 people which included management of the Kampala Capital City Authority, head of accounts departments, staff and other employees of accounts department.

3.3 Sample Size

The sample size of the study consisted of 40 people out of a population of 60 people in Kampala city council in the selected fields. To arrive at the sample size the Slovic's formula was used;

$$n = \frac{N}{1 + N(e)^2}$$

Where; n is the sample size,

N is the total population

1 is the constant

e is equal to 0.05

Therefore;

$$\text{Sample size} = \frac{35}{1 + 35(0.05)^2} = \underline{30}$$

3.4 Sample Selection

This was carried out taking into consideration the number of departments present in the organization. The researcher divided the population into three strata which include management, departmental leaders, and staff. Management group is approximately considered to have 10 people. At least 4 people represented their respective group who were selected randomly. Number of the departmental leaders included at least one (1) representative from each department. The staff group had 30 workers. The number of the staff included the whole workers.

3.5 Data Collection instruments

3.5.1 Questionnaires

This consisted of a number of questions printed/typed in a definite order on a form or set of forms. The questionnaires were sent to the respondents who are expected to read and write down reply on their own. The researcher used the structured questionnaire during his case study in which questions are specified and all respondents other than accounting department staff replied the same set of questions. The researcher used the questionnaire because it is reliable, simple; needs minimum costs and the required data are collected with a minimum number of errors. The researcher used both closed questionnaires ("Yes" or "No" questions) and open questionnaires (inviting free response). Questionnaires were designed to bring out silent aspects of the research which might not be covered by interviews which include, what motivate accountants and tax collectors and the effects of this motivation on the council operation performance.

3.5.2 Observation

This is systematic observation, recording, description, analysis and interpretation of people's behavior. There are some data or activities that were stated in the organization policy but motivate workers such as organization environment, access to organization facilities. They have to be observed. Participant observation will have been used where by the researcher observed at the same time attempted to participate fully in the activities of the KCCA. The researcher carried out the observation on the revenue collection procedures in which Kampala Capital City Authority uses and how they may influence the council performance in terms of collection.

3.5.3 Interviews

This involved the presentation of oral verbal stimuli and reply in terms of oral verbal responses. Interview was important for collection of primary data. It is also found that managers were more likely to agree to be interviewed rather than complete questionnaires. The researcher conducted in-depth interviews on the KCCA leaders, head of accounts departments and its staff. All data concerned with the decision making such motivational policy and problems in motivating employees (tax collectors for the purpose of this study) which might cause poor performance, bribery and hence low revenue have been obtained from the management and head of departments. The questions concerned with personal reaction such as effects of employee motivation and their suggestion of improvement have been obtained from all staff of accounting department and other stakeholders basing on the sample. However, other data collection methods have been used in the areas not covered by interview.

3.5.4 Documentation

This included written documents of the organization such as notices, journals, books, magazine, administrative and public records as well as non written documents such as tape and video recording. The researcher used documentation so as to obtain some other secondary data necessary to answer research questions which include KCCA revenue collection policy and KCCA operation performance. The researcher used all written documents such as administrative records, books and journal which in one way or another helped him to answer research questions.

3.6 Validity and reliability of the instrument

Validity

Face validity as procedure of establishing validity highlighted by Amin (2005). Under this, the question of, "is it valid on its face" what is the opinion of a respondent or a non expert about the instrument, looking at the questions the researcher developed to ask the respondents, one was in position to give an opinion on whether the researcher would find out what she wanted to know by assessing those questions

Content validity also suggested by Amin (2005) will focus on the extent to which the content of instrument will corresponds to the content of the theoretical concept of the

relationship between budgeting and accounting. Under this procedure, the content validity index (CVI) was used

The researcher established the validity of the instruments by using expert judgment method as suggested by Amin (2005). This involved judges scoring the relevance of the questions in the instruments in relation to the study variables and a consensus judgment given on each variable.

The formula is given by;

$$CVI = \frac{\text{Number of items declared valid by experts}}{\text{Total number of items}}$$

According to Amin (2005) the instrument is valid if the average index is above 0.70 using the content validity index.

3.7 Reliability on instrument

The researcher tested the degree to which the instruments would consistently measure the influence of the budgeting process on efficiency of accounting in Tororo Municipal council

Reliability of the research instruments was tested using cronbach's coefficient alpha(a) specifically, coefficient alpha is typically used during scale development with items that have several response options (ie 1 = strongly disagree to 5= strongly agree)

3.8 Types of Data Collected.

The researcher collected both primary and secondary data.

3.8.1 Primary data.

Primary data are those which were collected afresh and for the first time and thus happen to be original in character. Primary data involved direct experience and observation and thus, distortions by other observers were avoided and therefore reliable. These data was obtained through interviews that the researcher conducted, questionnaire formulated by the researcher and also through observation.

3.8.2 Secondary data

These are those that had already been collected by someone else and which had already passed through statistical process. This included all data obtained from council-documented records, TCC reports, books, and journals, academicians surveys and government surveys. Secondary data is important to be used since statistical information and records may be of particular use for answers of research questions and objectives. They also need fewer resources (expenses) because they have already prepared.

3.9 Data Analysis and Reporting

Data collected was analyzed using descriptive statistics such as percentages in order to summarize and organize data in meaningful way. The data was interpreted so as to give clear meaning to the reader. The researcher used sample drawn from the population to draw conclusion about the whole population

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

This study was carried out to establish the relationship between revenue collections and cost reduction among local authorities in Uganda. The study focused on Kampala city council Authority as the case study. Data was collected from mainly employees in the finance accounting department.

4.1 Response Rate

A total of 30 questionnaires were distributed to the targeted population which included management, departmental leaders, and staff. Management.. All the 30 questionnaires were returned to the researcher. This represents a response rate of 100%. This percentage was considered sufficient for this study.

Table 1: Showing the Response Rate

Response	Frequency	Valid percent
Administration and management department	3	10%
Marketing department	1	3.33%
Procurement department	1	3.33%
Finance department	22	73.33%
Education department	1	3.33%
Works department	1	3.33%
Health department	1	3.33%
Total	30	100%

Source: primary data

From the table above 10% of the respondents were in the administration and management department, 3.33% were in marketing, 3.33% were in procurement department, 73.33% were in the finance department, 3.33% were in the education department, 3.33% were in works department and 3.33% were in the health department. This implies that the finance department holds the highest percentage (73.33%) since most of the data was required

from this department and the marketing, procurement, education, works and the health department holding the lowest number (3.33%) simply because only department heads were targeted from these departments.

4.1.1 Position of respondents

The table below shows the various respondents that took part in the interview with their respective positions in the Authority.

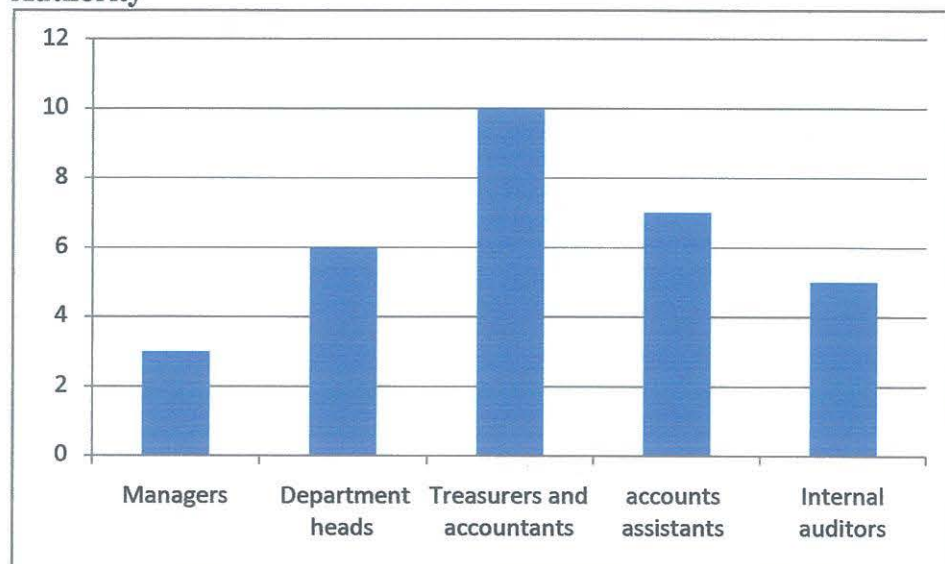
Table 2: showing the position of respondents in Kampala City Council Authority

Position of Respondents	Number of respondents
Managers	3
Department heads	6
Treasurers and accountants	10
accounts assistants	7
Internal auditors	5
Total	30

Source: Primary Data

The table above indicates that there are 3 Managers, 6 Department heads, 10 Treasurers and accountants, 7 accounts assistants and 5 Internal auditors. This totals to 22 respondents who can vividly give correct and valid information about the relationship between revenue collection and cost reduction because most of them have knowledge on the revenue collection at the authority. This implies that the researcher was able to collect valid and correct information on relationship between revenue collection and cost reduction at Kampala City Council Authority

Figure 2 A Chart showing the position of respondents in Kampala City Council Authority



4.1.2 Duration of service

The data below shows the duration for which the respondent has spent in the particular position of the firm.

Table 3: showing the duration served by the respondents in Kampala City Council Authority

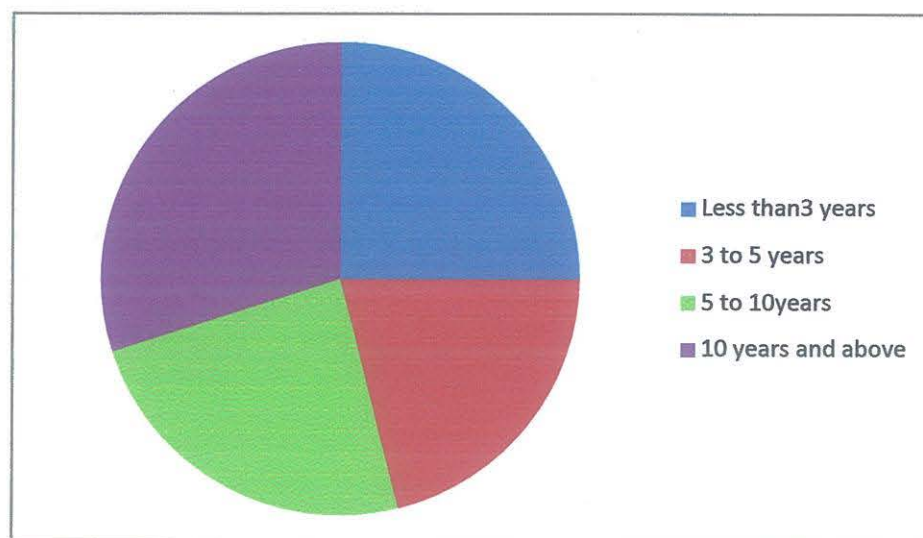
Years of service	Percentage
Less than 3 years	25%
3 to 5 years	21%
5 to 10 years	24%
10 years and above	30%
Total	100%

Source: Primary Data

From the table above, 25% served less than 3yrs, 21% between 3-5 years, 24% 5-10 years, 10 years and above 30%. This implies that respondents with the highest percentage (30%) served in the organization for 10 years and above. This shows that the majority of the respondents is well knowledgeable about the activities of Kampala City Council

Authority and may therefore be more productive in feedback provision which may not be the case with those respondents who have served the council in the other time durations.

Figure 3 A Chart showing the duration served by the respondents in Kampala City Council Authority



4.1.3 Age of respondents

Table 4: showing the age of the correspondents in Kampala City Council Authority

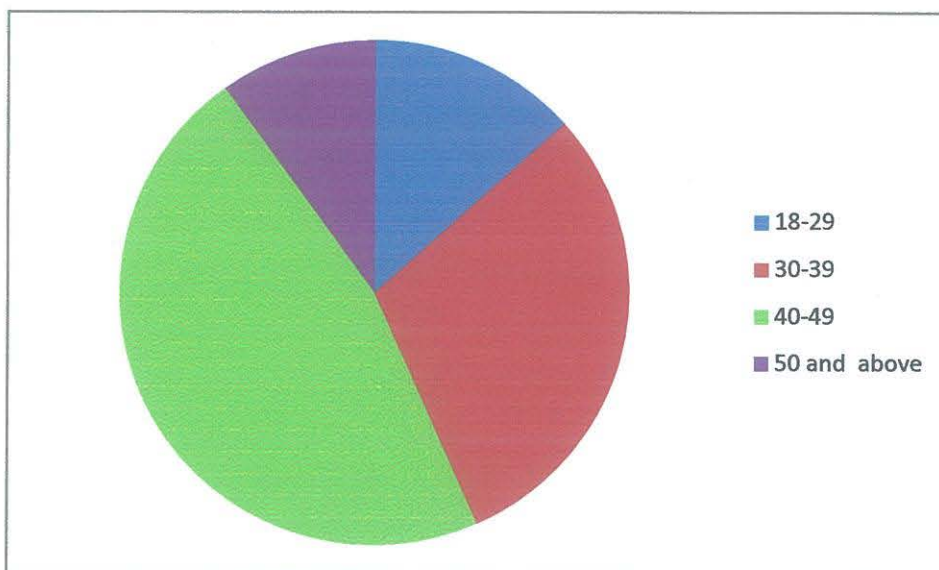
Age of Respondents	Frequency	Valid percent
18-29	4	13.33%
30-39	9	30%
40-49	14	46.67%
50 and above	3	10%
Total	30	100%

Source: Primary Data

From the table above 46.67% were between 40 to 49 years, 30% were between 30 to 39 years, 13.33% of the respondents were between 18 to 29 years of age, and 10% were 50 years and above. This implies that respondents with the highest percentage (46.67%) are aged between 40 to 49 years. This shows that many of the respondents are well

knowledgeable about the operations of Kampala City Council Authority and are very productive which may not be the case with those falling in the other age brackets.

Figure 4 A Chart showing the age of the correspondents in Kampala City Council Authority



4.1.4 Qualification of respondents

Table 5: Showing the highest education level attained by respondents

Highest education level of Respondents	Frequency	Valid percentage
Diploma	3	10%
Degree	17	56.67%
Professional	6	20%
Masters	4	13.33%
Total	30	100%

Source: Primary Data

The results indicated that the majority of the respondents were degree holders (56.67%) while only 10% had Diploma, professional course and masters comprised 20%, and 13.33% of the sample respectively. This therefore indicates that the highest number respondents were degree holders meaning that Kampala City Council Authority recruited more degree holders compared to the other levels of education while the lowest number of respondents was diploma holders this may be due to the limited number of diploma holders required in the Authority. This implies that most of the workforce of Kampala CITY Council Authority are degree holders and therefore provide valid and essential information necessary for the researcher.

4.7 Presentation of findings and analysis

Data extracted by the researcher and presented in tables 1 and 2 below show the budgeted and actual amount of revenue collected from year 2011 to mid of 2013.

Table 6 Presentation of findings and analysis

Revenue source	2011		2012		2013	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Development levy	85,000,100	56,232,975	101,800,000	57,046,263	121,064,000	50,629,434
Business license	155,800,000	88,810,304	145,000,000	127,164,090	145,000,100	145,247,314
Service levy)	150,000,000	176,814,949	160,000,000	134,020,970	170,000,100	193,284,241
Property tax	150,000,000	198,497,091	160,000,000	75,510,155	170,000,000	85,957,438
Produce cess	1,500,000			298,066		731,250
Market fees	73,100,000	43,972,990	58,000,000	34,832,650	44,090,000	42,190,740
Hotel levy	15,400,000	16,949,710	17,400,000	11,960,692	18,840,000	11,155,792
Livestock					800,000	106,850

cess						
Other Sources	230,401,400	160,341,413	189,959,900	391,327,014	35,162,926	331,598,142
Sub total	861,201,500	741,619,432	832,159,900	832,159,900	704,957,126	860,901,200
Fidia ya mapato						
TOTAL	861,201,500	741,619,432	832,159,900	832,159,900	704,957,126	860,901,200

Table 7

Revenue source	2011		2012		2013	Jan-June
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Development levy	84,000,000	35,748,266		1,746,975		126,000
Business license	147,910,100	155,469,122	150,000,000	158,044,385	15,000,000	10,603,617
Service levy)	226,041,270	242,320,581	240,000,000	328,802,543	130,000,000	213,039,74
Property tax	229,900,000	47,173,825	220,000,000	106,283.846	150,000,000	103,114,98
Produce cess	1,000,000	172,800	1,500,000	355,500	750,000	
Market fees	47,478,000	42,959,305	30,000,000	40,962,300	15,488,000	10,461,800
Hotel levy	14,000,000	9,873,952	12,171,000	9,368,552	6,000,000	5,302,715
Livestock cess	1,000,000	179,000		640,000		

Other sources		498,978,148	176,722,835	182,363.94 0	66,860,000	105,529,55
Sub total	751,329,37 0	1,032,875,0 00	830,393,835	828,56804 0	384,098,00 0	448,178,41
Fidia ya mapato			256,077,000	130,141,31 7	124,170,36 9	124,170,36
TOTAL	751,329,37 0	1,032,875,0 00	1,086,470,8 35	958,709,35 7	508,268,36 9	572,348,78 0

ANALYSIS FROM THE TABLES

Revenue collection

The tables above show that the council managed to collect above the target in 2011, 2012 and 2013. In 2012 the council collected exactly what it has budgeted. At a glance what can be said is that, the City Authority has the ability to meet its budget.

Table 8: General summary budget and actual collection from 2008 - 2013

YEAR	BUDGET ED	ACTUAL	PERCENTAGE
2008	861,201,500	741,619,432	(13.89)
2009	832,159,900	832,159,900	100
2010	704,957,126	860,901,200	22.12
2011	751,329,370	1,032,875,000	37.47
2012	1,086,470.835	958309,357	(11.76)
2013(Jan-June)	508,268,369	572,348,782	12.61

Source: KCCA revenue report

Table 9 Presentation of revenue collection for the year 2013

CODE	REVENUE SOURCE	BUDGETED	<i>ACTUAL:</i> JULY-OCT	%
050703	GUEST HOUSE LEVY	6,000,000	3,100,222	51.67
040100	PROPERTY TAX	140,000,000	23,950,537	17.11
051024	SEWAGE FEES	6,200,000	1,926,000	31.06
051048	GABAGE COLLECTION FEES	13,649,000	1,860,400	13.63
050811	BUSINESS LICENCE	5,000,000	3,003,600	60.07
051041	MARKETDUES	4,500,000	2,611,600	58.04
051009	SLAUGHTER FEES	10,915,000	2,268,500	20.78
051010	POSTERS/BILLBOARDS	7,200,000	4,087,500	52.42
040103	LAND RENT(PREMIUM)	20,000,000	5,796,800	28.98
090460	FINES AND PENALTIES	1,000,000	829,000	81.35
051015	TAXI LICENCE FEES	307,000	39,000	12.70
051020	BUS STAND FEES	24,000,000	8,000,000	33.33

Source: MCC budget book 2005

The report suggests that in 2008 the council was not strong in revenue collection that it has deficit budget. In the year 2009 the council collected what it has budgeted, in 2010 and 2011 the council collected revenue above its budget with an annual increase of percentage of excess revenue. In 2012 the collected below its budget, here is where a question can be paused on the reason behind low collection.

The research here reveals that in the case of property tax the deficit arose from the budgeted and actual collection is Ug shs 113, 716,154 which makes up about 89% of the total adverse collection for the year. As from the knowledge of the researcher, among the sources of revenue which are normally certain is property tax, now the magnitude of deficit implies poor valuation rolls or collection follow up.

• Property tax

Property tax is a form of tax paid by owners of buildings. This tax is supposed to be paid by all owners of buildings be it residential or commercial building with exception of

public libraries, museums and places of worships. The collection trend shows that only in 2008 the council was able to collect above its budget. From 2009 to 2012, the council seems to collect taxes from property below its budget. Here a lot of questions may be raised like do these properties shifted to another council? Or are they depreciating in terms of value? Above all these, the researcher reveals that, buildings are built every now and then and easy to collect revenue, the problem has to do with valuation rolls and also no clear database for new properties.

- **Business license**

Business can be defined as ‘any undertaking intended to generate income whether legal or illegal carried on for whatever period of time’.

Business includes

(a) a trade, concern in the nature of trade, manufacture, profession, vocation or isolated arrangement with a business character and

(b) a past, present or prospective business, but excludes employment and any activity that, having regard to its nature and the principal occupation of its owners or underlying owners, is not carried on with a view to deriving profit’ (ITA 2009:77 1)

All businesses are subjected to tax; fees paid for business license are significant source of revenue to local government authorities. The council revenue report shows that the trend of revenue collection from business license has increasingly make up significant revenue.

Service levy

This a levy charged on revenues collected from industries and other businesses like petrol stations within the area of Kampala Capital City Authority. The charge is normally in percentage form and currently KCCA is collecting 0.3% of the total sales/turnover of the business.

The research noted that most of industries are within tax bracket, the problem is, most of new undertaking are not early introduced in the tax sources.

- **Deliberate refusal to pay tax**

Tax is a compulsory levy. That is everyone who meets the criteria of paying tax like threshold amount that have set, should pay tax. The research found that on the side of tax

payers they have a tendency of refusing to pay tax deliberately and for them this is heroic conduct.

- **Accounting system**

Kampala Capital city Authority accounting system comprises of most of unqualified accounting personnel, that people having low level of education to perform accounting principles, this also create problem in internal control system because for the principles of internal control to be followed the personnel must be well off academic wise.

4.2 Revenue collections

Table 10: Table showing information on revenue collections in the Authority

Items on revenue collection	Mean	Interpretation	Rank
Revenue sources			
We do not have clearly stipulated revenue sources	2.90	High	2
Some of our revenue sources are scattered	3.44	Very high	1
Some of our revenue sources are seasonal	2.78	High	3
Some revenue sources are hard to identify	2.50	High	4
Average	2.91	High	
Tax base			
Most of our revenue sources are small	2.53	High	3
Some tax payers under declare their property	3.25	Very high	2
It is difficult to assess some revenue sources	2.52	High	4
Some revenue generating activities are seasonal	3.54	Very high	1
Average	2.96	High	
Tax Evasion and Avoidance			
Some revenue officials are corrupt	3.29	Very high	2
Some revenue sources are in hard to reach areas	3.69	Very high	1
Some business are not clearly defined	2.48	Low	4
Some business centers are too congested	2.77	High	3
Average	3.06	Very high	
Total average	2.98	High	

Source: Primary Data, 2014

Key for interpretation of means

Mean range	Response range	Interpretation
3.26 - 4.00	strongly agree	Very high
2.51 - 3.25	agree	High
1.76 - 2.50	disagree	Low
1.00 - 1.75	strongly disagree	Very low

Results indicated that revenue collection mainly focuses on revenue sources, tax base and tax Evasion and Avoidance which constitute an average mean of 2.91, 2.96 and 3.06

respectively. The results indicated that some revenue sources were not clearly stipulated 2.90, some revenue sources scattered 3.44, some revenue sources are seasonal revenue 2.78 and that some revenue sources are hard to identify 2.50.

With Tax base, the researcher noted that the Authority's most revenue sources are small to votes 2.53, and that some tax payer under declared their property 3.25. Furthermore, it was noted that it is hard for the Authority to assess some revenue sources 2.52 and that some revenue generating activities are seasonal 3.54.

With Tax Evasion and Avoidance, the researcher noted that some revenue officials are corrupt 3.29, that some revenue sources are in hard to reach areas 3.69, some revenue sources are not clearly defined year 2.46 and that some business centers are too congested.

Tax Evasions 3.06 constituted the highest value with revenue sources 2.91 constituting the least value. This implies that Kampala City Council Authority concentrates much on Tax Evasion and Avoidance during revenue collection and less on revenue sources, but the overall tax collection processes was high at an average mean of 2.98.

4.3 Cost reduction

Table 11: Table showing information on cost reduction in the authority

Items on accounting processes	Mean	Interpretation	Rank
Public debt costs			2
We incur costs on documentation of public debt	2.59	Satisfactory	
We incur more costs in form of interest on borrowed funds	2.59	Satisfactory	2
We sometimes face charges for failure to meet our obligations in times	2.56	Satisfactory	4
We often apply debt as source of revenue to the authority	3.26	Very satisfactory	1
Average	2.75	Satisfactory	
Revenue collection costs			2
We incur costs on identification and categorization of revenue sources	3.29	Very satisfactory	
We incur costs on assessment of the identified revenue sources	3.42	Very satisfactory	1
We incur costs on documentation of revenues in the Authority	3.28	Very satisfactory	3
We at times incur judicial costs to punish those who violate	2.52	Satisfactory	4

revenue payment laws			
Average	3.06	Satisfactory	
Costs on internal control			3
We incur costs on monitoring to check on corruption within the authority	2.62	Satisfactory	
We incur costs on documentation within the Authority	3.60	Very satisfactory	1
We also incur costs in ensuring that the Authority employees are sufficiently paid to perform to their best	3.25	Satisfactory	2
Average	3.16	Satisfactory	
Total average	2.99	Satisfactory	

Source: Primary Data, 2014

Key for interpretation of means

Mean range	Response range	Interpretation
3.26 - 4.00	Strongly agree	Very satisfactory
2.51 - 3.25	Agree	Satisfactory
1.76 - 2.50	Disagree	Unsatisfactory
1.00 - 1.75	Strongly disagree	Very unsatisfactory

Results indicated that cost reduction mainly focused on classification of public debt costs, revenue collection costs and costs on internal control

With public debt costs, the researcher noted that the always costs on documentation 2.59, pays interest on borrowed funds 2.59, the Authority at times pays fines for failure to meet her obligations on time 2.56 and that the Authority uses debt as source of revenue 3.26 with an average of 2.75

With revenue collection costs, the researcher noted that the Authority incurs costs on identification and categorization of revenue sources 3.29, incurs costs on assessment of the identified sources of revenue 3.42, the Authority incur costs on documentation of revenue 3.28 and they also at times incur judicial costs 2.52 with an average of 3.06.

Lastly, costs on internal control, the results showed that the authority incurs costs on monitoring 2.62, documentation 3.60 and authority sufficiently pays its employees 3.25 with an average of 3.16

This implies that Kampala City Council Authority incurs more costs classification on internal control and less on public debt

4.4 Significant relationship between revenue collection and cost reduction in Kampala City Council Authority

The last objective in this study was to establish whether there is a significant relationship between relationship between revenue collection and cost reduction in Kampala City Council Authority. The researcher stated a null hypothesis that there is there is no significant relationship between revenue collection and cost reduction in Kampala City Council Authority, to achieve this objective and to test this null hypothesis, the researcher correlated the means on relationship management and that on organizational performance by using the Pearson's Linear Correlation Coefficient as indicated in table 4 below;

Table 12: Significant relationship between revenue collection and cost reduction

Variables correlated	r-value	Sig	Interpretation	Decision on Ho
Revenue collection Vs Reduction	465	0.001	Significant correlation	Rejected

Source: Primary Data, 2014

Results in table 8 indicated a positive significant relationship between revenue collections and cost reduction in Kampala City Council Authority, since the sig. value (0.001) was less than 0.05 and which is the maximum level of significance required to declare a significant relationship in social sciences. This implies that efficient and effective means of revenue collection can aid in cost reduction and inefficient and ineffective means of revenue collection will increase costs, here the stated null hypothesis was rejected basing on these results and hence concluding that efficient and effective revenue collection can contribute to cost reduction in Kampala City Council Authority.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction.

This chapter presents the summary of findings for the three objectives mentioned above, the conclusions, recommendations were made based on findings and the suggestions on areas that need to be researched as far as this concept is concerned.

5.1 Summary of Findings

The study confirmed that Kampala City Council Authority collects revenue to facilitate the service delivery that it is mandated to do and it incorporates most variables in its activities. The Authority clearly defines revenue sources, struggles to widen its tax base and puts efforts to control tax Evasion and Avoidance. This revealed that revenue collection was rated high at 2.98.

The findings revealed that cost reduction was rated satisfactory and this was indicated by the overall mean of 2.99 and this implies that the Authority is affected by the stated variables in the area of cost reduction. The study revealed that the Authority concentrated mostly on internal control costs to improve cost reduction.

The findings indicated a positive significant relationship between revenue collection and cost reduction in the Authority, and this was indicated by the sig value of 0.001 which was less than 0.05, this therefore implies that efficient revenue collections improve cost reduction and inefficient revenue collections lead to increased costs.

5.2 Conclusion

From the above summary of findings based on the objectives, the researcher made the following conclusions;

The study examined revenue collection dimensions of revenue sources, tax base and tax Evasion and Avoidance and cost reduction most of which were found to have a positive and significant relationship. In addition among the dimensions of revenue collections tax Evasion and Avoidance 3.06 was found to be a better predictor of cost reduction than

revenue sources 2.91 and tax base 2.96. The researcher therefore concludes that Kampala City Council Authority is affected more by tax Evasion and Avoidance compared to revenue sources and tax base.

The linkage between revenue collection and cost reduction is clear in that when local government authorities set the plan revenue sources, widens the tax base and control Tax Evasion and Avoidance, costs will reduce in regard to collection of revenue, public debt and internal control. Whereby internal control 3.16 was found to be the most predicted compared to revenue collection costs 3.06 and public debt costs 2.75.

Basing on the findings, the researcher concluded that efficient revenue collection contributes to improved cost reduction.

5.3 Recommendations

With accomplishment of the study which was conducted at Kampala Capital city Authority and from the findings of the study, and as far as the knowledge of the researcher is concerned the researcher is able to make recommendation on the following:

- **Education**

To revenue officials

KCCA should train its staff and provide them with the technical knowledge and personal skills to perform their jobs professionally and promoting compliance. Employee in the department of finance should be if possible all trained on taxation matters. For instance technique of putting barriers and other kind of harassment in the roads and market places is not a good way of revenue collection; this is out of taxation ethics. People need to be educated concerning taxpaying.

To tax payers

The researcher recommends that, the KCCA should educate tax payers on important paying tax in order to minimize tax avoidance and evasion. Increase of public awareness on tax issues is very crucial. The government should prepare the tax payers and educate them towards compliance, this could best be done by

providing proper education on the importance of paying taxes, paying taxes on due dates, effects of not paying taxes, power that has been given to tax administrators of imposing fines and penalties and taxpayers rights, this could be best done through seminars, television and radios programs, news papers and opening of tax consultation centers near public area like markets etc.

- **Revenue Source**

The researcher recommend that, KCCA has to increase and broaden its revenue sources in the sense that they contribute much on the total revenue, for instance from the report in chapter four it seems that produce cess and livestock cess in some years did not contribute any to revenue. Also the council should make sure that it put special efforts to improve their performance and hence high revenue

- **Separate revenue department.**

Kampala Capital city Authority should also establish a separate good and strong revenue department which will be lead by competent tax administrators and financial managers of high integrity, honest and accountable to ensure proper enforcement of tax provisions, and better taxpayer services.

- **Friendship environment**

Friendship environment between tax payers and tax officials should again be observed. In this aspect what is important is that tax payers should be prepared in such a way that they treat tax officials not as their enemies rather their friends. Advisory offices should be opened near tax payers and public place like markets. Introduction of hotline which will be free of charge kike what PCB is doing. KCCA should view tax payers as their customers in such a way that it should be sympathize with those who have faced problems like theft and fire in their business such that they pay no tax dues at the time of problems, this will improve and strength their business again and in turn will improve tax compliance.

- **Good working condition:**

As the work of revenue collection is direct a man to money phenomenon, tax officials are much tempted to use money they collect, to avoid this revenue/tax collectors should be provided with good working environments, in terms of salaries and other financial incentives so that they should not be tempted to use money or to participate in corruption. Again good working environment in terms of office facilities like good offices, computers, introduction of IT such that they become able to accurately keep their records and provide better services to tax payers and good performance in revenue collection exercise.

- **Computerization of the system**

Researcher recommend the council on the adaptation of new technology in performing its duties, the staff working with the council especially the finance department should be well equipped to use modern accounting technology. The employees should be provided with modern tools and instruments to simplify their work, these tools include computers if possible each person should be provided his/her own, calculators and other stationeries.

- **Physical survey**

On the researcher's opinion he advise the council to conduct more physical survey so that the economic information of taxpayers are captured, give advice to tax payers, make registration of new economic conduct and record them in tax net .This will enable the tax officials to assess the tax payers effectively.

- **Agent for collection**

The researcher advices the council to introduce a new system which is to employ some agents to collect taxes from various areas, the council is not capable of reaching all tax payers due to rapid expansion of the city.

- **Improve provision of social services**

Councils have been empowered to collect taxes such that they can use them to provide social services to their areas. Tax payers will automatically comply if first educated on the potentiality of paying taxes at the same time see the physical improvements like good social services and infrastructures which result from taxes they are paying.

- **Proper enforcement of tax law**

In case of any contravention, proper observation of PART Viii, section 98 to 109 of the Income Tax Act (ITA) No 11 of 2004 which entails about interests, fines, penalties and even imprisonment to both taxpayers and tax officials. Major concern however in these sections is punishment. Punishment imposed to tax officials who are aiding or abetting, agrees to permits, conceals, connives at or acquiesces in act or thing where the government is or may be defrauded with respect to any matter under this Act, including the payment of tax and non taxpaying people should be strictly adhered to the extent that it will discourage other tax evaders and innocent people who were planning to exercise non compliance.

REFERENCES

1. Alan P (2001) Accounting and Finance, A firm foundation 5th edition J International Ltd, Great Britain
2. Arola M,L(2000) Bookkeeping, Principles of Accounting and Auditing, NBAA Student manual.
3. David S and J. Sepe (1998) Intermediate Accounting, McGraw Hill USA
4. Geho .J.L (1993) The XYZ of Direct Taxation in Uganda, volume 1, Institute of Accountancy Kampala.
5. James N and Christopher S (1999), The Economics of taxation, 7TH edition, Henry Ling Ltd, Great Britain.
6. Joe B and T Schaefer (1998) Advanced Accounting McGraw Hill, USA
7. Joseph A. Pechman (1989) Tax reform, the rich and the poor, 2nd edition, Havester Wheat sheaf, London
8. Lee. E (1995) Local taxation in Uganda, IPA, Dar es Salaam.
9. Mponguliana R.G (2005) the theory and practice of taxation in Uganda, student manual, Uganda printing services, Uganda
10. Musgrave R.A and Musgrave. P.G (1989) Public Finance in Theory practice, 5TH edition. Mc Grew Hill Co, Singapore.
11. Paul Joseph (1990) Income Tax in Uganda, National Board of Accountants and Auditors (NBAA) Ugnada
12. R. Glynne A and B. Mendes (1972), Comprehensive Aspect of Taxation, Domingtn Press, Great Britain.
13. Stein Neil (1989) Business Taxation 2nd edition, Heinemann Publishing; Great Britain
14. S.James & Christopher N (1988) The Economics of Taxation 31 edition, Philip Allan Publisher, London
15. http://ideas.repec.orglp/jku/econwp/2001_04.html
16. <http://www.idrc.caluploads/user-S/10999506781CS>
17. <http://www.mof.go.tz/revenue/revlocal.htm>
18. <http://www.tangatz.org/Pages/Orientation1Greater/Text/Muni3-Sectors.html>

19. <http://www.tanedu.org/primaryschools.asp>
20. <http://www.tzonline.org/pdf/Tanga.pdf>
21. <http://www.tanzania.go.tz/census/districts/tanga.htm>
22. http://www.districthealthservice.com/cms/upload/policycat_682979.doc

APPENDICES

APPENDIX 1 QUESTIONNAIRE

Dear respondent

RE: QUESTIONNAIRE OF AN ASSESSMENT OF EFFECTIVENESS OF REVENUE COLLECTION AND CONTROL BY THE LOCAL AUTHORITY

Attached herewith is the set of questions which kindly request for your response. I would like to take this opportunity to present my humble appreciation as you extend your support in answering these questions to the best level of your knowledge. Your contribution towards realization of the intended objective will be appreciated. Thank you in advance

CATEGORY: EMPLOYEE

SECTION A:

BACKGROUND INFORMATION (Please tick appropriately)

- a) Gender Male ☐ Female ☐
- b) Age 24 Years and below
25-34 years ☐ 35-44 years ☐ 45 and above ☐
- c) Highest education level
Diploma ☐ Degree ☐ Professional ☐ Masters ☐ others ☐
(Specify.....)
- d) How long have you served in the organization?
1-5 years ☐ 6-10 years ☐ 11-16 years ☐ above 16 years ☐

e) Which department do you work in?

Marketing ☐ Education ☐ Finance ☐ Administration ☐

Environment ☐ Works ☐ procurement ☐ others ☐

(specify.....)

The table below shows the alternative responses and the number assigned to each response. Please evaluate the statement by ticking in the box with the number that best suits your response.

Strongly disagree	Disagree	Agree	Strongly agree
1	2	3	4

SECTION B: REVENUE COLLECTION

	1	2	3	4
Revenue sources and cost reduction				
We do not have clearly stipulated revenue sources				
Some of our revenue sources are scattered				
Some of our revenue sources are seasonal				
Some revenue sources are hard to identify				
Tax base and cost reduction				
Most of our revenue sources are small				
Some tax payers under declare their property				
It is difficult to assess some revenue sources				
Some revenue generating activities are seasonal				
Tax Evasion and Avoidance and cost reduction				
Some revenue officials are corrupt				

Some revenue sources are in hard to reach areas				
Some business are not clearly defined				
Some business centers are too congested				

SECTION C: COST REDUCTION

Public debt and revenue collections		1	2	3	4
1	We incur costs on documentation of public debt				
2	We incur more costs in form of interest on borrowed funds				
3	We sometimes face charges for failure to meet our obligations in times				
S4	We often apply debt as source of revenue to the authority				
Revenue collection costs and revenue collections					
1	We incur costs on identification and categorization of revenue sources				
2	We incur costs on assessment of the identified revenue sources				
3	We incur costs on documentation of revenues in the Authority				
4	We at times incur judicial costs to punish those who violate revenue payment laws				
Internal control costs and revenue collections					
1	We incur costs on monitoring to check on corruption within the authority				
2	We incur costs on documentation within the Authority				
3	We also incur costs in ensuring that the Authority employees are sufficiently paid to perform to their best				

.....END.....

Thank you for your valuable time

APPENDIX II: THE RESEARCH BUDGET

The researcher will be required to have sufficient funds for conducting the study. The source of funds to finance the study will be from friends and relatives.

ITEM	TRANSACTION	SUB-TOTAL (UGX)	TOTAL (UGX)
Stationary	Stationary	20,000	20,000
Secretarial services	➤ Typing	30,000	65,000
	➤ Photocopying	15,000	
	➤ Binding	20,000	
Transport	➤ To campus	15,000	35,000
	➤ To the work station	20,000	
Meals	➤ Break fast	12,000	47,000
	➤ Lunch	35,000	
Communication	Communication	18,000	18,000
Other related expenses	-	15,000	15,000
TOTAL			200,000

APPENDIX III: SCHEDULE OF ACTIVITIES

No.	Activity	Duration in weeks
1	Orientation and formalization of the organization	2
2	Reviewing of documents of the organization (KCCA)	2
3	Administering interviews, questionnaires and observation	3
4	Compiling answers from the questionnaires	2
5	Data interpretation and analysis	3
6	Report writing and submission	4
	TOTAL	16