

EVALUATION REPORT

INCREASING REVENUE FOR DEVELOPMENT

NUMBER 636-0108

SIERRA LEONE

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INTRODUCTION

- 1.1 The Project may be considered to have been initially instigated following a request made in 1975 by the Hon Vice President, of Sierra Leone to the United States Ambassador H E Michael Samuels.
- 1.2 The bases of the request by the Sierra Leone Government was the desire to collect additional revenue from existing tax programmes, by strengthening the tax administration to support the financing of the Development Plan.
- 1.3 Following the request, a Report on the tax administration in Sierra Leone was carried out from the 12 November 1975 to the 12 December 1975 by Mr Jack H Newman of the Tax Administration Advisory Services Division, of the Department of Treasury Internal Revenue Service, in co-operation with the Agency for International Development.
- 1.4 Following the completion and presentation of the Report the Commissioner of Income Tax on the 1 April 1976 responded to the report and set out recommendations based thereon.
- 1.5 Both US AID and the Government of Sierra Leone accepted the report; it was used as the basis for the preparation of a Project Paper, incorporating a Design Programme which was completed on the 31 March 1978.
- 1.6 Following the preparation and consideration of the Project Paper, a Project Grant Agreement was prepared between the:-

Republic of Sierra Leone
and the
United States of America
for
Increasing Revenue for development
Dated 29 August 1978.

- 1.7 The basic terms of the Agreement are attached as Appendix 1.

1. (a) The purpose of the Project is to strengthen and modernise the internal tax administration system.
 - (b) To enable the Government of Sierra Leone to collect additional revenue for development purposes.
 - (c) In support of a Government programme to improve tax collection methods including the enforcement of stricter compliance with the tax laws.
-
2. (a) US AID through a Participating Agency Service Agreement with the US Internal Revenue Service (IRS) will provide to the Income Tax Department of the Sierra Leone Government a combination of:-
 - (i) professional technical advisory services;
 - (ii) training;
 - (iii) limited commodity support;
 - (iv) AID to finance in - country transportation for Project related activities, publications and similar miscellaneous.
 - (b) The Project emphasises:-
 - (i) the training of tax managers and technicians;
 - (ii) taxpayer information;
 - (iii) employee integrity;
 - (iv) the institutionalization and modernisation of all important internal tax procedures and functions.
 - (c) The result of these improvements and reforms will be to increase tax revenues substantially, without the need for broadening the tax base, or increasing the rates.

3. The contribution of the Government of Sierra Leone to be for the Department of Income Tax to provide:-

- (a) Adequate office space for IRS project advisors, and their staff, secretarial assistance, custodial services.
- (b) Identify at least one staff counterpart to work with each IRS consultant.
- (c) Select and release for training the requisite number of qualified employees.

SUMMARY

What constraints did this project attempt to relieve

2.1 The survey and review carried out to support the preparation of the Grant Agreement, established in summary form, areas of weakness, supported by specific recommendations, which in essence locate more precisely those areas of weakness and constraints to the GOSL gaining its desired objective of maximising its revenues from income tax. A summary of these constraints is attached as Appendix 2.

What technology did the project promote to relieve this constraint

2.2 The technology promoted for the implementation of the project included the provision of a professional technical advisory service, emphasising the training of tax managers and technicians, in-house and on attachment to the USA, taxpayer information, equitable enforcement, employee integrity programmes, and the institutionalization and modernisation of all the important tax procedures and functions; all through the agency of one full time IRS General Tax Adviser, aided by a number of short term specialists.

2.3 The overall programme to be supplemented by the provision of sundry office aids and equipment from the United States with support from the GOSL.

What technology did the project attempt to replace

2.4 The reviews and survey did not specifically identify any technology which required complete replacement as opposed to adaption.

2.5 The Report of Mr Jack H Newman of December 1975 on the tax administration in Sierra Leone, referring to a number of major strengths in the system as reviewed in 1975. These are attached as Appendix 3.

Why did the project planners believe that intended beneficiaries would adopt the proposed technology

2.6 Insofar as the tax department itself was directly concerned, the project planners recorded in the Project Paper, of 31 March 1978 (page 44) the following comment:-

"The design team found an extremely receptive climate for tax administration improvement in Freetown. Tax officials were co-operative, frank in admitting the problems and apparently sincere in their expressed desires to improve the situation."

2.7 In addition the fact that the GOSL itself had initiated the approaches for assistance suggested that the full support of the Ministry of Finance would be obtained in regard to recommendations, programs and procedures for up-grading the standard and quality of the tax department management and administration. The design team recognised this aspect in their comment:-

"Most of these (tax) problems are recognised by the tax management office. The desire to correct them is indicated by the GOSL's request for this project".

What characteristic did the intended beneficiaries exhibit that had relevance to their adopting the proposed technology

2.8 The beneficiaries of the project were identified as:-

2.8.1 The employees of the Income Tax Department of the Ministry of Finance.

2.8.2 The rural and urban poor being classified as indirect beneficiaries from projected funds from Government revenue resulting from the more efficient collection of direct taxes to finance the development plan.

2.8.3 The benefits were further identified as taking the form in the medium term of increased equity of income distribution, possibly higher farmgate prices and possibly lower cost and increased availability of inputs of land.

2.9 The Project Paper did address itself to the question as to whether the Income Tax Department was prepared to accept added responsibilities and cost of increasing its staff and upgrading its administrative procedures. The response provided in the Project Paper itself, was that the GOSL increased the budget for the department by 13%. The increase making provision for nine additional positions both technical and clerical.

2.10 The Senior Tax Advisor, mounted tests for clerical personnel in order to obtain an appreciation of their capabilities. As a result of these tests he formed the opinion that the majority of the clerical staff could cope with a basic program, but modifications would have to be made during the development of the program to accommodate all of the clerical staff.

2.11 Managerial staff were for the most part university trained either with degrees or taking graduate correspondence courses and the question of handling new programs was not in doubt.

2.12 In regard to the supervisory staff, the approach used by the Senior Tax Advisor was to have these staff members discuss their needs with him, a procedure that indicated their ability and interest in the development of the Taxation Department.

What adoption rate has this project achieved in transferring the proposed technology

2.13 No record has been maintained of the rate at which new techniques have been brought on board and acknowledged as being fully accepted and in routine operational order.

2.14 In the End of Tour Report the Senior Tax Advisor is careful to point out the "machinery is geared for graduation rather than radical change".

Has the project set forces into motion that will include further exploration of the constraint and improvement to the technical package proposed to overcome it

2.15 The position of Technical Advisor, occupied clearly by a person of considerable experience, is a unique one.

Part of the responsibility of that person will be to stand back from overall day-to-day management and administration and gain a view of the total activity in the department, as well as the relationship of the department in the scheme of its responsibilities to Government.

2.16 Areas of weakness, areas for improvement are the subject of his brief. A department whose permanent personnel are fully extended and committed to current activities can in the presence of such an advisor tend to leave matters of this type for his sole attention.

When the advisor concludes his tour of duty, a sound system should be in place and operating which enable those functions exercised by him to be continued.

2.17 The records and reports do not indicate what machinery had been introduced to provide for this continuation of constant monitoring of management and administrative routines and procedures to achieve improvements.

2.18 However the department continues to recognise problem areas and to seek ways within the established system to solve them.

2.19 The nature of the situation has been stated by one Senior Tax Manager, who states that he can expect to find satisfactory solutions but in view of his full time commitments to his schedule it may take up to six months to solve such problems.

2.20 A person holding a position similar to that of the Senior Tax Advisor could be expected to find solutions sooner and thereby insure that benefits are gained earlier.

Do private input suppliers have an incentive to examine the constraints addressed by the project and to come up with the solution

2.21 Terms of reference would require to be clearly defined.

2.22 The project essentially has concerned itself with:-

2.22.1 an improved collection rate for the collection of taxes due according to the existing tax laws and policies;

2.22.2 by reference to improving and up-grading the quality of the management and administration of the Tax Department.

2.23 A private input supplier, subject to precise and limiting terms of reference would want to address the questions of:-

2.23.1 what are the potential totals of income expected from the various forms of income tax;

2.23.2 how are these totals computed;

2.23.3 are the computations of potential tax income based on sound data, fair and reasonable, and above all attainable subject to collection efficiency.

2.24 Within the terms of Section 3 such collection techniques would be reviewed for efficiency and directly related to performance:-

2.24.1 to ensure that total budgeted revenue was received;

2.24.2 to monitor collection techniques procedures programmes etc. to confirm that amounts in excess of the budgeted revenue could or could not be obtained;

2.24.3 to obtain a clear understanding for the reasons why projected potential and budgeted revenue had not been obtained:-

(i) faults in the collection system itself;

(ii) basic errors in the projections for budgeted revenue.

Could one reasonably expect to develop a market for the promoted technology

2.25 On the basis that the taxation system operative in Sierra Leone is essentially based upon the taxation system introduced in colonial times by the British Colonial Administration, and taking into account that the basic system with slight variations will continue to be in force in a great number of third world countries in West Africa, East Africa, the Caribbean and elsewhere in Asia, it could be expected that any tax system which functioned efficiently and equitably and was organised in such a manner that the system could easily and readily absorb fundamental changes in policies, promoting them and monitoring them and meeting their collection targets could be of considerable interest to other Tax Departments established in these former colonial territories.

2.26 The technology could be in regard to a total system or essential parts thereof.

An example in existence, and shown to be working well would undoubtedly be of considerable interest and importance to the tax departments in other countries who would want the system and techniques to be evaluated and compared with their own, so that the quality of their own management and administration could be upgraded.

2.27 In less specific terms the methodology of the technologies rather than the technologies themselves, could also be presented to and reviewed by other departments of the Government of Sierra Leone.

The benefits of in-house training supported by more sophisticated courses at internationally recognised specialist Universities or other similar bodies for senior personnel and with the benefit of established manuals of procedures and programmes would no doubt be of significant interest to many other departments of Government in upgrading their levels of performance.

2.28 The technology having been "marketed" within the Tax Department itself, there is the expectation that there will be a willingness to accept the principles of progressive improvement by making use of the methodology introduced during the period of the project.

Describe how the project seeks to create a market for technology

2.29 The ultimate aim is to educate all staff to have the motivation to seek for and accept new and improved technologies, which, on a prior review are shown to provide a sound basis for improvements in attaining the objectives of the section or the department.

In particular, interest is to be promoted in the project and through this the department, designed to show what can be achieved by better use of resources and techniques. How output can be improved and a much better work climate achieved in the process.

2.30 The method, to relate training programs to potentialities as well as to practical possibilities.

2.31 The in-tax courses directed to senior personnel, appear to have been designed to open up new perspectives and horizons for establishing achievement goals. New technologies are demonstrated in operation with examples shown as to what can be achieved.

2.32 The internal courses take the new technologies and relate them to actual case studies, showing how improved results can be obtained by an organised and planned approach.

Beneficial results arising therefrom in work output and work effort are appreciated and reduce resistance to change. They are intended to invite improvements and hopefully to encourage staff to look for ways to suggest improvements themselves.

What training techniques did the project use to develop the delivery system

2.33 One training course at the University of Southern California.

2.34 Intax courses held in the United States for ten senior managers.

There are no copies of the course content or of course notes on record with the Tax Department by way of library copies.

Participants state they visited a number of centres. Course notes were provided, supplemented by lectures, seminars and demonstrations.

2.35 Training in Sierra Leone:-

2.35.1 no selection of staff - all staff to participate;

2.35.2 course periods established on a full time basis;

2.35.3 staff released fully for the time of the course;

2.35.4 course notes provided;

2.35.5 lectures by consultants - senior technical adviser and tax department officials;

2.35.6 demonstrations using actual case files;

2.35.7 seminars, discussion groups and question times.

2.36 No library of the course notes is on record at the Tax Department.

What effect did the transferred technology have on those impacted by it

2.37 The End of Tour Report of the senior tax advisor states that:-

2.37.1 the quality of assessments has improved over the life of the project. This is attributable to the calibre of the assessment personnel, the two training courses plus voluntary (extra mural) training in accountancy undertaken by many of the staff;

2.37.2 the staff generally state that overall interest in the department has been fostered, arising from the interest shown in themselves for training purposes and with courses being mounted in the department with the introduction of new forms, guidelines and manuals.

2.38 Although continual "on-the-job" training was expected to be complimentary with the original training courses provided, there is no evidence of any planned program to develop this aspect of training or to monitor it. In the absence thereof, experience is the element being improved but this is not supported by or accelerated with any planned program.

Outside the tax department

2.39 By reference to the business community in Freetown, a brief survey, not carried out in depth, but by reference to the experience of a Professional Accounting Office handling a wide range of tax matters, and a number of larger companies, definite improvements had been noted in:-

2.39.1 improvements in tax payer forms;

2.39.2 better quality in approaches to assessments and computations;

2.39.3 quicker attention than formerly to matters under discussion all showing an improved activity particularly in the areas of PAYE, payroll tax, company taxation, and business registration.

A summary of weaknesses and constraints

- (a) The Report on Tax Administration in Sierra Leone recorded the following:-
- (i) An acute shortage of qualified officers at the technical levels, which is the cause of several serious problems discussed in this report.
 - (ii) No practical institutional or "built in" inducement for taxpayers to file timely returns or properly to report chargeable income.
 - (iii) Lack of refinement in determining tax liability reasonably accurately due to the shortage of qualified staff and other factors, a condition which could lend itself potentially to arbitrary assessments, tax fraud, and collusion.
 - (iv) Lack of an organized local training programme.
 - (v) A generally uninformed and often unresponsive tax payer community, especially among self employed tax payers.
 - (vi) Inadequate statistics. The department needs more data in order to make informed judgements on the scope of the job to be done, set priorities, allocate limited staffing, set production and other goals, evaluate effectiveness of operations, etc.
- (b) The Project Identification Document (Review) page 44 goes on to state:-
- (i) Tax evasion is rampant.
 - (ii) Many eligible tax payers do not file tax returns. Those who do, professionals and independant businessmen, substantially understate their actual income.
 - (ii) Tax laws are not adequately enforced.
 - (iv) Little planning.
 - (v) Poor recruiting.

- (vi) Inadequate training.

- (vii) Generally a lack of co-ordination between the control office and the provinces and among the various operating units within central office.

- (c) The end of tour report lists the following as present at the commencement of the tour of duty:-
 - (i) Lack of trained clerical and technical personnel.

 - (ii) Lack of trained managers.

 - (iii) Inadequacy of operational equipment.

 - (iv) Lack of guidelines/or manuals.

 - (v) Ineffective enforcement actions.

 - (vi) Lack of statistical information.

 - (vii) Improper files maintenance.

 - (viii) Inadequate controls.

 - (ix) Discipline.

 - (x) Leadership.

 - (xi) Staff imbalance, to name a few.

Chapter 1 - Report of tax

December 1975

The major strengths of Sierra Leone's tax administration include:-

- (a) A basically sound organizational structure under able leadership.
- (b) Basic systems and procedures which, on the whole work well.
- (c) Tax laws, rules, and orders which are set forth and consolidated in a single publication.
- (d) Generally sound and adequate delegations of authority to the Commissioner.
- (e) Many advanced features, including self-assessment and a PAYE (Pay-as-you earn withholding system) system for companies; withholding of tax on dividends and certain interest payments; systematic use of source of information for revealing large payments of chargeable income; a large scale canvassing exercise to identify taxpayers not on the tax rolls; and a comprehensive set of tax clearances.

PROJECT PURPOSE

Assessment:

The expected end of project conditions

- 3.1 That the internal tax administration system would have been strengthened and modernised.
- 3.2 Enabling the GOSL to collect additional revenue for national development purposes.
- 3.3 The result of the improvements and reforms introduced would continue to increase the revenues substantially without the need for broadening the tax base or increasing the tax rates.
- 3.4 Collections to have been increased by 15% per annum or a total of 18 million leones over the 4 year period of the project.
- 3.5 That the capability of the GOSL to generate and mobilize resources for development will have been improved.
- 3.6 That substantially all technical and managerial tax personnel will have received job related training.
- 3.7 That the assessment functions, to permit the control of all tax assessments will have been modernised and be operational.
- 3.8 That modern tax administration functions, including the registry and control of tax payers, collection and document processing installed and operating.
- 3.9 Written technical and procedural manuals for inspectors, collectors and office managers adopted and in use.
- 3.10 At least 2 on site training programmes operating.
- 3.11 That the project would institutionalize improved tax administration, using Sierra Leone human resources.

- 3.12 That in country training programmes will be sponsored, contributing to self reliance and more independant self government.
- 3.13 No extrnal assistance in the income tax area anticipated after the project ends.
- 3.14 That sundry commodities/equipment would be installed and in use as aids to performance.
- 3.15 Not referred to in the project review (IRD) or in the contract but in the survey carried out by Jack H Newman, it was expected that the Tax Department would make such organisational changes as were necessary to cater for the ongoing self-monitoring set out in paragraph 3.13 above.

Indications of progress

- 3.16 The Interim Project Evaluation Report stated that the implementation plan had provided for 11 months of short term TDY assistance during the 2 year, but this assistance did not materialise until the third year of the project.
- 3.17 It may be assumed that the project would have benefited by having the technological inputs provided by these assistants made at the time planned, thereby giving a longer period for introduction, absorpition, and identification of areas for adjustments.
- 3.18 The end of tour report of Mr Milton D Clark does not however make any reference to this matter.
- 3.19 The Department of Income Tax also has not prepared any comment thereon.
- 3.20 The Interim Evaluation Report, confirmed that by the end of the 2 year 85% of the commodity purchases had been met.
- 3.21 By reference to the monthly and quarterly reports prepared by the Senior Tax Advisor, record is made of the representations submitted by means of the report to the Commissioner of Income Tax detailing areas where the project activity, and the adminstration of the Tax Department was being jeopardised by lack of or delay in inputs. A sample of these is attached as Appendix 4.

- 3.22 In addition, the removal by the Ministry of Finance from the Tax Department of the files relating to collections, delayed the implementation of the programmes prepared to introduce an effective collection organisation.
- 3.23 In the mounting of any Government, and particularly a joint Government activity, delays, in-balances and other problems may be expected to arise when what may be termed third parties are involved, i.e. other departments and agencies of the respective Governments.
- 3.24 It will be the responsibility of the two direct parties involved to co-operate to lessen any expected detrimental effects of these problems and conclude their joint exercise on schedule in approved over-run limits.
- 3.25 There being no adverse comments by the representative of either AID or the Tax Department in regard to constraints on progress it appears over all project objectives were not hampered unduly or set much beyond the planned date for completion of the exercise because of these factors.
- 3.26 Page 50 of the Project Design Report, required that a report, at least annually, to record revenue collections in project related tax areas be made. No record as such appears to have been carried out.

Evidence of accomplishments, directly attributable to the project and from external influences

3.27 Evidence of accomplishments/achievements are provided in:-

- 3.27.1 a draft Interim Evaluation report dated 17 June 1981 prepared by Charles O Austin and Robert E Firestine;
- 3.27.2 the Interim Evaluation report as reviewed by Charles Uphause in July 1981;
- 3.27.3 the End of Tour Report prepared by Milton D Clark October 1983;
- 3.27.4 there is no report from the Department of Income Tax.

3.28 The revenue objective:-

3.28.1 per the End of Tour Report (page 6) Mr Milton D Clark states that revenue for the period for 1989/1980 showed collections in excess of 21% over the previous year;

3.28.2 and page 7, that as a result of updating PAYE files together with a drive on rental income, and entertainment, taxes collections showed a marked improvement Le 6.5 million being obtained above scheduled estimates during this period;

3.28.3 no other financial data was however included in the report;

3.28.4 attached per Appendix 5(B) is a schedule prepared from data received from the Income Tax Department the figures of which can be related to those contained in the financial statistics of Central Government Operations Appendix 6;

3.28.5 the figures in Appendix 5(D) show significant increases in the area of PAYE and personal taxes, but in the area of Company Taxation the rate of increase anticipated has not been achieved.

3.29 Attempts to try to arrive at some basis for evaluating the success rate in the collection of revenues from companies has not been successful to acceptable tolerances.

3.30 During the period under review:-

3.30.1 there has been a tendency to general inflationary trends;

3.30.2 however, statistics record that revenue from Customs and Excise sources has fallen reflecting lower volumes of imports;

3.30.3 this in turn leads to lower levels of economic activity, and certainly some companies have had to close their operations for varying periods because of lack of supplies and raw materials;

3.30.4 shortages, tend to lead to higher prices and higher profit margins;

- 3.30.5 although it can be accepted that these higher prices usually materialise with the traders at the lower levels of the market who may not yet have been brought into the taxation net;
- 3.30.6 yet, the larger trading houses can benefit from the shortage situation, the higher prices and what they may pass down for sale through the market chain;
- 3.30.7 the sources of income for Registered Companies, Payroll Tax and PAYE represent the disciplined areas of the community;
- 3.30.8 figures were not available to show what proportion of the steady increase in personal taxes were in respect of tax due from (small) business and trading activities, however the steady increase from this source is considered a noticeable achievement; (Reference Columns 8 and 9 Appendix 5(A))
- 3.30.9 the tax department itself prepares data annually on revenue expectations, but this data is prepared by reference to information received from taxpayers, in response to a questionnaire. The data presented in total was less than the total amounts of revenue collected (Reference Col 2 with cols 3 and 4 of Appendix 5(A)) up to 1980/81;
- 3.30.10 while the data for annual revenues receivable, is based on the results for that year, and collections will include arrears from the previous year or years, generally these figures should average out. In the absence of a breakdown of figures showing actual and arrears collections, the validity of the figures of budgeted revenue are open to doubt;
- 3.30.11 appendix 5B and 5E attached, show that collections have regularly exceeded budgeted revenue income since before the commencement of the project as well as during part of the project;
- 3.30.12 had the Government itself relied upon these figures, there may not have been cause for concern in regard to the performance of the Tax Department in its collection achievements;

3.31A The expenditure objective

3.31.1 by reference to Appendix 6

development expenditure has increased, but in the light of the comments relating to the Revenues obtained from income tax it is clear that this source has not played a significant role in the financing of development as was planned for;

3.31.2 this financing must be attributed in part to funds obtained from the banking system;

3.31.3 without the improvements attributable to the Project, however, it may be assumed that lower tax revenues would either have lead to a reduction in development activities or to increased reliance on bank finance;

3.31.4 no analyses is possible of the manner in which taxation revenues are applied to development activities either in total, or in part and therefore what individual development components may have benefited thereby;

3.31B The end of tour report of Mr Milton D Clark enumerate the achievements of the UA AID personnel and these are included in Appendix 7 attached.

Substantive and on-substantive accomplishments

3.32 Reference was made in the annex document to the Project review to the effect that a disciplined equitable tax system encourages private trade and investment. And, that the Project will directly encourage the development of economic and political stability through the institutionalization of an equitable, just and fully functioning income tax system.

3.33 These beneficial objectives clearly can only be assessed in the long term context, and may be considered to have been attained when the public, the other Agencies of Government and the Department itself have confidence in the fairness, equity and integrity of the taxation system and its application.

3.34 Without a meaningful monitoring system based on internal audits and field audits supported by a statistical department capable of preparing on a timely basis, data to provide a means for projecting, budgeting, and estimating revenue from the various sources of income tax, there can be expected to be a danger that all improved technology leading to the preparation of better quality assessments can, while still possible bringing in higher collection rates, continue to allow for areas of tax evasion and integrity problems to exist.

3.35 Moonlighting has been a problem in some countries in West Africa, accounts and computations being prepared by personnel in the tax department who may then have access to the assessment functions. The dangers of this type of activity are clear. To avoid the possibility that a situation such as this could develop in Sierra Leone in the future, encouraged by inadequate audit and monitoring procedures the necessary control features should be introduced, to enhance the general confidence factor universally, thereby adding support to the desired objective of economic and political stability.

3.36 By reference to discussions and meetings with the officials in the tax department it is clear that the form of approach and commitments of the tax advisers assigned to the Project was such that they and through them US AID are recognised as having made a valuable contribution to meeting the needs of the tax department and that the commitment made has been fully recognised and greatly appreciated.

Identify the assumptions underlying the project purpose anticipated by the project designers, and these not foreseen

3.37 That the tax department of the Ministry of Finance will substantially implement the recommendations made.

3.38 Competent counterparts will be available to work with advisors.

- 3.39 Project resources (Government of Sierra Leone/Aid) will be available on a timely basis.
- 3.40 That the co-operation of other ministeries and agencies of the Government of Sierra Leone will be obtained.
- 3.41 No sharp decline in economic activity.
- 3.42 The Government of Sierra Leone will supply needed resources and management support for administrative improvemnets.
- 3.43 That tax laws and regulation changes will maintain revenues.
- 3.44 All funds, personnel and commodities will be available on a timely basis.
- 3.45 That no external assistance in the Income Tax area is anticipated (needed) after the project ends.
- 3.46 That the Tax Department would have its full complement of staff to enable it to handle its normal work load plus the additional work related to the introduction of proposals and releases for training courses.
- 3.47 That the Tax Department would introduce inducements to encourage Tax Staff, particularly those who have benefitted from training course under the project, to remain with the Department.
- 3.48 That counterparts would take over on an ongoing basis the schedules/activities of the Advisors consultations.
- 3.49 That the Income Tax Department would appoint a suitably experienced person to take over from the Senior Tax Advisor.
- 3.50 That adequate statistical data would be available to provide information in a variety of areas, i.e. numbers of assessments raised, number of collections made, number of internal audit and field audits carried out.
- 3.51 That adequate accounting data would be available to identify the make up of collection from current assessments and arrears for the relevant years.
- 3.52 That suitable information would be available to show potential taxation revenue from any source of income for each year of assessment, based on reliable National statistics.

Assess Design Adequacy of Package

3.53 The design package as prepared in the project report and supplementary documents was well prepared and provided good guidelines, data and coverage relevant to the project and for its implementation.

3.54 Where recommendations were made in the report of December 1975 which were not included in the design project paper or in the Grant agreement the inference must be drawn that on consideration, it was not considered that these were necessary for the project commitment.

3.55 The design could have benefitted by elaborating or calling for additional information.

3.56 Evaluation and Monitoring Plan

It would have been useful, had a specimen format been provided showing:-

3.56.1 The manner in which the reports monthly, quarterly, and annually would be prepared.

3.56.2 Clearly provision being made for the reporter to make such additional comments as he considered necessary.

3.56.3 This would have eased the task for the reporter and the tax department as recipient.

3.57 There would have been merit also in having the other party to the project notably in this instance the Commissioner of Income Tax prepare a periodic and a conclusion report for submission to the Ministry of Finance, copy to USAID.

The involvement of the other party in this manner being an essential feature in the promotion of the project, on a joint basis.

3.58 The reports would record for example, evidence of the initiatives shown by the assisted party, the Tax Department, throughout the implementation of the project, in identifying areas of weakness or concern, with details of the proposals made by the Department to find solutions thereto.

3.59 And the manner in which assistance and encouragement had been given to the advisors in pursuing their tasks.

3.60 Timetables recording proposals made and the basis of introduction:-

formulated;
presented;
discussed and reviewed;
amended;
accepted;
staff selection;
training/induction - courses/meetings,
introduction into work schedules;
monitoring period;
consolidated;
included in manual;
procedures for feed back, monitoring and amendments.

3.61 That at least annually - there should have been a meeting between the Agencies responsible for the Advisors and the Tax Department; such meeting to be based on a joint report prepared by the Advisors and the Tax Department; based on an agenda and format pre-determined to facilitate the preparation of the information required; to assist the reviewing agencies to consider the nature of progress, achieved and ongoing problems.

3.62 Exit Meeting - An exit meeting should have been provided for to be attended by representatives of both parties (AID and the Income Tax Department) to be supported by the preparation of a joint report.

3.63 In what way, performance should be monitored by evaluation in financial terms.

3.64 The design plan also could have spelled out in what manner the activities and performance of the Senior Tax Advisor would be monitored on a periodic basis other than at the mid tour reviews.

Assess the validity of the assumptions and factors that may have overtaken them both foreseen and unforeseen

3.65 All of the assumptions made in the project papers and supporting design schedule, and in project grant agreement were valid with the exception of those referred to in para 3.67.

3.66 The areas which have played a significant part in the delay in the introduction and implementation of techniques being due to:-

3.66.1 The Ministry removing collection files from the Tax Department.

3.66.2 The full compliment of staff not being made available to the Tax Department.

3.66.3 Sundry recommendations and proposals not being approved for implementation.

3.67 The assumptions that no external assistance in the Income Tax Department is anticipated after the end of the project, should have been related to the expectation that the role of the Service Technical Advisor would be filled from within the Tax Department or from Government Service or by special recruitment, and that a program should be prepared to provide for a smooth and meaningful hand over by the Senior Tax Advisor.

	<u>Date</u>	<u>Report</u>		
A	Dec 79	Monthly	Space is still critical	Commodity purchase will require additional space for storage and security.
B	Mar 80	"	Space is still critical	Security cannot be improved unless adequate facilities are made available.
C	Nov 80	"	Space is still critical	Security of files constantly compromised.
D	Dec 80	"	Staffing is still critical	Some clerical staff provided, but problem not alleviated.
E	Jan 81	"	Staffing remains critical	Hopeful requests to the Establishment Secretary will be honored as soon as possible.
F	Jan 81	Quarterly	Prolonged delays in discussing or implementing the IMPACT for amendment or priority is a concern for the systematic development of a viable tax administration system.	
G	Mar 81		Staffing still critical	Establishment Secretariat assistance required.
H	Apr 81	Monthly	Assistance still required from the Establishment Secretariat to fill the critical shortage of personnel in both technical and clerical areas.	
I	May 81		Tax Department experiencing difficulties in securing travel funds for the INTAX participants.	
J	Jun 81	Monthly	Department still awaiting approval from Ministry. Implementation of tax payer Project.	
K	Dec 81		The austerity move decreasing restrictions on all purchases by all agencies including the IT Department, is having an adverse effect on operations.	
			Department continues to lose qualified, technical and experienced staff to private concerns replacements still not forthcoming.	
L	July 8		General shortage in supplies and equipment still exist	US AID will be able to provide limited assistance.
M	Jan 83		The austerity programme/budget that Government has imposed on the IT Department is creating havoc in the Departments attempt to do the job assigned.	Austerity has been another contributory factor to the decline in revenue.
				Assessment notices to be forwarded to TP have been delayed for lack of stationery.

1 Year	COMPANY TAXATION		4 Other Limited Companies	5 % Annual Increase of Other Limited Companies Only	PAYE		PERSONAL ASSESSMENTS	
	2 Total Budgeted Income for col 3 and col 4	3 National Diamond Mining Company			6 Annual Collection	7 % Increase	8 Annual Collection	9 % Annual Increase
1973/74	N/A	16,704	5,758					
4/5	N/A	13,582	8,368	45.33	3,831		528	
5/6	N/A	3,587	9,892	18.21	5,213	36.07	761	44.12
6/7	11,000	5,579	9,725	(1.7)	5,481	3.14	1,038	36.39
7/8	14,000	11,152	14,259	46.62	5,971	8.93	2,181	110.11
8/9	16,750	12,317	16,473	15.52	8,690	45.53	2,373	8.80
79/80	20,000	4,628	21,345	29.57	12,121	39.48	2,324	(2.06)
80/1	32,172	9,319	23,984	12.36	14,043	15.85	2,316	42.68
81/2	37,100	675	22,639	(5.60)	14,137	00.66	4,473	34.89
82/3	29,000	437	20,670	(8.69)	15,765	11.51	6,220	39.05

DIRECT TAXES

<u>Revenue Head</u>	<u>1982/83</u>		<u>1981/82</u>		<u>1980/81</u>		<u>1979/80</u>	
	<u>Budgeted Revenue</u>	<u>Actual Revenue</u>						
Company	29,000,000	21,108,306	37,100,000	23,313,700	32,172,000	33,304,091	20,000,000	25,973,273
Personal	20,000,000	21,984,753	17,450,000	18,610,213	13,500,000	17,359,263	10,000,000	14,444,353
DIPT	656,000	-	1,000,000	658,000	1,025,000	2,368,275	1,725,000	3,146,448
Aluvial Mining	-	-	-	-	-	-	-	-
Betting	75,000	53,015	160,000	72,542	80,000	74,288	75,000	83,127
Entertainment Tax	142,000	135,135	270,000	116,230	118,000	141,392	70,000	130,196
Payroll Tax	820,000	678,802	800,000	884,590	570,000	760,749	540,000	594,000
Foreign Travel Ticket	1,250,000	776,383	1,120,000	838,874	335,000	543,586	300,000	448,620
Total	<u>51,943,500</u>	<u>44,736,394</u>	<u>57,900,000</u>	<u>44,494,145</u>	<u>47,800,000</u>	<u>54,551,644</u>	<u>32,710,000</u>	<u>44,820,017</u>

DIRECT TAXESCOLLECTION

	<u>1982/83</u>	<u>1981/82</u>	<u>1980/81</u>	<u>1979/80</u>	<u>1978/79</u>	<u>1977/78</u>	<u>1976/77</u>	<u>1975/76</u>	<u>1974/75</u>	<u>1973/74</u>
Company	21,108,305.93	23,313,770.42	33,304,091.31	25,973,223.92	28,789,355.36	25,411,534.58	15,304,596.94	13,478,233.14	21,950,232.50	22,461,760.64
Personal	21,984,753.99	18,610,213.44	17,359,265.43	14,444,352.99	11,0653,313.80	8,151,993.03	6,519,516.68	5,974,159.95	4,359,733.36	3,577,294.54
PAYE										
TRADES										
DIPT	-	658,000.00	2,368,275.30	3,146,448.30	2,312,296.80	1,257,731.10	1,830,000.60	2,910,431.55	4,010,900.68	4,049,175.86
ALLUVIAL MINING	-	-	-	-	-	-	-	-	-	-
BETTING	53,014.78	72,542.23	74,287.68	83,127.35	89,239.06	109,928.96	72,685.59	57,043.07	58,487.51	59,993.58
ENT. TAX	135,135.37	116,230.39	141,392.15	130,196.20	110,534.17	63,769.50	38,848.76	38,779.85	30,399.76	43,603.05
PAYROLL	678,802.08	884,590.52	760,749.46	594,000.00	764,472.45	760,798.20	760,360.00	740,325.00	790,905.00	284,695.00
FTTT	776,383.12	838,870.42	543,586.71	448,620.52	315,151.81	271,564.20	269,360.31	124,214.20	-	-
TOTAL	<u>44,736,395.27</u>	<u>44,494,217.42</u>	<u>54,551,648.04</u>	<u>44,819,969.28</u>	<u>43,444,363.45</u>	<u>36,027,319.57</u>	<u>24,795,368.88</u>	<u>23,323,186.76</u>	<u>31,200,658.81</u>	<u>30,476,522.67</u>

DIRECT TAXES

BREAKDOWN OF COMPANY & PERSONAL TAXES

	<u>1982/83</u>	<u>1981/82</u>	<u>1980/81</u>	<u>1979/80</u>	<u>1978/79</u>	<u>1977/78</u>	<u>1976/77</u>	<u>1975/76</u>	<u>1974/75</u>	<u>1973/74</u>
<u>Company Tax</u>										
NDMC	437,769.83	675,169.96	9,319,714.65	4,628,214.30	12,316,685.15	11,152,312.29	5,578,852.45	3,586,616.91	13,582,244.34	16,704,184.69
Others	20,670,536.10	22,638,600.46	23,984,376.00	21,345,009.62	16,472,670.21	14,259,222.29	9,725,744.49	9,892,116.23	8,367,988.16	5,757,575.95
	<u>21,208,305.93</u>	<u>23,313,770.42</u>	<u>33,304,091.31</u>	<u>25,973,223.92</u>	<u>28,780,325.36</u>	<u>25,411,534.58</u>	<u>15,304,596.94</u>	<u>13,478,733.14</u>	<u>21,950,232.50</u>	<u>22,461,760.64</u>

BREAKDOWN OF PERSONAL TAXES

	<u>1982/83</u>	<u>1981/82</u>	<u>1980/81</u>	<u>1979/80</u>	<u>1978/79</u>	<u>1977/78</u>	<u>1976/77</u>	<u>1975/76</u>	<u>1974/75</u>	<u>1973/74</u>
<u>Personal Tax</u>										
PAYE	15,764,780.09	14,137,168.09	14,043,563.43	12,120,717.50	8,690,405.71	5,970,721.68	5,481,610.83	5,213,165.78	3,831,342.93	Not available
Personal Assessments	6,219,973.90	4,473,155.52	3,315,700.00	2,323,635.49	2,372,908.09	2,181,271.35	1,037,905.85	760,994.17	528,390.43	
Total Personal	<u>21,984,753.99</u>	<u>18,610,324.44</u>	<u>17,359,263.43</u>	<u>14,444,352.99</u>	<u>11,063,313.80</u>	<u>8,151,993.03</u>	<u>6,519,516.68</u>	<u>5,974,159.95</u>	<u>4,359,733.36</u>	<u>3,577,294.54</u>

DIRECT TAXES

<u>Revenue Head</u>	<u>1978/79 Budgeted Revenue</u>	<u>Actual Revenue</u>	<u>1977/78 Budgeted Revenue</u>	<u>Actual Revenue</u>	<u>1976/77 Budgeted Revenue</u>	<u>Actual Revenue</u>
Company	16,750,000	28,789,355	14,000,000	25,411,535	11,000,000	15,304,597
Personal	8,000,000	11,063,314	7,000,000	8,151,993	5,500,000	6,529,517
DIPT	1,420,500	2,312,297	1,000,000	1,257,731	1,672,000	1,830,000
Aluvial Mining	-	-	-	-	-	-
Betting	105,000	80,239	60,000	109,929	52,000	72,685
Entertainment Tax	72,000	110,534	36,000	63,769	30,000	38,848
Payroll Tax	600,000	764,472	1,000,000	760,798	800,000	760,360
Foreign Travel Ticket	285,000	315,151	300,000	271,564	220,000	296,360
	<u>27,232,500</u>	<u>43,444,362</u>	<u>23,796,000</u>	<u>36,027,319</u>	<u>19,274,000</u>	<u>24,822,367</u>

SIERRA LEONE - Basic Data

	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
<u>Overall government operations</u>	<u>(In millions of leones)</u>					
Overall revenue and grants	174.0	192.0	228.3	206.3	181.3	324.2
Taxes on net income and profits	42.2	38.1	53.1	42.6	42.7	71.9
Taxes on goods and services	28.5	28.6	43.7	45.2	38.5	51.2
Taxes on international trade	83.7	86.5	98.0	83.2	57.0	103.9
Other revenue and grants	19.6	38.8	33.5	35.3	43.1	97.2
Overall expenditure	290.3	334.0	382.3	367.1	451.0	534.2
Current expenditure	182.2	192.1	246.3	248.8	261.6	359.2
Development expenditure	32.1	82.1	63.9	94.9	100.0	170.0
Other expenditure	76.0	59.8	72.1	23.4	40.0	-.-
Arrears reduction	-.-	-.-	-.-	-.-	49.4	5.0
Overall deficit (-) ^{3/}	-116.3	-142.0	-154.0	-160.8	-269.7	-210.0
Balancing	116.3	142.0	154.0	160.8	269.7	210.0
External (net)	46.6	70.0	32.4	31.9	42.0	15.8
Domestic	69.7	72.0	121.6	128.9	228.7	194.2
Banking system	(58.7)	(55.7)	(113.6)	140.0)	(224.8)	180.0
Non bank sources	(11.0)	(16.3)	(8.0)	(-11.1)	(3.9)	14.2

	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>
	<u>(In percent of GDP)</u>				
Overall revenue and grants	16.9	16.6	17.1	13.2	9.1
Overall expenditure	28.2	28.9	28.6	23.5	22.6
Overall deficit (cash basis)	11.3	12.3	11.5	10.3	13.5
Overall deficit (commitment basis)	11.3	12.3	13.5	12.9	11.4
Domestic bank financing	5.7	4.8	8.5	8.9	11.3

<u>Pay and credit (end of period)</u>	<u>(In millions of leones)</u>				
Foreign assets (net)	10.57	-51.24	-164.43	-236.96	-258.01
Domestic credit	272.94	331.49	462.43	409.87	850.27
Claims on Government (net)	198.36	254.10	367.73	507.79	732.59
Claims on private sector	74.58	77.38	94.70	102.08	117.68
Money and quasi-money	213.78	249.66	258.59.	324.49	441.29
Other items (net)	69.73	30.59	39.41	48.42	150.97

	<u>(In percent of GDP)</u>				
Domestic credit	26.5	28.7	34.6	39.0	42.6
Claims on Government (net)	19.3	22.0	27.5	32.4	36.7
Money and quasi-money	20.8	21.6	19.3	20.7	22.1

The government finance data are provisional estimates.
Budget estimates.
Cash basis.

HIGHLIGHTS

Despite the many early set backs to the program, the program goals have been met and in some instances exceeded. This is due to the diligent and dedicated efforts of many:-

1. Five manuals have been written, revised or developed during the life of the program for use by personnel. The manuals eliminate the guess work that was rampant during the early phases of the program. The major areas of concern either have manuals or revised internal documents to assist in standardizing procedures. Audit, Collection, PAYE, Payroll Tax all can boast this assistance. In addition, there are the Collection Techniques Handbook and the edited version of Principles for Taxpayer Contract Operations to further assist the various other sections.
2. New forms have been designed and accepted as official working documents of the Income Tax Department. The Tax Clearance Certificate form for travel and exchange control reduced paper work immeasurably, saved time and released personnel from redundant work.
3. The 10 managers, who were trained externally are rendering invaluable service to the Department by coming forward and exhibiting the techniques learned at Intax. The 125 personnel trained through TDY assistance are credited with the turn around of affairs of the Department.
4. Time and motion studies have resulted in special stamps and seals which have reduced time for processing accounts and mail. The standard form letters, now an integral part of both the PAYE Function and the Collection Function have resulted in similar actions.
5. Input to the IMF when I was recalled from vacation to assist this body in determining the economic situation in Freetown, has appeared as a part of the report for improving the economic conditions of the country.
6. Processing systems installed in the Payroll Tax Function and the PAYE Function have reduced paper work, time and redundancy.

HIGHLIGHTS (continued)

7. The rudiments of a Master File operation have been developed and are incorporated in two functions.
8. An employer's "kit" has been developed for employers to answer problems in withholding which are most commonly encountered. This kit is being distributed through personnel and in walk-in cases.
9. An incentive awards program has been developed and will again be tested this year.
10. The completed Taxpayer Education Program, completed in conjunction with O.I.C., is still awaiting approval by the Ministry.

IDENTIFY PLANNED AND UNPLANNED OUTPUTS

Planned

- 4.1 Trained technical and management personnel in function areas of assessment, (audit) and collection techniques, processing of delinquent accounts and in management and supervisory skill.
- 4.2 It was planned that more than 90% of managerial and technical employees will have received related training and be returned to similar or more responsible positions.
- 4.3 Orientation of tax policy and administrative executives to modern tax administration systems and their relationship to tax policy.
- 4.4 Eight senior policy and administration executives to have completed orientation programs.
- 4.5 Establishment of periodic training programs in work simplification and effective communications.
- 4.6 Approximately 30 employees to receive periodic in-house training in work simplification and effective communications.
- 4.7 Establishment and or up-grading of tax registers, audit and collection functions, special security for unique records procedures for tax payer information and education and for processing delinquent accounts and returns.
- 4.8 Modernisation of all files of registered taxpayers, delinquent and paid up accounts, locked current files for one-of-a-kind records, routine transmission and procedures and related documents to tax payers and functioning improved assessment (audit) and collection procedures.
- 4.9 Centralization of management for assessment.
- 4.10 A unique tax payer identification code to be developed.
- 4.11 An internal audit unit to be installed and functioning. The internal audit function conducting at least twenty audits per year.

Unplanned

4.12 A special course was mounted for potential typists to make use of the typewriters received from the commodity vote of the project and to provide the taxation department with increased support in the secretarial areas. Ten typists being so trained.

Evidence of accomplishments

4.13 Details of the requirements per the Grant Agreement are recorded in Appendix 1.

4.14 The project design included in the Project Paper amplifies these requirements and details thereof are included in Chapter 11 (The expected end of project conditions) and Chapter 111 (planned out-puts).

4.15 Evidence of accomplishments.

Professional technical advisory services

4.15.1 the project required that the services of one Senior Technical Advisor be provided, resident in Freetown and with the Department of Income Tax for a period of 48 months. A Senior Tax Advisor from the IRS of the United States was with the Tax Department from April 1979, to September 1983, annual and medical leaves inclusive;

4.15.2 in addition, the project provided for additional consultants to visit the Tax Department, during the period of the project; spending in total between 19 and 20 months. The total time spent by the five consultants according to the records of the Tax Department was 11¹/₂ months;

Commodities

4.15.3 office equipment and other commodities have been provided and a list of these and their status is given in Appendix 10 to Chapter V (stationery used to date are not included). The equipment has been inspected and found to be in use with the exception of those items which have not yet been allocated and which constitute a "bank" for future use, and some items awaiting repair. The items

are not in general use, but in the hands of restricted staff who have been trained to use them. A typing course program was mounted by the Senior Technical Advisor to ensure that typewriters were used to their capacity, providing the Department with much needed secretarial assistance. The equipment supplied was adequate for the project;

4.15.4 AID finance for in country transport, publications etc. No adverse comment is on record from the advisors or the Tax Department that any activity planned has been jeopardised by lack of, or presentation on a timely basis of these funds.

4.16 Emphasis directed towards training

The Training requirements detailed were that:-

4.16.1 one senior person should attend a course at the University of Southern California;

4.16.2 Mrs Thomas of the Tax Department attended this course;

4.16.3 eight senior managers to attend in-tax orientation courses and seminars in the United States;

4.16.4 ten managers attended the course, two of whom have since left the service having reached the age of retirement;

4.16.5 all of the persons who attended the course spoke highly of it. There is no doubt that attachment courses mounted overseas and particularly in the United States are popular, according a degree of prestige in being selected as well as interest in the forthcoming experience.

4.17 However all participants stated that they were surprised and pleased with the course content and how it had assisted them personally to gain a much broader outlook in regard to taxation matters generally; providing new techniques or refining techniques already in use as well as demonstrating practical ways that their management and delegation of authority functions could be enhanced. No specific examples could be relayed to demonstrate individual aspects of achievement, just that the course had offered a new approach to the conduct of their duties. The

introduction to computers was thought to be interesting but not expected to be of value to the Department for at least five years.

4.18 No copies of the course notes, or other data supplied at the course were on record with the Department, nor any 'library' handed over by the Advisors on the conclusion of the Project.

It was not possible therefore to assess the course from the point of view of any ongoing requirements to be fulfilled by the participants or the Advisors or Tax department making use of the course notes at a later date for the mounting of any courses internally.

4.19 90% of the managerial, technical and supervisory staff should have received training.

4.20 Records have been taken of staff members who attended courses and the numbers confirm that more than 90% did attend the courses amounted:-

4.20.1 twenty-one staff attended the course on tax collection techniques, four of whom are no longer with the department (two retired, two deceased);

4.20.2 twenty-eight staff attended the Advanced Audit Technique Courses, only one of whom has left the department;

4.20.3 twenty-seven staff members attended the course on the Source and Application of Funds, and net worth basis.

4.21 The courses were of practical application, the one on the Source and Application of Funds drawing particular praise for its immediate utility. Examples being shown of the technique in current files under consideration. The substance of the courses relating to tax collections and audit techniques being contained in the manuals. Otherwise the comments in 4.18 are also relevant.

4.22 To institutionalize and modernise all important tax procedures. In particular:-

4.22.1 to have locked files/cabinets for all current files; registered tax payers, delinquent tax payers and for files of paid up accounts;

4.22.2 the tax department confirms that all current files are assigned to lockable filing cabinets, and that there are some cabinets which remain un-allocated and awaiting completion of a re-organisation programme;

4.22.3 however, there are very many old files, and files of tax payers who for one reason or another are no longer eligible for income tax, and these are not stored under safe custody conditions, and are awaiting approval for destruction.

Routine transmission and procedures

4.23 A number of new forms and standard letters have been viewed and traced through the system. The refining of forms and correspondence has streamlined the administration and released senior personnel from less productive work allowing them to allocate their time more profitably. Coupled with training and up-grading of the typing staff following specific courses, staff at all levels state that the pace of work has increased allowing for a better allocation of their resources.

4.24 Improved assessments

4.24.1 new procedures have been adopted whereby access is being had to other departments of Government, particularly the Department of Customs and Excise as well as the Ministry of Trade for data which enables a form of independent check to be made on tax payers computations and accounts.

4.24.2 techniques such as a review of the Source and Application of Funds and net worth basis have been introduced and are in use;

4.24.3 staff state the improvement in the quality of their assessment work, and have presented examples where assessments have been raised.

4.25 Improved collections

4.25.1 adequate programmes were prepared and courses were mounted to implement a campaign for an extensive coverage for collections on a field basis;

4.25.2 immediately prior to the commencement of the operation all collection files were taken over by the Ministry of Finance. This took place in May 1980 and they were not returned until about July 1981. During this period collection work was carried out by the tax department, but in the absence of the relevant files, the exercise could not be carried out with the degree of efficiency planned for. On the return of the files from the Ministry, considerable time had to be devoted in bringing the files up to date;

No report has been presented to us recording the reasons for and particularly the results of this transfer exercise.

4.25.3 on the completion of this exercise, the collection manuals which had been prepared ready for implementation, were introduced into the system. Shortage of field collectors, at the present time means that coverage is not as planned. The approach to Tax Payers techniques formerly proposed and the subject of course training are not being applied, but in accordance with the recommendations of the Senior Tax Advisor, collectors do not handle cases on a group basis, but individually, their performance controlled by the means of a progress sheet. This identifies individual performance and responsibility;

4.25.4 collectors on field assignments now working singly rather than in teams have the potentiality to achieve a much wider coverage than hitherto. However, in the absence of statistics or other record for past years it is too soon to compare the number of visits (successful or otherwise) with those for the previous year(s);

4.25.5 a review of the Work Record Sheets, maintained by the collectors showed that the current review was being carried out earlier than current procedures catered for. Remarks columns had not been completed showing for what reasons long outstanding amounts remained unpaid, and this in respect of some of the larger companies, who would normally be expected to make full payments of agreed assessments. There was, furthermore, no comments included on these Work Record Sheets by a senior employee of the tax department stating whether the outstanding amount were due to disputed assessments or queries on accounting record of payments received. All queries raised for this report were however responded to by senior personnel who were invariably conversant with the case histories of the tax payer.

The apparent inability to clear these recorded outstanding amounts satisfactorily according to circumstances and correct authority must constitute an over burden of work which is brought forward from year to year.

Written manuals

4.26 Manuals have been prepared by reference to original procedures in operations, some supported by written instructions, and guidelines, other not.

Collected and reviewed by the Senior Tax Advisor and consolidated into a manual with a number of amendment and additions being made thereto these have been approved for use by the tax department.

The status at the date of this report is as follows:-

4.26.1 Assessment manual. Completed, approved for implementation but not yet fully in use, although many of the long standing procedures and certain of the new ones are in use. Feed back being waited for in case of further amendment.

4.26.2 Collection Manual No.1 and 2. Introduced in September 1983, as a total package. The manual is found by staff to have insured uniformity in collection procedures and provides a ready reference to collection staff. The controls include a reporting requirements of collections targets made in a given time period.

4.26.3 Pay roll tax procedures. The manual is completed, and fully operational and in general use with all staff. The manual is based on a completely revised system, recommended by the senior tax advisor and fully endorsed by the tax department. Its introduction was supported by an in-house training programme to facilitate its implementation. The officer responsible for this schedule reports that she finds the system very effective.

4.26.4 PAYE Employers Guide. Handouts and guide lines prepared by the advisor to reduce areas for misunderstanding by employers, impinging on tax department time. Found to be useful, acceptable to employees and working.

4.26.5 PAYE procedure system. Folders and data prepared, but not yet formerly approved for release.

4.27 Tax payer education programme

This programme has been prepared by the advisor but it has not yet been approved for release by the Ministry.

Tax payer contact operations

4.28 Edited version of principals for tax payer contract operations:-

4.28.1 reference to a collection technique handout has been identified with a file of short printout guide lines;

4.28.2 these are not currently in use - attention having now been drawn to them, there is the intention to review them with the possibility of re-introducing them.

Codes to be assigned to all tax payers

4.29 Although file numbers exist for tax payers, the senior tax advisor made the proposal that code numbers should be introduced to up-grade the security of the system, on a national basis, possibly related to National Registration.

The proposal has been accepted in principle but no work has been carried out to plan for this exercise.

Internal audit

4.30 Internal audit of at least 20 files per annum.

This programme also has been proposed.

Accepted in principle, but no programmes as such have been prepared for adoption.

Data in the assessment manual will be of assistance in this exercise.

Centralised control of assessment functions

4.31 The control of assessment and collections is centralised under the office of the deputy Commissioner, Collections and Assessments.

For companies, the Personnel Section and the PAYE Section, the new system proposed by the senior tax advisor, of a master card index is in the course of operation, while the former system is being retained for the meantime until the new one is found to be working satisfactorily.

Staff interviews

4.32 Interviews with staff at various levels, showed that everyone by experience was conversant with the extent of his or her work procedures, although these were not contained in written form at the elbow of the individual. There was however an awareness of where information could be found in manuals and guidelines and in respect of particular issues such as rulings on controversial provisions of the Income Tax Act. Only from the senior staff was there any indication that the system was under scrutiny and review, the more junior staff members accepting the system and procedures laid down. Generally suggested that there was need for further "induction" courses and seminars to encourage staff at all levels to seek ways to use, amend and control the system. The continuation of training programs and seminars seen as important as everyone becomes more experienced in the potentialities of the routines and systems in operation.

In particular it was recognised by the senior staff that as staff at all levels became more experienced in the manuals and procedures they would be ready to benefit by further training courses designed to enable them to use the manuals with greater efficiency.

System review

4.33 A constant review of the system and procedures is called for, preferably by:-

- (a) a senior manager in the tax department responsible for systems;
- (b) staff at all levels;
- (c) a trained auditor carrying out periodic reviews,

to ensure that the procedures laid down are being followed, as well as opportunities being taken to provide for improvements.

For example:-

A review of the control cards used to record amounts paid by individual tax payers did not include any reference to the official receipt number issued by the tax department. Clearly, the entry of payment data onto any record, is up-graded and validated by the inclusion of additional supporting information as to the official receipt number issued. The internal control aspects of the system will be enhanced thereby.

Commodities

4.34 The office plant and equipment introduced into the tax department was adequate in quantity and suitable in design it has contributed in great measure to the improvement of administration as well as the actual work assignments connected with assessments.

Care of the equipment has been of concern to the department and only staff members who have been "trained" in the use thereof have access to them.

In order to make full use of the typewriters, a special in-house but out of hours voluntary training course was mounted, the end result being a cadre of ten typists competent to provide support for the department in the secretarial field.

All staff acknowledge the contribution made by access to calculators. The department also welcomed stationery supplies which enabled the office to function without hinderance when local commodities were in short supply.

There is an overall awareness of what good quality equipment, in capable hands can achieve. Although there is no thought at this time of introducing computers into the department, the climate is right for thought to be given to limited areas of the system to be computerised. The tax department buying time with another Agency of Government, or private agency in security conditions, for computer services, so soon as this service is fully operational and shown to be efficient.

Equitable enforcement

4.35 The legal machinery is available to the tax department to seek enforcement by legal means.

4.35.1 Various pronouncements have been made by the Ministry regarding the imminence of resorting to legal action to enforce, but this remedy has not yet been utilised.

NOTE: In this respect it is pertinent to note that in the Project Paper of 31 March 1978 (page 6), reference is made to a then recent Budget Speech which quotes:-

"May I now warn (tax) defaulters that the honeymoon is over and that they can expect full penalty of the law from now on. The Income Tax Department at the insistence of the Minister is establishing a new legal department for the prosecution of tax evaders".

4.35.2 No lists are on record, prepared by (i) the tax department or by (ii) the advisors by way of example, showing the type and the extent of the problem, or explaining why there is a reluctance to seek tax, which is unpaid but due, by legal enforcement.

Employee integrity

4.36 No cases have been placed on record by the advisor or by the tax department, where the question of employee integrity has been cited.

4.36.1 in order to give support and protection to staff in the department in the execution of their duties, the senior tax advisor has taken into account that procedures and programmes needed to be introduced in such a manner as to continually reduce the areas for any one staff member to have access to a complete range of assessment or collection activities;

4.36.2 while monitoring procedures are included in the manuals the need for internal audit routines to be mounted on an adequate basis remains and, until this issue had been addressed the system is vulnerable, and confidence will not attain the level desired. No

record exists of precise areas for concern, and where priority attention should be directed, but the senior tax advisor has referred in his End of Tour Report, to a recommendation for action to be taken by the Commissioner of Income Tax in this area;

4.36.3 no guide lines for employee integrity situations are on record.

The assumption underlying the production of outputs are:-

4.37 That the increasing quality of the assessment will be supported by efficient collection levels.

4.38 That legal means will be utilised when necessary to enforce collections.

4.39 That the tax department will have its full compliment of staff to obtain the best results from the techniques introduced.

4.40 That the tax department will continue to retain and make use of all the technique inputs.

4.41 So long as those techniques remain valid for the work programmes and situations they were designed to support.

4.42 That the tax department will have the mechanism to identify situations which show:-

4.42.1 when the techniques are no longer valid;

4.42.2 and are in need of change.

4.43 That there will be a continuing commitment by staff at all levels to seek improvements in all functions of the tax department.

4.44 The assumption are valid insofar as an existing system can be operated on an increasingly efficient basis. But regard must be made to the ability by management within the system to identify the need to plan for changes which are to take place, or which may already have taken place: calling for balanced adjustments in total or in part to manuals, forms, standard letters and established training courses to arrive at a fully operational yet controlled (amended system).

4.45 It is relevant to refer to the comments contained in the report of December 1975 in Appendix 11.

4.46 The assumption also that increase in revenue can be related to specific development projects cannot be shown to be valid.

PROJECT INPUTS

AID contribution - Services

- 5.1 One full time IRS General Tax Advisor, for project duration of 48 months:-
- 5.1.1 to render across the board technical assistance;
 - 5.1.2 teach specialised courses, as required;
 - 5.1.3 supervise all short term consultants, assigned to the project;
 - 5.1.4 advise on collection procedures.
- 5.2 Short term specialists (consultants) to provide assistance for approximately nineteen months in such functional areas as:-
- 5.2.1 audit Tax auditor
 - 5.2.2 training Training program advisor
 - 5.2.3 management information procedures Management specialist
 - 5.2.4 statistics Statistics specialist
- 5.3 AID to provide IRS Management training in the United States for eight middle level tax officers and
- 5.4 Orientation visits for eight policy level officials.
- 5.5 Tax Administration course at the University of Southern California for one outstanding staff member of the Income Tax Department.
- 5.6 In country training in:-
- 5.6.1 intermediate accounting;
 - 5.6.2 advanced auditing techniques;
 - 5.6.3 tax collection procedures;
 - 5.6.4 work simplification and effective communication.

5.7 Commodities. Essential to support project activities. Limited commodity assistance.

5.7.1 calculators;

5.7.2 typewriters;

5.7.3 copying machines;

5.7.4 locking suspension file cabinets;

5.7.5 index card cabinets;

5.7.6 a vehicle.

5.8 Travel and other elements.

5.8.1 In country transport for project related activities.

5.8.2 Publications.

5.8.3 Similar miscellaneous items.

AID contribution - Finance

5.9 The planned cost of Inputs amounting to \$772,000 is attached as Appendix 8A and 8B, and 8C1 to IV.

5.10 The costs incurred to 30 September 1983 are attached as Appendix 8A with the Budgeted costs as Appendix 9.

5.11 A comparison of these figures will show that the amounts budgeted for Contingencies and Inflation, together with some savings on amounts disbursed on technical services, financed small excesses of budgeted expenditure on training and travel, with an increase of \$52,000 (an increase of 93.5%) on commodities.

5.12 Full details of the vouchers, and authorities in existence and recorded for the approval of the expenditure by AID, and evidence of disbursements has not been presented to us to support this report. Nor has any independent audit opinion in respect thereof been presented emanating from AID or other agency of the US Government.

- 5.13 Commodities were received on a timely basis and their arrival played a noticeable part according to all tax personnel interviewed in assisting in the earlier completion of work assignments in support of the project aims. Appendix 10 records those commodities excluding stationery which are on record as having been taken over by the Tax Department and their status as at 30 November 1983. No full list of commodities as dispatched by aid is on record.
- 5.14 The arrival of the additional specialists and consultants was delayed and according to records available were resident for 11 months in total and not the 19 months originally planned.
- 5.15 Early arrival in accordance with the original plans, with longer participations would have facilitated the earlier adoption and implementation of techniques.
- 5.16 No adverse comment has been placed on record by the Senior Tax Advisor or the Department of Income Tax implying that the delays or short attendance had any actual detrimental affect.

Project Inputs Government of Sierra Leone to Provide

- 5.17 (a) Adequate Office space, for IRS Project advisers.
- (b) Secretarial Assistance.
- (c) Custodial Service.
- 5.18 At least one staff counterpart to work with each IRS Consultant.
- 5.19 The requisit number of qualified employees for release and training.
- 5.20 Full establishment of personnel to implement improvement programs.
- 5.21 Additional equipment and maintenance budgets.
- 5.22 Travel and related displacement costs for attachees to courses outside Sierra Leone.
- 5.23 The Tax Department has not annually isolated costs related to goods and services allocated to the project.

- 5.24 At the date of this report, personnel who worked directly for the promotion of the project are being identified, and the allocation of their salary rates and entitlements evaluated for the period they participated in the project.
- 5.25 All actual disbursements, for travel and other items of costs and charges for equipment and maintenance are being sought from books and records of the Department and the Ministry for each of the relevant years.
- 5.26 This data will be submitted as an addendum to this report so soon as it has been presented and reviewed.
- 5.27 The activities of the Tax Department and the ability to handle all of the aspects relative to the introduction and implementation of new technologies has been hampered by the continual shortage of staff at all levels.
- 5.28 It is appreciated that the more highly trained is a staff member the greater the likelihood that such a person will be attracted to another Department of Government or to the private sector; although the Senior Tax Advisor did refer to losses of staff in his report, the actual numbers of staff of all levels who have left the Department as opposed to age retirement appears to be few.

SIERRA LEONE PROJECT STATUS 30 SEPTEMBER 1983

<u>Expenditure</u>	<u>Page of 19</u>	<u>Total US \$</u>	<u>Technical Services</u>	<u>Training</u>	<u>Commodities</u>	<u>Travel and Other</u>	<u>Contingencies Inflation</u>	<u>Unearmarked</u>
	11		229,500	53,081	15,000	22,688		11,730
	12		177,645	12,825	20,254	20,095		9,180
	13		106,343	13,260	73,127	7,270		
			-----	-----	-----	-----		
US AID - Actual		771,998	513,488	79,166	108,381	50,053		20,910
US AID - Budget		772,000	559,000	76,000	56,000	31,000	50,000	
		-----	-----	-----	-----	-----	-----	-----
Surplus			45,512				50,000	
Over Run				3,166	52,381	19,053		20,910
			-----	-----	-----	-----	-----	-----

INCREASEING REVENUE FOR DEVELOPMENT 636-0108.00 (IRS)
 PACD: DECEMBER 31, 1983

PROJECT DIRECTOR: Milton Clark, IRS Representative

PROJECT OFFICER: William Lefes, AAO/Freetown

FINANCIAL ANALYST: Margaret Tschirhart, REDSO/WAAC/ABIDJAN

PURPOSE: To strengthen and modernize the internal tax administration system of Sierra Leone to enable the collection of additional central government Revenue for development purposes.

AID FUNDING:	Project Agreement:	8/29/78 (FY 78)	\$200,000.00
	Amendment No. 1:	6/07/79 (FY 79)	240,000.00
	Amendment No. 2:	5/19/80 (FY 80)	332,000.00
			<hr/>
	Total		\$772,000.00
			<hr/>

INCREASING REVENUE FOR DEVELOPMENT 636-0108.00
SUMMATION OF PROJECT FUNDING (\$000)

	<u>LOP Budget (1)</u>	<u>Commitments</u>	<u>Disbursements</u>
AID Funding: Technical Assistance	\$ 559	\$ 514	\$ 513
Training	76	79	79
Commodities	56	108	108
Travel and Other Costs	31	50	45
Contingencies/Inflation	50	-	-
Unearkmarked	-	21	-
	—	—	—
Total AID Funding	\$ 772	\$ 772	\$ 745
	—	—	—
GOSL Funding: GOSL Support Operations	\$ 210		
Advisory Team Support	13		
Maintenance and Facilities	24		
Contingencies/Inflation	23		
	—		
Total GOSL Funding	\$ 270		
	—		

SIERRA LEONE PROJECTS STATUS AS OF SEPTEMBER 30, 1983

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INCREASING REVENUE FOR DEVELOPMENT 636-0108.00
 DETAILS OF AID FUNDING BY BUDGET LINE ITEM

	<u>Commitment #</u>	<u>Commitments</u>	<u>Disbursements</u>	<u>Accruals</u>	<u>Pipeline</u>
GDAA-80-21636-DG18					
Technical Assistance:					
M Clark PIO/T 636-0108-2-00009	108-0-101	\$229,500.00	\$146,785.53	\$82,714.47	-
Training:					
PIC/PS 636-0108-1-00006/00007/00008	108-0-204	\$19,914.40	\$19,914.40	-	-
S Hamid PIO/P 636-0108-2-0010	108-0-205	8,470.25	8,470.25	-	-
Training Fully Expended		24,696.47	24,696.47	-	-
Total Training:		\$53,081.12	\$53,081.12	-	-
Commodities:					
Business Equipment	108-0-301	\$15,000.00	\$13,831.48	\$1,168.52	-
Travel & Other Costs:					
Miscellaneous Petty Cash	108-0-501	\$2,000.00	\$1,981.92	\$18.08	-
Per Diem for IRS Tdy	108-0-502	5,638.28	5,688.28	-	-
Rent/Utilities - M Clark Apartment	108-0-503	15,000.00	4,415.93	8,000.00	2,584.07
Total Travel & Other Costs		\$22,688.28	\$12,086.13	\$8,018.08	\$2,584.07
Unearmarked:		\$11,730.60	-	-	\$11,730.60
Total FY 80 Funds:		\$332,000.00	\$225,784.26	\$91,901.07	\$14,314.67

SIERRA LEONE PROJECTS STATUS AS OF SEPTEMBER 30, 1983

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INCREASING REVENUE FOR DEVELOPMENT 636-0108.00
 DETAILS OF AID FUNDING BY BUDGET LINE ITEM

	<u>Commitment #</u>	<u>Commitments</u>	<u>Disbursements</u>	<u>Accruals</u>	<u>Pipeline</u>
GDAA-80-21636-DG18					
Technical Assistance:					
Total Technical Assistance		\$177,645.00	\$177,645.00	-	-
Training:					
Total Training		12,825.24	12,825.24	-	-
Commodities:					
Total Commodities		20,254.38	20,254.38	-	-
Travel & Other Costs:					
Miscellaneous Petty Cash	108-9-403	3,358.11	1,184.74	-	2,173.37
R Rhoads	108-9-404	2,883.00	2,883.00	-	-
Rent/Utilities - M Clark Apartment	108-9-405	13,854.27	13,854.27	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total Travel & Other Costs		\$20,095.38	\$17,922.01	-	\$2,173.37
		<hr/>	<hr/>	<hr/>	<hr/>
Unemarkmarked:		\$9,180.00	-	-	\$9,180.00
		<hr/>	<hr/>	<hr/>	<hr/>
Total FY 79 Funds:		\$240,000.00	\$228,646.63	-	\$11,353.37
		<hr/>	<hr/>	<hr/>	<hr/>

INCREASING REVENUE FOR DEVELOPMENT 636-0108.00
 DETAILS OF AID FUNDING BY BUDGET LINE ITEM

	<u>Commitment #</u>	<u>Commitments</u>	<u>Disbursements</u>	<u>Accruals</u>	<u>Pipeline</u>
GDA-80-21636-DG18					
Technical Assistance:					
Total Technical Assistance		\$106,343.00	\$106,343.00	-	-
Training:					
Total Training		13,259.54	13,259.54	-	-
Commodities:					
Total Commodities		73,127.07	73,127.07	-	-
Travel & Other Costs:					
Petty Purchases	108-8-403	5,415.77	4,014.77	1,401.00	-
Travel & Other Costs Fully Expended		1,854.62	1,854.62	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total Travel & Other Costs		\$7,270.39	\$5,869.39	\$1,401.00	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total FY 78 Funds:		\$200,000.00	\$198,599.00	\$1,401.00	-
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL PROJECT FUNDING:		\$772,000.00	\$653,029.89	\$93,302.07	\$25,668.04
		<hr/>	<hr/>	<hr/>	<hr/>

FINANCIAL PLAN - INPUTS
(U.S. \$000)

<u>Funding Period</u>	<u>AID</u>	<u>GOSL</u>	<u>Total</u>
FY 1978 U.S. Technical Services	153		153
Training	27		27
Commodities	17		17
Travel and Other	3		3
GOSL Operations Support		50	50
Advisory Team Support		4	4
Maintenance and Facilities		6	6
Contingencies and Inflation		-	-
TOTAL	200	60	260
	—	—	—
FY 1978 U.S. Technical Services	171		171
Training	9		9
Commodities	24		24
Travel and Other	20		20
GOSL Operations Support		52	52
Advisory Team Support		3	3
Maintenance and Facilities		6	6
Contingencies and Inflation	18	7	25
TOTAL	242	68	310
	—	—	—
FY 1980 U.S. Technical Services	103		103
Training	38		38
Commodities	10		10
Travel and Other	4		4
GOSL Operations Support		53	53
Advisory Team Support		3	3
Maintenance and Facilities		6	6
Contingencies and Inflation	16	7	23
TOTAL	171	69	240
	—	—	—
FY 1980 U.S. Technical Services	132		132
Training	2		2
Commodities	5		5
Travel and Other	4		4
GOSL Operations Support		55	55
Advisory Team Support		3	3
Maintenance and Facilities		6	6
Contingencies and Inflation	16	9	25
TOTAL	159	73	232
	—	—	—
GRAND TOTAL	772	270	1,042
	—	—	—

<u>S. No.</u>	<u>Description of Item</u>	<u>Original Quantity Supplied</u>	<u>Quantity In Use</u>	<u>Quantity Faulty</u>	<u>Quantity Reserved</u>	<u>Remarks</u>
1.	Gestetner Photo Copier	1	1	-	-	
2.	Gestetner Scanner (1544)	1	1	-	-	
3.	Calculator Desk top model (Adding Machining CPD 5212)	20	15	-	5	
4.	Portable Printing Display - Electronic Cannon Calculator	6	6	-	-	
5.	Manual Typewriter	22	11	4	7	
6.	Electric Typewriter	6	5	-	1	
7.	Electric Circulating Fan (Standing)	10	3	7	-	
8.	Electric Circulating Fan (Desk)	15	15	10	-	
9.	Calculator - CA.120	16	12	4	-	
10.	Cabinets	75	74	-	1	
11.	1 - Car Peugeot 504	1	1	-	-	
12.	Duplicating Machine Gestetner 420	1	1	-	-	

FINDINGS & CONCLUSIONS

- 6.1 Against a background of world trade depression affecting the economy of Sierra Leone, over the period of the project revenue increases in Income Tax have been achieved.
- 6.2 Outside the more disciplined sections of taxation, notably PAYE; Payroll taxes, and Company taxation, revenue increases have been achieved in the more difficult area of Personal Taxation, which includes the assessment of profits on small business and trading concerns.
- 6.3 While some account should be taken of an increase in relevant taxation rates during the period, improved techniques, recommended by the Senior Technical Advisor and duly adopted by the Taxation Department, supported by the training courses, have made a significant contribution to the management and administration of the Taxation Department.
- 6.4 In particular the down turn in trading conditions which has been evidenced in Company and Payroll sectors, some indicator of the effect of the recession, has not been reflected in personal taxation which has shown a continual increase.
- 6.5 This result may be attributed to improved assessment techniques with a more efficient use of the human resources in the Tax Department.
- 6.6 However, there is a lack of reliable indicators which would permit comment to be made regarding the rate or extent of certain progress in the achievements of the Tax Department, particularly in relation to the project.

It has not been possible to locate:-

- 6.6.1 A reliable source for showing what the total expected revenue should be in any year for any of the sources of Income subject to Income Tax.

The budget estimates prepared by the Tax Department not being found to be suitable for this purpose.

6.6.2 Statistical data in the Department which provides information on:-

- (i) the actual number of assessments raised;
- (ii) the actual number of collections made in field work exercises.

6.6.3 Accounting data which shows year by year, the composition of collections being;

- (i) collections for the year of assessment;
- (ii) arrears for the previous year;
- (iii) arrears for other years.

6.7 Much has been accomplished during the course of the project by the Advisors and the Tax Department working closely together. The initial task of reviewing procedures and programs already in operation, some supported in written form, others having to be documented by reference to the work patterns and procedures in force; followed by the recommendation of amendments and additions thereto and finally, culminating in the preparation of manuals approved by the Tax Department has been a difficult and intricate assignment.

Basically, the advisors have reviewed and covered all areas of the tax department and its management as outlined in the project design.

6.8 However, a number of constraints have appeared which has delayed implementation and which contribute to the fact that the Taxation system cannot be said to be fully modernised or of such a standard as to no longer need support of a highly experienced person in taxation and systems, to maintain the momentum of the modernisation program introduced during the four year term of the project.

6.9 The major constraints which have affected the implementation and progress of the project have been:-

6.9.1 The shortage of staff.

6.9.2 Ministry action in regard to the removal of Collection files from the Taxation Department.

6.9.3 Delays in the introduction of enforcement procedures; the establishment of an Internal Audit section, with responsibilities for monitoring current files as well as carrying out field audits. The absence of approval to mount the Tax Payer Education program.

6.9.4 The need to identify clearly whether:-

(a) employee integrity is of relevance;

(b) there are "sensitive" areas in regard to the assessment and or collection of tax from persons or organisations, and who and what these are.

6.9.5 Currently the lack of an experienced person to fill the vacuum created by the departure of the Senior Technical Advisor.

6.10 In regard to the shortage of staff, records show that the Tax Department has been in touch with the Establishment Secretariat, but reference is made to a general restriction by Government on recruitment.

In the light of this constraint the Tax Department, with the aid of the Advisors

6.10.1 should have attempted to quantify the potential loss in revenues to the additional costs involved in achieving a full complement of staff, alternatively;

6.10.2 seek suitable candidates from within Government service who are already being paid by Government, yet who may well be under employed.

6.11 The delay in the establishment of an effective audit section is related to the shortage of staff and certainly the introduction of additional staff of the right calibre supported by training programs will be necessary whether such new staff go straight into the audit section or replace staff who have been allocated to this duty.

6.12 The view has generally been expressed that the Department does need to have a senior person nominated to fill the vacuum created by the departure of the Senior Technical Advisor.

In particular there is need to ensure that a forum does exist whereby staff at all levels may through the chain of command, bring to attention areas of concern in the management and administration as well as in systems.

6.13 This need is re-enforced by the acceptance of the fact that existing systems and procedures require constant review and monitoring. There being always the possibility that tax policies may be revised or even changed radically. This will call for planning, involving amendments to the system, redesign of documentation, and training courses or seminars to facilitate the implementation and smooth acceptance of such changes.

6.14 In addition there is also an awareness that Training as such is a continuous process; and, that ideally one person should be responsible for administering arrangements for courses, seminars etc in the Department.

6.15 One person could fill both of these roles, and that person could be a Sierra Leonean with sound and long experience of the Tax Department and systems. Whether such a person can be located in Sierra Leone and attracted to the post or whether it will be necessary to seek further a field is a question which needs to be quickly resolved.

6.16 In regard to the need for system reviews it would be the responsibility for the nominated person to mobilise all of the experience within the Department to progress the technologies required from time to time.

6.17 It would be expected that he would be in contact through the appropriate sources with the Taxation Departments in West Africa and indeed other countries which follow a similar taxation system, in order to obtain proven examples of procedures which are relevant to the problems at hand.

6.18 No guidelines have been established for such a role. The need is:-

6.18.1 to establish a schedule for such a post;

6.18.2 to have prepared the full work description of the post;

6.18.3 to recruit or select an experienced person into the post, arranging for additional training, internally or externally as necessary, on introduction to the post and from time to time as appropriate;

6.18.4 to supervise further the full implementation of all of the proposals and technologies concluded by the Senior Tax Advisor.

6.19 There is a comment in the Project Paper evaluation dated 31 March 1978 which states, Tax evasion is rampant in Sierra Leone (page 44).

6.20 In the budget speech delivered by the Minister of Finance and dated 30 June 1983 section 27 page 6 includes the following:-

"Government is aware that because of deliberate manipulation of trading records with a view to evading tax combined with a high incidence of tax default, the total tax collected from Companies and self employed persons generally falls far short of what is due".

6.21 These two statements, while allowing for the fact that some improvements in tax yields have taken place indicates that certain basic problems existing in 1978 and before have not yet been adequately dealt with.

6.22 In the Report on Tax Administration in Sierra Leone dated December 1975, the writer includes the following comment (page 42 Chapter XI).

"The end objective of the survey has to come up with a product which is, and has to be distinctly Sierra Leonean in character, that is useful and workable in Sierra Leone".

6.23 Also in the end of Tour report of the Senior Tax Advisor, dated October 1983 reference is made to the point that

"There is a need to move the revenue machinery without unbalancing the socio economic situation, "In other words, the machinery is geared for gradualism rather than radical changes". However, the sophisticated techniques built into the system are expected to handle any changes in the near future."

6.24 These comments are commendable and supportable provided that whatever is evolved is

(a) efficient;

(b) and provides for adequate levels and standards of performance.

6.25 They must not, in attempting to recognise or accept that there is a unique Sierra Leone problem in this area of taxation, use these concepts as a formula for fudging or clouding basic issues which call for a proper commitment by responsible agencies of Government, to attain goals in accordance with normally accepted standards of administrative and management procedures and behaviour.

6.26 The involvement of an Advisor in a long term residential project is not an easy task. Invariably, high levels of competence and experience are coupled with a sincere commitment to achievement, but usually with little or no authority as such.

6.27 This situation while possibly a difficult one to handle and calling for considerable skills and diplomacy, does not absolve the Advisor or the agency supporting him from the responsibility of identifying clearly areas of weakness and omissions which can jeopardise the project objectives. Concentration on proposals and procedures which are designed to reduce or eliminate these areas of weakness while necessary but, without spelling out the type of problems which can be expected to occur, at some time, in the absence of such implementation, may go some considerable way to ensuring their adoption and implementation is not given the priority they deserve.

6.28 The clear identification and recording of areas for concern re establish the bonafides and independence of the advisor and his agency:

It would avoid any possibility that continuing problems, either during the term of residence of the advisor, or at a later date, can in any way be attributed to a lack of involvement or concern in the consideration of these areas on his part.

6.29 Basically the Doctor should in this case treat his patient as a responsible person, explain precisely the nature of the malady, and then what the medicine prescribed will do. Prescribing the medicine alone is not sufficient, the patient may not take it.

- 6.30 A list of sensitive tax payers, (persons and organisations) should be listed and on record with the Tax Department and the Ministry of Finance.
- 6.31 An integrity guideline should be prepared - clarifying actions and attitudes of Tax Department employees which may affect their independence vis a vis tax payers.
- 6.32 In the case where the advisor is of the opinion that recommendations made are not being accepted for reasons of vested interest, or even some apprehension of local political interference and perhaps even intimidation, some consideration even if outside his immediate terms of reference, should be given to having taxation policies themselves reviewed by appropriate agencies of the host Government.
- 6.33 In this respect if policies for direct taxation continue to bring into focus recurring comments in 1978 and again in 1983 regarding tax evasion some consideration might be relevant in promoting indirect taxation sources.
- 6.34 The experience of neighbouring francophone countries in West Africa providing a fruitful source of examples.
- 6.35 A feature of this project has been the absence of feed back from the Department of Income Tax.

Such comments as are gleaned from the documentation with the US AID agency are through the mouth piece of advisors and reviewers attached to US AID.

- 6.36 The absence of reports from this important source might have removed the benefit of having the views of the Tax Department to the growing involvement in the programmes and relationships which have evolved during the period. Fortunately the tax department does have on its own files, record of action taken, and its responses to a number of proposals and recommendations made by advisors. All of which show that a high level of involvement has been exercised to consider the nature and implication of the proposals made.

- 6.37 By reference to AID Documentation retained in Freetown there is some evidence of confirmation of budgets allocated to the Tax Department by the Government of Sierra Leone. Apart from this there is no further AID record showing in what manner the Tax Department has responded to its commitment of financial inputs to the value, over the course of the project to \$220,000.
- 6.38 On initial request the Tax Department were not able to produce financial data already prepared for any year of the project.
- 6.39 It might be expected that an apparent lack of interest on the part of AID for the necessity for the Tax Department to present their documentation on a timely basis, could encourage a view point that AID was not unduly concerned in this matter.
- 6.40 The discipline of identifying expenditure and value of inputs made by the GOSL clearly did not have a high priority with the Tax Department.
- 6.41 The AID advisors have worked within the terms of reference of the Project Grant Agreement and such areas which were not in full operation at the conclusion of the project arose because of the slower rate, than originally anticipated for improvements to be introduced and accepted. Reasons for this have been recorded in the report i.e. shortage of staff, changes in Tax department and Ministry collection procedures as well as those relating to the treatment of so called sensitive tax assessment areas, field audits, legal enforcement and integrity issues which are still to be dealt with. The manner in which these issues are now to be handled is of importance in underwriting the investment already made in the project.

RECOMMENDATIONS

Relative to the tax department

- 7.1 To maintain the momentum already achieved, it is necessary that the role filled by the Senior Technical Advisor, be continued to provide for:-
- 7.1.1 the full implementation of the techniques proposed and introduced by the Senior Technical Advisor;
 - 7.1.2 to monitor its progress, and plan for any adjustment to be carried out in a balanced way having regard to all guidelines, manuals and standard forms in use;
 - 7.1.3 such implementation to take into account the need for continuing training courses to up-grade the level of awareness of the system and the ability to make increasing use thereof;
 - 7.1.4 situations where the system is required to be changed for reasons of policy changes in tax procedures and policies.
- 7.2 Staff must be brought up to full strength in the Tax Department. In this respect:-
- 7.2.1 where constraints apply in regard to the recruitment of suitable personnel, recourse should be made to attracting personnel from other departments or agencies of Government;
 - 7.2.2 where there are problems in obtaining the right calibre of staff for taxation affairs, consideration should be given to relieving existing trained staff from non tax administrative work. Such work can be carried out by trained administrators, particularly in staff and related establishment matters.
- This would polarise the Tax Department into the major taxation (revenue) section and a supporting non taxation section.
- 7.3 The recommendations and proposals made by the Senior Tax Advisor as detailed in Appendix 12 should without delay be

7.3.1 implemented, or

7.3.2 revised to provide for the controls planned for.

7.4 The Department of Income Tax should expect to prepare and submit to the Ministry of Finance, a report, initially on an annual basis, setting forth details of

7.4.1 its achievements, in attaining its objectives;

7.4.2 any constraints militating against the achievement of its objectives;

7.4.3 recommendations in any area of its activities.

General

7.5 For projects of this nature it would be beneficial to provide for the host or recipient of AID services, to be called upon at regular intervals to provide a report on performance as seen from their area of commitment to the project; such report to include recommendations as well as matters of concern, primarily to bring them into the substance of the project, indicating their areas of interest, motivation, and above all participation. The report to be submitted to a monitoring agency of the host country as well as to AID.

7.6 Also where the recipient is obligated to provide support services as well as to meet certain costs, there should be periodically, according to the terms of the project, but certainly annually, a full presentation by that recipient of all costs and disbursements incurred as well as the value, on a pre agreed basis, of all other inputs provided.

This presentation to be supported by an audit and an opinion provided by the Government Auditor of the host country.

7.7 The project should provide also for a final exit meeting at the conclusion of the project.

The participants, being the representative of AID and the counterpart representative of the Recipient of the AID service, who have worked together throughout the project. Additional representatives of both parties attending such meeting as appropriate.

The nature of the meeting to be guided by a pre established format for the meeting covering areas required and recommended by both parties.

The pre arranged format of agenda items to constitute a basic minimum of coverage only, with the ability of either party to include additional agenda items relevant to various aspects and phases of the project as considered useful to permit of the preparation of a joint report.

7.8 The manner in which monthly and other periodic reports are prepared, should be carefully designed to ensure that they relate directly to the project objectives, timetables, and design.

7.9 In regard to training courses and programs, both internal and overseas, it would be useful if two features were promoted.

7.9.1 That a library, containing details of the training courses held, programs, course notes, syllabus etc., should be retained by the Organisation in receipt of AID, providing a basis for reference as well as data to assist in the preparation of further lectures for staff at various levels.

7.9.2 Particularly in respect of courses mounted overseas, that the course provide suggestions, as well as the outline of an appropriate course program or lecture, to be mounted by the course participants on their return, for the benefit of staff, junior or otherwise, who will not attend the course overseas.

EXTRACT FROM THE TAX ASSISTANCE SURVEYDECEMBER 1985 CAPTER XI

But a central fact that underlies all the proposals in this report, as well as others which will come up from time to time, is that unless the Department organizes for improvement, many useful ideas, as in the past, will fall through the cracks for lack of attention.

Therefore, to begin with, the department should place in a single top-level official the continuing responsibility for giving leadership to a management improvement program. If that responsibility remains diffused, even favourably received ideas may die cut because no one office or official takes or has the time or responsibility to follow through. That is why a single office in the department - the office of the Deputy Commissioner (Management) - has been suggested in Chapter IV as the point at which that responsibility should be focused. This would give the management improvement process the identifiable status it should have in a dynamic organization conducting an operation as crucial as collecting the nation's taxes.

The Deputy Commissioner (Management) would, always in close collaboration with the other Deputy Commissioners and their officials:-

- Assemble suggestions originating from within as well as from without the department.
 - Incorporate them into a single department-wide plan.
 - Set up individual projects for ideas which seem practical.
 - See that an official responsible for evaluating and developing each project is designated;
- and
- Report periodically to the Commissioner on progress being made.

The point should be emphasized that management would not do these things on its own. Generating ideas and doing the follow-up work would be done through, and mostly by, the various Deputy Commissioners and their people. The role of the Deputy Commissioner (Management) mainly would be to pull the whole thing together, into a single plan, and to follow through to make sure that something is being done about projects.

Many of the projects developed under a management improvement plan could be implemented under the Commissioner's existing authority. Others obviously would require approval or support by the Ministry of Finance, or higher levels, including Parliament in some instances.

SUMMARY OF THE RECOMMENDATIONS TO THE END OF TOUR REPORT OF THE SENIOR TAX ADVISOR

"There is still much to be accomplished"

1 (a) Delinquent Tax payers continue to pyramid accounts

The Department needs to carefully look at their accounts with a view to purifying them.

To do so will require a joint effort between the collection function and the assessment function.

Because the system calls for 100% annual audits.

Every taxpayers who has ever established an account will be assessed every year.

It is known that many of the TPs are no longer in business, deceased or out of the country.

Yet assessments are made on these same TPs year after year. Procedures for the purification of these accounts are outlined in the New Collection Manual.

(b) Discussed with the Deputy Commissioner of Income Tax (Collection and Assessment), the establishment of a Records and Control Unit

Designed to control cash flow, and retained the integrity of the system. This will force the Department to pin point responsibility to individuals rather than the "pool" concept, where one is unable to determine who worked the case.

(c) The development of an Internal Audit Section not necessarily incumbent on budgetary support from the Ministry.

The Commissioner can set up a team within the organisation.

Such a function will determine if there is an integrity problem or a training problem.

- (d) Training emphasis to be placed in on going classes to train new personnel and to train all personnel in new techniques.
- (e) Files maintenance. This include securing of files in areas not readily accessible or if accessible to an authorised few.
- (f) The department needs to project annually its expectation of all operations. A plan of action should be required from all department heads as to how he/she plans to operate his/her section during the year.

The Commissioner must hold these persons responsible for these operation projections.

- (g) Supervision. This area has improved particularly by those who have had external training.

Room for improvement.

Supervisors need to be more involved in all work activities doing spot checks.

Working in the development of personnel within the group identifying potential supervisors giving them more challenging assignments rewarding those who do more than their ordinary share of work.

Sources of Material

- A A Tax Assistance Survey (Report on Tax Administration in Sierra Leone December 1975)
- B Project Paper and Annex IRS Project (636 0108) of 31 March 1978
- C The Contract Loan Agreement and Amendemnts thereto
- D Interim Project Evaluation report of June 1981
- E Mid Project Evaluation Report dated 31 December 1981
- F Sundry monthly and quarterly reports of Project progress, prepared by the Senior Tax Advisor, Milton D Clark
- G End of Tour Report October 1983 prepared by Milton D Clark
- H Sundry Files of US AID, Freetown relating to disbursements
- I Sundry Files of the Tax Department
- J Sundry Files of the Tax Department of Pannell Kerr Forster, Chartered Accountants
- K Sundry Financial and Statistical data of the Government of Sierra Leone