

Fostering Accountability

Sub-National (Local Government) PEFA
Assessment in Tanzania

Rorya District Council –Final Report

July 2016

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Acronyms

Acronym	Definition	Acronym	Definition
ACGEN	Accountant General	LGFM	Local Government Financial Memorandum
AFROSAI	African Organisation of Supreme Audit Institutions	LGLB	Local Government Loans Board
AFS	Annual Financial Statements	LGRP	Local Government Reform Programme
AIDS	Acquired Immune Deficiency Syndrome	LGUA	Local Government (Urban Authorities) Act
ALAT	Association Local Authorities of Tanzania	LLG	Lower Level of Government
ASDP	Agriculture Sector Development Programme	LPO	Local Purchase Order
CAG	Controller and Auditor General	MDA	Ministries, Departments and Agencies
CBO	Community Based Organization	MoF	Ministry of Finance
CDCF	Constituency Development Catalyst Fund	MSD	Medical Store Department
CDG	Capital Development Grant	MTEF	Medium Term Expenditure Framework
CFR	Council Financial Reports	NA	Not Applicable
CHF	Community Health Fund	NAOT	National Audit Office of Tanzania
CIA	Chief Internal Auditor	NHIF	National Health Insurance Fund
CMT	Council Management Team	NMB	National Microfinance Bank
COFOG	Classification of Functions of the Government	NR	Not Rated
DASIP	District Agriculture Sector Investment Programme	NRWSSP	National Rural Water Supply and Sanitation Programme
DC	District Council	NWSDP	National Water Sector Development Programme
DED	District Executive Director	OSR	Own Source Revenue
DFID	Department for International Development	PAA	Public Audit Act
DPLO	District Planning Officer	PCCB	Prevention and Combating of Corruption Bureau
EGPAF	Elizabeth Glaser Pediatric AIDS Foundation	PEDP	Primary Education Development Programme
GDP	Gross Domestic Product	PEFA	Public Expenditure and Financial Accountability
GFS	Government Finance Statistics	PETS	Public Expenditure and Tracking Survey
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	PFA	Public Finance Act
GOT	Government of Tanzania	PFM	Public Financial Management
GPG	General Purpose Grant	PFMRP	Public Financial Management Reform Programme
HCMIS	Human Capital Management Information System	PMG	Paymaster General
HIV	Human Immunodeficiency Virus	PMO	Prime Minister Office

HLG	Higher Level of Government	PMORALG	Prime Minister Office- Regional Administration and Local Government
HoD	Head of Department	POPSM	President Office-Public Sector Management
HRO	Human Resource Officer	PPA	Public Procurement Act
HSBF	Health Sector Basket Fund	PPAA	Public Procurement Appeals Authority
IAF	Internal Auditor's Office	PPP	Public Private Partnership
IAG	Internal Auditor General	PPR	Public Procurement Regulations
IASB	International Accounting Standards Board	PPRA	Public Procurement Regulatory Authority
IAU	Internal Audit Unit	PSM	Public Sector Management
ICT	Information and Communication Technology	PwC	PricewaterhouseCoopers
IFA	International Federation of Accountants	RAM	Regularity Audit Manual
IFMS	Integrated Financial Management System	RAS	Regional Administrative Secretariat
IIA	Institute of Internal Auditors	RCMIS	Revenue Computerised Management Information System
IMF	International Monetary Fund	RWSSP	Rural Water Supply and Sanitation Project
INTOSAI	International Association of Supreme Audit Institutions	SAI	Supreme Audit Institution
IPSAS	International Public Sector Accounting Standards	SDU	Service Delivery Unit
ISA	International Standards on Auditing	SEDP	Secondary Education Development Programme
ISSAI	International Standards of Supreme Audit Institutions	SWOT	Strengths, Weaknesses Opportunities And Threats
KRA	Key Result Areas	TACAIDS	Tanzania Commission for AIDS
LAAC	Local Authorities Accounts Committee	TASAF	Tanzania Social Action Fund
LAAM	Local Authorities Accounting Manual	TB	Tender Board
LGA	Local Government Authority	TCI	Confederation of Tanzania Industries
LGAM	Local Government Accounting Manual	TIN	Tax Identification Number
LGCDG	Local Government Capital Development Grant	TRA	Tanzania Revenue Authority
LGDA	Local Government District Authorities Act	TZS	Tanzania Shilling
LGFA	Local Government Finance Act	USD	United States Dollar
		VAT	Value Added Tax

Fiscal Year	1 July to 30 June
Exchange rate	1 USD= 2019 Tanzanian Shilling (4th of June, 2015) Symbol “TZS” indicates Tanzania Shillings and “USD” indicates United States Dollar

Financial Period Assessed	2011-12 to 2013-14
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1. Summary Assessment

1.1. Overview of Ratings

Table 1: Overall ratings

Summary Ratings		
Performance Indicators	Description	PEFA 2015 rating
HLG-1	Predictability of transfers from a Higher Level of Government	NR
A. PFM Out-Turns: Budget Credibility		
PI-1	Aggregate expenditure out-turn compared to original approved budget	D
PI-2	Composition of expenditure out-turn compared to original approved budget	D+
PI-3	Aggregate revenue out-turn compared to original approved budget	D
PI-4	Stock and monitoring of expenditure arrears	NR
B. Key Cross-Cutting Issues: Comprehensiveness and Transparency		
PI-5	Classification of the budget	C
PI-6	Comprehensiveness of information included in budget documents	C
PI-7	Extent of unreported government operations	B
PI-8	Transparency of inter-governmental fiscal relations	D
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C
PI-10	Public access to key fiscal information	C
C. Budget Cycle		
(i) Policy-Based Budgeting		
PI-11	Orderliness and participation in the budget process	C+
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting	D+
(ii) Predictability and Control in Budget Execution		
PI-13	Transparency of taxpayer obligations and liabilities	D+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D
PI-15	Effectiveness of collection of tax payments	D+
PI-16	Predictability in the availability of funds for commitment of expenditures	D
PI-17	Recording and management of cash balances, debt and guarantees	C
PI-18	Effectiveness of payroll controls	D+
PI-19	Competition, value for money and controls in procurement	D+
PI-20	Effectiveness of internal controls for non-salary expenditure	D+

Summary Ratings		
PI-21	Effectiveness of internal audit	C+
(iii) Accounting, Recording and Reporting		
PI-22	Timeliness and regularity of accounts reconciliation	B
PI-23	Availability of information on resources received by service delivery units	B
PI-24	Quality and timeliness of in-year budget reports	C+
PI-25	Quality and timeliness of annual financial statements	B+
(iv) External Scrutiny and Audit		
PI-26	Scope, nature, and follow-up of external audit	C+
PI-27	Legislative scrutiny of the annual budget law	D+
PI-28	Legislative scrutiny of external audit reports	C+
D. Donor Practices		
D-1	Predictability of Direct Budget Support	NA
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	NA
D-3	Proportion of aid that is managed by use of national procedures	NA

**NR signifies indicator has been assessed but not rated due to no/insufficient documentation or information provided to the PEFA team, "NA: Not Applicable" implies that the PFM transaction/system/process required for the assessor to assess the indicator/dimension does not exist in the LGA.*

1.2. Context of the assessment- Data issues

The variation in data between various source documents referred to in some detail in this assessment is an area of concern. While the basis of compilation of each document is standardized and well established, reconciliation of different figures from documents such as the MTEF, the National Budget, the Audited Annual Financial Statements and others quoted by relevant departments and ministries proved to be challenge. However it needs to be mentioned that this phenomena does not apply to this LGA alone but to all the LGAs assessed as a part of the current assignment.

Summarized details of the data issues and the solution adopted for this report are provided in Annexure.1, which are within the stipulations of the PEFA framework and the related instructions in the PEFA Field Guide. It may be mentioned that the PEFA assessment of seven LGAs in 2006 had also referred to enormous variability in numbers between certain key financial documents. In addition to this, for certain indicators, relevant information for rating is yet to be made available. Therefore, such indicators/dimensions have not been rated for the purpose of this assessment.

1.3. Integrated Assessment of PFM performance

Rorya DC has been able to take advantage of the existing institutional structures for PFM in Tanzania to operate in a challenging environment. These structures include a defined legal and regulatory environment for PFM; well understood planning and budgeting framework; operations through EPICOR - the Integrated Financial Management System; accounting statements drawn up in line

with IPSAS and the national requirements and audited by the Controller and Auditor General (CAG), an independent oversight authority. The Council Officials, in general, are aware of policies and procedures as well as expectations. Our assessment has also shown that the LGA relative to other areas of PFM has performed well in transparency, classification of budget (allowing analysis as per the development objectives of the Council), and accounting. However, some critical challenges remain. Out of these, some are within LGA's control and while others are extraneous but affecting its operations.

The budget credibility in Rorya District Council is low. There are large variations in revenue realisation as well as expenditure outturn. This is due to various factors such as (i) low predictability of central government transfers (ii) weak planning processes (iii) ineffectiveness in revenue administration systems (iv) weak internal controls and reporting (v) lack of follow-up to external audit recommendations.

A summary of the key high level weaknesses observed by the Assessment Team and their main causes appear in Annexure.2. The summary also presents the inter-linkages between them as also the agencies having policy, supervisory or oversight responsibilities related to such deficiencies which are therefore to that extent not within the control of the LGA. The most important of PFM weaknesses in Rorya DC are discussed here.

Predictability of Fund Flows

The dependency of Rorya DC on the funds transferred by the Central Government was nearly 96% of its total inflows in 2013-14. The uncertainties in their timing and actual availability is a serious impediment to the overall planning and budget execution process at the LGA level. These uncertainties in cash flows also impacts commitment controls which is further aggravated by lack of any reliable information on payment arrears.

Quality of Budgeting

While budgeting processes have been formalised, instructions to LGAs are received much after the actual processes have begun on the ground. Much of the groundwork for budgeting at grassroot levels is based on ceilings of the previous year which have to be reworked once the final ceilings are available after discussions at the departments/ministry concerned. Forward planning and estimates are distorted due to the propensity of extrapolating the past figures into future years through the MTEF and the projections do not appear to be taken seriously thereby undermining structures for medium term fiscal planning. Even though revenue forecasting performance has been relatively satisfactory as compared with other LGAs with lesser volatility between planned and actuals, the uncertainties in the tax base for critical items such as produce cess coupled with the absence of a credible system for recording tax receivables and arrears on a comprehensive basis show weaknesses in the underlying systems for revenue which need to be handled to ease the over dependence of the LGA on central finances.

Controls over Budget Execution

The commitment controls systems are in disarray in spite of availability of EPICOR, the accounting system that can accommodate ceilings to pre-empt expenditures beyond budgets. This is because of purchase orders that are raised outside the system. The comments on under-booking of liabilities by

the CAG as a part of his qualifications on the accounts and grave internal control weaknesses in transaction processing and authorisation processes discussed in this report does not give the required degree of confidence on overall systems of execution control.

Accountability Structures and Internal Controls

Though overall accountability structures are well established for LGAs in general, there are several areas of concern in Rorya DC referred to by both the internal auditors as well as the CAG. These relate to compromise of basic financial controls in critical areas such as lack of authorisation of expenditure. The lack of a complete tax registration system and failure to account for all receivables show the need for strengthening internal systems in these areas. The failure of the Audit Committee to meet in this context is an area of key concern. Absence of a structured system of follow-up of audit observations reflects the general weaknesses in overall accountability structures related to PFM functions.

Credibility of the Budget (PI 1-4 & HLG-1)

Local Governments' dependence on the Central Government fund transfers is high in Tanzania. The per capita income of Rorya DC is nearly 1/10th of the national per capita income. This leads to low revenue base for the Council. In 2013-14, the Council earned 96.5% of its total revenues from the Central Government grants.

The total Central Government transfers were lower than budgeted in all of the last three years (31%, 2011-12; 37%, 2012-13 and 20%, 2013-14). On own revenue side, unrealistic forecasts combined with lack of effort by the LGA to raise revenues (as highlighted by CAG) lead to low collections in the last three years. In 2012-13 and 2013-14, actual own source revenue collection was 22% and 27% of the budget respectively which further reduced the resource availability. Apart from the lack of resources to spend, issues such as staff shortages, lack of heads of departments, delay in project execution impacted budget execution. The LGA was able to spend on an average only 3/4th of the budget during the last three years. The LGA could improve its performance in 2013-14 from expenditure outturn of 60% in 2012-13 to 77% in 2013-14. However, this was possible since the budget size was reduced in 2013-14 (by 11%) relative to 2012-13.

The impact of poor own source revenue collection and the Central Government transfers were also seen in changing priorities of the LGA during the financial year. The compositional variance of expenditure was 17%, 32%, 15% in 2011-12, 2012-13, and 2013-14 respectively.

In case the government entity excessively delay payments to the creditors, the aggregate expenditure outturn compared with original budget may not reflect the actual credibility of the budget. Therefore, the monitoring of expenditure arrears is essential to assess the budget credibility. Reliable data on expenditure arrears in the LGA are not being collected. The expenditure arrears have been clearly defined by the GoT in December 2014. Payables as on 30th of June 2014 were 11.3% of the total expenditure.

Comprehensiveness and Transparency (PI 5-10)

Rorya DC has moved towards Government Finance Statistics (GFS) 2001 based classification of the Budget. This allows the Council to discuss the proposed budgetary allocations taking into

consideration the development objectives. CAG has noticed some anomalies in application of the GFS codes in case of Rorya District Council. There is also no clear evidence of functional classification in line with Classification of the Functions of the Government (COFOG).

All funding for donor projects is routed through the Central Government. LGAs do not have any direct responsibility, administrative or financial, for any autonomous government agency or public enterprise. Some of the key fiscal information is available for public access such as annual budget and procurement contracts but there is a scope for improvement.

Policy based budgeting (PI 11-12)

Though a clear budget calendar is issued by the Central Government for adherence by the LGA and compliance timelines are tightened for timely budget presentation to the Parliament, the present systems allow budgets to be prepared and approved by the Council without consideration of the ceiling requirements for the financial year. The late receipt of ceilings for the budget year from MoF necessitates wide revisions to the originally prepared budget and apart from contributing to uncertainty in the entire process, also makes it rushed.

Linkages between grass root planning processes, budgeting and medium term expenditure forecasts are unstructured and weak. Though there are clear guidelines for MTEF preparations, based on available feedback during our discussions at Rorya DC, we understand this has often become an academic activity of extrapolation of figures.

As a consequence, in spite of overlap in the years of coverage in an MTEF, forward year forecasts are not taken as the basis for budgeting but rather the approved budget of the preceding year. It is therefore, also not surprising that linkage between investment budgets and forward expenditure estimates are fragile.

There is a strategic plan reflecting the development priorities of the LGA. However, there is no costing of interventions in the Strategic Plan. However, we were informed that at present, there were no legal/administrative requirements specified in Tanzania for such detailed costing of sector strategies by the LGAs.

Predictability and control in budget execution

Revenue Administration Systems (PI 13-15)

Based on the GFS (2001) manual, the relevant sources of revenue which can be classified as taxes for Rorya DC are (i) Service Levy and (ii) Tobacco cess and other produce cesses. The LGFA (1982) defines the nature of taxes and other revenues of the LGAs. This is to be supported by LGAs' own bylaws. Service levy, which constituted on average nearly 6% of total own revenues of the Council in 2011-12 to 2013-14, is governed by Local Government Finance Act, 2002 and local byelaw called "By laws of Service Levy for the Rorya District Council, 2011". Though full council meetings as well as Ward Executive Officers endeavour to inform taxpayers on the nature of taxes, levies, lack of focused efforts and absence of any dedicated information desks are setbacks in improving general low awareness levels of the nature and nuances of each tax and their methods of collection.

The Council has a manual database of service levy. But it is not linked to any other databases such as business license for better monitoring of tax compliance. Rorya DC by law states that in case the

service levy collector feels that the financial returns do not reflect the true picture, he/she can assess the liability using their own judgment (Clause 12 (ii) b of the Byelaw). This makes the collection of service levy somewhat discretionary. The revenue collected under service levy, tobacco produce cess and other produce cesses once collected is transferred to treasury on an average within a week. The Council collates tax arrears only relating to revenue sources for which collection agents are responsible. Therefore, under service levy and tobacco cess, no reconciliation is done among tax assessments, collections, and arrear records. However, reconciliation between tax collected and amount transferred to treasury is done on monthly basis.

The legislative framework does not provide for any penalty for non-registration with the district council, but there are penalties for declaration obligations. However, in light of other control weaknesses in tax collection as well as CAG observations on lack of effort by the DC raises doubts over effectiveness of these measures.

A quick comparison of actual against budgeted tax collections indicates that there has been a high volatility of collections over the last 3 years. On an aggregate basis (excluding land rent), collections against budget were 63%, 19% and 38% for years from 2011-12 to 2012-13 and 2013-14 respectively. The overall situation is complicated further with the absence of any independent tax appeals mechanism in the Council.

Internal control systems (PI 16- 21)

Cash and debt management (PI 16-17): Central Government transfers constitutes significant portion of Rorya DC's revenues. No information on expected periodic transfers from the Central Government is shared with the District Council. The general uncertainty in the availability and timing of cash flows, therefore, makes any credible cash forecasting a difficult task. There are no cash flow plans of the District Council at the start of the financial year. The District Council also is not in a position to provide in-year information on ceilings to departments for expenditure commitments. Information on in-year adjustments during the year is not available.

From the assessment, the team confirmed that Rorya DC had a debt of 0.1% of its total liabilities which is negligible. Large number of bank accounts that were used previously were later consolidated to seven accounts only. End year balances for each account is available in the AFS.

Payroll Controls (PI-18): With the implementation of Human Capital Management Information System (HCMIS) payroll systems have improved. The Central Government has conducted a major Payroll cleaning Exercise through which substantial leakages have been corrected. However, there are some areas which still need to be strengthened. The internal controls over the payroll are still weak although the Paymaster General (PMG) had issued the circular requiring all internal auditors to indicate the status of implementation of previous audit recommendations (both CAG and Internal Audit). There are cases of pending arrears related to promotion or new hires. The absence of documented verification at LGA level on changes made to the personnel database and the absence of focused periodic payroll audits reflect the absence of suitable oversight mechanisms in this important functional area.

Procurement (PI-19): Although 90% of the procurement is done through competitive bidding, the CAG reported instances where the Council violated procurement laws. There was no clear indication of the required justification where alternative methods of procurement were adopted. With the implementation of the Public Procurement Act 2011 , Public Procurement Regulation 2014, and Local

Government Authorities' Tender Boards (Establishment And Proceedings) Regulations, 2014 (LGA TB), the legislative framework has significantly strengthened. Transparency in public procurement at the LGA level appears to be broadly in line with the requirements of the Regulation. Procurement notices are published on the Council's notice boards as well on the Public Procurement Regulatory Authority's (PPRA's) website. However, the appeal mechanism needs to be improved.

Other Internal Controls (PI-20): Effective commitment control through budgetary ceilings cannot be implemented due to cash rationing with cash limits being fed into the EPICOR system on notification of actual fund releases obtained from the Central Government. Though this helps expenditures to be booked in line with available cash, there are distortions in practice due to local purchase orders being raised manually outside the EPICOR system. The internal audit reports as well as CAG audit reports have referred to weaknesses resulting in inadequacy of documentation and records and improper authorization of expenditure. Overall operational controls therefore appear to be requiring appreciable improvements considering the nature of deficiencies observed by the auditors.

Internal Audit (PI-21): The quality of the internal audit has been strengthened through ongoing capacity building initiatives by the Local Government Audit Section at the Internal Auditor General (IAG) Office. Internal audit in Rorya DC is conducted as per the annual risk based audit plan. The Internal Auditor prepares quarterly audit reports and submits these to the auditees, the CAG and the Internal Auditor General. The time allocation for internal audit is planned according to days being planned for audit of various projects, transactions and activities. Audit of bank reconciliations and visit to service delivery units take place on an ongoing basis. It was difficult to segregate the age of past pending issues as the internal audit reports gave no indications on recommendations that had been implemented from the previous year.

Accounting, Recording and Reporting (PI 22-25)

Rorya DC has seven active bank accounts. Bank reconciliations are performed on all bank accounts and are available by the 15th of the following month for the previous month. With the exception of Miscellaneous Deposit Cash Account, there is no backlog as bank reconciliations were complete up to the month of February 2015. There were no unresolved differences between the Council's cash account and the bank statements for all the seven accounts. There are no significant accounts with recoverable balances existing for more than one year.

Information is available at the Council level in terms of resources (both cash and in-kind) that are transferred to the lower level service delivery units. However, the accounting systems do not capture all the information at the individual service delivery unit level since each unit of the service delivery is not defined as a cost center. Quarterly reports are available for health, primary and secondary education expenditure.

The EPICOR system is not fully operational in Rorya DC. Although the information for preparing financial reports is generated through EPICOR, the final reports are prepared manually on Microsoft Excel. The report provides information on actual expenditure as well as the revenues collected for the month as well as cumulatively. Information on commitments is not provided in the report. The reports are in line with GFS 2001 classification used for the annual budget. These reports are prepared on a monthly basis for discussion by the Finance Committee and consolidated on a quarterly basis for discussions by the Full Council.

Rorya DC prepares its AFS, as confirmed by the CAG, based on the International Public Sector Accounting Standards (IPSAS) and the provisions of the LGFA. Para 31(3) of the LGFM prescribes the composition of the AFS. The external audit reports showed Rorya DC to be generally in compliance with IPSAS accrual basis of accounting resulting in an unqualified opinion for FY 2013-14 and FY 2011-12. The Council however received a qualified opinion in FY 2012-13. The nature of the qualifications has been discussed in the detailed assessment report.

External Scrutiny and Audit (PI 26-28)

The Laws and Regulations governing external audit includes The Constitution of Tanzania, the LGFA 1982, Public Audit Act 2008 and Public Audit Regulations 2009. The external audit of the LGA covers a financial audit as well as the review of internal control systems. The CAG observations on the control weaknesses are provided in the Management Letter to the Council's Executive Director. The external audit employs a risk based approach and uses systematic sampling to cover transactions in such a way as to cover major as well as other areas. The National Audit Office is a member of the International Organisation of the Supreme Audit Institutions (INTOSAI) and adheres to international auditing standards. The emphasis of the audit is financial in nature and performance audit per se is yet to start on a noticeable basis. Responses to management letters are available but evidence of systematic follow up is absent as evidenced by comments provided and repeat comments in subsequent years.

Whilst there is evidence that the Finance Committee and Full Council reviews CAG's audit report, there was no evidence of the review of budgets and financial statements. Furthermore, the time available for approval of the budget by the Finance Committee appeared to be very short and it was not clear whether informal deliberations preceded such formal approval.

Scrutiny of external audit findings by the Audit Committee is weak. The repetitiveness of the nature of comments made by the CAG reports and delays in acting on Local Authorities Account Committee (LAAC) recommendations are pointers to the general deficiencies in follow up mechanisms and operating internal controls in this area.

1.4. Assessment of the Impact of PFM weaknesses

Fiscal discipline

Overall, fiscal discipline is maintained by the LGA due to planning for balanced budget and the presence of well-established structures for in-year budgetary controls. However, specific risks remain due to (i) poor recording/ monitoring of arrears; (ii) carrying out transactions outside EPICOR by raising local purchasing orders manually; and (iv) inability to undertake cash forecasting due to the uncertainties in fund flows and high dependence on funds from central government.

Strategic allocation of resources

In spite of the existence of comprehensive budgeting guidelines, a policy based system of formula based fund transfers and an IFMS to record and report on resource flows, strategic allocation is undermined due to: (i) lack of a medium term perspective in planning and budgeting, (ii) absence of annually updated, well defined and costed sector strategies, (iii) weak integration of recurrent and

investment costs for capital projects, and (iv) uncertainties related to the implementation of rule based transfers of resources on which the LGAs are substantially dependent

Service delivery and value for money

Regular reporting by service delivery units and use of open procurement methods contribute to efficient service delivery. However, the following factors deter achieving value for money (i) inadequate dissemination of information on key fiscal information to public, (ii) sub-optimal follow-up on audit observations, (iii) non-compliance to internal control rules and regulations, and (iv) lack of transparency in devolution of funds to lower levels of government (LLGs).

1.5. Prospects for Reform Planning and Implementation

The genesis of the current reform environment at the local government level can be attributed to the Government of Tanzania's 1998 Policy on Local Government Reform which led to the roll-out of the Local Government Reform Programme (LGRP) in the same year. This Programme was supplemented with another large scale reform initiative – the Public Finance Management Reform Programme (PFMRP) – which targeted improvements in the overall PFM systems and practices in the country to increase effectiveness and efficiency in public spending and included LGAs in its ambit. The first three phases of PFMRP (1998-2011), have succeeded in introducing and institutionalising international good practice tools in budgeting, accounting, monitoring and reporting and procurement, amongst others, across all levels of the Government.

Phase IV of PFMRP is currently in its fourth year of implementation and is scheduled for completion at the end of the next financial year (i.e. June 2017). With the successful enactment of the new Value Added Tax (VAT) Act and the Budget Act, notification of the Public Procurement Regulations and preparation of a 5 year plan for migration towards the International Public Sector Accounting Standards (IPSAS) accrual accounting amongst its other achievements, the Programme appears to be overall on track in completing the identified outputs under its key result areas. A special component (key result area 6) focussing on PFM Reforms in LGAs was introduced under PFMRP IV in its third year of implementation. This component includes various activities for roll-out in LGAs targeting improved (i) resource allocation, planning and budgeting, (ii) budget execution and financial reporting, and (iii) oversight and financial accountability.

GoT and implementing agencies at all levels have demonstrated commendable ownership and commitment in roll-out activities, as is evidenced by the findings of the Mid Term Review of PFMRP IV as well as by the Joint Supervision Mission for PFMRP held in Sept-Oct 2015. Progress in the LGA component of reforms has been found to be good with most of the milestones being on track. However, some of the key challenges faced in effective roll-out of reforms include (i) inadequate capacity amongst existing staff and widespread vacancies across key positions in the implementing agencies, (ii) existence of multiple financial systems for recording, accounting and monitoring of fiscal data, (iii) constrained financial autonomy of the LGAs due to the continued and significant dependence on grants from the Central Government, and (iv) delay in counterpart disbursement from the Government for PFMRP leading to a delay in completion of programme activities.

2. Introduction

2.1. Objectives

The Government of the United Republic of Tanzania (the GoT) has rolled out several initiatives in recent years targeted at improving the public financial management (PFM) systems in the country. Key reforms in this area were introduced as part of the Public Financial Management Reform Programme (PFMRP) which was kicked off in 1998. The Programme is currently in its fourth phase, with some of the programme targets also relating to systems at the local government level. With the support of European Commission, GoT conducted a Public Expenditure and Financial Accountability (PEFA) assessment at the Central Government level in 2013. The assessment revealed that significant progress had been made in PFM systems, largely reflecting the impact of the PFMRP. Some issues were also highlighted that directly impact the credibility of the budget such as fiscal risks to the budget posed by some public sector enterprises; and weaknesses in non-salary internal control systems. The Government is currently implementing the PFM action plan drawn to address these issues identified in the PEFA assessment for the Central Government of Mainland Tanzania.

Local Government Authorities (LGAs) have become increasingly important both from public service delivery perspective as well as magnitude of resources spent at that level. A fiduciary assessment of local government public financial management systems was undertaken for selected LGAs in 2006. The assessment was conducted in the following seven councils: (i) Arumeru District Council; (ii) Rombo District Council; (iii) Mtwara-Mikandani Town Council; (iv) Muleba District Council; (v) Karatu District Council; (vi) Bagamoyo District Council; and (vii) Mwanza City Council.

Some of the key issues outlined in the assessments included, among others, the following:

- Poor predictability of fund flows
- Lack of commitment controls
- High variations in budgetary performance
- Data integrity
- Poor quality of bank reconciliations
- Limitations in monitoring of fiscal risks
- Lack of public access to key fiscal information

As a consequence of that assessment, a second phase of Local Government Reform Programme (LGRP II-2009-14) was initiated at the local government level by the GoT. In parallel to the LGRP, and as part of wider efforts, the GoT recently, with support from development partners, has taken the reform agenda forward with the PFMRP Phase IV. In 2013-14, an additional component (Key Result Area (KRA) 6: LGA Reform Sub Programme) targeted towards local governments was added. The Component is entirely funded by Department for International Development (DFID). The Sub-Programme includes strengthening PFM systems in 10 regions (67 LGAs), Prime Minister's Office-Regional Administration and Local Governments (PMO-RALG, the nodal ministry for local governments) and other relevant MoF institutions. DFID has also procured technical assistance comprising of 7 staff to render PFM related technical support and advice to PMO-RALG and Regional Administrations/LGAs. The component caters to:

1. Strengthened capacity of local government authorities to collect revenue by 2015;
2. Strengthened capacity of LGAs for Medium Term Expenditure Framework (MTEF) preparation by 2015;
3. LGA and Lower Level of Government (LLGs) receive 40% of development budget allocation within five months of financial year and 90% of development budget within 10 months of financial year by June 2017;
4. Own revenue mobilization by LGAs doubled in three years by June 2017;
5. PFM capacity of Regional Administration strengthened;
6. Budget execution by LGAs improved by June 2017;
7. Improved financial reporting by LGAs by June 2017;
8. 95% of LGAs get unqualified opinion from CAG by June 2017;
9. 80% of LGAs meet benchmarks set by Internal Auditor General (IAG) by June 2017;
10. Fraud prevention and anticorruption measure undertaken; and
11. Key fiscal information made available in public domain.

As a part of the on-going reform agenda for LGAs, the GoT with financial assistance from the German Development Bank (KfW), has decided to undertake a local government PEFA assessment covering twelve (12) LGAs. This report is for Kigoma Ujiji Municipal Council. This is the first assessment of Kigoma Ujiji MC using PEFA methodology. The financial assistance for this PEFA exercise is provided through KfW from a special fund by the German Ministry for Economic Cooperation and Development.

As outlined in the Terms of Reference, the overall objectives of this assignment are to:

1. Provide a quantitative and qualitative analysis of the PFM performance of twelve (12) LGAs in Tanzania in accordance with the PEFA Performance Measurement Framework and associated Sub-National (SN) guidelines identifying the following:
 - a. Any specific strengths and weaknesses at each of the individual LGAs;
 - b. Any clear patterns or trends which are common across the selected LGAs.

It should be noted that apart from the 31 performance indicators, the sub national guidelines include an additional indicator – Higher Level of Government (HLG)-1 on predictability of transfers from a Higher Level of Government which will be applicable to the LGAs to be covered as part of this assignment.

2. Describe clearly the weaknesses that are attributable to the specific LGA and those that can be attributed to the Central Government. These constraints and weaknesses can then be incorporated as one input into specific reforms at the Local Government level and as one input into reform planning at the Central Government level.

2.2. Process of Preparing the Report

The coordination for this assessment has been done by GoT through the Ministry of Finance (MoF) as it did for the national level assessment in 2013. The overall assessment is being managed by the PEFA Task Force Committee who acts as an oversight team of the assessment in the 12 LGAs. The Committee composed of members from the MoF, PMO-RALG and the PFM Development Partners Group (DPG). The PFM DPG is a subgroup under Cluster working group 4 of the DPG main. The

Group's role is to coordinate harmonization and alignment of Development Partner's efforts for effective dialogue with the GoT in the area of Public Financial Management (PFM). PFM DPG is currently co - chaired by DFID and Denmark. The Group comprises of DFID, KfW (German Development Bank) and the World Bank and includes other donors providing technical or financial assistance to PFM reforms in Tanzania. DFID, World Bank and KfW are the three independent reviewers of the PEFA reports besides the government and the PEFA Secretariat.

The assessment was conducted by PricewaterhouseCoopers Limited (PwC), Tanzania in collaboration with PricewaterhouseCoopers Pvt. Ltd., India. The technical leadership for the team was provided by Anjan Kumar Roy (Team Leader) and the other assessors were Bimal Gatha, and Salum Lupande.¹

The MoF has established two counterpart teams comprising in total of six members². Out of these six members, two are from PMO-RALG, two from Regional Administrative Secretariat (RAS), and the remaining two are from LGAs (exclusive of the LGAs assessed under this project).

Field visits to the LGAs were preceded by a project kick-off meeting, stakeholder discussions at the central level and followed up by a training workshop on PEFA methodology contextualized to the local governments. The broad scope of the assignment was finalized in the kick-off meeting. PFMRP Secretariat, MoF played a critical role in facilitating meetings with the concerned stakeholders. These included key officials in PFMRP Secretariat (MoF), the Office of the Internal Auditor General (IAG) together with the National Auditor General Office of Tanzania (NAOT), the Accountant General (ACGEN), the President's Office-Public Service Management (PO-PSM), development partners, and various other departments of the MoF concerning local government budgeting, planning, and payroll. These interactions were followed up by meetings with key staff of PMO-RALG in Dodoma (the capital of Tanzania) to understand the functioning of the LGAs in general and to collect preliminary data and information relevant for the assignment. Thereafter, the consultants organized a two-day training workshop facilitated by PMO-RALG which was attended by representatives from PFMRP, PMO-RALG, RASs, PEFA Task Force, Council Treasurers and Council Accountants and the Counterparts.

In compliance with the PEFA Secretariat's requirements of a balanced PEFA exercise and as required by the terms of reference, the consultants have also held discussions with the Association of Local Authorities of Tanzania³ (ALAT) which is a registered civil society organization, Twaweza and Sikika (non-government organizations operating in the health and education sectors respectively in the Country) and Confederation of Tanzania Industries (TCI) to corroborate and supplement findings from field visits with information from non-state actors.

Field visit to the Rorya DC was carried out on the 9 and 10 March 2015. Subsequently, an individual draft LGA report was prepared and submitted to the following stakeholders for review and comments on 7 August 2015: (i) PEFA Task Force Committee; (ii) PEFA Secretariat; and (iii) three independent reviewers from the PFM Development Partner Group: KfW; DFID; and the World Bank.

¹ The Team was also supported by a technical backstopping group from India and local support staff. This Group was led by Ranee Banerjee who was responsible for quality assurance with technical support provided by Neha Gupta and Mehul Gupta. Martin Kinyaha was the local support staff.

² Counterpart Team Members included Chausiku Nyanda, Dariya J Bajiku, Steven Benedict, Munguatosha Macha, Waziri Ali, Fulgene Luyagaza

³ ALAT is an autonomous membership based organization of all the urban and district councils in Tanzania Mainland

Based on a study of the comments received from stakeholders on the draft report for Rorya DC and consideration of further information and explanations received, a Draft Consolidated Report (DCR) was prepared and submitted on 11 November 2015 containing our findings relating to all the 12 LGAs under this assignment, including our consolidated observations on Rorya DC. This DCR was presented and discussed with the stakeholders at the Verification/Validation workshop held in Morogoro on 17 November 2015 and feedback was obtained at the workshop as well as subsequently. The final draft report for Rorya DC was submitted on 25th April, 2016 taking into account all relevant comments of the LGA, the GoT, independent reviewers and other stakeholders and incorporated the impact of all such comments as appropriate. No follow-up comments on the final draft reports require assessment team's action.

The disclosure of Quality Assurance Mechanism adopted for planning and preparation of this PEFA Assessment Report is shown in Annexure.3. The draft version of the template on the Sub National (LGA) profile was earlier appended to the Draft Consolidated Report submitted on 11 November 2015, as required by the terms of reference for this assignment. The final version of the profile has been included in the Final Consolidated Report.

2.2.1. Methodology

The assessment has been conducted in line with the PEFA PFM Performance Measurement Framework, and associated sub-national guidelines. The Framework includes a set of high level indicators which measures the performance of PFM systems, processes and institutions. These high level indicators are categorized across six core dimensions of an open and orderly PFM system, i.e. (i) Credibility of the Budget, (ii) Comprehensiveness and Transparency, (iii) Policy-Based budgeting, (iv) Predictability and Control in Budget Execution, (v) Accounting, Recording and Reporting, and (vi) External Scrutiny and Audit.

Some of the indicators/dimensions are “Not Rated (NR)” or “Not Applicable (NA)”. When the indicator/ dimension is not rated, available relevant data/information does not allow the assessor to assign a rating to the dimension/indicator. Similarly, “Not Applicable” implies that the PFM system/process required for the assessor to assess the indicator/dimension does not exist in the LGA.

The high level indicator can be single dimensional or multi-dimensional. The overall score to the indicator is based on the assessments for the individual dimensions. The Framework provides two approaches (M1 and M2) for assigning an overall score to an indicator. The assessor has assigned overall ratings in line with the Framework.

Details on the scoring methodology under the PEFA PFM Performance Measurement Framework have been given in Annexure.4 of this final report.

2.3. Scope of the Assignment and Rationale for Sample

The scope of the present assignment is to conduct a PEFA assessment of 12 select LGAs as specified in the Terms of Reference.

This report records the results of our findings of a PEFA assessment of Rorya DC. It does not cover the PFM performance of entities under the Central Government including the ministries, departments and agencies as well as the Regional Secretariat. Any autonomous or semi-autonomous

Public Authorities and Other Bodies (PA&OB) owned by the GoT or the LGA are also excluded from this assessment, as it reflects the performance of the Local Government Authority only.

2.4. Dependency of Rorya DC on the Central Government

The intergovernmental transfers are the largest source of Rorya LGA financing (accounting more than 97% of LGA financing) as shown in Table 2. This reflects high dependency of the LGA on the Central Government funding.

Table 2: Rorya LGA dependency on Central Government, 2010-2013, TZS million

<i>Item</i>	2011-12	2012-13	2013-14
<i>Total revenue</i>	13711	16238	17913
<i>Recurrent grant</i>	10117	11419	12189
<i>Development grant</i>	3310	4581	5105
<i>Total grants</i>	13428	16000	17294
Grants as % of Total Revenues	97.9%	98.5%	96.5%

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)⁴

In addition to the financial dependency of the LGA on the Central Government, there are other Central Government's policies which do impact PFM performance of the LGA. For example, the GoT revised its budget cycle to ensure that the budget is approved by the month of June of the current year as compared with previous practice of approving the budget by the month of August. The budget therefore is now expected to be prepared between August to December of the preceding calendar year as compared to previous practice of preparing the budget between February to March of the current calendar year. With the implementation of new planning and budgeting guidelines issued in the last two years, the budget proposal is finalized by the month of April, put before the Parliament in the month of May and passed in the month of June.

Although it will help in reducing delays of funds transfers to the LGAs, it has implications on the LGA's budget cycle since LGAs need to be able to adjust their budgeting process in line with the Budgeting Cycle of the Central Government. LGAs' budget can only be finalized once the Central Government communicates the approved grants for the ensuing financial year. On the other hand, section 46(1) of the Local Government Finance Act (LGFA) (CAP 290 R.E. 2002) mandates LGAs to approve the budget at least two months before the beginning of every financial year. Therefore, it would be important that the Central Government provides transfers ceilings to the local government in time so that realistic budget proposal is submitted to the Council for approval.

Secondly, one of the key components of the inter-government transfers is Local Government Development Grants (LGDG) from the Central Government. As per the guidelines, the annual resources to be transferred can be finalized only after annual assessment results have been completed. One of the key inputs in these assessments is the previous year's audited financial statements by CAG. However, given the present statutory CAG auditing cycle and budgeting timelines, the annual assessment results may not be produced in time for such grants to be reflected correctly in the budget estimates.

⁴ In 2013-14, audited financial statements do not contain statement on "capital expenditure and its financing." Therefore, the information pertaining to this statement has been sourced from the unaudited financial statement.

Thirdly, with regard to planning, LGAs are mandated to prepare a Medium Term Expenditure Framework (MTEF) on a rolling basis. The credibility of the MTEF is crucially dependent on the forecasts of inter-governmental transfers given by the Central Government. This is significantly important given the share of inter-governmental transfers in total revenues of the LGA as reflected in Table 2 above for Rorya District Council.

3. Country Background

3.1. Country Economic Situation

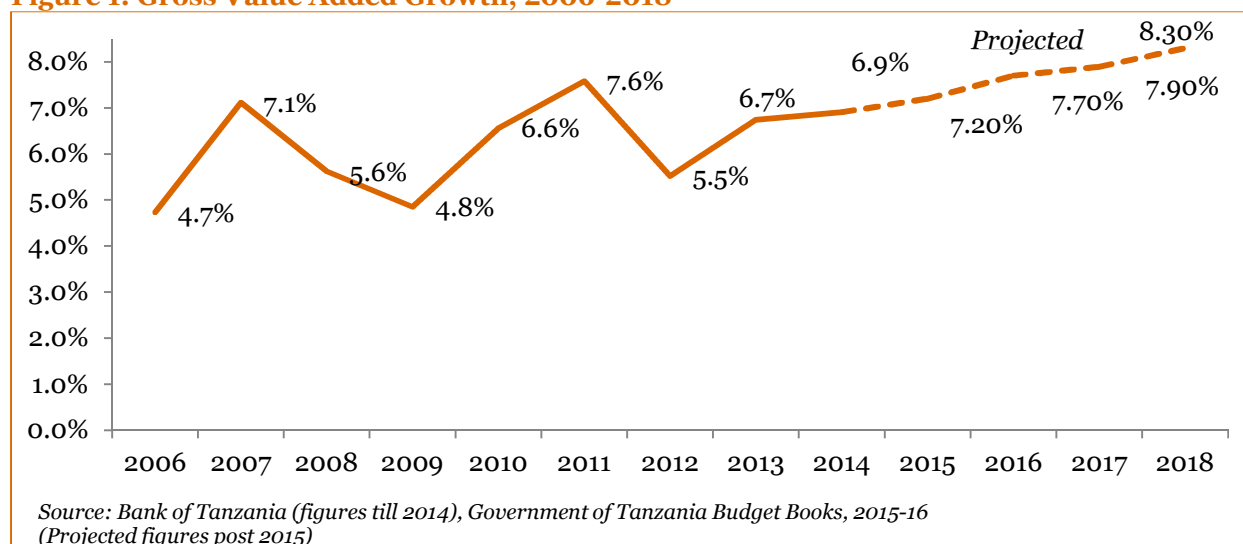
3.1.1. Country Context

The United Republic of Tanzania got independence in 1961. The Country boasts of a long coastline and shared borders with eight countries, five of which are landlocked. It is rich in biodiversity and natural resources, including sizable deposits of natural gas. More than a quarter of Country's territory is protected, leading to one of the largest and most impressive protected areas in the World. The Republic has a history of political stability and a multiparty political system.

Gross value added

Tanzania has made impressive economic growth in the last decade and is expected to transit from “low income” category⁵ to “lower middle income” category in 2015. Figure 1 shows growth rate of Tanzania's Gross Value Added (GVA). The economy has been growing at an average annual growth of 6.2% since 2006 as compared with growth rate of 4.7% for developing countries in Sub-Saharan Africa as a group. As per the Government of Tanzania's projections, the economy is expected to achieve 8.3% growth by 2018. In comparison with its eight bordering countries, Tanzania's performance has been better than Kenya, Burundi, and Malawi. Though economies such as Rwanda, Uganda, Mozambique and Democratic Republic of Congo are growing at a higher rate relative to Tanzania, it should be noted that these economies are at earlier stages of economic development and are therefore, at a smaller base of GVA in comparison with Tanzania

Figure 1: Gross Value Added Growth, 2006-2018



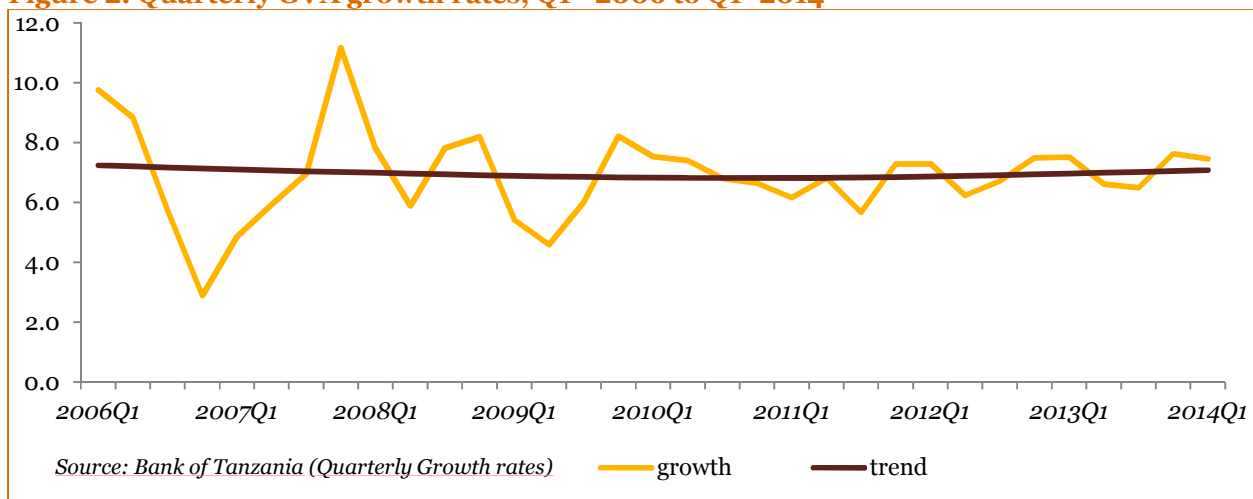
Apart from high growth, Tanzania has also achieved greater economic stability within the year, i.e. quarterly growth rates closely revolve around “trend growth rates (or average sustainable growth rate)”⁶. Figure 2 shows quarterly growth rates for the Country since 2006. It can be inferred that post

⁵ With per capita income of \$1,045 or less, (World Bank)

⁶ The average sustainable rate of economic growth over a period of time estimated through Hodrick-Prescott filter method.

third quarter of 2009, volatility in quarterly growth declined sharply and it closely revolved around the “trend growth rate”. Lower volatility in economic growth improves predictability in government revenues and strengthens the ability of government to implement policy reforms.

Figure 2: Quarterly GVA growth rates, Q1 - 2006 to Q1- 2014



Similar to most developing countries in this era, the economic activity in Tanzania is concentrated in service sector (52% of the GVA, 2014) followed by industrial sector (24% of the GVA, 2014) and agriculture sector (24% of the GVA, 2014). However, the agriculture sector remains the mainstay of the Tanzanians, employing majority of the workforce in the country. Although, the share of the services sector has been growing, the overall economic base of Tanzania has also become more diversified in the last decade. An increase in economic diversification also hints at greater resilience of the economy to withstand external/internal shocks.

Growth inclusiveness

While the Country has managed to sustain economic growth over the years, this trend has not translated into accelerated poverty reduction⁷. The spatial inequalities are high, reflected by significant disparities between rural and urban areas, and between geographical advantaged and disadvantaged regions. Nearly 70% of the population lives in rural areas with rest 30% living in urban areas. Growth has been concentrated in sectors such as telecommunications, financial services, retail trade, mining, tourism, construction and manufacturing. Except for mining, activities in these sectors are largely concentrated in urban areas and are relatively capital intensive (other than construction). The labour intensive agriculture sector has achieved dismal growth in the last ten years. Average growth recorded in agriculture sector during 2005-14 was only 3.8% as compared to 8% and 7% in industrial and services sectors respectively.

Social-economic profile

Fertility rate in rural areas (6.1) is nearly double that of the urban areas (3.7). With lack of economic opportunities in rural areas, mainly due to stagnation of the agriculture sector, the population pressure in the rural areas has thus fueled rural-urban migration. The percentage of population living in urban areas has gone up from 22% in 2002 to 29% in 2012. While quality as well as access to

⁷ In 2012, nearly 28.2% of population was below basic needs poverty line.

infrastructure is impressive in urban areas (specifically Dar es salaam), the population in rural areas is severely deprived of similar services. For example, in 2012, nearly 64% of households in Dar es salaam had access to electricity while rural regions such as Kigoma, Geita and Mtwara had less than 10% coverage. The percentage of households using piped water in urban areas was 59%, nearly double than the 26% in rural areas. With respect to education, the 2012 population and housing census notes that education levels have improved over the last 10 years but gender and geographical gaps in literacy and enrollment need to be checked.

Price movements

On price movements, similar to any developing country, since food is the major part of the consumption basket of the households in Tanzania, the share of food in the price index is also significant (47%). Overall inflation is guided by movements in food inflation. The Government has managed to bring down inflation to single digit levels, mainly due to prudent monetary policy, favorable world commodity prices and decline in oil prices. The monthly inflation rate (on year-on-year basis) has consistently been less than 10% since March 2013. It should be noted that ability to predict inflation is more important than the actual level of inflation since it reflects how prudent and timely decisions can be made by stakeholders in response to expected inflation. In case of Tanzania, intra-year predictability of the inflation rate has been high in the past. While months such as December, January and February normally record high inflation the months of May, June and July are normally disinflationary time periods.

Savings and external sector

The savings rate in Tanzania is nearly one-third of investment rate, requiring substantial capital inflows from the rest of the world. The current account deficit (CAD) widened from 7% in 2010 to 13% in 2011. In 2014, CAD was 11% of GDP. The gains of a positive balance of trade in services have been out-weighted by the negative balance on trade in goods.

Since 2011, there has been a decline in gold exports which constituted 24% of total exports of goods in 2014. This has adversely impacted the overall growth in exports of goods. A similar downward movement is experienced in growth of goods imports. More than 50% of total exports of goods and services are made to four countries, i.e. South Africa (17.3%), India (17%), Switzerland (9.2%) and China (7%). The remaining portion of exports are scattered across different economies. Since 2011, all of the four mentioned economies have been experiencing downfall in economic growth resulting to subdued demand for Tanzania's goods and services.

Worsening of current account has impacted the foreign exchange reserves but ability to meet foreign obligations remains high. This is majorly due to accumulation of foreign exchange reserves in the first decade of 21st century. Import adequacy of reserves (measured by months of imports of goods and services that foreign exchange reserves can serve) was 4.2 months in 2013-14, higher than the target set by Bank of Tanzania⁸. Ability of foreign exchange reserves to meet short term external debt obligations has improved. Short term debt as percentage of foreign exchange reserves has gone down from 50% in 2005 to 35% in 2013.

Financial sector

⁸ June 2005, Monetary Policy Statement, Bank of Tanzania

The Bank of Tanzania has been successful in meeting its principal objective as set out in Bank of Tanzania Act, 2006, i.e. the primary objective of the Bank shall be to formulate, define and implement monetary policy directed to the economic objective of maintaining domestic price stability conducive to a balanced and sustainable growth of the national economy”. While inflation has been at a mid-single digit level, economic growth was nearly 7% in 2014. This has been achieved through injecting liquidity in the system, foreign exchange operations, repurchase agreements and stand-by facilities.

Although financial sector in Tanzania has grown significantly in the past, penetration is still low in comparison with other economies. The ratio of financial assets to GDP in Tanzania was 40.9% as on December 2014 relative to 108% in Kenya. The household debt to disposable income is relatively low compared to other countries after including informal sector earnings in the disposable income. However, debt servicing ratio is relatively high majorly due to high nominal interest rates and short term nature of loans. As per the Financial Stability Report (March 2015), the banking sector which accounts for 70% of the total assets of the financial system remained resilient as reflected by adequate levels of capital and mitigated liquidity risks in the provision of banking services.

3.2. Budgetary Outcomes

On fiscal side, the fiscal deficit increased from 6.2% in 2011-12 to 7.8% in 2012-13 only to decline to 5.1% in 2013-14. Nearly 90% of the debt is financed from external sources of which large portion are on concessional terms. This is reflected in low share of interest payments in total expenditure.

Dependence on grants has declined from 20% in 2011-12 to 13.5%. Tax to GDP ratio in Tanzania in comparison with its border countries is one of the lowest. While tax to GDP ratio in Tanzania was 11.2% in 2012, the average for developing countries in Sub-Saharan Africa was 13.8%. Government of Tanzania is implementing various measures to improve revenue mobilization by widening the revenue base, strengthening the tax administration and efficient management of tax exemptions. This includes signing of performance contracts with Tanzania Revenue Authority senior staff to incentivize meeting of revenue collection targets. Other interventions include enforcement of EFD machines for business transactions, introduction of Tanzania Customs Integrated System and Centralized Price Based Valuation System.

Table 3: Fiscal performance of the Government of Tanzania, as % of GDP

In TZS million	2011/12	2012/13	2013/14
Total Revenue	16.0%	15.5%	15.8%
<i>Own Revenue</i>	12.7%	12.9%	13.6%
<i>Grants</i>	3.3%	2.6%	2.1%
Total Expenditure	18.9%	20.6%	24.0%
<i>Non-interest expenditure</i>	18.2%	19.5%	22.7%
<i>Interest expenditure</i>	0.8%	1.2%	1.3%
Aggregate deficit	-6.2%	-7.8%	-5.1%
Expenditure float	-0.3%	-0.5%	-0.8%
Adjustment to cash	-0.3%	0.7%	0.4%
Primary deficit	-3.6%	-5.0%	-3.3%
Net financing	3.6%	5.0%	3.3%
<i>external</i>	3.1%	3.4%	3.0%

<i>domestic</i>	0.6%	1.6%	0.3%
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Source: Ministry of Finance, Government of Tanzania

Article IV consultation report on Tanzania in May 2014 established that Central Government faces low risk from both external debt and domestic debt majorly due to fiscal consolidation measures adopted by the Government. However, the Report also notes that fiscal consolidation measures need to be continued to stabilize the public debt in future.

Expenditure information by sector is not available. Table 4 shows total expenditure by economic classification.

Table 4: Expenditure by economic classification (as % of GDP)

Expenditure Item	2011/12	2012/13	2013/14
Recurrent Expenditure	12.3%	13.8%	18.7%
Personnel Emoluments	5.6%	5.9%	6.1%
Goods and Services (Other Charges)	5.9%	6.7%	11.3%
Transfers	0.3%	0.5%	0.5%
Other recurrent expenditure	5.6%	6.2%	10.8%
Interest Payments	0.8%	1.2%	1.3%
Capital Expenditure	6.6%	6.9%	5.3%
Total Expenditure	18.9%	20.6%	24.0%

Source: Ministry of Finance, Government of Tanzania

The share of recurrent expenditure has gone up from 65% in 2011-12 to 78% in 2013-14 in the last three financial years. This is majorly due to increase in spending on goods and services from 5.9% of GDP in 2011-12 to 11.3% in 2013-14. Consequently, capital expenditure has gone down in the last three financial years from 6.6% in 2011-12 to 5.3% in 2013-14.

3.3. Legal and Institutional Framework for Public Financial Management

3.3.1. Legal Framework

The foundations for the legal and regulatory framework for the Local Government in Tanzania are determined by The Constitution and other laws that operationalize its pronouncements. These are backed up by relevant policy prescriptions that are issued from time to time and the byelaws issued by the LGAs themselves.

The Constitution of the United Republic of Tanzania (Article 145) provides for the establishment of LGAs in each region, district, urban area and village of such type and nature as prescribed and enactment of a law that would determine their structure, composition, revenue sources and manner of conduct of business. Article 146 clarifies that the purpose of LGAs is to transfer authority to the people and facilitate their participation in planning and implementation of development programmes, ensure law and public safety and consolidate democracy.

Since a significant part of the LGA finances constitute of fund transfers from the Central Government (reported to be around 80% of total revenues), an understanding of the following Articles of the Constitution are relevant:

- Para 137 – covers the preparation and submission of the annual estimates for the revenue and expenditure that are included in the annual budget;
- Article 138-no imposition of taxes unless approved by law;
- Article 139-authorization of expenditures from the Consolidated Fund in case the Appropriations Act has not yet come into operation;
- Article 141-securing of all public debt on the Consolidated Fund;
- Para 143 – describes the role of the CAG and related responsibilities to ensure proper use of public funds and to give an audit report on.

Apart from the constitution, an overview of other laws and regulations influencing governance and PFM at the LGA Level include the following:

Table 5: Overview of laws and regulations

Name	Functional area
Local Government (Urban Authorities Act) 2002	Establishment of Urban Councils, composition, functioning of Wards, rules for meetings, committees, powers, legal proceedings etc.
Local Government (District Authorities) Act 2002	Establishment of District Councils, Township and Village authorities, composition, rules for meetings, functions, duties and powers
Regional Administration Act (1997)	Functions and organization structure of the Regional Secretariats – issued by the President’s office, Public Service Management in June 2011 reflects the updated position on this subject.
Local Government Finance Act, 1983	Funds and resources of LGAs, power to levy rates, financial management, accounting and audit and provisions related to the Local Government Loans Board
Urban Authorities (Rating) Act, 1983	To enable Urban and Township Authorities to levy and collect rates
Local Authority Financial Memorandum, 2009	Responsibilities for financial administration, Processes of budgeting, accounting, borrowings, investments, inventories, tendering and contracting, personal emoluments etc.
Local Authority Accounting Manual, 2010	Framework of Accounting including basic concepts, documents, primary and secondary books and details of accounting for items including payroll, capex, inventories, fund accounting and also budgeting
Public Procurement Act (2011)	Establishment and functions of Public procurement policy division, Public Procurement Regulatory Authority, procurement principles, institutional arrangements for procurement, methods and processes of procurement, dispute settlements etc.
Local Government Authorities Tender Board (Establishment & Proceedings) Regulations (2014)	General principles of procurement, establishment and proceedings of the Tender Board, functions of various authorities related to procurement and asset disposals, authority limits, investigations, review of procurement decisions and dispute resolution mechanism
Public Procurement Regulations (2013)	Detailed regulations on the entire procurement cycle from principles to detailed procedures.
Government Loans, Grants and Guarantees Act (1974)	Elaborates on the authority and modalities relating to foreign and local loans, grants and guarantees.

Name	Functional area
Public Audit Act (2008)	Defines the office of the Controller and Auditor General and his mandate, responsibilities, functions, powers, status and also the functions of the National Audit office, types of audit, reporting etc.
Public Finance Act (2001)	Provisions for control and management of public finances including the Consolidated fund and other Public funds, revenue and expenditure, accounts and audit
Public Private Partnership Act 2010	The institutional framework for PPP transactions.
Standing Orders of the National Assembly	Such as the Standing Orders for Public Service 2009 containing instructions for all public servants that include also those for LGAs

Though the institutional structures of PFM are in general well understood, the legislative framework is characterized by a multiplicity of laws at central, sectoral and LGA levels as also related policies that require to be harmonized. This is a necessity keeping in mind the government policy on Decentralization by Devolution (D by D). Though initiatives have already been taken under the LGRP and LGRP II through a Legal Harmonization Task Force and supporting Ministerial Task forces much work still remains undone. Some of the areas of relevance include unifying a comprehensive local governance legislative framework, alignment of various sector legislation/guidelines in areas such as education, water, land etc., embedding the D by D in the Constitution itself, and clear provision in the law of the principle of legal autonomy of the LGAs by stipulating the principles of accountability of the LGAs to the CG as well as to the people. None of these are achievable on their own and the whole process is of continuous consultation and perseverance.

3.3.2. Institutional Framework

An understanding of the basic operating structures for local government in Tanzania is important to understand its impact on PFM responsibilities.

The overarching structure of PFM in Tanzania is provided in Chapter 7 of the Constitution (Articles 135 -144), which covers the stipulations for management of finances and their oversight. The key bodies described in the Constitution for management of public funds include: (i) The National Assembly; (ii) the President (Executive) and (iii) CAG.

The Ministry of Finance (MoF) provides an oversight at the apex level of the Public Financial Management in the country, including that for the LGAs. Its roles include issue of Annual Planning and Budgeting Guidelines, scrutiny of the LGA budgets through inter-ministerial committees, making transfers to the LGAs through its Treasury, ensuring appropriate recording of transactions through its Accountant General (ACGEN)'s division and monitoring of funds utilization through its Internal Auditor General (IAG)'s division. The MoF also supports integration of the LGA's financial affairs through the Integrated Financial Management Information System. At the District level, there is a sub-treasury. However, the sub-treasury deals mainly with the Central Government matters and only occasionally is used to disburse funds to the LGA for emergency expenditure that were originally not budgeted for and subsequently released from the Consolidation fund. This is a rare occurrence, which is not within the LGA operational and financing arrangements.

The President's Office is also part of the institutional framework for PFM through the Planning Commission and the Public Service Management.

Other organs or bodies that play a critical role in the PFM in Tanzania and impact LGA performance, include:

- *Controller and Auditor General*: responsible for audit of LGAs published accounts and review of the periodic performance on routine basis through its residential Auditor based at the Regional level. All the quarterly Council reports together with the Internal Audit report are submitted to the residential auditor;
- *Association of Local Authorities in Tanzania (ALAT)*: provides a forum for exchange of views and experiences among members of the LGA and making representations to the government locally and in international forums;
- *Public Procurement Regulatory Authority (PPRA)*: regulates all procurement activities including those by the LGAs and undertakes capacity building activities to improve efficiency in procurement and compliance with the Public Procurement requirements;
- *Public Procurement Appeals Authority*: receives and guide on complains relating to procurement activities undertaken by the LGAs;
- *Parliament*: scrutinizes and approves the LGAs' budgets and the external audit reports. At the LGA level, the legislature function is executed through the councillors who meet on quarterly as well as on need basis; and
- *Local Authorities Accounts Committee (LAAC)*: deliberates on the findings of the external audit report prior to submission to the Parliament; scrutinizes LGA accounts and expenses as necessary.

Geographically, local governments in Tanzania can include either urban or rural authorities. Urban authorities consist of City, Municipal and Town Councils. Rural authorities consist of district councils. Administratively, urban authorities are further divided into wards (kata) and neighbourhoods (Mitaa). On the other hand, rural authorities are divided into wards (kata), villages (Vijiji) and hamlets (Vitongoji) – the smallest administrative division.

The Council is the highest political decision making body in an LGA and comprises of at least one elected Member of the Parliament for the Constituency and civil servants at the Council level who are recruited directly by the Central Government or the Council itself. The role of the HLG governance body is to supervise the local government executive headed by the Council Director or the District Executive Director (DED). The councils execute their governance responsibilities through the standing committees and ad-hoc committees. In financial aspects, councils have powers to levy local taxes and collect other revenues from the local sources in line with the statutory provisions. Councils are also free to pass their own budget based on their own development and social priorities. The DED is the accounting officer for the LGA and plays a key role in council decisions pertaining to financial matters as well as in the area of planning, project evaluation, tendering and general administration. Below the ED, are the Heads of Departments (HoDs).

Lower level of LGAs consists of Village and Ward organs. Governance at the village level is executed through Village Assembly (VA) composed of all adults resident in a particular village; and Village Council (VC) composed of 15 – 25 elected village representatives. The VA's role in execution of democracy is limited to electing the village councils every five years. On the other hand, the VC is the body responsible for all the planning, and implementation of the development activities at the village level. It provides a link between the village and the ward. At the ward level, governance is executed through the Ward Development Committee (WDC), which is responsible in coordinating development activities and planning at the ward level and linking the villages with the district level.

All LGAs are administratively under their respective Regional Administrative Secretariat (RAS) which is headed by a Regional Commissioner whose office is established under the provisions of Article 61 of the Constitution. RAS provides a link between the Local Governments and the Central Government through its LGA Management Section, with its set objective to provide expertise and service in developing good governance in LGAs. The LGA Management Section at the RS undertakes a number of functions of facilitation, capacity building, advice and oversight in areas that include fund management, budgeting, good governance, legal, HR and administrative issues, and routine inspections and acts as a link with the central ministries and departments. The Section undertakes these duties through its officers dedicated to the LGA PFM matters. These include: (i) Financial Management Officer; Legal Officer; (ii) Administrative Officer; (iii) Auditing Officer; and (v) Planning Officer.

The Judiciary at the LGA level is represented by District Courts that hold public hearings for all cases including those for violation of the Byelaws or non-payment of the respective council charges or taxes. However, the law in Tanzania does not provide for specific hearing against the LGA in the event of injuries caused to the public⁹.

The Prime Ministers' Office – Regional Administration and Local Government (PMO-RALG) is the Ministry responsible for LGAs through its Local Government Division. The present functions and Organisation structure were approved by the President on 3rd June 2011. This Ministry is a catalyst in the process of LGA reforms and is to play a leading nodal role in coordination, oversight as well as delivery of specific activities.

Functional responsibilities

Local Government District Authorities Act, 1982 and Local Government Urban Authorities Act, 1982 defines the general functions of the LGA in rural and urban area respectively. These include (i) maintenance of peace, order, and good government (ii) social welfare and economic well-being (iii) social and economic development in line with national policies (iv) regulation and improvement of agriculture, trade, commerce and industry (v) furtherance and enhancement of the health, education, and the social, cultural and recreational life of the people, and (vi) relief of poverty and distress, and for the assistance and amelioration of life for the young, the aged and the disabled or infirm.

At the apex of the LGA's organization structure are the people of the District/ City/ Municipality (citizens) who are represented by the Councillors (Full Council). The Councillors essentially work as an intermediary between the citizens and the Council relaying the messages both from the citizens to the council and from the Council to the citizens. Administratively, a typical LGA has nine departments, each headed by a Departmental Head. Council staff are recruited by the council with approval from PO-PSM and paid by the central government.

3.3.3. Key Features of the PFM System

All LGAs in Tanzania follow the country-wide PFM cycle although with varying strengths and weaknesses in the respective PFM elements for each LGA as illustrated in the respective individual

⁹ Currently, although LGAs are autonomous legal entities, currently their accountability to the people down wards to the people is only political because their governing bodies are elected and need to account to the electorate. However, as legal persons, LGAs were expected to be accountable for any loss or injury they may cause to any person. Unfortunately, in Tanzania, judicial review actions against LGAs in Tanzania are not well developed, hence LGAs are yet to be held liable in the public law (REPOA, Final Report on The oversight Process of Local Councils in Tanzania, July 2008).

LGA reports. The PFM cycle includes the following features: (i) planning and budgeting; (ii) funds flow; (iii) procurement; (iv) accounting and financial reporting; (v) internal controls; and (vi) external audit and follow-up.

Details of these features are illustrated as introductory notes to the assessment of the relevant performance indicators. Below is a summary description of the key features of the PFM systems, with emphasis on their application at the LGA level.

3.3.3.1. Planning and Budgeting

In Tanzania, LGAs prepare their budgets according to the MTEF and using the Opportunities and Obstacles to Development (O&OD) methodology focusing on bottom up budget preparation process whereby communities identify their development priorities which form the basis of the LGAs' MTEF.

The actual planning and budgeting cycle begins when the national planning and budgeting guidelines are issued. The guidelines provide a performance review of the previous Financial Year and highlights of the sector policies and areas that are accorded as priorities within the National Strategy for Growth and Reduction of Poverty (MKUKUTA) and Tanzania Development Vision 2025 (TDV 2025). The guidelines are prepared by MoF with close involvement of PMORALG. Along with the national guidelines, PMORALG also issues planning and budgeting guidelines which are circulated to all LGAs to inform them to start the planning process.

LGAs are supposed to translate the LGA guidelines into simple language and forward to the Lower Level Government units, especially the Village Councils (VCs) and Ward Development Committees where the planning process will be central to ensure community priorities and needs are effectively reflected. Once the community priority and needs are identified, the village assembly is required to approve the three year plan that is then submitted to the LGA for inclusion in the LGA's respective sector budget and later consolidated into the wider LGA's plan.

At the LGA, each sector prepares its sector plan reflecting its sectoral policy and strategy, which is also later incorporated into the LGA-wide plan.

The LGA's plan is approved at the full council and submitted to PMORALG for scrutiny and forward submission to the MoF. Once all the LGA plans are submitted to the MoF, they are further incorporated in a government plan and budget and submitted to the parliament for approval.

3.3.3.2. Funds Flow

Funds flows to the LGAs in Tanzania are mainly from three sources (i) Central Government transfers; (ii) own source revenue; and (iii) direct donor funding.

Central government transfer forms the largest proportion of the LGAs' financial support, followed by the own source revenue. Donor direct funding is not widely practiced, though during the assessment there were few instances of funds flowing directly to the LGA from EGPAF, but these formed an insignificant proportion of the overall respective LGAs' funding. The assessment noted that funds from central level are transferred on availability rather than need basis. All LGAs did not maintain cash forecasts to inform timely disbursements due to their experience that disbursements are never

determined by their needs but are made when the central government has funds, and when they are made, they are normally insufficient to meet all the required needs.

At the LGA level, funds flow to the lower level government constitutes transfers to service delivery units and villages for development projects. The transfers are made using specified formulae depending on the type of transfer. The transfers to lower level government units are significantly dependent on funds received from the central government and often funds received are not adequate to meet the set priorities.

3.3.3.3. Procurement

Procurement in Tanzania is mainly governed by the Public Procurement Act (PPA), 2011 and the corresponding Public Procurement Regulations (PPR), 2013. LGAs are required to follow the guidelines in conducting all their procurement activities. Section 31 (1) of the Public Procurement Act, 2011 provides for establishment of tender boards at every LGA for procurement of goods, services, works and disposal of public asset by tender. Each LGA has a tender board composed of members selected by the council Director.

Section 37 (1) provides for establishment of Procurement Management Unit (PMU) in every procuring entity which consists of procurement and other technical specialists and other administrative staffs. Each LGA has Head of Procurement Unit and other support staff, the number of which varies from one LGA to another. The procurement unit is entrusted to ensure that there is fair competition and value for money is achieved for all items purchased for use by the council.

The assessment noted that LGA procurement units and their staff received technical support from PPRA through continuous evaluation and capacity building initiatives.

3.3.3.4. Accounting and Financial Reporting

At the time of this assessment, all LGAs were using the Integrated Financial Management System (EPICOR) to record and maintain LGAs' financial transactions albeit with varying limitations from one LGA to another. The commonly shared limitations of the EPICOR system include lack of comprehensiveness and inclusiveness of all the necessary accounting modules. Up to the time of assessment, the EPICOR system was yet to be wholly automated. Some accounting and reporting functions were still undertaken outside the system.

Financial reports, with their frequency, prepared by the LGAs include:

1. *Monthly reports:* LGAs prepare monthly reports indicating their income and expenditure for each month. These reports are submitted to the Council Director and later to the Finance Committee by 10th of the following month. The monthly reports are designed to include the necessary reconciliations for bank balances, imprest and staff advances, etc.;
2. *In-year budget reports: these are prepared on quarterly basis:* Councils prepare Council financial (CFR) and Council Development Reports (CDRs). The source for these reports is information recorded in the EPICOR system. CFRs summarize the financial performance of the council for the quarter and on cumulative basis comparing the actual revenue and expenditure up to the end of the reporting quarter against the respective annual budget. No comparison is made by all LGAs on actual and budgeted revenue and expenditure for the same reporting period

because the budget for the year is not split into smaller period, i.e. months and quarters. CDRs present the councils achievement of its planned physical activities over and to the end of the reporting period.

3. *Annual Financial Statements*: these are prepared on annual basis according to IPSAS requirements. The financial statements are also prepared based on information contained in the EPICOR system, although the financial statement preparation is not automatic from the system. At the end of the FY, financial records are extracted manually and imported into the MS Word reporting format. This process has led to enormous amount of errors leading to omissions in the financial statements submitted for external audit to the office of CAG. LGAs are required to complete preparation of the financial statements and submit to the office of CAG within three months after the end of the financial year. Prior to submission to the CAG, AFS need to be authorized by the Council Director as the accounting officer and approved by the Full Council. Para 31(4) of the LGFM mentions that the LGA statement of financial position and statement of financial performance shall be in the” formats” prescribed by International Accounting Standards Board applicable to the public sector. The notes to the financial statements mention that they have been prepared based on the IPSAS and the provisions of the Local Government Finances Act. The notes also describe all the significant accounting policies applicable to the financial statements.

LGAs receive support from the office of Accountant General (ACGEN) from the Central Government on all accounting and reporting matters.

3.3.3.5. Internal Controls

Internal controls at the LGA level in Tanzania are overseen by presence of the Internal Audit Functions (IAFs) and Audit committees.

While the Council Director is responsible to ensure presence of effective internal controls through preparation of the necessary guidelines and orientation of all council staff, the IAF is responsible to continuously assess efficiency of the internal controls. The IAF reports on the effectiveness of the council’s internal controls on quarterly basis through their IA reports which is submitted administratively to the council director and for technical review and considerations to the Audit Committee, which is later submitted to the finance committee and the full council.

The Internal Audit teams receive support from the office of Internal Auditor General (IAG) at the Central Government level.

3.3.3.6. External Audit and Follow up of Audit Recommendations

The regulatory basis for the audit of accounts of LGAs is provided by the Constitution, certain statutes and other regulations of the CAG. These include Constitution of the United Republic of Tanzania 1997 (revised 2005); The Local Government Finances Act 1982 (amended in 2002); The Public Audit Act 2008; and The Public Audit Regulations 2009.

The National Audit Office of Tanzania (NAOT) is the Supreme Audit Institution (SAI) of the country and headed by the Controller and Auditor General (CAG). Section 18 of the Public Audit Act prescribes that the CAG shall determine which auditing standards should apply and may issue auditing standards and code of ethics as applicable. NAOT is a member of the International

Organization of Supreme Audit institutions (INTOSAI), the Africa Organization of Supreme Audit Institutions (AFROSAI) and Organization of Supreme Audit Institutions-English Speaking countries (AFROSAI-E). Being a member of these, the NAOT is obliged to follow the International Standards of Supreme Audit Institutions (ISSAI) and International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFA). This is a matter also reaffirmed by the CAG in his report for the LGA.

The presentation of audited accounts is at 2 levels-the Council or local legislature of the LGA and finally at the National Assembly. Section 48(4) of the LGFA requires completion of audit not later than six months after the close of the financial year. Furthermore, Section 34(1) of the Public Audit Act mentions that the CAG shall express his professional opinion and submit the audit report to the President and Minister within a period of nine months or such longer time as the National Assembly may permit from the date of closing of the financial year.

In October 2012, the GoT issued a Bill Supplement (Subsidiary Legislation) amending various sections of the Public Audit Act No. 11 of 2008. The Bill has introduced a revised, orderly and chronological process by which the response by the GoT and the CAG report will be laid and discussed in the National Assembly.

The National Assembly then discusses the POC/LAAC report together with the Paymaster General's Annual Consolidated Report and the action plan submitted by the Minister.

Once the audit recommendations are issued, it is the responsibility of the Council Director to ensure a follow up and implementation of all the audit recommendations. Para 7 of the LGFM defines the responsibilities of the Council Director who is the Accounting Officer of the LGA, and mentions timely response to queries of the CAG and the LAAC as one of his tasks. The Audit Committee which is supposed to meet at least once a quarter as per para 12 of the LGFM is expected to also review the external audit reports particularly involving matters of concern to the Council

4. LGA Background Information

4.1. Economic Situation

Rorya District is a district in Mara region (part of lake zone region), United Republic of Tanzania. The Capital of the District is Ingri Juu. The District was created in 2007 out of Tarime District. The District is bordered by Tarime District to the east, Musoma Rural District to the south, Lake Victoria to the west and the Republic of Kenya to the north.

Table 6 depicts broader economic situation of Rorya DC and since relevant data for district wise detailed comparison is not available, an attempt for comparison of Mara region with other regions (as part of PEFA assessment) has been made in Table 7.

Table 6: Factsheet-Rorya District, 2010

Item	Unit	Rorya	Tanzania
Population (2012)	No.	265241 (0.6% share)	43625354
Area	Sq. Km	9345.49 (1.06% share)	882530
Per capita income (2010)	USD	61 USD	652 USD

Source: National Bureau of Statistics, Tanzania, Rorya Strategic Plan 2010-15

Table 7: Broad Development Indicators (region wise)

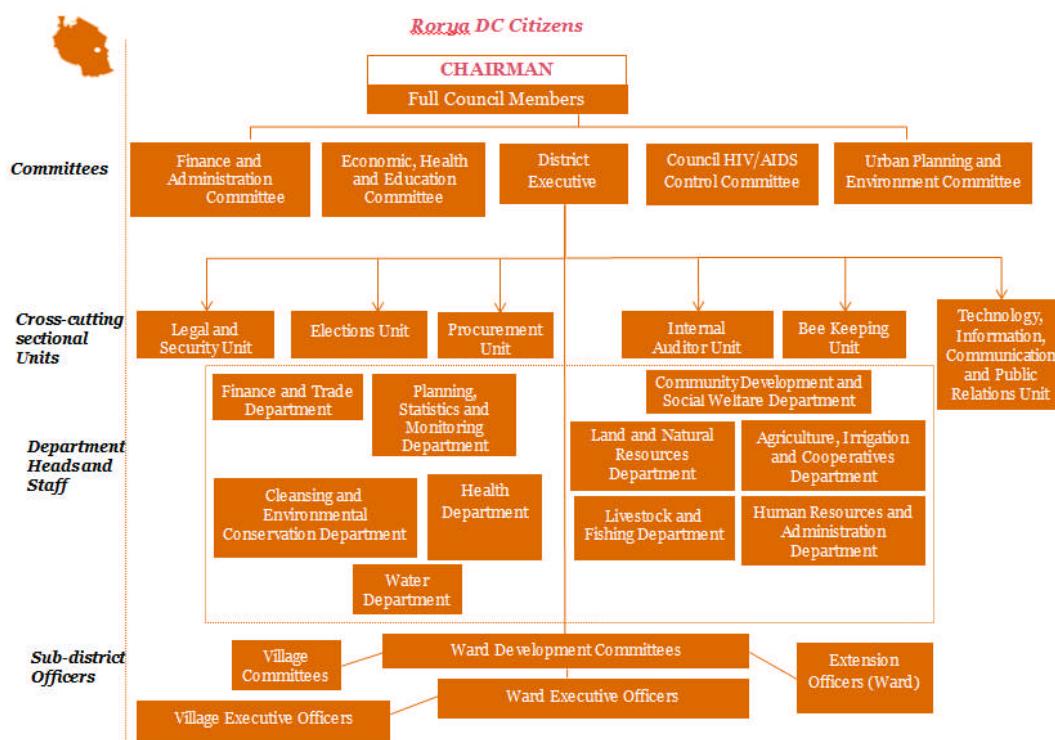
Category	Indicator	Total	Arusha	Kilimanjaro	Tanga	Morogoro	Lindi	Mtwara	Kigoma	Mwanza	Mara
Economy	Share in GDP (Market prices)-2013	39.1%	4.7%	4.5%	4.7%	4.8%	1.8%	2.5%	2.9%	9.4%	3.7%
Land Share	Land Area (Sq. km)	885803	37576	13250	26677	70624	66040	16710	37040	9467	21760
	Share in total land	33.8	4.2	1.5	3.0	8.0	7.5	1.9	4.2	1.1	2.5
Size of serving population	Population (2012) in "000"	43625	1694	1640	2045	2218	1377	941	2458	1425	702
	Share in National Population (2012)	33.2%	3.9%	3.8%	4.7%	5.1%	3.2%	2.2%	5.6%	3.3%	1.6%
Public awareness	Median years of schooling completed (Male-2010)	4.6	4.7	6.2	4.7	4.9	3.4	4.6	3.5	4	4.7
	Median years of schooling completed (Female-2010)	3.6	4.7	6.1	4	3.9	2.2	3.5	3.2	3	3.8
	% of women (15-49 yrs, 2010) reads newspaper at least once a week	18.8	21.4	17.8	11.8	27.8	15.9	20.3	17	13.7	9.6

Category	Indicator	Total	Arusha	Kilimanjaro	Tanga	Morogoro	Lindi	Mtwara	Kigoma	Mwanza	Mara
	% of men (15-49 yrs, 2010) reads newspaper at least once a week	29.9	15.5	43.5	40.9	38.6	21.3	24.4	40.4	10.5	7.8
Employment	Top occupation for men (2010)		Agri	Agri	Agri	Agri	Agri	Agri	Agri	Agri	Agri
	Share of men (15-49 yrs.) in top occupation (2010)		40.7	46.7	58.8	61.7	81.8	77.3	57.1	68.7	69.4
	Top occupation for women (2010)		Unskilled manual	Agri	Agri	Agri	Agri	Agri	Agri	Agri	Agri
	Share of women (15-49 yrs) in top occupation (2010)		44.2	40.2	47.8	69.2	92.9	92	71	75.7	86

Source: National Bureau of Statistics, Tanzania

4.2. Institutional Framework of LGA

Figure 3 shows the organisational structure of the Rorya DC. At the highest level of Rorya DC's organization structure are the people of Rorya Council (citizens) who are represented by the Councillors (Full Council).

Figure 3: Organizational Structure

DED is the head of the council, with assistance by heads of departments and sections to do the day-to-day administration of the district. At the ward level there are Ward Executive Officers who are under the DED. The Councillors essentially work as an intermediary between the citizens and the Council relaying the messages both from the citizens to the council and from the Council to the citizens. Administratively, Rorya DC has ten departments headed by a Departmental Head. Council staff are recruited by PO-PSM and paid by the central government.

Additionally, Rorya DC has six units namely: Legal and Security, Elections, Procurement, Internal Audit, Bee Keeping, Technology, Information, Communication and Public Relations. Staffs within these sections have the responsibility for ensuring that the departments perform as required by the law and provide assistance in the efficient operation of council. Externally, there are four standing committees in Rorya DC that also assists in the operations of the council. The committees are:

- Finance and Administration Committee;
- Economic, Health and Education Committee;
- Council HIV/AIDS Control Committee; and
- Urban Planning and Environment Committee.

4.3. Fiscal Performance of LGA

As shown in Table 2, the Central Government grants constitutes significant portion of LGA's total revenues (on an average 97.8%). Table 8 shows trend of revenues of the Rorya DC for the last three years. Since 2011-12 own revenues have more than doubled. On the other hand, total domestic

revenues have increased by 30% only. This led to increase in share of own source revenues in total revenues of the LGA from 1.4% in 2011-12 to 3.4% in 2013-14.

Table 8: Revenue performance, 2011 to 2013, TZS million

Items	2011-12	2012-13	2013-14
Local Taxes	76	36	289
Fee, fines, penalties and licenses	122	232	325
Total Own Revenue	198	268	614
Land Rent	85	60	5
Recurrent grant	10117	11419	12189
Development grant	3310	4581	5105
Total Revenues	13711	16328	17913

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)

Relevant data for expenditure analysis by functional classification is not available. Table 9 shows total expenditure of Rorya DC for the last three years by economic categories. Total expenditure of Rorya DC increased by 3% in 2012-13 and 15% in 2013-14. Higher growth rate in 2013-14 was due to increased wage bill and capital expenditure in 2013-14. Largest component of total expenditure is “wages, salaries and employee benefits” constituting on an average 50% of total expenditure. This component has gone up in the last three years.

Table 9: Total expenditure by economic classification, 2011-12 to 2012-13, TZS million

Item	2011-12	2012-13	2013-14
Wages, salaries and employee benefits	7437	7537	9588
Supplies and consumables used	3623	3714	2425
Maintenance expenses	849	939	1014
Grants and other transfer payments	184	264	244
Finance costs	0	0	0
Impairment of other financial assets	0	0	0
Capital Expenditure	3583	3666	5217
Total Expenditure	15675	16120	18488

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)

Table 10 shows total expenditure by departments for 2011-12, 2012-13 and 2013-14. Similar to other LGAs, the education (secondary), health and water departments were the top three spending departments in 2011-12 to 2013-14. Other leading departments were administration, works, land and primary education.

Table 10: Total expenditure by departments, 2011-12, 2012-13 and 2013-14, TZS million

Department	2011-12	2012-13	2013-14	Average Share
Administration	1622	2042	1548	10.5%
Finance	0	119	116	0.5%
Trade and Economic Affairs	0	9	2	0.0%
Livestock	682	260	288	2.5%
Agriculture	1248	800	1176	6.4%
Education Primary	6762	6027	5179	36.2%

Department	2011-12	2012-13	2013-14	Average Share
Education Secondary	569	1762	3145	10.5%
Primary health services	2167	1789	2472	12.8%
Water	573	639	2747	7.5%
Works	1430	2059	985	9.1%
Lands	88	26	3	0.2%
Natural Resources	0	21	12	0.1%
Community development, gender and children	65	74	120	0.5%
LGCDG	469	494	696	3.3%
Total Expenditure	15675	16120	18488	100%

Source: Annual financial statement , 2011-12 (Audited), 2012-13 (Audited), 2013-14 (Unaudited)

Table 11 shows deficit/surplus for Rorya DC. In two of the last three years, Rorya DC has been having deficit.

Table 11: Deficit/surplus, Rorya DC, TZS million

Item	2011-12	2012-13	2013-14
Total Revenue	13711	16328	17913
Total Expenditure	15675	16120	18488
Surplus	-1965	208	-575

Source: Annual financial statement , 2011-12 (Audited), 2012-13 (Audited), 2013-14 (Unaudited)

5. Assessment of the PFM systems, processes and institutions

5.1. Predictability of central transfers

HLG-1 Predictability of transfers from higher level of Government

(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget

Table 12 shows transfers from the higher level of government to the local government for the period 2011-12 to 2013-14. Across the last three completed years (2011-12 to 2013-14), actual Central Government transfers were lower than budgeted. In 2011-12, 2012-13 and 2013-14, actual transfers were 31%, 37% and 20% lower than budgeted transfers respectively. The predictability of amount of transfers was further lower in case of development grants. In 2011-12, 2012-13 and 2013-14, actual development transfers were 41%, 48% and 36% lower than budgeted. Our discussion with the District Council officials indicates that such low predictability in quantum of transfers is impacting efficiency in project implementation.

Table 12: Transfers from the higher level of government, 2011-12 to 2013-14, TZS million

<i>In TZS million</i>		<i>Recurrent Grants</i>	<i>Development Grants</i>	<i>Total Grants</i>
2011-12	Budget	13946	5623	19569
	Actual	10117	3310	13428
	Deviation	-27%	-41%	-31%
2012-13	Budget	16438	8879	25316
	Actual	11419	4581	16000
	Deviation	-31%	-48%	-37%
2013-14	Budget	13611	8037	21647
	Actual	12189	5105	17294
	Deviation	-10%	-36%	-20%

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)

(ii) Annual variance between actual and estimated transfers of earmarked grants

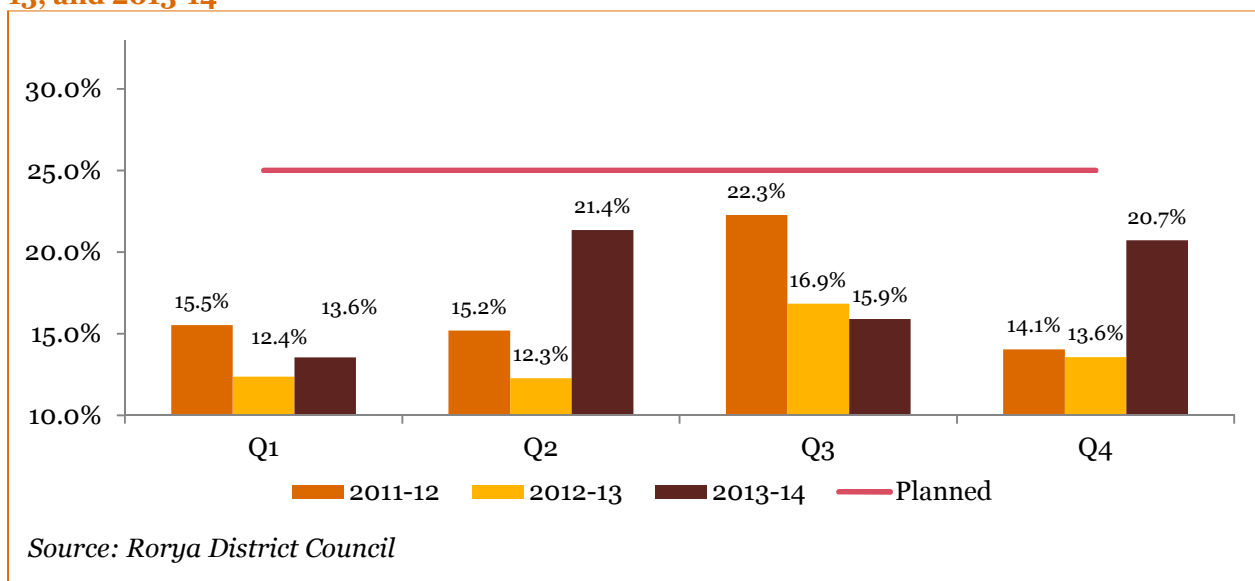
In case of Tanzania, all transfers are earmarked in nature. Under this dimension, variance between estimated and actual transfers from the higher level of government across various transfer items needs to be assessed. There are only three kinds of grants i.e., recurrent block grants, subventions, and development grants. Actual transfers across various projects of recurrent and development nature is available but estimated transfers across various projects of recurrent nature are not available from the Annual Financial Statements. Hence, the dimension has not been rated.

(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of the start of the SN fiscal year)

At the start of the financial year, GoT does not provide a schedule of transfers to be made during the financial year. As per the Supplementary Guidelines for Application of the PEFA Framework to Sub-National Governments¹⁰, in the absence of any disbursement timetable, a default of quarterly equal distribution is to be used.

Figure 4 shows distribution of actual disbursements in 2011-12, 2012-13 and 2013-14. The figures are as percentages of total budgeted transfers for the entire financial year. Horizontal line shows assumed disbursement timetable (i.e., equal distribution across quarters). Over the last three years, Quarter 3 and Quarter 4, broadly, experienced higher disbursements in comparison with other quarters. Annexure.2 provides the process through which weighted average timing of transfers during 2011-12, 2012-13 and 2013-14. The average timing of transfers to the LGA (weighted by the amounts transferred) was 6.16 months in 2011-12, 6.58 months in 2012-13, 6.43 months in 2013-14. In line with definition of “Frontloading” in the sub-national guidelines (less than 6 months of average transfer time), it can be inferred that in none of the previous three financial years (2011-12, 2012-13, 2013-14), the actual transfers have been distributed evenly or with some frontloading.¹¹

Figure 4: Actual disbursement as percentage of total annual budgeted transfers, 2011-12, 2012-13, and 2013-14¹²



Overall it can be seen that in the last three financial years, the predictability of HLG transfers was low due to both deviation in quantum of funds distributed as well as timelines of transfers.

¹⁰ Page 10, footnote 4

¹¹ Please note that total transfers under dimension (iii) are calculated through standalone datasheets given by the Rorya District Council since these are not provided in the annual financial statements. On the other hand, under HLG-1 dimension (i), transfers are calculated using annual financial statements. There is difference of total actual transfers between these two sources. The variation was 2%, 15% and 12% in 2011-12, 2012-13 and 2013-14 respectively. The reason for variations is yet to be shared with the assessor.

¹² The computation of these figures is provided in Table 77.

Table 13: Summary rating for HLG-1

Indicator	Rating	Brief explanation
HLG-1: Predictability of Transfers from a Higher Level of Government	NR	
(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget	D	Across the last three years, the HLG transfers have fallen short of the estimate by more than 15%.
(ii) Annual variance between actual and estimated transfers of earmarked grants	NR	In the absence of detailed information on the budgeted recurrent transfers, this dimension has not been rated.
(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of the start of the SN fiscal year)	D	In none of the three financial years, actual disbursements was evenly distributed (or with some front loading) within the year.

5.2. PFM-out-turns: Budget credibility

PI-1 Aggregate expenditure out-turn compared to original approved budget

Government's ability to deliver the public services as promised in the financial year depends on its overall budgetary performance. In case of local governments such as Rorya DC which is highly dependent on Central Government transfers, the budgetary performance is dependent on not just its ability to spend the resources but also on the predictability of Central Government transferring budgeted resources in a timely fashion.

Subject to our comments on data issues, the comparison of aggregate actual total expenditure with the original budgeted expenditure shows negative deviation of 21.8% in 2011-12, 39.9% in 2012-13 and 22.8% in 2013-14.

Table 14: Aggregate expenditure outturn as compared with budget 2011-12 to 2013-14, TZS million¹³

Item	2011-12		2012-13		2013-14		Deviation		
	Budget	Actual	Budget	Actual	Budget	Actual	2011-12	2012-13	2013-14
Total Expenditure	20034	15675	26808	16120	23938	18488	-21.8%	-39.9%	-22.8%

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)

Low budget outturn can be attributed to following factors:

- Poor resource availability:** The Central Government transfers constitute significant portion of the LGA's revenues. Low predictability of such transfers as shown in HLG-1 can be termed as one of main causes for poor outturn in total primary expenditure. Additionally, as shown in PI-3, credibility of LGA's own revenues remains low. Revenue targets set for the financial year are unrealistic. This also impacts the resource availability.
- Inadequate staff:** As per the CAG management letter for 2012-13, there are shortages in staffs across departments in LGAs. The overall shortage in the LGA was 15.7%. The shortage varied from 8% to 81% in various departments. Although primary education (largest department by staff strength) has low shortage of 8%, other key spending departments such as secondary education, health, works and fire, and water suffer from high staff shortages. The CAG also states that these shortages continue due to lack of approval from the Central Government.
- Lack of heads of departments:** The budget execution and monitoring is impacted in case the heads of departments manage multiple departments. The CAG in its management letter for 2012-13 also notes that there is no effective budget review process within the year. As per the CAG management letter, as on March 2014, some of key departments such as internal audit, ICT, human resource officer, and trade officer did not have their full time heads of department but acting. This severely impacts the budget execution.
- Delay in project execution:** The CAG in its letter also highlights various cases of delay in execution of activities which impacts the budget outturn. This majorly includes delay in construction activities. The CAG cites various causes for such delays such as inadequate supervision of the Councils' projects, late release of funds to the lower level government, delay in release of funds from the Centre.

Table 15: Summary rating PI-1

Indicator	Rating	Brief explanation
PI-1 Aggregate expenditure out-turn compared to original approved budget		
(i) The difference between actual primary expenditure and the originally budgeted primary expenditure.	D	Expenditure outturn in Rorya DC in 2011-12 to 2013-14 negatively deviated from originally approved budget excluding interest on LGA's debt by 21.8%, 39.9% and 22.8%, respectively.

PI-2 Composition of expenditure out-turn compared to original approved budget

¹³ PEFA Field guide requires comparison of aggregate primary expenditure outturn as against the budget. Firstly, in case of Rorya District Council, there was no interest payment made on the borrowings in the last three years. Secondly, donor funded expenditure as mentioned in the Data Note has been included in the analysis. Therefore, aggregate expenditure has been used.

(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items

Variation in the aggregate expenditure may not be able to analyse the quality of budgetary performance which is only possible by examining the variations in each component of expenditure. The objective of this indicator is to analyze the variation in the composition of the total expenditure after controlling for variation in the aggregate expenditure.

The PEFA framework recommends analysis of expenditure outturn by each of the main functional classifications. In case of Rorya DC, budgets are available by 14 functions. The list of functions are (1) administration, (2) human resource management and development, (3) finance, (4) trade and economic affairs, (5) livestock, (6) agriculture, (7) primary education, (8) secondary education, (9) primary health services, (10) water, (11) works, (12) lands, and (13) natural resources and (14) community development, gender and children. In case of Rorya, the concerned function for expenditure under Local Government Capital Development Grant is not available. Therefore, LGCDG has been taken as a separate function for analysis. Hence, total expenditure is clubbed under 15 functions.

Table 16: Variation in the composition of aggregate expenditure, 2011-12 to 2013-14¹⁴

Year	for PI-2 (i) composition variance
2011-12	17.71%
2012-13	32.73%
2013-14	14.99%

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)

Analysis of the composition of total expenditure on functional basis reveals variation of 17.71% in 2011-12, 32.73% in 2012-13, and 14.99% in 2013-14. The corresponding data and the calculations is shown in Annexure.2. Table 17 shows function wise deviations in actual expenditure from the budget. Key functions of the LGA are education & culture, primary health services and administration together contribute on average 77% of the total actual expenditure in the last three financial years. Deviations in these departments across the years have been reflected in overall expenditure composition as shown in Table 16.

Table 17: Function wise deviation in actual expenditure from budget (Adjusted), 2011-12, 2012-13, and 2013-14

Function Name	Average Share	2011-12	2012-13	2013-14
Administration	10.5%	-12%	-12%	-47%
Finance	0.5%	-	-45%	-55%
Trade and Economic Affairs	0.0%	-	-72%	-84%
Livestock	2.5%	-22%	-44%	-38%

¹⁴ It should be noted that in the absence of department names against each capital expenditure, the assessor has mapped the capital expenditure items to various departments. In case the project can't be mapped to a specific department, the Project has been taken as a separate department.

Function Name	Average Share	2011-12	2012-13	2013-14
Agriculture	6.4%	-41%	-57%	-25%
Education Primary	36.2%	-8%	-24%	-2%
Education Secondary	10.5%	-23%	-57%	-7%
Primary health services	12.8%	-16%	-38%	-17%
Water	7.5%	-69%	-81%	-18%

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)

(ii) The average amount of expenditure actually charged to the contingency vote over the last three years

It is understood that at the LGA there is no contingency fund in which contributions are made to meet expenditure during any unforeseen circumstances. The assessors didn't encounter any specific expenditure item under which funds are reserved for unforeseen circumstances.

Table 18: Summary rating for PI-2

Indicator	Rating	Brief explanation
PI-2 Composition of expenditure outturn compared to original approved budget.	D+	
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	D	Variance in expenditure composition was more than 15% in at least two of the last three years.
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years	A	There is no contingency fund in case of Rorya DC's budget, and there is neither accounting of any kind. Hence rated in line with clarification 2-1 of the PEFA Field Guide.

PI-3 Aggregate revenue out-turn compared to original approved budget

The Own Source Revenue data in the annual financial statements is sufficiently disaggregated by major revenue heads.

Revenue of the Council can be clubbed into two categories (i) Local Taxes (45%) and (ii) Fee, fines, penalties and licenses (56%)¹⁵. Table 19 shows revenue performance of Rorya DC in the last three completed financial years.

¹⁵ Figures in parenthesis are average share in 2011-12, 2012-13 and 2013-14.

Local taxes include land rent, produce cess, service levy, guest house levy and other levies on business activity. Tobacco cess is being collected only from one ward in the district. Tobacco produce is also bought by only one company, i.e. “Alliance”. The Company pays cess (5%) directly to the Rorya District Council at the end of the season. In order to ensure that cess paid is in line with the tobacco purchased through the market, Agriculture officers records sale on each of the market places where “Alliance” purchases tobacco.

Other produce cesses such as rice, beans, maize, cassava, and soym are collected by the Agriculture Officers directly. The collection is based on tonnage produced and sold during the farming season. For preparing estimates for service levy collection, information is occasionally sought from the Tanzania Revenue Authority (TRA) on the turnover of businesses in the District.

Land rent is collected by the local government authorities but the rate, structure, frequency of payment, penalty for non-compliance are decided by the Ministry of Lands, Housing and Human Settlements Development, Government of Tanzania. In case of Rorya DC, actual land rent collection was 0.8% of the total own source collections in 2013-14. The LGAs only receives 30% commission on the amount collected. The Commission fee is reimbursed by the Central Government post transfers of collection receipts to the Central Government. Since land rent is not fully in the control of the LGA, it should not be included in the analysis. It should be excluded from the budget as well as actual own revenue collections. Therefore, the Land rent has been excluded in the analysis.

Table 19: Summary of Rorya DC domestic revenue, 2011-12 to 2013-14 (in TZS million)

Revenue sources	2011-12		2012-13		2013-14		Actual as % of budgeted		
	Budget	Actual	Budget	Actual	Budget	Actual	2011-12	2012-13	2013-14
Local Taxes	163	161	522	96	1341	294	99.2%	18.5%	21.9%
Fee, fines, penalties and licenses	302	122	970	232	950	325	40.3%	23.9%	34.2%
Total Own Source Revenue	465	283	1492	328	2290	619	60.9%	22.0%	27.0%
Deduct Land rent	154	85	96	60	703	5	55.2%	62.5%	0.7%
Adjusted Own Source revenue	311	198	1396	268	1587	614	63.7%	19.2%	38.7%

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)

As shown in Table 19, the Council’s revenue realisation has been significantly volatile in the last three completed financial years. Actual realisation of 19% in 2012-13, 38% in 2013-14 shows that annual targets set for domestic revenues are unrealistic, or/and inefficiencies on the part of the LGAs.

The CAG in its management letter for 2013-14 highlights weaknesses in management of the outsourced collecting agents for various revenue items. These include (i) lack of baseline survey to establish the threshold of the amount to be collected prior to outsourcing (ii) lack of adequate reporting structures and penalty clauses in the contract with the agents (iii) absence of regular reconciliation between the receipts books provided by the agents and the revenue receipt account of the LGA (iv) lack of surprise checks to identify any risks in revenue collection. Additionally, there are instances of uncollected amount on revenue items such as sale of plots.

Table 20: Summary rating for PI-3

Indicator	Rating	Brief explanation
PI-3 Aggregate revenue out-turn compared to original approved budget	D	Actual own source revenue was 63%, 19% and 38% of the budget revenue in 2011-12, 2012-13, and 2013-14 respectively.
Dimension (i) Actual domestic revenue collection compared to domestic revenue estimates in the original, approved budget		

PI-4 Stock and monitoring of expenditure payment arrears

(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock

Relevant legislation, such as LGFA 1982 (Revised 2002), LGFM 2009, Public Finance Act (PFA) 2001, Local Government Accounting Manual (LAAM) 2009, do not define payment arrears.

On 08th of December 2014, MoF, United Republic of Tanzania issued a circular relating to arrears for the goods/services rendered. The circular defines payment arrears as “...*overdue expenditure obligations on goods and services, salaries and pensions, rents and debt services*”. *As a rule of thumb, if payments for goods and services have not been made within 30 days after the receipt of invoice, it will be treated as payment in arrears; salary and pension obligations that are outstanding after the date for the payment of the payroll will be in arrears*”.

It is noted that the above guideline is in line with the internationally accepted best practice as also referred to in the National PEFA Assessment of 2013 and the PEFA Field Guide 2012.

Table 21 shows stock of payables during 2011-12, 2012-13 and 2013-14. Rorya DC does not present an aging analysis of the payables in its annual financial statements. Hence, this dimension has not been rated for the District Council. Payables have significantly grown over the last three years. In 2011-12, payables were nearly 2% of total expenditure which has gone up to 11% in 2013-14.

Table 21: Stock of payables, 2011-12, 2012-13, and 2013-14 (TZS million)

Outstanding for	2011-12	2012-13	2013-14
Total payables	317	877	2094
As % of Total Expenditure	2.0%	5.4%	11.3%

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)

(ii) Availability of data for monitoring the stock of expenditure payment arrears

GoT is monitoring the accumulation of payment arrears through quarterly reports compiled by the Accountant General on outstanding payment liabilities submitted by MDAs and Regions (RAS).

However, local government authorities are presently outside the scope of this process. Hence, there is no reliable data at the Central Government level on payment arrears of the LGAs.

In February, 2014, the Ministry of Finance and Economic Affairs initiated “Public Expenditure Review (PER) Study on the Prevention and Management of Payment Arrears” to identify the causes of and recommend measures to prevent future arrears. The Study covered six RAS and seventeen LGAs¹⁶. With respect to recording of arrears, the key findings for LGAs were¹⁷:

- There were difficulties in accessing data from the entities surveyed. Some entities did not even have a list of payment arrears but prepared them after the survey teams had commenced the audit.
- The aging profile was a weak link in the reporting process as the ‘overdue period’ was not being recorded by the entities on a consistent basis. In cases where these have been recorded, most were more than 90 days old.
- The reported figures did not appear to be reliable in terms of coverage and classification as only in case of 50% of entities, the summary totals for arrears reported agreed with the survey results.

As per new guidelines, accounting officers have now been directed to submit information of payment arrears first to the Chief Internal Auditor of the Local Government Authority who verifies the same on a monthly basis. The Auditor is then required to submit the signed report of arrears to the Internal Auditor General on or before the 10th of the following month. On receiving the verified arrears from LGAs, the Internal Auditor General verifies them on his behalf and submit the final arrears report to the Accountant General in the mid of the following quarter. After this process, the Accountant General compiles and consolidates for submission to IMF.

The CAG in its management letter for 2013-14 highlights weaknesses in management of the payables such as absence of ageing analysis, improper recording, and lack of supporting documents. For example, it was noted that trade payables worth TZS 289 million were not supported by the documents such as LPOs, delivery notes and receipt vouchers.

As per the Accountant General Department (till this assessment in March 2015), no information on payment arrears for LGAs were received by them. This implies at the time of assessment, no regular payment arrears reporting exercise for LGAs are in place. However, in the past few years, there have been various studies conducted to verify and quantify the stock of arrears existing at the LGA level. For example, in December 2013, IAG conducted a study on payment arrears in Primary Schools and Secondary Schools. Rorya DC in its annual financial statement presents payables at the end of the financial year but does not specify how much of it is overdue.

Table 22: Summary rating for PI-4

Indicator	Rating	Brief explanation
PI-4 Stock and monitoring of expenditure payment arrears	NR	

¹⁶Three common LGAs were covered by the PER Study and this assessment, namely Kasulu DC, Sengerema DC and Mwanza CC

¹⁷ Source: Final Report of the Study dated November 2014

(i)	Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock	NR	In the absence of reliable data on the aging analysis of the payables of the LGA, the dimension has not been rated.
(ii)	Availability of data for monitoring the stock of expenditure payment arrears	D	In view of the findings of the PER study on arrears and given that reforms to reduce payment arrears have only recently been introduced at the LGA level such as defining what constitutes payment arrears and establishing formal mechanisms for reporting of arrears, the data on stock of arrears currently maintained by the LGA cannot be considered to be reliable.

5.3. Key Cross-Cutting Issues: Comprehensiveness and Transparency

PI-5 Classification of the budget

The Central Government (Mainland Tanzania) migrated to the classification as per the Government Finance Statistics (GFS) Manual 2001 in its budget for 2009-10. All ministries, regions and independent government departments (including Zanzibar government) are using GFS 2001 classification. This was done through converting GFS 1986 based economic classification to GFS 2001 based classification after bridge tables were prepared for the budgets of those MDAs, regions and LGAs which were still in GFS 1986.

Budget for the Rorya DC is presently following administrative, economic and project wise classification. There is no clear evidence for functional classification of budget in line with COFOG (or at least 10 main COFOG functions). Administrative classification is presented as cost center at 4 digit level. Economic classification is reflected by GFS codes at the six digit level.

We note that there are no specific stipulations for coding/classification in line with the GFS either in the Local Authorities Accounting manual (LAAM) or in the Local Government Financial Memorandum (LGFM). However, Local government annual budgets are prepared as per the annual planning and budgeting guidelines issued by the Ministry of Finance, Government of Tanzania. As per the guidelines issued for 2013-14, the plan and budget committees in the LGAs are responsible for ensuring that activities are properly classified in accordance with the GFS manual 2001.

As per the PMO-RALG, two kinds of chart of accounts are prepared, (i) main chart of account (ii) warrant to Cost Centre. The main chart of account consists of eight segments complying fully with classification in GFS manual 2001 as given in Table 23.

The main chart of accounts extends to 28 digits. The linkages flow from region (vote) to council (sub-vote) to objectives to targets to activities and to costs of these activities on a detailed line item basis. The chart of accounts coding structure is provided in Table 23. The warrant to cost centres has four segments, (i) GFS account code, (ii) vote (iii) council codes, and (iv) cost centres.

Table 23: Chart of accounts

S. No.	Code	No. of digits	Type	Example
1	Vote	2	Vote	Represents the region. For example Vote No. 77 stands for Mara region
2	Council	4	Council	Each council has its own code. e.g. 3104-Rorya DC
3	Cost center	4	Cost center	Represents sector/department, for example 507B stands for Primary Education
4	Fund Type	1	Fund Type	Denotes nature of grants/ expenditure, e.g. 1 stands for recurrent and 2 for development
5	Fund Source	1	Fund Source	Classifies the source of funding, e.g. block grants, LGDG, RWSSP
6	Project	4	Project	Stands for national projects, e.g. road rehabilitation, construction of irrigation schemes
7	Activity	6	Activity	Generated for each target in MTEF for which inputs are identified. Depicted as a combination of objective, target, target type and activity, e.g. B01S03
8	GFS	6	GFS Codes	Represents Government Finance Statistic (GFS) Codes, e.g. 210101-salaries/civil servant

Source: PMO-RALG

As per the CAG management letter for 2012-13, there are instances of wrong booking of expenditure under GFS codes. For example, under Agriculture Sector Development Programme, nearly TZS 16 million was charged to wrong GFS codes. Similarly, TZS 20 million under TASAF was charged to wrong GFS codes. Incorrect booking of expenditure distorts the information necessary for planning and reporting related to expenditure management.

Current and planned activities:

With assistance from IMF, the GoT has prepared a road map for the introduction of formal programme based budgeting within the medium term framework. This will require significant simplifications of the budget classification system so that programme managers have the flexibility to manage their inputs effectively to meet the programme objectives.¹⁸

With assistance from the IMF, Government of Tanzania has prepared a road map for the introduction of formal programme based budgeting within the medium term framework. This will require significant simplifications of the budget classification system so that programme managers have the flexibility to manage their inputs effectively to meet the programme objectives.¹⁹

Table 24: Summary rating for PI-5

Indicator	Rating	Brief explanation
PI-5 Classification of the budget	C	
(i) The classification system used for formulation, execution and reporting of the local government's budget.	C	LGAs prepare budgets based on the classification in the 2001 GFS manual. A roadmap for introduction of formal programme based budgeting has been prepared. However, there is no clear evidence of functional classification in line with COFOG.

PI-6 Comprehensiveness of information included in budget documentation

Annual budget documents presented to the Legislature ("Full Council" in case of LGA) should include sufficient information on the financial health of the government, its forecast for the future, the assumptions used for forecasting. This is essential both from transparency as well as accountability perspective.

The assessment of Rorya DC is based on the budget presented to the Full Council for FY 2014-15.

The budget preparation at the local government authorities' level for the financial year 2014-15 was guided by the guidelines issued by the Ministry of Finance in October 2013 and received by Rorya DC on 30th November 2013. The Council submitted a consolidated budget book named "Medium Term Expenditure Framework, Plan and Budget for FY 2014/15 to 2016/17" to the Full Council on 17 January 2014. The document can be divided into four sections: (i) Introduction (Overview and Policy Statements); (ii) Environmental Scan; (iii) Budget Performance Review for FY 2012/13 and Mid-Year Review for FY 2013/14; and (iv) Estimates for MTEF (2014/15 – 2016/17).

The first section "Introduction" provides an overview of the Council and policy statements by the Honourable Chair Person and the Council Director. The Section also provides a brief profile of the Rorya DC.

¹⁸ PEFA (National) 2013

¹⁹ PEFA (National) 2013

The second section, “Environmental Scan” provides an analysis of needs and expectations of various stakeholders from the budget. The stakeholders include Rorya DC employees, residents of Rorya DC, lower level government authorities of Rorya DC, Neighbouring LGAs, Mara Regional Secretariat, PMO-RALG, sector ministries of United Republic of Tanzania, development partners, political parties, private sector and NGOs/CBOs/FBOs. The Council also conducts a SWOT (Strength, Weaknesses, Opportunities and Threats) analysis related to the general environment of the District. The section also explains the key issues faced by the district. This is followed by the Council’s institutional perspectives including: vision; mission; objectives; policies and strategies.

The third section on “Budget performance review” outlines the fiscal performance of the Municipal as well as the achievement of physical targets in the preceding completed year (12-13). It also provides a mid-year performance review in the current financial year (13-14) till December. The comparison between budgeted and the actual performance is provided at an aggregate level. Performance against the physical targets is also provided. The Council also states key challenges in implementing the plan for the ongoing financial year and strategies for overcoming them.

The fourth section “Estimates for MTEF” provides the projected revenues and expenditure for three years 2014-15, 2015-16, and 2016-17 at a detailed level. In 2013-14 MTEF document there are 16 forms outlining different information on revenue and expenditure. Table 25 provides assessment on each of the required information benchmarks.

The budget documentation evaluated under this indicator includes the consolidated budget book which was presented to the Full Council for 2014-15.

Table 25: Information provided in budget documentation

S. No.	Dimension	Availability	Notes
1.	Macroeconomic assumptions: including at least estimates of aggregate growth, inflation and exchange rate;	NA	Relevant macro-economic variable at the local government level could be inflation which directly affects the government expenditure needed to meet the required public services. However, the national planning and budgeting guidelines do provide details of assumptions on future national economic growth, and national inflation rate which might vary across LGAs. The guidelines also project Local Government Authorities own sources of revenue as a group.
2.	Fiscal deficit: defined according to GFS or other internationally recognized standard;	NA	Given the high dependence of LGAs on transfers from the Central Government and in the absence of reliable information from MoF/ PMO-RALG on expected transfers during the year, LGA is not in a position to accurately estimate financing gaps and the consequent need for raising borrowings for the ensuing/

S. No.	Dimension	Availability	Notes
			current financial year. Consequently, this dimension is not applicable to LGAs.
3.	Deficit financing: describing anticipated composition;	NA	Given the non-applicability of the previous dimension on fiscal deficit, this dimension is also not applicable.
4.	Debt stock: including details at least for beginning of the current year	No	No details on debt stock outstanding for the District Council are provided in the consolidated budget book, although there was a debt balance at the beginning of the financial year 2013-14.
5.	Financial assets: including details at least for the beginning of the current year;	No	Information on the stock of LGA's financial assets (such as bank balances) is not provided in the budget for FY2014-15.
6.	Prior year's budget out-turn: presented in the same format as the budget proposal;	Yes	Prior year's budget outturn is provided at an aggregate level and for specific items of expenditure in the consolidated budget book. These include items such as recurrent expenditure on local government block grant, HSBF, and recurrent revenue collections.
7.	Current year's budget out-turn: presented in the same format as the budget proposal;	Partially complied	Budget guidelines require LGAs to present actual performance for first half of current year's budget and likely outturn for remaining part. In case of Rorya DC, performance up to December of the current financial year is provided with no forecasts for the remaining year.
8.	Summarised budget data: for both revenue and expenditure according to the main headings, including data for the current and previous year;	Partially complied	Summarized budget data for both revenue and expenditure as per the main headings is provided for the prior year. But in case of current year, information is provided only till December.
9.	Explanation of budget implication of new initiatives: with estimates of the	No	The budget document does not provide any statement/section listing down new policy initiatives in ensuing financial year and their budgetary implications. The

S. No.	Dimension	Availability	Notes
	budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.		policy statement by the Council Chairman outlines the broad development goals of the council in the medium term and specific goals for the ensuing budget. The statement by the Council Director also mentions focus areas for the ensuing budget. However, the expected budgetary implications of these are not articulated.

Table 26: Summary of rating under PI-6

Indicator	Rating	Brief explanation
PI-6 Comprehensiveness of information included in budget documentation		
(i) Share of the above listed information in the budget documentation most recently used by the local government	C	Of the six benchmarks applicable Rorya DC, only one is provided in the budget documentation.

PI-7 Extent of unreported government operations

Annual budgets, in-year execution reports, year-end financial statements, and other fiscal reports should cover all budgetary and extra-budgetary transactions of the local government. Since these documents are required to be scrutinized by the council and available to the public, the documents should comprehensively depict the respective local government’s revenue, expenditure and any financing arrangements.

(i) Level of extra-budgetary expenditure (other than donor-funded project), which is unreported, i.e. not included in fiscal reports

The assessment team ascertained that certain equipment such as specific drugs which are supplied directly to hospitals/health centers from the central medical store are not included in the LGA’s budget, though these expenses are budgeted in the Central Government’s budget. These are however, accounted for in the LGA’s annual financial statements under ‘recurrent grants’. In 2013-14, it was nearly 1.1% of the total expenditure.

It is understood from discussions with DC officials that a small proportion of development expenditure is also financed through community contributions under their respective community benefiting projects. The financial value of these contributions is included in the MTEF documentation though not in the fiscal reports. In 2013-14, it was nearly 1.3% of the total expenditure.

Table 27: Extra-budgetary expenditure, 2013-14 (In TZS million)

Category	Reported in			Meets eligibility for extra-budgetary expenditure	Amount (TZS million)
	MTEF 2013-14	AFS 2013-14	Quarterly Financial Report, 2013-14		
Drugs/ Equipment from MSD	No	Yes	No	Yes	212
Community Contributions	No	No	No	No	244
Total					456
As % of Total Expenditure					2.4%

(ii) Income/expenditure information on donor-funded projects included in the fiscal reports

As per feedback obtained during our discussion, all donor funded projects expenditure is routed through the central government's budget till the time of assessment. In line with the sub-national guidelines issued for PEFA Assessment, this dimension therefore is not applicable to Rorya DC.

Table 28: Summary of rating under PI-7

Indicator	Rating	Brief explanation
PI-7 Extent of unreported government operations	B	
(i) Level of extra-budgetary expenditure (other than donor-funded project), which is unreported, i.e. not included in fiscal reports	B	Extra-budgetary expenditure, i.e. Supplies from MSD and the community contributions constituted nearly 2.4% of the total expenditure of the LGA in 2013-14. Therefore, the level of unreported extra-budgetary expenditure is insignificant.
(ii) Income/expenditure information on donor-funded projects included in the fiscal reports	NA	All donor funds are routed through the central budget and no direct donor funding is provided.

PI-8 Transparency of inter-governmental fiscal relations

This indicator assesses the transparency of transfers from local governments to lower levels of government (i.e., wards) during the last completed financial year 2013-14. As per MTEF 2013-14, Rorya DC comprises of four divisions, 21 wards, 80 villages and 436 Hamlets.

Majority of the expenditure at the lower level government is financed by transfers from the LGA or some in-kind transfers (such as drug supplies) from the Central Government. The council in turn finances its expenditure through own sources of revenue as well as grants from the Central Government.

(i) Transparent and rules based systems in the horizontal allocation among lower levels of governments of unconditional and conditional transfers from local government (both budgeted and actual allocations)

Table 29 shows projects under which transfers were made to LLG in 2013-14 and corresponding criteria:

Table 29: Funds transfer to lower levels of governments and criteria, TZS million

S. No.	Transfer item	Purpose	Rationale for transfer
1.	Health Sector Basket Fund (HSBF)	Renovation of health facilities, procurement of medicines and administrative cost for health facilities	Transfers to health centres are made as per the budget submitted. A significant portion of these funds are retained at the LGA level.
2.	Road Fund	Construction and maintenance of roads	Construction and maintenance of feeder roads. It is 100% utilized at the LGA level.
3.	Primary Education Development Programme (PEDP) and Secondary Education Development Programme (SEDP)	Funds for overall development of primary and secondary education	Capitation grant: 100% transferred-distributed to units by equal amount for each student in primary schools Construction of classes, toilets, and staff offices: No money is transferred to primary schools and all procurement is done at the LGA level only
4.	Tanzania Commission on AIDS (TACAIDS)	Support in terms of procuring medicines and syndromes for cure of HIV-AIDS	- Part of TACAIDS money is distributed to community based organizations by the coordinator and rest is used at the district level - Allocation of money to be spent at the city level and to be distributed among CBOs based on the budget proposal submitted by CBOs
5.	Medical Store Department	Supply of drugs and medicines to health facility from the MSD at the central level	- Transfers of drugs and medicines to the health facilities are made from the MSD but selection of facility and quantum of supplies is provided by the Council.

S. No.	Transfer item	Purpose	Rationale for transfer
6.	District Agricultural Sector Investment Project (DASIP)	For increasing productivity and incomes of rural households in the project areas	- Transfers to Village Councils determined through local participatory planning and budgetary processes
7.	National Rural Water Supply and Sanitation Programme (NRWSSP)	Construction of water systems	100% utilization at the council level
8.	Local Government Capital Development Grants		50% of the Central Government transfers under the programme is to be spent at the council level and 50% is to be transferred to lower levels of government. Distribution across LLG is through local participatory planning and budgetary processes.
9.	ASDP	For Agriculture development	Funds are transferred only to communities. And these transfers are based on the budget/plan submitted by these communities. At the council, expenses include supervision cost, and in some cases procurement of goods.
10.	Tanzania Social Action Fund	Implementing Productive Social Safety Net Program	It is 100% funded by the Central Government and some funds are spent at the council level and some funds are given to communities directly. Transfers to communities are based on the budget/plan submitted.
11.	Other charges	Operational cost	<ol style="list-style-type: none"> General Purpose Grants: 20% of funds received are transferred in equal proportion to all LLGs LGA's own source money for OC is transferred based on budget submitted by wards.

Based on our discussions, we understand that except for GPG and capitation grants for primary and secondary education, in general, all the balance resource flows to the LLGs depend on local assessments at the LGA level and are matters of prioritization and negotiation. Therefore even where formula/rule based systems exist in theory, they are not implemented in practice.

Moreover, as Table 12 shows, there is a variation of more 36% in the budgeted and actual development grants received by the LGA during 2013-14. Discussions with PMO-RALG reveal that there is no guidance for revising allocations across LLGs in case of shortfall in grants received from the Central Government. Consequently, re-allocation of programme grants across LLGs when actual funds received from the Central Government are less than budgeted estimates is not transparent.

Personnel emoluments are transferred based on the payroll maintained centrally and therefore, do not affect the rating of the LGA under this dimension.

(ii) Timelines of reliable information to lower levels of governments on their allocation from local government authorities for the coming year

As per the discussion with Rorya DC officials, lower level governments (i.e., village authorities) start preparing their annual budget proposals in September for the next financial year. These proposals go through various levels of approval and reach the concerned Local Government Authority in December- January. The budget of the LGA is approved by Full Council in February and is subsequently submitted to the Central Government.

In the last completed financial year (2013-14), in the absence of information from the Central Government on expected allocations for the ensuing financial year, LLG were required to prepare estimates based on the ceilings for the preceding financial year. Actual approved transfers from the Central Government were only finalized by June.

It is to be noted that while LGAs do submit their cash flow plan at the beginning of the financial year, Central Government transfers are based only on the availability of resources. During the financial year, no advance notification is given to LGAs on actual transfers. Given the uncertainties in funds flows from the Central Government which, in turn, impacts transfers made by LGAs to LLGs, reliable information on transfers cannot be made available to the LLGs even after the start of the financial year.

(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories

As mentioned before, in PI-7, at the lower level government level, service delivery units such as secondary schools and health facilities charges user fees. Primary schools do not charge any fees. Schools fees, charged by Secondary Schools, are included in the LGA's budget and are reported to the LGA through monthly financial reports and bank statement. All spending from this revenue are made through separate requests to the Council. In 2013-14, the schools fees were nearly 38% of total own revenues of the LGA.

The health facilities charges user fees in case the patient is not a member of National Health Insurance Fund (NHIF) and Community Health Fund (CHF). These facilities keep the revenue collected with themselves. The facility submits monthly revenue and expenditure reports to the Council. For NHIF members, the health facility do not charge any fee, the claims are settled by the NHIF directly with the LGA. Revenue collected from NHIF as well as expenditure incurred are not reflected in the monthly reports submitted to the LGA. Thus, such fiscal information are not included in the Budget or the Annual Financial Statements of the LGA. However, extent of revenues collected or expenditure incurred on claims under NHIF are not available.

Table 30: Summary of rating under PI-8

Indicator	Rating	Brief explanation
PI-8 Transparency of inter-governmental fiscal relations	D	
(i) Transparency and rules based systems in the horizontal allocation among lower level governments of unconditional and conditional transfers from LGA	D	Though there are / rule based principles for allocation of grants in theory, in the absence of a firm evidence for actual basis of allocations in the context of the funding uncertainties and non or partial availability of details of budgeted and actual transfer of funds to the LLGs, transfers on the whole do not appear to be determined based on transparent and rule based systems (with the exception of GPG and capitation grants).
(ii) Timeliness of reliable information to lower level governments on their allocations from LGA for the coming year	D	No ceilings/reliable estimates on allocations are provided ahead of finalization of budget proposal. At the budget execution stage as well, no advance information is provided to lower levels of governments on expected transfer of funds.
(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectorial categories.	D	Fiscal information that is consistent with LGA fiscal reporting is not collected from LLGs.

PI-9 Oversight of aggregate fiscal risk from other public sector entities.

(i) Extent of local government monitoring of autonomous government agencies and public enterprises

LGAs do not have direct responsibility, administrative or financial, for any autonomous government agency or public enterprise. In line with the supplementary guidelines for application of the PEFA framework for sub-national governments, 2013, this dimension therefore, is not applicable to Rorya DC.

Though as per the clause 23 (d) of the Water Supply and Sanitation Act 2009, the Water Supply and Sanitation Authorities (WSSAs) are eligible for financial support from the LGAs, there is no evidence of financial responsibility on the LGA to take financial risk in case of financial distress at the Authority level. LGAs cannot provide guarantees to these WSSAs, the authority for which lies only with the Ministry of Finance as per the provisions of the Government Loans, Guarantees and Grants Act, 1974. Moreover, there is no direct reporting relationship between the WSSAs and the LGAs – WSSAs are mandated to submit audited statement of accounts and annual reports only to the Ministry of Water and PMO-RALG. All reporting by the WSSAs to the LGAs is done through the District Executive Director who is member on the Board of the concerned WSSA as a representative of the District.

(ii) Extent of local government monitoring of lower levels of governments’ fiscal position

As per the Local Government Finance Act 1982, village councils are allowed to borrow from lending institutions or any other source. The Act also permits accounts of the village council to be audited by such public officer or organizations as the District Council may direct in writing. However, all LLGs are substantially dependent on fund transfers from the LGA/ Central Government. As per discussions with DC officials, it is understood that there is no independent borrowing done by any of the LLGs in the District.

Minutes of village council meetings forwarded to the District Council on a quarterly basis document include details on the receivables and payables of LLGs. At the end of the financial years, annual accounts of the LLG are submitted to the DC for consolidation in the Council’s Annual Financial Statement.

However, the AFS of the DC does not contain a separate statement on revenue and expenditure of the LLGs. But the consolidated overview of the fiscal position of LLGs is reflected through the AFS.

Table 31: Summary of rating under PI-9

Indicator	Rating	Brief explanation
PI-9 Oversight of aggregate fiscal risk from other public sector entities	C	
(i) Extent of local government monitoring of autonomous government agencies and public enterprises	NA	LGAs do not have direct responsibility, administrative or financial, for any autonomous government agency or public enterprise. This dimension therefore, is not applicable to Rorya DC.
(ii) Extent of local government monitoring of lower levels of governments’ fiscal position	C	On a quarterly basis, meeting minutes capturing details on revenue and expenditure of the LLGs are submitted to the concerned LGA. Information on receivables and payables of the LLG is also included in these minutes. Additionally, on an annual basis, LLG accounts are submitted to the LGA for consolidation. However, the AFS of LGAs does not contain a separate statement on revenue and expenditure of the LLGs nor a consolidated overview of the fiscal risks of LLGs.

PI-10 Public access to key fiscal information

(i) Number of the above listed elements of public access to information that is fulfilled

The indicator assesses the extent to which relevant information on local government’s financial health, its operations are available to the public. It should be noted that the key objective of the indicator is to assess whether “**quality**” fiscal information is available to relevant interest groups through “**appropriate**” means. “Quality” implies that the language, structure, layout, should be user

friendly and summary should be provided in case of large documents. On the other hand, “**appropriate means**” implies depending on the nature of document and characteristic of the relevant interest or user group, suitable mode of communication should be adopted.

Rorya DC does not have its own website. Table 32 shows the level and mode of public dissemination of information in the District.

Table 32: Public access to key fiscal information

S. No.	Item	Available	Notes
1.	Annual budget documentation submitted to council	Yes	Summary of the budget by village and ward is put up on the notice board of the district council.
2.	In-year budget execution reports within one month of completion	No	Quarterly revenue and expenditure information are prepared and discussed in council meeting which include community members. However, these reports are not put up on the notice board.
3.	Year-end financial statements within six months of completed audit	No	Summary of the audited financial statements are put up on the notice board and published in the newspaper. Last audited financial statement (2012-13) available at the time of our visit was not published within six months of the completed financial year. The statement was published in January 2015 while the audit was completed in March 2014.
4.	External audit reports within six months of completed audit	No	Summary of CAG reports are not published within six months of the completed audit. The report was published in January 2015 while the audit was completed in March 2014.
5.	Contract awards with value above approx. TZS 50 million at least quarterly	Yes	As per discussion, it is understood that summary of all contract awards are published in weekly journal on Public Procurement Regulatory Authority Website.
6.	Resources available to primary service units	Yes	The team was informed that the summary of resources transferred to and available at facilities is displayed outside the facility and the district council office. The team confirmed this information at the MC notice board but did not visit any of the facilities.
7.	Fees, charges and taxes	No	We were informed that council bye-laws are available with the district treasurer which

S. No.	Item	Available	Notes
			can be accessed by general public but are not explicitly published on the notice board.
8.	Service provided to communities	No	Information on services provided to communities could not be found on the District Council's notice board.

Table 33: Summary of rating under PI-10

Indicator	Rating	Brief explanation
PI-10 Public access to key fiscal information	C	
(i) Number of the above listed elements of public access to information that is fulfilled (in order to count in the assessment, the full specification of the information benchmark must be met)	C	Out of eight criteria applicable items, three items are available for public access.

5.4. Budget Cycle

5.4.1. Policy-Based Budgeting

PI-11 Orderliness and participation in the annual budget process

Assessment under this indicator has been done for the last approved budget available at the time of assessment, i.e. for the financial year 2014-15.

(i) Existence of and adherence to a fixed budget calendar

The timetable for budget submissions by the LGAs is specified in the budget calendar issued by the Central Government. Each LGA, Rorya DC in this case, does not prepare/ issue a separate budget calendar to the spending units under it. Table 34 shows the relevant sections of the budget calendar as per the Central Government's guidelines for 2014-15.

Table 34: Relevant sections of the budget calendar as per budget guidelines 2014-15

Date as per the calendar	Main Activity	Key Actors	Actual Date of issue	Actual Date of receipt by Rorya DC
August-October, 2013	Preparation of plan and budget guidelines	Ministry of Finance (MOF), PO-PC	-	-
November-December, 2013	Circulation of guideline to ministries, regional and local government authorities (LGAs)	MoF, President's Office – Planning Commission (PO-PC)	October 2013 to First half of November, 2013	Received by Rorya DC on 30 th November 2013 (In Physical format)
07 th of January, 2014	MDAs, RS and LGAs to get budget ceilings for the fiscal year 2014-15	MoF	27 th of January, 2014	Received by Rorya DC on the 3 rd of February 2014
08 th -28 th of January, 2014	MDAs, RS and LGAs preparing and submitting to the Ministry of Finance and Planning Commission (non-tax revenue, recurrent and development expenditure) for fiscal year 2014/15	LGAs, MDAs, RS	As per the notice issued on 14 th of February, the last date for submission of revised estimates to MOF was 20 th of February, 2014.	Actual date of submission of budget to MoF not shared by Rorya DC
29 th of January-11 th of February, 2014	Analysis of the budget of the MDAs, RS, LGAs and incorporate budgetary figures in the IFMS (computerized system)	MoF, PO-PC, RS, LGAs MDAs	As per the notice issued on 14 th of February, the date for scrutinization meetings with MOF planned for 2014-15 was 27 th of February, 2014.	Actual dates of scrutinization meetings held with MoF not shared by Rorya DC

As per the Budget Calendar issued for the year 2014-15, the budget preparation process started from August 2013 and ended in June 2014, i.e. spanning across 11 months. Table 34 shows the relevant section of the budget calendar issued by the Central Government for the year 2014-15.

Though the budget calendar for 2014-15 was received by the District Council only on 30th of November 2013, instructions to LLGs and the Departments within the LGA for initiation of preparation of budget proposals were issued on 12th of November 2013 by the Rorya DC so as to ensure timely completion of budget review and negotiation processes at the LGA level. However, these instructions did not contain a separate budget calendar containing dates for submission, negotiation and finalization of budget estimates by the LLGs and Departments.

As can be seen from Table 34, there were delays across milestones specified in the budget calendar. Moreover, it is understood from discussions with DC officials that ceilings for specific expenditure

items were communicated to the LGA only on 27 January 2014 and the budget was approved by the Full Council on 17th January 2014, rendering the entire budget preparation process ad hoc.

(ii) Guidance on the preparation of budget submissions

Guidelines issued to LLGs for preparation of budget proposals for 2014-15 in line with the O&OD methodology did not contain indicative fresh budgetary ceilings for administrative units or functional areas and instead recommended the use of previous year allocations as ceilings.

Given that Rorya DC relied on transfers from the Central Government significantly for its total revenue during 2011-14, its ability to issue budgetary ceilings to spending units without prior notification from MoF is highly constrained. As mentioned before, the LGA does not receive complete information on ceilings on a timely basis. Having that said, even for projects/ expenses to be funded by own sources of revenue, there were no ceilings prepared or shared with spending units during budget preparation.

Budget proposals from villages and wards undergo several rounds of revisions before finally being presented to the Full Council for submission to MoF. The village councils first submit their proposals to the Ward Development Committees (WDC) for review and approval. These are then forwarded to the respective line departments at the district level by the district planning and logistics officer (DPLO). Once reviewed by the line departments, the budget estimates are presented to respective Standing Committees who have the authority to revise estimates in line with district priorities and the expected budget ceilings from MoF. Post finalization by the Standing Committees, the estimates are finally presented to the Full Council and subsequent to approval are sent to the Regional Consultative Committee (RCC) for checking for adherence to regional priorities for spending. Only after the review by RCC the budget estimates are submitted to MoF and PMO-RALG. At each stage of approval/ review, revisions made to allocations may not always be communicated/ discussed with concerned village councils/wards/line departments.

(iii) Timely budget approval by the legislature

As discussed above, the annual budget is approved first by the Full Council for submission to PMO-RALG. Once discussed and reviewed by PMO-RALG and MoF, it is presented to the Parliament for final approval. Table 35 shows relevant dates for approval of the budget.

Table 35: Final budget approval dates

Year	Date of approval by council	Date of approval of budget by the national assembly
2012-13	15 th of May, 2012	14 th June 2012
2013-14	15 th of February, 2013	12 th June 2013
2014-15	17 th of January, 2014	13 th June 2014

Table 36: Summary of rating under PI-11

Indicator	Rating	Brief explanation
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PI-11 Orderliness and participation in the annual budget process		C+	
(i)	Existence of and adherence to a fixed budget calendar	C	LGAs do not prepare/issue separate budget calendars. They adhere to and disseminate the budget calendar issued by MoF to their spending departments and LLGs. For the last approved budget, i.e. 2014-15, there were delays across the various milestones as shown in Table 34. Crucial information was disseminated in an ad-hoc manner, e.g. budget ceilings were issued only during the scrutinization meeting.
(ii)	Guidance on the preparation of budget submissions	D	While Rorya DC does issue guidelines to spending units, these do not contain fresh budget ceilings for administrative units or functional areas for the ensuing financial year. As per the discussions with the Council staff, the Departments are advised to use previous year ceilings as the base for preparation of budget proposal for ensuing year.
(iii)	Timely budget approval by the legislature	A	The budget in the last three years was approved before the start of the financial year.

PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting

(i) Preparation of multi -year fiscal forecasts and functional allocations;

Budget guidelines for the last two completed financial years (2012-13 and 2013-14) provides for all accounting officers (including LGAs) to prepare the budget proposals with the medium term perspective. The revenue and expenditure estimates are required to be prepared for the period of three years (including the budgeting year). The estimates are to be prepared in line with the macroeconomic outlook, priority focus, and resource envelope on a medium term basis. The relevant macroeconomic variables at the LGA level (such as inflation rate) are not provided in the budget documents. It is not clear if such forecasts are prepared and used for projecting the expenditure on a medium term basis. Annex A of the budget guideline includes a “Budget Frame” which provides projected resources availability and spending limits for next three years.

Rorya DC in line with the budget guidelines prepares revenue and expenditure estimates for the next three years. These forecasts are prepared as per the GFS classification. As per DC officials, the forecasts are prepared without any scientific analysis of development priorities and resource availability. Rather, the forecasts are only an extrapolation of current year figures.. This was corroborated in discussions with the Department of Planning of Ministry of Finance, wherein Department officials stated how LGAs do not consider medium term estimates seriously and prepare them only for meeting budget guidelines requirements. Consequently forward year forecasts are not used as a starting point when preparing the budgets for that year. Instead, as specified in the budget

guidelines issued by MOF, previous years approved budget is used as the ceilings for preparing the budget for the ensuing financial year.

(ii) Scope and frequency of debt sustainability analysis

Table 37 shows debt for Rorya DC in the last three years. In 2011-12 and 2012-13, the outstanding debt was 7.7 TZS million which increased to TZS 19.4 million in 2013-14. This debt was taken from Local Government Loans Board and payable over a period of 12 months from 31st of April 2015 at monthly instalments of TZS 1.6 million each. There is no evidence of any debt sustainability analysis conducted by the LGA.

Table 37: Debt, 2011-12 to 2013-14, TZS million

	2011-12	2012-13	2013-14
Debt	7.7	7.7	19.4
Short-term borrowing	0	0	0
Long-term borrowing	7.7	7.7	19.4

Source: Annual Financial Statements, 2011-12 (Audited), 2012-13 (Audited) and 2013-14 (Unaudited)

(iii) Existence of costed sector strategies

There is a strategic plan for 2010-15 which reflects the development priorities of the Council. There are no sector specific strategies. The Plan provides LGA's seven Key Result Areas (KRAs) across various aspects. The strategy of the Council across these seven KRAs, quantifiable targets and responsible departments are specified. However, there is no overall costing of interventions in the strategy. It was explained that present regulations do not require costing of interventions. We observed that only some individual activities were costed leading to lack of an overall picture on the budget implication for the Council from the planned strategies.

(iv) Linkages between investment budgets and forward expenditure estimates

In case of Tanzania, nearly all investment expenditures are financed by the Central Government either through its own funds or through donor support. Apart from the investment budget support, the Central Government also finances operation and maintenance and salary related expenditure.

In this dimension only investments under the control of the LGA are to be considered. LGA's are required to allocate nearly 60% of the own source revenues to the Development Budget. Forward estimates of expenditure are prepared only through extrapolation of budget for the ensuing financial year. Therefore, recurrent cost implications of the investments budgeted in the ensuing financial year is not considered in the forward budget estimates for the sector.

Table 38: Summary of rating under PI-12

Indicator	Rating	Brief explanation
PI-12 Multi-year perspective in fiscal	D	

Indicator	Rating	Brief explanation
planning, expenditure policy and budgeting		
(i) Preparation of multi - year fiscal forecasts and functional allocations	C	Forecasts of all line items are prepared as per the classification prescribed under GFS Manual 2001 on a rolling basis for three years. However, there are no links between multi-year estimates and subsequent setting of annual budget ceilings.
(ii) Scope and frequency of debt sustainability analysis	D	Rorya had a debt worth TZS 19.43 million. There is no evidence of any debt sustainability analysis either in the financial statements or as a part of any separate document.
(iii) Existence of costed sector strategies	D	There is strategic plan reflecting the development priorities of the LGA. However, there is no costing of interventions in the strategy.
(iv) Linkages between investment budgets and forward expenditure estimates	D	Forward budget estimates are not prepared through any scientific analysis. There are no linkages between investment budgets and forward budget estimates.

5.4.2. Predictability and Control in Budget Execution

As per the sub-national guidelines for PEFA assessment, performance indicators (13-15) are applicable to entities which raise revenue through taxes or other forms of revenue similar to taxes as per IMF GFS (2001) manual. As per para 5.2 of the GFS Manual 2001, tax revenue is composed of compulsory transfers to the General Government sector. Certain compulsory transfers, such as fines, penalties, and most social security contributions, are excluded from tax revenue. In case of Rorya DC, there are only four main sources of revenues i.e., (i) Guest House Levy (ii) Service Levy, (iii) Tobacco Produce and (iv) other produce cesses. Cess meets the criteria of taxes or other form of revenue similar to taxes as per GFS. Given that Guest House levy has been abolished, we have considered service levy and tobacco produce cess only for the analysis of PI-13, PI-14 and PI-15 as specified in Table 39 below.

Table 39: Rationale for identification of Tax revenues

S. No.	Revenue item	Included/excluded as “Tax Revenue”	Rationale
1.	Forest produce levy	Not included	This levy is collected by the Central Government and later shared with the LGAs. As per the sub-national guidelines for PEFA, revenues collected by the Central Government and shared with sub-national government, is not to be included in analysis. As per the article 77 of the Forest Act 2002, the minister responsible for forest is authorized to

S. No.	Revenue item	Included/excluded as “Tax Revenue”	Rationale
			<p>determine and thereafter prescribe the services and permits for which fees shall be charged by forest managers and their corresponding charge rates.</p> <p>As per the article 7 (1) r of the Local Government Finance Act, revenue of the district council includes , inter alia, all moneys derived from fees for forest produce and licenses accruing to the district council under section 10 of the Forest Act.</p> <p>Therefore, the forest produce levy is part of council’s revenue but is collected by the Central Government. The rate, structure is decided by the Central Government. Although GFS manual does not outline this situation, but using the spirit it can be inferred that the forest produce levy is not a tax levied by the LGA but by a central law and therefore not to be considered as tax revenue.</p>
2.	Fines and penalties	Not included	As per para 5.103 the GFS 2001, fines, penalties are part of the other revenues and should not be included in tax revenue.
3.	Produce cess	Included	As per para 5.48 of the GFS manual, tax revenue includes taxes charged on <i>production</i> , leasing, delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services. Produce cess is a levy on agriculture produce. There are various kinds of produce cesses.
4.	Land rent	Not included	Based on our discussion, the council is entitled for 30% of the collected amount as commission for collecting the rent. Hence, it is a current grant for the council and not in the nature of tax revenue.
5.	Business licenses, Permit fees for billboards, posters or hoarding, environmental protection charges, Market Fees, Tender fees, building permit fees, parking fees, plot application fees, sale of bid documents, Livestock	Not Included	As per para 5.99, GFS manual 2001, if the license fees are such that license is granted automatically after payments then the receipts shall be termed as administration fees only.

S. No.	Revenue item	Included/excluded as "Tax Revenue"	Rationale
	market fees, slaughter house charges, rent of council houses, communication towers fees		
6.	Hotel levy	Not included	Given that hotel/ guest house levy has recently been abolished, it has not been included under the assessment for PI 13-15.
7.	Service levy	Included	Unlike forest levy, it is charged as well as collected by the LGA themselves; therefore it is being included since it does not call for providing corresponding services in lieu of the receipts of funds.

PI-13 Transparency of taxpayer obligations and liabilities

(i) Clarity and comprehensiveness of tax liabilities

As per the feedback during our discussion, tax/fee/levies can be governed by bye-laws and/or main law (Central Government legislation). In case main-law lapses, the relevant bye-law at the LGA level automatically becomes invalid.

Part IV of the LGDA act, gives power to district councils to make their own byelaw. Service levy, which constituted on average 6% of total own revenues of the Council in the last three years, is governed by LGFA, 2002 and local byelaw called "By laws of Service Levy for the Rorya District Council, 2011". There are no by laws for tobacco cess and other produce cesses. These are governed by the Local Government Finance Act. The tobacco produce cess and other produce cess is governed by Section 7 (1) (g) of the LGFA which empowers LGA to collect any cess payable at source on any agricultural or other produce, produced in the area of the District Council.

Table 40: Legislative framework of taxes/fees

S. No.	Source of revenue	Byelaws	Main law	Details
1.	Produce Cess	-	√	Byelaws: This includes only one (1) farm produce cess on Palm Oil. Main-law: Section 7(1) (g) of the Local Government Finance Act, 1982
2.	Service levy	√	√	Byelaws include it at 0.3% of turnover.

S. No.	Source of revenue	Byelaws	Main law	Details
				Main-law: Section 7 (1) z) of the Local Government Finance Act, 1982

Clause 4 and Clause 11 (1) of the Byelaw provides for imposition of levy amounting 0.3% of turnover on all economic activities in the council including manufacturing, agricultural production, distribution of goods, rendering of services, and commerce.

The actual amount of service levy to be paid is based on the financial returns shared by the payees. As per the Clause 12 (ii) (b) , once the levy payers submit the financial returns to the revenue collecting officer, the Officer may either accept the financial accounts and later evaluate the service levy based on assumptions or in case of doubt, the Officer is empowered to estimate the service levy using his judgement. In these cases, the officer enters into a compromising mutual settlement agreement with the tax payer. This practice introduces a discretionary element which has to potential to lead to loss of revenue for the council.

(ii) Taxpayer access to information on tax liabilities and administrative procedures

At the stage of drafting of the byelaws, taxpayers are informed on the types of local taxes, rates and their expected liabilities through the bylaws. But after that stage, there are no special initiatives by the LGA for increasing awareness of the target audience.

Section 161 (1) Local Government District Authorities Act, 1982, mandates that every byelaw made in accordance with the Act shall be kept at the township authority by whom it was made and shall at all reasonable times be open to inspection by the public free of charge. Similar provisions are applicable to ward committees in section 161 (3).

There are no special information desks in the district council dealing with briefing on taxes and other select sources of revenues. Any queries related to taxes/fees/levies are to be made to the District Treasurer. The assessment team was informed that the council strives to inform taxpayers on tax liabilities and administrative procedures through following means:

- a) Full council meetings: Through regular full council meetings, the district council discusses with the general public on the taxes/fees/levies applicable, rate and procedures for payments.
- b) Ward executive officers educate the target population on various taxes/levies/fees applicable

As per recent studies made on key issues in revenue mobilization²⁰ , one of the challenges faced in local government taxation in Tanzania is low awareness of local tax payers. The study was conducted across Tanzania and does not refer to Rorya specifically. However, keeping in mind

- the absence of a computerized tax information system,

²⁰ Revenue Mobilisation Issues in the Tanzania LGAs by Siasa Issa Mzenzi, Tanzania Country Level Knowledge Network-Policy Brief No 7, 2013.

- the lack of adequate resources to disseminate knowledge of the various taxes and their procedural and administrative requirements,

it can be concluded that the existing operating environment may not encourage accessibility of taxpayers to the nuances of the taxes as regards their nature, conditions and their administrative requirements for collections.

(iii) Existence and functioning of a tax appeals mechanism

At the district level, if the taxpayers are not satisfied with any element of local taxes, there is a council’s grievances desk. But this desk deals with all kinds of public queries including tax.

As per the feedback from our discussions, tax related complaints are handled by District Executive Director. In case the applicant is not convinced with the response, the applicant can appeal to the Prevention and Combating of Corruption Bureau (PCCB) in cases where corruption is suspected.

DED is the administrative head of the council and is involved in tax assessment indirectly. The procedures for tax appeal are not documented and no timelines are provided for council’s response to the appeal.

Table 41: Summary of rating under PI-13

Indicator	Rating	Brief explanation
PI-13 Transparency of taxpayer obligations and liabilities	D+	
(i) Clarity and comprehensiveness of tax liabilities	D	In case of service levy collection, there appear to elements of administrative discretion provided in existing bye laws in assessing tax liabilities. Service levy collection officers often enter into mutual agreement with the taxpayers where differences in tax liabilities are noticed.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	C	Some organised access by taxpayers to the nature and requirements of taxes exists through council meetings/education by ward officers but this appears to be seriously deficient as revealed by the end results of tax collections from own sources
(iii) Existence and functioning of a tax appeals mechanism	D	We were informed that currently, first point of contact for tax related complaints was the DED who is indirectly involved in tax assessments and hence assumed not to be independent in dealing with complains. We did not come across any evidence of a functioning tax appeals mechanism at the LGA level in Rorya DC.

PI-14 Effectiveness of measures for taxpayer registration and tax assessment

(i) Controls in the taxpayer registration system

Trade officer of the District Council does not have his own database of service levy taxpayers. It is a manual database and not linked to any other database such as business license for better monitoring of tax compliance. It was informed to the assessor that Rorya DC conducted a survey of potential taxpayers for service levy in 2013. The results of the survey were yet to be released.

The database is supplemented by the information provided by Tanzania Revenue Authority (TRA) database for the Council. TRA provides turnover of each business in the Council. The information is entered into an I-tax system. However the PEFA 2013 highlighted gaps in TRA database. A study conducted by TRA confirmed that significant part of the large informal sector is not captured in the database. In case a business entity is included in Council's own database but is not reflected in TRA database, the Council approaches TRA for further details (such as turnover). Each taxpayer in the country is required to have a Tax Identification Number. It is being reported that some businesses in the district have TIN but small businesses do not have any TIN.

Tobacco cess is being collected only from one ward in the district. Tobacco produce is also bought by only one company, i.e. "Alliance". The Company pays cess (5%) directly to the Rorya District Council at the end of the season. In order to ensure that cess paid is in line with the tobacco purchased through the market, Agriculture officers records sale on each of the market places where "Alliance" purchases tobacco.

Other produce cesses such as rice, beans, maize, cassava, and soya are collected by the Agriculture Officers directly. The collection is based on tonnage produced and sold during the farming season.

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

At Rorya DC, there is no regulation mandating the taxpayer to register with the RCMIS. Thus, no penalties are provided in case the taxpayers do not register themselves with the Council. However, the byelaws clauses 13, 14 and 15 provides for penalties in case of breach of any provisions of the Law or non-payment of the required taxes.

The Bylaws of Service Levy for the Rorya District Council, 2011 provides for imposition of service levy amounting to 0.3% of the revenues. In case the business entity fails to make the payment, the entity is considered as Tax Non-Payer and is liable to pay interest of 1.5% per month or TZS 50,000 whichever is higher. The ByeLaw also imposes penalty in case the tax payer submits any false information. Any tax payer is considered to have breached the law if

- (a) Fail to submit the financial performance;
- (b) Fail to submit all supporting documents, description or information that is required to be submitted to the council;
- (c) Fail to have a proper book keeping of records, information and accounts;
- (d) Fail to provide any supporting documents required or any information for needed for evaluation;
- (e) Provide false assumptions by reducing or removing figures on the statements submitted to the council;

- (f) Provide wrong information on any aspect that might affect in preparing the tax rate to be paid;
- (g) Forging or preparing false financial statements as well as any supporting document;
- (h) Interfere or stop the revenue officer from doing his duty as stated in this by law.

In absence of (i) a regularly updated and comprehensive taxpayer registration system, and (ii) accurate information on business activities of service taxpayers in the district, the Council has no way of effectively imposing penalties for non/ incorrect declaration of liabilities by taxpayers.

(iii) Planning and monitoring of tax audit and fraud investigation programs

At the local government level, there is no separate audit conducted to identify the defaulters. The assessment team is informed that the LGA does not have powers to audit taxpayers.

Table 42: Summary of rating under PI-14

Indicator	Rating	Brief explanation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	D	
(i) Controls in the taxpayer registration system	D	The Council maintains a database of taxpayers for service levy. But this database is not linked to any other database. Districts supplements own database with reference to TRA database which we understand is subject to various weaknesses.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	D	Currently, the legislative framework does not provide for any penalty for non-registration with the district council, but there are penalties for declaration obligations. However, other control weaknesses in tax collection as well as CAG observations on lack of effort by the DC raises doubts over effectiveness of these measures.
(iii) Planning and monitoring of tax audit and fraud investigation programs	D	No special tax audits are conducted.

PI-15 Effectiveness in collection of tax payments

- (i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)**

As per our discussion with the District Council, only arrears related to the collection agents are available. In 2012-13 and 2013-14, revenue receivables from revenue collecting agents were TZS 22.9 million and TZS 30.49 million respectively. The arrears were nearly 7% and 5% of total annual

collections of the LGA in 2012-13 and 2013-14. However, no arrears are recorded for service levy or tobacco produce cess or other produce cesses. Lack of systematic revenue arrears tracking system affects the overall revenue collection efficiency.

(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration

Table 43 shows details on frequency of collection, individuals responsible for collection and evaluation in case of service levy, tobacco produce cess and other produce cesses.

Table 43: Broad details on Cess

Cess	Who collects	Who evaluates	Frequency
Service levy	<ol style="list-style-type: none"> 1. Council deducts from payment to Business man 2. In other cases, business men themselves pay voluntarily 3. Revenue accountant and Trade officer chases those who has not paid 	Revenue and trade accountant officer (Information on business men in the district is provided by TRA.) In addition to this, they also use their own information sources.	Not fixed, as when the transaction is processed and chasing is ad-hoc.
Tobacco produce cess	Alliance is the only company buying tobacco produce cess. Charged on purchase of tobacco	Agriculture officer gives statistics on a daily basis on purchase of tobacco crop Agriculture officer records sale on each market place where Alliance one purchases tobacco fee	The company pays the fee to the council directly at the end of the season (5%)
Other produce cess	Agriculture officers collects the cess on Rice, beans, Maize, Cassava, Sogam		Collection is based on farming season

Cash is deposited within a day into the own source revenue account. Checks are collected at the council and are deposited daily. It is transferred to Own Source Revenue account within average three days, on average. Section 39 (2) of the Local Government Finances Act, 1982 requires the Council not to spend through own source revenue account. In case of spending from the revenue collected, the amount should be transferred from the own source revenue account to other spending accounts (such as development account, Road fund). The assessment team was informed that twice per week transfers are made from own source revenue account to the spending accounts (i.e., Tuesday and Thursday). This is irrespective of requests made by sector departments, transfers are made only on the specified days. Therefore, the collections as and when made under tobacco produce cess, service levy and other produce cess is available for spending only with a gap of a week.

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

Our discussions on the nature of taxes levied and present systems of collection deployed show that at the LGA level, at present, there are no formal assessment and billing systems as prevalent generally for direct taxes (eg. income tax, VAT). It was informed that in the absence of any information of arrears and adequate assessments, there is no reconciliation performed between tax assessments, collections, arrears records and receipts by the treasury. However, reconciliation between tax collected and amount transferred to treasury is done on monthly basis.

Table 44: Summary of rating under PI-15

Indicator	Rating	Brief explanation
PI-15 Effectiveness in collection of tax payments	D+	
(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)	NR	Data available on tax arrears is not sufficient to compute collection ratio. Receivables from revenue collecting agents were TZS 22.9 million and TZS 30.49 million in 2012-13 and 2013-14 respectively. However, no data on arrears under service levy or tobacco produce cess or other produce cesses is collated
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B	Tobacco cess, other produce cess and service Levy once collected are available for spending through treasury on an average within a week.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	D	No invoices are raised for any receivable tax revenue. Therefore, complete reconciliation between tax assessments, collections, arrears records, and receipts are not done. However, reconciliation between tax collected and amount transferred to treasury is done on monthly basis.

PI-16 Predictability in the availability of funds for commitment of expenditures

To implement the activities planned during the financial year, LGAs engage into commitments with vendors/suppliers for a number of months. However, the commitment with the suppliers crucially depends on the availability of funds. The spending departments should receive reliable information on funds availability in the near future. This is achieved through effective cash flow planning, monitoring and management by the treasury, based on regular and reliable forecasts of cash inflows and of major outflows.

(i) Extent to which cash flows are forecast and monitored

Based on our discussion with MoF, LGAs do submit annual cash flow plans at the beginning of the financial year detailing fund requirements for each quarter. These forecasts are usually arrived at by a simple division of the annual budget amount into four equal parts. Once submitted, no approvals are received as commitment from the Ministry to release funds as forecasted.

It is understood from discussions with the DC that the cash flow forecasts are reviewed and updated for the remaining year during the mid-year review of the LGA budget. However, evidence of the revised cash flow forecasts could not be shared by the DC officials with the assessment team.

It should be noted that the significant dependence on the flow of funds from the Central Government and the general uncertainty as regards the timing of such flows makes any credible cash flow forecasting by the District Council a difficult task.

(ii) Reliability and horizon of periodic in-year information to departments on ceilings for expenditure commitment

Once the Parliament approves the annual budget for the LGA, an action plan is prepared by the District Council which lists budget allocations against various activities finalised for the financial year. This action plan is shared with all departments of the LGA as well as with LLGs to give them an indication of the resources budgeted for commitments. The DC, however, is largely dependent on the funds from the Central Government (96% of the total revenue of the District Council were in the form of Grants from the Central Government in 2013-14) and hence, on the communication from MoF on the expected transfers during the financial year. As per discussions with MoF, it is understood that while a ministry level Ceilings Committee reviews the cash flow position of the Central Government on a monthly basis, there is no advance notification made to LGAs on expected fund releases. This, in turn, limits the ability of the District Council to provide reliable information to the spending units on actual resources available for commitment under the Central Government funded projects during the course of the financial year.

Even for projects/ activities funded through own sources revenue of the District Council, there is no advance information provided to departments, villages, and wards on actual resources available.

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of LGA

Para 18 of the LGFM specifies the modalities for virements and supplementary budget. It is understood from discussions with Council officials that intra-year adjustments to budget allocations are only made once in the financial year during the mid-year review of the Council accounts. Once discussed and approved by the Full Council, requests for virements are submitted to the Regional Administration Officer for approval and onward submission to PMO-RALG. After approval is received from the PMO-RALG, the figures are updated in the EPICOR system.

It is noted that there were no in-year adjustments in 2013-14. Therefore, this dimension is not applicable for this LGA.

Table 45: Summary of rating under PI-16

Indicator	Rating	Brief explanation
PI-16 Predictability in the availability of funds for commitment of expenditures	D	
(i) Extent to which cash flows are forecast and monitored	D	In the beginning of the financial year, the District Council prepares a quarterly cash flow forecasts which are in nature of funds requirements from the centre and does not reflect commitment from the central government. It is understood from discussions that these forecasts are reviewed and updated during the mid-year review by the Full Council. However, evidence for the same was not shared with the assessment team.
(ii) Reliability and horizon of periodic in-year information to departments on ceilings for expenditure commitment	D	No advance intimation is provided to LLGs/ departments to make commitments both related to Central Government transfers and own source revenue transfers.
(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of departments	NA	There were no in-year adjustments made during 2013-14.

PI-17 Recording and management of cash balances, debt and guarantees

(i) Quality of debt data recording and reporting

As per section 11(1) of the Local Government Finance Act 1982, an LGA can take a loan (within United Republic of Tanzania) only after approval from the Minister responsible for local government (who also consults the minister responsible for finance). It is noted that nodal ministry of local governments, i.e. PMO-RALG does not have outstanding debt data for LGAs. Each LGA processes fresh loan requests (only for projects involving capital investments such as construction of roads) to PMO-RALG for approval. The request is accompanied by last three years own revenues, schedule of loan payment and interest payments in the future. Post scrutinization and approval (if given), the request is sent to Prime Minister Office. However, PMO-RALG does not receive any information on whether loan has been approved/ disbursed or not.

As mentioned before, Rorya DC had a debt TZS 19.4 million outstanding ending financial year 2013-14 increasing from TZS 7.7 million in financial year 2012-13. The debt in 2013-14 was only 0.1% of total liabilities. There is no evidence of consolidation of the debt on a monthly or quarterly basis. The debt forms part of the annual financial statements, hence consolidated on an annual basis. There are no separate reports on debt stock and service produced by the LGA.

(ii) Extent of consolidation of the government's cash balances

As per our discussion with Rorya staff, there is no single treasury account at the LGA level. There are seven bank accounts following government's order to rationalize the number of bank accounts kept by the LGAs. All accounts are required to be kept with National Microfinance Bank which has nationwide coverage. These include (a) Own source collection account, (b) Miscellaneous deposit account, (c) Other charges account, (d) Development account, (e) Road fund account, (f) Personnel emoluments account, and (g) Water sector account. Balances as on 30th June 2014 are available in the audited financial statements. As per our discussion, Rorya DC consolidates cash balances on a monthly basis.

(iii) Systems for contracting loans and issuance of guarantees

As per the Government Loans, Guarantees and Grants Act, 1974, MoF is the only agency authorized to issue guarantees. LGAs do not have any role in approval or issuance of guarantees to agencies.

With respect to loans, LGAs are allowed to borrow under Clause 51 of the LGFM. Rorya DC had a loan amounting TZS 19.4 million outstanding in 2013-14. The loan was due to Local Government Loans Board. The Local Government Loans Board (LGLB) is a financial institution which serves as a source of loan capital finance to Local Government Authorities for investment purposes. All applications for loans by the LGA are requested to the PMO-RALG who forwards the request to Ministry of Finance.

The section 11 of the LGFA, 2002 gives powers to the LGA to borrow funds and also outlines the limitations on such processes. Box 1 outlines the relevant section of the LGFA. The section although specifies the approving authority and instructions while the loan is not repaid in time, it does not specify the guidelines/criteria to be followed for loan approval or ceilings on such loans.

Box 1: Local Government Finance Act (Relevant Sections for borrowing)

Local Government Finance Act (Relevant Sections)

Section 11:

- (1) A local government authority may, from time to time, with the approval of the Minister, given after consultation with the Minister responsible for finance, raise within the United Republic loans for such amounts, from such sources, in such manner, for such purposes and upon such conditions as the authority concerned may deem fit subject to subsection (2).
- (2) Loans raised under this section may be secured upon the revenue of the authority or by mortgage or charge of any land or premises in its ownership or disposition or may be secured both upon such revenues and by such mortgage or charge and shall be repaid within such period as the Minister may approve.
- (3) Where any interest or any payment of capital due on any loan remains unpaid for three months after a demand for it has been served on the authority in writing by the person entitled to do so, the Minister may-
- (a) order that a rate necessary to produce the sum due be levied upon and collected from the rate-payers of the area either immediately or at such date as he shall order, and for the purpose of raising that sum the Minister shall in addition have the same power as the authority concerned of making and levying a rate under this Act or any other written law;
- (b) if requested so to do by that person, order the sale of any property, on which the loan is secured.
- (4) The Minister shall have and may exercise all powers conferred upon him by subsection (3) in any case where a loan made to an authority has been guaranteed by the Government and where under the terms of that guarantee the Government has made to or to the order of the lender payment of capital or interest due on the loan.
- (5) The power of the Minister under this section of making and levying a rate and issuing a requisition may be exercised at any time.

Section 12:

- (1) Subject to subsection (2), a local government authority may, with the approval of the Minister, obtain advances from banks by over-draft upon the credit of the authority.
- (2) No overdraft shall at any time in any circumstances exceed the income of the authority in the previous financial year.
“Minister” referees to Minister for PMO-RALG

Table 46: Summary of rating under PI-17

Indicator	Rating	Brief explanation
PI-17 Recording and management of cash balances, debt and guarantees	C	
(i) Quality of debt data recording and reporting	C	The LGA has a debt of nearly 0.1% of total liabilities in 2013-14. The debt is reflected in the annual financial statements. There is no evidence of consolidation of the debt at a higher frequency.
(ii) Extent of consolidation of the government’s cash balance	C	Rorya DC calculates and consolidates cash balances in different bank accounts on a monthly basis.

Indicator	Rating	Brief explanation
(iii) Systems for contracting loans and issuance of guarantees	C	Issuance of guarantees is the mandate of Ministry of Finance. Local Government Authorities are allowed to borrow but each loan is required to be approved by the PMO-RALG in consultation with MoF. Although Rorya had some outstanding debts, there is no evidence on the clear guidelines, criteria and overall ceilings.

PI-18 Effectiveness of payroll controls

(i) Degree of integration and reconciliation between personnel records and payroll data

The Public Service Act provides for management of the payroll of all public sector employers, including local government authorities under the overall oversight of the President’s Office-Public Sector Management (PO-PSM). The payroll is controlled through a computerized database known as Human Capital Management Information System (HCMIS) located in PO-PSM. HCMIS includes all three records i.e., establishment list, personnel records as well as payroll data. Thereby, these three records are electronically linked with each other.

Establishment and personnel records are handled by PO-PSM while payroll processing is done by Department of Computer Services, MoF. Since July 2014, MoF transfers money directly to the bank accounts of the employees but only after due approval from the employer (i.e., for purposes of our assessment this is the LGA). Payments for casual labours are paid from own source revenue of LGAs. Changes in the personnel database of HCMIS are initiated by the Human Resource Officer (HRO) at the council level and are reflected straightaway in the payroll component of HCMIS once PO-PSM approves the request. Usually the Head of the Human Resource Department in the LGA has access to the system and can upload changes. It was noticed that there are lags between the recruitment of the employee and the reflection of information in HCMIS.

The chief secretary of the President Office controls the establishment list in terms of the numbers and definitions of positions and decisions regarding hiring and firing. Any changes in the personnel records have to be firstly approved by the Chief Secretary.

(ii) Timeliness of changes to personnel records and the payroll

It is understood from discussions with PO-PSM as well with Rorya DC officials that there is significant improvement in adherence to timelines since the roll-out of HCMIS. For new hires, transfers and promotions, District Council is responsible for getting required forms populated by the employee and collecting all necessary documentation and certification from the employee. It is also the responsibility of the LGA to vet the payroll schedule shared on a monthly basis and take the administrative action for immediate inputs for all changes on a continuous basis.

The forms and documentation have to be scanned and uploaded on HCMIS by the Human Resource Department officials in the Council for approval by the PO-PSM. Since the System’s automatic cut-off

date for monthly salary is 20th of the month, DC has to send across this information by the 5th of each month to PO-PSM to allow adequate time to validate and approve the changes in personnel records proposed. As per discussions with DC officials, the entire process of updating personnel information in the System normally takes not more than 4-5 working days. In case of new recruits, depending on the time of joining, salaries may be processed only by the next month.

Based on our discussion with Rorya DC and reports generated at the time of field visits, there exists various cases of salary arrears. As on 30-June-2014, there were nearly 11 cases where salary was in arrears. Out of these cases, ten were related to non-payment of revised salary with promotion and one related to lack of payment for new hires. These cases were pending as on 20-March-2015 as well. As per the reports shared by the LGA for the period July 2014 to February 2015, nearly 645 changes were initiated relating to hire, name changes, promotions. Out of these changes initiated, nearly 17 cases were pending. On average, the time duration for completed changes were 38 calendar days. We understand that some of the cases of salary dues may not entirely relate to system issues. However, considering the general weaknesses in internal controls highlighted in other dimensions of this report, existence of long overdue arrears is a pointer to lack of timely input controls.

CAG in its management letter for 2013-14 noted that nearly five employees, no longer in public service due to various reasons (death, retirement etc.), were still part of the treasury master payroll. CAG also notes cases of unrealistic date of births for various employees (employee ageing more than 60 years of retirement age).

(iii) Internal controls of changes to personnel records and the payroll

As per the discussion with PO-PSM, it is noted that changes to personnel records can only be done by the employer itself (in this case Local Government Authority). PO-PSM, MoF both have read-only access. Additionally, each employer can only see information connected with its own institutions/department. All changes made by the employer are “confirmed” by the PO-PSM in the system prior to the change becoming “live” in the system. Any change is endorsed by the PO-PSM after due verification of the supporting documents in the system. At the local government level, there are no independent checks performed post changes to HCMIS. Therefore, it becomes the responsibility of the PO-PSM to ensure changes entered by the employer in the HCMIS are valid.

Though the System has an in-built audit trail of changes made by each user, the audit trail is not documented/filed, verified or even covered by the internal auditors in the District Council during their assessments. Consequently, the actual authorisation of and basis for the changes is not verified during the course of the financial year.

CAG in its management letter for 2013-14 notes that there is no formal reconciliation between payroll summary and the net salary payable to detect any short/over release of salaries.

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

In 2013, IAG of the Tanzania conducted a payroll study for entire public sector examining July – September 2013 salary payments across the public sector. The report concluded that there are areas where anomalies are found. The current procedure requires each employee to provide one bank account to be entered into the HCMIS for payment of salary. However, the Report finds that across

Tanzania, there were cases where payments were made to employees in the accounts which were not recognized by HCMIS (i.e., account which is not entered in the system).

Internal Audit, as per guidelines issued by PMO-RALG, is required to include payroll-audits in its annual work plan for at least two quarters in the financial year. Internal Auditor in its last two years' audit reports has not pointed out any observations on payroll weaknesses.

While there is no specific annual payroll audit, the Controller and Auditor General normally cover payroll weaknesses in its annual audit. As mentioned before, the CAG has pointed out various weaknesses in the payroll.

CAG of Tanzania in its annual general report for 2012-13 on local governments also provided key issues with regard to internal controls. It included a section on various internal control weaknesses relating to LGAs as a whole such as those employee registers not being updated, inadequate staff appraisal, and payment of salary amounts which varied from the personnel emoluments grants received.

Table 47: Summary of rating under PI-18

Indicator	Rating	Brief explanation
PI-18 Effectiveness of payroll controls	D+	
(i) Degree of integration and reconciliation between personnel records and payroll data	A	Since personnel records and payroll database are part of one system, there is reconciliation between the two once PO-PSM approves the request.
(ii) Timeliness of changes to personnel records and the payroll	D	Review of reports generated from HCMIS suggests cases of long delays in salary payments. This may, in some cases, reflect changes to personnel records that do not get reflected in the payroll records in a timely manner.
(iii) Internal controls of changes to personnel records and the payroll	C	The system maintains audit trails reflecting changes made to the system. Access to the System is restricted to only the Head of Human Resource Department in the District Council. However, the audit trail in the System is not documented/filed, verified or even covered by the internal auditors during their assessments. Consequently, the actual authorisation of and basis for the changes is not independently verified during the course of the financial year.

Indicator	Rating	Brief explanation
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	B	The Internal Auditor General completed a payroll audit for the entire public sector including Rorya DC in December 2013. Though there is no annual payroll audit exercise, the CAG and Internal Auditor do cover payroll under their respective audits.

PI-19 Competition, value for money and controls in procurement

(i) Transparency, comprehensiveness and competition in the legal and regulatory framework

In order to achieve value for money in procurement, there must be robust legal and regulatory framework. The framework should be accessible to the public, applicable to majority of the public procurements. It should mandate open competitive procurement as the primary method of procurement with clear list of cases of deviations. It should promote transparency in procurement to bring in accountability. It should also provide for an independent appeal mechanism for procurement related complaints. In the subsequent paragraphs, we have assessed the legal and regulatory framework in Tanzania on these dimensions only. Procurement in Tanzania is mainly governed by Public Procurement Act, 2011 and corresponding regulations Public Procurement Regulations, 2013.

Public Procurement Act, 2011 and Public Procurement Regulations 2013

Application

PPA, 2011 presently governs the public procurement process in Tanzania. Section 2 (1) (a) specifies the application of the Act, i.e. it is applicable to all procurements and disposals by tender undertaken by the “procuring entity”. Procuring entity is defined as any public body and any other body, or unit established and mandated by government to carry out public procurement functions.

Accessibility

The Act is freely accessible to the public on [PPRA website](#). Information through website is one means of providing information at low cost to all those who might want it. However, this mode of public access is questionable given the low internet penetration²¹. Excerpts from the act are provided in the box below.

Public Procurement Act, 2011

Institutional arrangements

Central

²¹ Nearly 17% of Tanzanian’s population had access to internet in 2012. This is due to high illiteracy, poor infrastructure, and unavailability of internet services in semi-urban and rural areas.

Public Procurement Act, 2011

The Act provides for a Public Procurement Policy Division under the MoF to undertake various tasks related to public procurement. Some of them include (i) designing National Procurement Policy (ii) advising central government, local governments and statutory bodies on issues related to procurement policies.

The Act also provides for establishment of PPRA to ensure application of fair, competitive, transparent, non-discriminatory and value for money procurement standards and practices; set standards for public procurement systems; monitor compliance of procuring entities; and build, in collaboration with Public Procurement Policy Division and other relevant professional bodies, procurement capacity in the United Republic.

Local Government

Section 31 (1) provides for establishment of tender boards for procurement of goods, services, works and disposal of public asset by tender. Section 37 (1) provides for establishment of Procurement Management Unit (PMU) in every procuring entity which consists of procurement and other technical specialists and other administrative staffs. The head of the procurement management unit shall be headed by person with appropriate academic and professional qualifications. The head is required to report to the accounting officer of the procuring entity. This unit is required to support the tender board, implement decisions of the tender board and act as secretariat of the tender board. For each tender, an evaluation committee is mandatory which reports to the PMU.

Planning

Section 49 (1) provides for the procuring entity to prepare its annual procurement plan in a rational manner. Such plan has to be approved by the appropriate budget approving authority (i.e., MoF Finance in case of Local Governments).

Internal controls

Section 48 (2) mandates head of internal audit of each public body to include a report (as part of its quarterly internal audit report) on whether the act and procurement regulations has been complied with or not. The accounting officer upon receiving such report is required to submit the report to the PPRA.

External scrutiny

The external auditor of the public body in its annual report, is required to state whether procurement of goods, works and services is in accordance with the procedures specified under the PPA, 2011 and underlying regulations.

Accountability

Section 48 (4) makes the accounting officer of each procuring entity to be accountable for failing to comply with the provisions of the PPA, 2011.

Competitive bidding

Section 63 (2) of PPA 2011 provides for all procurements and disposals to be conducted in a manner that maximizes competition and achieve economy, efficiency, transparency and value for money. Section 64 (1) of PPA 2011 mandates the procuring entity to apply competitive tendering in line with the methods provided in related regulations 2013 which varies by value of procurement and the type of procurement. In the seventh schedule of the Procurement regulations 2013 (Table 48), methods for selection and limits of application for each contract of goods, works and non-consultancy services are provided.

Table 48: Method of selection as per Procurement Regulations 2013

Method of tendering	Goods	Works	Non-consultancy services	Disposal of public assets
International competitive tendering	No limit	No limit	No limit	No limit
National competitive tendering	Up to TZS 1 billion	Up to TZS 5 billion	Up to TZS 1 billion	Up to TZS 5 billion
Restricted tendering	No limit but must be justified	No limit but must be justified	No limit but must be justified	No limit but must be justified
Competitive quotations (shopping)	Up to TZS 120 million	Up to TZS 200 million	Up to TZS 100 million	Not applicable
Single source procurement	No limit, but must be justified	No limit, but must be justified	No limit, but must be justified	Not applicable
Minor value procurement	Up to TZS 10 million	Up to TZS 20 million	Up to TZS 10 million	Not applicable
Micro value procurement	5 million	Not applicable	Not applicable	Not applicable

Source: Public Procurement Regulations, 2013

Section 149 (1) provides for considering the international and national competitive tendering as primary method of selection of bidder as against other methods prescribed in the regulation. Section 149 (3) and (4) mandates the procuring entity to furnish a statement detailing the grounds and relied circumstances with a view to justify the use of the method where the default method is not used. A procuring entity may select an appropriate alternative method of selection only when (a) competitive tendering is not considered to be the most economic and efficient method of procurement (b) the nature and estimated value of the goods, works or service permit the use of such alternative method.

Public access

Section 68 (1) of the PPA 2011 requires any tender notice to be published in sufficient time. Procurement plans for the year are prepared and approved by the accounting officer. These plans are required to be submitted to PPRA within fourteen days after completion of the budget process. It is not mandatory to publish these plans. On the other hand, section 18(1) of the procurement regulations calls for publishing the summary of general procurement notice (prepared based on procurement plans) for the year in the PPRA journal and the tender's portal. Section 19 (3) provides an option to the procuring entity to publish the tender notice (in case of international tendering) in

appropriate foreign or international publications or professional or trade journals. Section 45 (1) of the regulations requires PPRA to publish contract awards under the preference scheme (to local communities) in the Journal and Tender Portal. Section 158 (2) of the procurement regulations provides for publishing of the procurement notice in the Journal and Tender portal when competitive tendering method is adopted. Section 236 mandates the procuring entity to publish the results of the tender to be published in the Journal and Tenders Portal on a regular basis. The act and the regulation do not require the resolution of appeals to be published. However, the online procurement system (e-public procurement) has a module on dispute resolution. All stakeholders can access e-pp with satisfaction of technical requirements after payment of user fee. Users could include procuring entities, prospective tenderers, systems administrators, auditors, development partners, banks and financial institutions, civil society organizations and any group as approved by the Authority.

Dispute resolution

Section 88 (1) of the PPA 2011 calls for establishment of independent procurement appeals authority known as the Public Procurement Appeals Authority. The act stipulates various provisions for the authority connected with institutional structure, funds, audit of accounts, modalities for making complaints in connection with procurement.

Local Government Authorities' Tender Boards (Establishment And Proceedings) Regulations, 2014 (LGA TB)

The regulations applies to all local government authorities in respect of procurement of goods, works, non-consultancy services and disposal of public assets by tender and selection, employment of consultancy. The regulations specifies general principles for procurement at the LGA level, establishment of the tender board, its proceedings, functions of tender board, finance committee, and council officer, regional commissioner investigation, procurement limits for accounting officer and head of department.

Table 49 provides a broad overview of existing legal and regulatory framework against the standards set under this benchmark.

Table 49: Legal and regulatory framework

S. No.	Dimension	Meets requirement	PPA 2011	PPR 2013 (regulation)
1.	Organized hierarchically and precedence clearly established	Yes	√ Box on PPA 2011	√
2.	Freely and easily accessible to public	Yes	√ Accessible through PPRA website	√ Accessible through PPRA website

S. No.	Dimension	Meets requirement	PPA 2011	PPR 2013 (regulation)
3.	Applies to all procurement entities using govt. funds	Yes	√ applicable to all procurement and disposal by tender undertaken by “procuring entity”	√ applicable to all procurement and disposal by tender undertaken by “procuring entity” except for disposal of public assets by methods other than tendering
4.	Open competitive procurement as default method of procurement and defines clearly the situations in which other methods are to be followed and required justification	Yes	√ Section 64 (1) makes reference to PPR 2013	√ Section 149 makes it a default method and justification for deviation
5.	Public Access to all procurement information	No	X	X All except procurement plans and data on resolution of procurement complaints are required to be published in Journal and tender portal.
6.	Independent administrative procurement review process	Yes	√ Part IX: Disputes Settlement of Public Procurement Act 2011	√ Mechanism provided in Sections 104 to 107 of the Regulations

It should be noted that scoring of this indicator will be the same for all LGAs since the legal and regulatory framework is made at central level.

(ii) Use of competitive procurement methods

As mentioned before, PPA 2011 and corresponding regulations provides for open competition as preferred method of procurement. In the last completed financial year 2013-14, Rorya DC procured goods and services worth TZS 6599.4 million. Out of this, approximately 90% of the procurement was done through open competition; 8.6% through framework agreement; and 1.4% through minor value procurement. Table 50 below provides information on procurement by volume and value.

Table 50: Break-up of procurement in 2013-14 by method of procurement

<i>Procurement through tender process (competitive tender, competitive quotations, restricted tenders)</i>						
Item	Goods	Works	Consultancy Services	Non-Consultancy Services	Disposal of assets by tender	Total
Number of contracts	1	27	1	36	Nil	65
Amount (TZS million)	50	5819.6	14	85	Nil	5969.6
<i>Minor value procurement</i>						
Number of Local Purchase Order	58	2	Nil	Nil	Nil	60
Amount (TZS million)	46	18	Nil	Nil	Nil	64.7
<i>Procurement under framework contracts (Call off Orders)</i>						
Number of Local Purchase Order	179	Nil	Nil	Nil	Nil	179
Amount (TZS million)	565	Nil	Nil	Nil	Nil	565.1
Total procurement (TZS Million)						6599.4

As per section 165 of the PPR, 2013, a procuring entity can engage into minor procurement if (i) the value does not exceed the limit for minor value procurement prescribed in the Act (ii) price quoted is reasonable (iii) no advantage to a procuring entity is likely to be obtained by seeking further quotations or by using other methods of procurement and (iv) the contract for the provision of such goods, services or works may be a local purchase order. The justification of the procurements conducted other than open competition in line with the four conditions specified above have been assessed based on the CAG/Internal auditor comments if any on the procurements procedures.

The CAG in its management letter for 2013-14 highlighted the following issues pertaining to procurements in Rorya DC:

- Receipt of invoice before issuance of the local purchase order
- Lack of proper recording of the maintenance, repairs and replacement in respect of each motor vehicles
- Uncompetitive procurement of three motor vehicles worth TZS 137 million: the motor vehicles were procurement through single source procurement and therefore the Council may not have received full value for money;

- Procurement of goods and services made through imprest amounting to TZS 27.5 million: these goods and services were procured without a confirmed local purchase order and therefore the Council may not have received full value for money.

(iii) Public access to complete, reliable and timely procurement information

Existing legal and regulatory framework mandates procuring entity to publish all bidding opportunities as well as contract awards. However, no such stipulations are imposed for procurement plans and data on resolutions of procurement complaints.

On the other hand, as per the PPA 2011, each procuring entity is required to publish summary of the General Procurement Notice (GPN) prepared based on the annual procurement plan which includes the size of the procurement. Procurement officials in Rorya DC informed the assessment team that at the end of the previous financial year, the GPN for the current year was published on the Council's notice board, PPRA's website and local newspapers. Specific procurement notices are advertised in the local newspaper, and the council tends to post the winners and amount they won on the notice board as examined in the evidence provided. A summary of contract awards are posted on the Council's notice board and furnished to the PPRA for publication in its weekly journal. However, the data on resolution of procurement complaints are not published. The value of the procurement for which complaints are not published can't be separately estimated.

(iv) Existence of an independent administrative procurement complaints system

The LGAs' Tender Board Regulations, 2014 specify the procedure and format for submission of procurement related complaints by supplier/service provider/ contractor/asset buyer. The Regulations specify that the procurement complaint should be submitted to the Accounting Officer of a Council with copies to PPRA and the Regional Commissioner. Tenderers wishing to lodge a complaint are required to initially fill a complaint register that has been established at the Council. Thereafter, the complainant is required to lodge the complaint in writing addressed to the DED. The Council assesses the complaint and provides a response in writing.

PPA 2011 also permits (not mandatory) the Accounting Officer to constitute an independent review panel from within or outside the organisation depending on the nature of the procurement. It should be noted that the Accounting Officer (who is the City Director) is the decision maker in the procurement process which undermines the independence of the procurement complaints system at the LGA level. The Regulation also mandates a non-refundable fee of TZS 100,000. The non-refundability of the fee irrespective of the decision taken upon the complaint may adversely impact the decision of the concerned parties to file a complaint. The Regulations mandates the Accounting Officer to suspend the procurement or disposal meetings where a continuation of the proceedings might result in an incorrect contract award decision or making worse any damage already done. The Regulation also specifies the time limit (30 days) post receipt of the complaint within which the Accounting Officer is required to deliver its written decision. The PPA 2011 specifies that the decision of the Accounting Officer is final unless the complainant applies for administrative review to the PPAA.

In case the complainant is not satisfied with the decision of the Accounting Officer or there has not been any decision by the Accounting Officer, the PPA 2011 permits the complainant to submit an application to the PPRA. The procedures for review by PPRA are specified in the PPA 2011. In case the PPRA does not amicably settle the dispute, the application is then referred to PPAA. The composition of the PPAA shall be as follows:

Chairman	Retired judge nominated by the President
Senior lawyer	Appointed by the Attorney General
Five other members	At least two from the private sector with professional knowledge and experience in public procurement, construction industry, business administration, finance or law
Executive secretary	Secretary of the appeals authority

The act does not mandate a civil society member to be part of the appeal authority. However, the Secretary of the PPAA is part of the government. PPAA is not involved in any capacity in procurement transactions or in the process leading to contract award decisions.

Section 91 (c) of the PPA 2011 states that “...funds of the PPAA include revenues collected from services rendered”... Part IX of PPA 2011 clearly lays down the circumstances under which the tenderer can approach PPAA or the Accounting Officer himself for review of its decisions. The provisions stipulate the time and process for submission of the complaints. It also details out the actions to be taken by the appeals authority and timelines for reply post submission of the complaint. The act gives powers (Section 97 of PPA 2011) to the PPAA to revise the unlawful decision by the procuring entity or substitute its own decision for such a decision. The decision taken by the PPAA is to be considered final and binding to the parties on the complaint or appeal and such decision may be enforced in any court of competent jurisdiction as if it was a decree of the court.

Table 51: Summary of rating under PI-19

Indicator	Rating	Brief explanation
PI-19 Transparency, competition and complaints mechanisms in procurement	D+	
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework	B	The legal framework meets five of six requirements. The scoring for this dimension will be the same across all LGAs because the legal and regulatory framework is made at the central level.
(ii) Use of competitive procurement methods	D	In case of those 26.12% of the contracts which were procured through alternative methods of procurement, local purchase order method and framework agreements were used. However, given CAG’s observations on control lapses, it cannot be ascertained if these procurements were in line with the legal requirements and therefore, justified.

(iii) Public access to complete, reliable and timely procurement information	D	<p>The GPN (summary of the procurement plans), bidding opportunities and contract awards are published. Data on resolution of the procurement complaints are not published (as per the LGA assertion, there are no complaints). The assessment team however does not have access to data on what percentage of actual compliance was achieved by the Council of procurement operations as required by this PEFA rating criteria and whether all such data was indeed made available to the public in a timely manner. Lack of comprehensive procurement plans, and public access to procurement complaints and unavailability of quantity of such procurements warrants the rating of D.</p>
(iv) Existence of an independent administrative procurement complaints system	D	<p>Procurement related complaints at the LGA level are addressed by the accounting officer (although the act allows the Officer to constitute independent panel but it is not mandatory). The Regulations mandates payment of non-refundable fees.</p> <p>The Vendor if not satisfied with decision at the LGA level can approach PPRA and Public Procurement Appeals Authority. The Appeals Authority is liable to collect revenues from service rendered. Additionally, the PPA Act does not mandate civil society representative to be member of the authority.</p>

PI-20 Effectiveness of internal controls for non-salary expenditure

This indicator aims to assess controls relating to payments for capital expenditure, goods and services, casual labour, and discretionary staff allowances. Other controls for cash management, payroll, and procurement are covered in PI – 17 to 19.

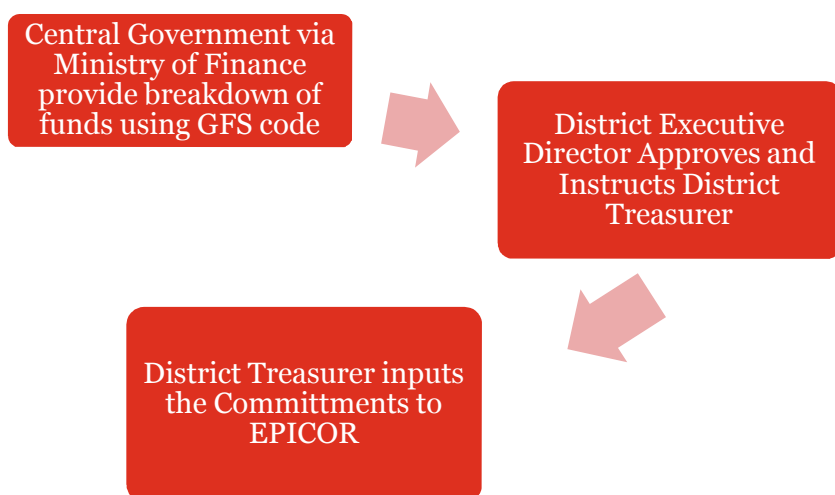
Para 8 (2) of the Financial memorandum specifies that one of the responsibilities of the Council Treasurer is to ensure that an effective system of internal control is operated including the writing and subsequent revision of detailed financial procedures. Para 11 (1) provides the mandate to (i) the Finance Committee for approval of the internal control procedures; and (ii) the Council Director for distribution to the respective officers within the Council. Para 11 (2) provides that it is the responsibility of the Council Director and Treasurer to operationalize the systems of internal controls; while para 13 (2) provides for the Internal Audit Unit’s responsibility to independently appraise effectiveness and adequacy of the internal control system within an LGA. In addition to the

internal review of internal controls by the internal audit function, the NAOT’s Regularity Audit Manual (2014) specifies that external audit by the CAG should also include reporting on effectiveness of internal controls and the internal audit function.

(i) Effectiveness of expenditure commitment controls

This dimension aims to assess how the management actions ensure that the LGA’s payment obligations remain within the limits of cash availability in order to avoid creation of expenditure arrears, which is assessed separately under PI-4.

During our assessment, it was observed that Rorya DC was using the integrated financial management system (EPICOR) that had already been installed and was functioning, though with certain limitations specifically with respect to reporting and reconciliations. This system has an embedded function for commitment control. When used, the system is able to limit commitments to the available cash.



However, during the assessment it was noted that commitments are still made outside the EPICOR system, thus creating arrears. The LGA officials had sometimes issued Local Purchase Orders (LPO’s) without any inputs in the computerized system. Therefore, commitments were still made outside the EPICOR system, thus creating arrears (Payables amounting 11.3% of total expenditure in 2013-14). The Internal Auditor General has highlighted weaknesses in the internal controls and some instances are shown in the Table 52.

Table 52: Comments by Internal Auditor related to Internal Controls, First Quarter 2014-15

Internal Audit Report	Issue	Details
First Quarter, 2014-15	Payment made by consumers but have not been banked	TZS 26.9 million was paid by water consumers in the council perimeters. However, the amount was not banked in the council account, which is a violation of Section No. 50 (5) of LAFM, 2009 which requires the Council to deposit all

Internal Audit Report	Issue	Details
		collections made to the bank within one day of collections.
First Quarter, 2014-15	Cash book not been used	Council had not started using the cash book in the first quarter of the FY2014 – 15, infringing Section No. 32 (1) (a), of LAFM, 2009, which insists on the use of the Cash Book.
First Quarter, 2014-15	Missing supporting documents	No supporting documents were found for a total expenditure of TZS 27 million. This is a sign of weak internal controls and in contravention of Section No. 10 (2) (d) of the LAFM, 2009, which requires all expenses to have supporting documents.
First Quarter, 2014-15	Missing Vouchers	Transaction vouchers worth TZS 402 million were not available for the Internal Auditor’s review.

In reality, due to the uncertainties in the availability of cash and expectation of fund flows, the present district staff allow LPOs to be raised for procurement that are outside the IFMS while some project related commitments on long term contracts may not be fully accommodated on the existing IFMS leading to manual controls over such commitments/disbursements. This creates problems in identifying arrears under the existing environment as discussed in PI-4 and the impact on commitment controls is acute across LGAs in general, with Rorya DC being no exception.

CAG in its management letter for 2013-14 notes absence of IT procedures and responsibilities within IT policy. Additionally, the CAG notes that physical verification of operation system and assessment of internal control systems reveal no documented process in place for identifying and responding to the risk of fraud, no mechanisms to make sure that fraud is detected.

In collecting evidence of effectiveness of the commitment controls available at Rorya DC, we reviewed IA reports for six (6) quarters from 1 July 2013 to 31 December 2014 and CAG’s report summary for financial years 2011-12 to 2012-13. The CAG in his Management letter for FY 2012-13 (the last Management letter for 13-14 has not been made available to us till the issue of this report) has expressed his concern at the large volume of payables which amounted to TZS 876.94 million as on June 2013 with 64% unpaid for over 2 years.

Hence, the general inability of the LGA to produce a statement on arrears vis-à-vis commitments made (only a statement of liabilities as per the Annual Financial statements is available) is a reaffirmation of the deficiencies in effective commitment control procedures that will need to be addressed.

(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures

Rorya DC has no user friendly manuals to map work and document flows in financial areas. The council staff makes use of LAAM and the LGFM for LGAs. Additionally, in course of our discussions it was known that staff adopts other internal control procedures based on their experience.

Table 53 indicates our assessment of the comprehensiveness of available internal controls and staff understanding of them as noted in course of our discussions at Rorya DC and as evidenced by weaknesses pointed out by the internal and external audit reports.

Table 53: Select cases of weaknesses in internal controls

Area	Issue	Implication
Data integrity	Lack of control in access to Council computer systems data and IT applications	May lead to financial fraud, theft of data, users failing to comply with security policy and security breaches
Expenditure management	Lack of documentary evidence to justify existence of reported payables TZS 104.7 million	Improper payments. Propriety of payments cannot be confirmed with possibilities of fund misappropriation as referred to by the CAG.
Cash management	No strong room built to keep money and accountable document	Cash, receipts and cheques can easily be accessed or stolen by unfaithful person/staff
Accounting	Weaknesses in the EIPCOR system including use of LPOs and bank reconciliations outside the system; no existence of fixed asset register; no control accounts for debtors and creditors; only cash based accounting in EPICOR etc.	Completeness of accounting in EPICOR not ensured resulting in manual interventions.
Procurement	Questionable procurement of goods and services made through imprest TZS 27 million	Non-compliance to Order 69(1) of the Local Authority Financial Memorandum of 2009
Internal control	Lack of payment vouchers for select expenditure items	Correctness/fairness of the expenditure may be difficult to gauge
Recording	Expenditure charged to wrong codes TZS 16 million	Planned activities may not be implemented and financial reporting is incorrect.

Source: CAG Management Letter 2012-13

(iii) Degree of compliance with rules for processing and recording transactions

LAAM describes, in detail, rules for processing and recording transactions. The CAG's management letter points out notable instances of weaknesses in compliance for 2012/13.

On closing of accounts on a monthly, quarterly and annual basis the Council runs the error report and prepares Journal Voucher (JV) to rectify the identified errors. However, the Council does not

maintain a record of error rate for the respective period. Therefore, it was difficult for this assessment to conclude on the error and/ or rejection rates and confirmation on the understanding of the rules and compliance with them.

The observations made by the IAF and CAG on the extent of errors, omissions and misclassification in the financial statements produced and submitted which have to undergo revision after scrutiny is a pointer to the state of the underlying compliance mechanism and degree of adherence to rules for processing of transactions.

Table 54: Summary of rating under PI-20

Indicator	Rating	Brief explanation
PI-20 Effectiveness of internal controls for non-salary expenditure	D+	
i. Effectiveness of expenditure commitment controls	D	Commitment control systems are generally lacking due to the use of manual LPOs outside the EPICOR system resulting in large accumulation of payables (11.4% of total expenditure) impacting on the liquidity of Rorya DC and commented on adversely by the CAG.
ii. Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	No evidence of a proper guidance for the council staff neither on the day to day operations nor on the complexities of operations in a computerized environment. In addition, findings from various reviews indicate some compliance issues to the internal control requirements.
iii. Degree of compliance with rules for processing and recording transactions	D	The Council uses the LAAM as a reference document in processing and recording transactions, however in practice, Rorya DC have had widespread examples of significant divergences from the principles of transaction processing and recording; in addition there were reported significant errors and omissions in figures included in the financial statements pointed out by the external auditors.

PI-21 Effectiveness of internal audit

Financial statements of every LGA should be audited internally by an internal auditor as stated in the Section 48 of the LGFA. Additionally, the LGFM (2009) provides the roles and responsibilities of the Internal Audit Unit.

The Internal Audit Manual for LGAs (revised in July 2013) provides guidance for the day to day activities of the Internal Auditor. In addition, internal audit in LGAs is required to comply with the International Professional Practice Framework issued by the Institute of Internal Auditors (IIA).

Para 13(2) of the LGFM articulates the mandate for the Internal Auditor to appraise the soundness and application of accounting, financial and operational control. Sub-para (a) to (e) of Para 14 of the LGFM specifies areas that the internal audit is required to focus on.

Effectiveness of the Internal Audit for LGAs in Tanzania is further strengthened through ongoing capacity building initiatives by the Local Government Audit Section at the Internal Auditor General (IAG)'s Department at the MoF that was established in June 2010, under the pronouncement of Cap 348 of the amended Public Finance Act. The Local Government Audit Section at the IAG's office has the duty to review and compile audit reports from LGAs and prepare a summary of major audit observations, recommendations and advice accordingly on the improvements needed.

(i) Coverage and quality of the internal audit function

Internal Audit is a separate unit in the Rorya DC organisation structure. While the financial regulations are not explicit on the size of the Internal Audit Unit (IAU), in practice, it is headed by the Chief Internal Auditor who reports to the DED. Supporting the Chief Internal Auditor is one other audit staff, making the total number of employees in that department become two, which is below the country wide council requirement. Selection of these positions is done at the central level through PO-PSM, where they determined their required entry qualifications and progression criteria as they acquire further qualifications and on the job experience.

While assessing the Rorya DC, we observed that the Internal Audit Function (IAF) was independent of the payment and accounting processes. We also confirmed that the Internal Auditor covered all activities of the council, public service delivery units and the village level governments.

Although discussions with the DIA and review of the Internal reports confirmed that the IAF performed both transaction as well as systems audit, there was no evidence of conscious quantification of time spent between the transaction and systems audits (in the absence of time sheets). Though a specific split between system based and transaction based audit was not readily available in the audit plans, the performance audit included areas and objectives that could be performed by a mix of verification of systems compliance as well as assurance that all transactions are evidence based and in line with laid down policies. A review of six recent quarterly Internal audit reports and the nature of comments and observations mentioned in such reports showed on the whole, that about 75% of the focus was on transactions/compliance issues and the balance on systems. In all quarters, the coverage of systems was significantly below 50%. Breakdown of internal audit focus per quarter is presented in Table 55.

Table 55: Breakdown of internal audit issues in reports per quarter

Quarter	Systems – areas (%)	Transaction/compliance – areas (%)
1 July – 30 September 2013	3 (37.5%)	5 (62.5%)
1 October – 31 December 2013	4 (33%)	8 (77%)
1 January – 31 March 2014	3 (32.9%)	10 (76.9%)

Quarter	Systems – areas (%)	Transaction/compliance – areas (%)
1 April – 30 June 2014	3 (27%)	8 (72.7)
1 July – 30 September 2014	0 (0%)	3 (100%)
1 October – 31 December 2014	4 (26.7%)	11 (73.3%)

The CAG in his management letter for the FY 2013-14 highlighted a number of issues relating to internal audit in Rorya DC including: (i) Inadequate allocation of staff (ii) non-completion of the activities planned for the financial year due to financial and human resource constraints.

(ii) Frequency and distribution of the reports

Para 14(7) of the LGFM requires the Internal Auditor to prepare and submit two (2) reports to the Accounting Officer – quarterly and annual reports, to be submitted 15 days after the end of the quarter and the year, respectively. According to the IA reporting structure presented in the Internal Audit Manual for LGAs, the Head of IAU is administratively required to report to the Council Director, and technically/professionally to the Audit committee. Para 14 (6) and 14(8) of the LGFM require that after action by the Finance Committee, the Accounting Officer is required to forward a copy of the internal audit report to the CAG (residential auditor), Permanent Secretary for PMO-RALG, and RAS within 15 working days from the date of receipt from the Internal Auditor. However, it was brought to our attention that in accordance with a recent decision, internal audit reports are not shared with PMO-RALG.

In addition, the Accounting Officer is also required to submit the signed internal audit report to the office of the IAG at the same time as above as stipulated in the letter by the Paymaster General (PMG) with reference number LH.274/680/01/56 dated 23 November 2011.

In our assessment at Rorya DC, we observed that the council prepared quarterly reports. We reviewed a total of six quarterly internal audit reports starting from 30 September 2013 to 31 December 2014. The Chief Internal Auditor informed us that they did not prepare a specific annual report. However, the last quarterly report for the financial year summarizes the Internal Auditor's observations for the year by incorporating accumulated issues that remained outstanding at the end of the year and also mentions the challenges the IAU faced for the year.

Other than the IAF not preparing the annual report, we noted that only one (1) IA report was submitted to the Council Director during Full Council meeting before the 15th of the month following the respective quarter. However all other reports were delayed and submitted after the 15th of the month following the respective quarter. We also noted that three (3) reports were distributed by the Council Director to other stakeholders such as IAG (very recent decision that eliminates need for sharing with PMO-RALG), CAG and RAS within 30 days of the completion of the respective quarter. One (1) report was distributed after more than 30 days and evidence of distribution of two (2) reports was not obtained.

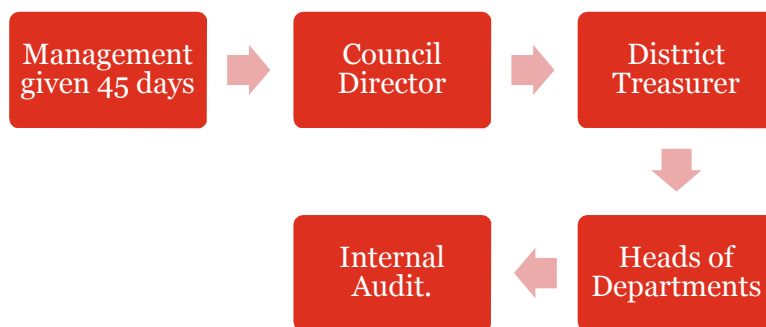
Table 56: Dates for distribution of Internal Audit Reports

SN	Period	Date submitted to Council Director	Date Council Director forwarded to CAG, PMORALG, RAS and IAG
1.	1 July – 30 September 2013	11 October 2013	15 October 2013
2.	1 October – 31 December 2013	22 January 2013	Not available
3.	1 January – 31 March 2014	30 April 2014	30 April 2014
4.	1 April – 30 June 2014	31 July 2014	20 August 2014
5.	1 July – 30 September 2014	24 October 2014	26 October 2014
6.	1 October – 31 December 2014	18 January 2015	Not available

(iii) Extent of management response to internal audit findings

Section 12 of the LGFM requires there to be an Audit Committee for each council that is responsible, among other tasks, to meet at least quarterly and review all internal and external audit reports involving matters of concern to Management of the Council; and provide advice to the Accounting Officer on action to be taken on matters of concern raised in the audit reports.

Once quarterly reports are issued, the recommendations go through a process as seen below.



The Council Director is responsible to provide responses to the matters raised by the Internal Auditor through the Heads of Departments. Evidence contained in the Internal Auditor’s reports indicated that the responses to the IA findings are either delayed or sometimes not forthcoming at all. This leads to recommendations being repeated from one quarter and year to another. However, the Internal Auditor does not maintain any dedicated record of management responses. In addition, the IA report does not summarise the number of recommendations addressed during the quarter by the LGA nor those that remained outstanding at the end of the previous quarter. This made it difficult to quantify the level of management responses and their timeliness with ease. We had to count recommendations from the previous and current quarters.

Table 57: Status on recommendations

Quarter	No. of implemented recommendations from previous quarter	No. of recommendations still outstanding from previous quarter
1 July – 30 September 2013	Not specified	2

Quarter	No. of implemented recommendations from previous quarter	No. of recommendations still outstanding from previous quarter
1 October – 31 December 2013	3	2
1 January – 31 March 2014	3	2
1 April – 30 June 2014	2	3
1 July – 30 September 2014	1	2
1 October – 31 December 2014	3	2

It is clear from the above status that actions on recommendations are delayed. On the whole the quality of the reports therefore fails, in certain circumstances, to provide a clear picture of the nature and extent of recommendations that are due for implementation for long periods of time.

The CAG in his Management Letter for Rorya DC has also indicated that the council management does not provide responses in respect of internal audit recommendations. On the whole the lack of or delayed responses to audit recommendations reflect the insufficient attention of the key functionaries to this critical oversight function. It is hardly surprising therefore to notice the substantive violations of basic internal controls as reflected in the CAG audit reports of the last two financial years

In addition, the functioning of the Audit Committee as pointed out by the CAG requires considerable improvements since at present they are not called for discussions with the external auditors, do not review the financial statements affirmed by the management and neither assess the overall risk environment at the Council.

Due to such a lack of clarity in follow up of IA recommendations and ineffective functioning of the Audit Committee, it is difficult to understand as to how a credible system of follow up is in existence in Rorya DC.

Table 58: Summary rating for PI-21

Indicator	Rating	Brief Explanation
PI-21 Effectiveness of internal audit	C+	
(i) Coverage and quality of the internal audit function.	C	There were no targeted coverage based on risk based plans that included both transaction and system based audits. Sample audit reports showed significantly low coverage of systems audit (below 40%). Basic issues mentioned by the CAG need also to be addressed so as to be certain as to the extent of time the auditors are spending on system issues which is not captured by any available reports/time sheets.

Indicator	Rating	Brief Explanation
(ii) Frequency and distribution of reports	B	While reports do not adhere strictly to the fixed quarterly and annual schedules and there were delays noted across submission, they are distributed to the Council Director, the CAG, PMORALG, IAG and RAS.
(iii) Extend of management response to internal audit findings	C	The absence of a structured system of follow up of audit observations as revealed from the comments in the audit reports and the limitations of clarity in aging of observations and delays in management responses has contributed to the rating to C.

5.4.3. Accounting, Recording and Reporting

PI-22 Timeliness and regularity of accounts reconciliation

Since verification and validation of the transactions booked in the accounting system is important from the perspective of ensuring data reliability and the quality of the financial reports, this indicator examines the regularity of reconciliation of bank accounts and other accounts including suspense accounts and advances.

(i) Regularity of Bank Reconciliations

In line with the requirements of Para 29(2) of the Financial Memorandum, it is understood from discussions that the District Treasurer (DT) of Rorya DC carries out reconciliations between bank statements for individual accounts and cash books maintained through EPICOR on monthly basis.

Rorya DC has seven (7) active bank accounts. Bank reconciliations are regularly performed on all bank accounts on a monthly basis and are available by the 15th of the following month for the previous month. The status of reconciliations at the time of our visit on 10 and 11 March 2015 is shown in **Table 59**.

Table 59: Reconciliation status

S. No.	Name of Account	Last completed Reconciliation month
1	Development Cash Account	28/02/2015
2	Own Source Revenue Cash Account	28/02/2015
3	Road Fund Cash Account	28/02/2015
4	NWSDP Cash Account	28/02/2015
5	Personal Emolument Cash Account	28/02/2015

S. No.	Name of Account	Last completed Reconciliation month
6	Other Charges Cash Account	28/02/2015
7	Miscellaneous Deposits Cash Account	30/11/2014

Our review of the bank reconciliation statements revealed that they were prepared and at a detailed level and there were no unresolved differences between the council's cash account and the bank statements for all the seven accounts. The Council did not provide any compelling reasoning for the backlog on the Miscellaneous Deposits Cash Account bank reconciliation.

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

In terms of the provisions of Section 40 of the LGFA, LGAs are authorized to make advances and operate deposit and suspense accounts. However, we were informed that based on instructions issued by the MoF, there is no usage of suspense accounts in LGA transactions at present in Rorya DC. Our discussions confirmed that staff advances for salaries were being given and this is also borne out by the latest audited financial statements for FY2013-14. The norms for making personal advances to employees as prescribed by para 41 of the Financial Memorandum only covers (i) salary advances up to a maximum of three months' salary, recoverable over a maximum of 12 instalments (ii) personal salary advance not exceeding one month pay and recoverable in the same month. Paras 5.17 and 5.18 of LAAM prescribes registers for imprest and salary advances respectively. Para 39 of the LGFM permits LGAs to issue standing imprests for minor cash purchases which need to be settled at monthly or shorter intervals. Para 40 of the FM also allows special imprest which needs to be settled within two weeks. Failure leads to a surcharge being levied.

The financial statements for FY 2013-14 indicate at the end of year, outstanding salary imprest amounted to TZS 37.9 million. These have been outstanding between three and twelve months. Salary advances and imprest to staff at the end FY 2012-2013 amounted to TZS 24.4 million. However the period that this amount was outstanding was one month only.

Table 60: Summary rating for PI-22

Indicator	Rating	Brief Explanation
PI-22 Timeliness and regularity of accounts reconciliation	B	
(i) Regularity of Bank Reconciliations	B	Bank reconciliations for all the bank accounts take place on a monthly basis at aggregate and detailed levels and are prepared within two weeks of the end of the previous month. However, there is an exception for one of the bank accounts (Miscellaneous Cash Deposits for the month of February 2014) which had a two months backlog without any particular reason provided.

Indicator	Rating	Brief Explanation
(ii) Regularity of Reconciliation and clearance of Suspense Accounts and advances	B	While the District Council does not have a suspense accounts, it has recoverable salary advances and imprest amounts which are outstanding for a period of 3-12 months as on 30 th June 2014.

PI-23 Availability of information on resources received by service delivery units

- (i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.**

Problems can arise in front-line service delivery units (SDUs) in obtaining resources that were intended for their use. This indicator covers primary education and health care SDUs that are under the responsibility of the LGAs. Only those SDUs which are within the jurisdiction of the LGAs are covered under this indicator.

LGAs are responsible for the provision of primary and secondary education. This is provided in the local government district and urban authorities laws of 1982, and in the Education Act No. 25, 1978. PMO-RALG is responsible for the establishment, management and administration of primary and secondary schools. Funds are transferred from the Treasury to the district and urban councils, and the council transfers the funds to the schools according to a set capitation grant limit and for school construction programmes.

Due to the uncertainties in fund flows and limitations of cash forecasting discussed earlier, there were no schedules of disbursements prepared for the lower lever units. The Council only transfers funds directly into the schools' bank accounts on ad-hoc basis depending on when funds are received from the Treasury. Disbursements to schools fall under three broad categories: (i) capitation grants; (ii) in-kind transfers, which include books centrally procured by or on behalf of PMO-RALG; and (iii) other allowances for food, etc.

There are a total of 125 primary schools in Rorya DC comprising of 120 public and 5 private schools. In addition there are 31 secondary schools comprising of 27 public and 4 private schools. The Council only provides counselling support to the private schools; it does not provide any financial support.

Several NGOs such as Christian Social Service Commission (CSSC) and others support primary and secondary schools in Rorya DC. However, all of such support is provided through in-kind contribution and no cash is provided to the Council. Common amongst these are construction or rehabilitation of classroom or latrines etc. When the project comes to completion, the physical asset is handed over to the council however no monetary value is calculated and not recorded on the Council's books of accounts.

Examples of other in-kind contribution include books procured through “Radar Funds” received from the UK government in FY2011-12 and FY2013-14 which were distributed to all schools in the District. President Barack Obama, as part of his visit to Tanzania also donated books for secondary schools.

The assessment team was provided with details of transfers made to schools in FY2011-12, FY2012-13 and FY2013-14 covering both cash and in-kind transfers from the Council. However, it must be noted that any in-kind transfers (such as books) does not have information on its monetary value and therefore only description and quantitative information is maintained.

Primary schools do not charge school fees to pupils i.e. primary education provided by public schools is essentially free. However, secondary schools do charge schools fees which is collected by the schools and deposited in the schools’ bank accounts. Schools are not required to remit schools fees to the Rorya DC but have the autonomy to use the funds in accordance with spending decisions made by the schools’ boards.

Primary and secondary schools prepare and submit income and expenditure reports on a quarterly basis to the Council. Furthermore, any expenditure incurred by the schools must be approved by the Council.

As regards transfers related to health expenditure, the council supports 58 health facilities – 2 hospitals (both owned by a Faith Based Organisation (FBO)); 5 health centres (all council owned); and 27 dispensaries (all council owned). Most of the funds allocated by the Treasury to the Council for primary health centres are not disbursed directly to the health centres; rather Rorya DC incurs expenditure on behalf of the primary health centres and transfers the procured items to the primary units for their consumption.

Hospitals, health centres and dispensaries collect user fees which are retained at the facility level and used in accordance with guidelines provided by the Council. Health facilities provide income reports to Rorya DC on a quarterly basis. Expenditure incurred by the health facilities are based on approval obtained from the Council. Therefore the Council is in a position to include health facilities’ income and expenditure as part of its quarterly financial reports.

Like education, several NGOs support Rorya DC in the health sector, for instance by providing in-kind benefits to health facilities. However, information on monetary value of the in-kind support to the health centres is not provided to the Council and therefore is not captured in the Council’s books of accounts but appear as information in the quarterly management information report.

Although the Council has complete information on funds and in-kind transfers made to schools and health centres, it does not receive financial reports from these institutions on how the funds are used. However, schools provide acknowledgement to the council on funds received by providing cash receipts against each fund transfer. The Council is also involved in approving all expenditure prior to schools incurring them. This is through countersigning the cheque as endorsement to authorise the bank to honour the payment.

The accounting system, i.e. EPICOR, in Rorya DC is not geared to capture in-kind resources received by service delivery units (specifically primary schools and primary health centers). The Council however, prepares and shares quarterly management information report (that is not generated

through the accounting system) on type of cash and in-kind transfers made to schools and health centres with PMO-RALG.

In 2010 a public expenditure and tracking survey was undertaken for primary and secondary education in Mainland Tanzania. Some of the issues highlighted in the study were (i) significant disparities in allocations between urban and rural councils and to primary education (ii) discretionary funding channels involving multiple ministries and disbursement channels.

Table 61: Summary of rating under PI-23

Indicator	Rating	Brief explanation
PI-23 Availability of information on resources received by service delivery units	B	<p>Our findings are</p> <ul style="list-style-type: none"> • EPICOR does not capture all information at the individual service delivery level since each unit of service delivery is not defined as a cost centre (e.g. a particular school or health centre). But collated information is available from the system e.g. Health Admin department is a cost centre under which there are categories of dispensary, health centres etc. • However data is available at the department level on transfers both cash and in kind (only quantitative description and no monetary value) for education and health. • Quarterly reports are available but no consolidated annual report. • PETS has examined systemic issues but there is no data available on service delivery units.
(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.	B	

PI-24 Quality and timeliness of in-year budget reports

(i) Scope of reports in terms of coverage and compatibility with budget estimates

Rorya DC prepares in-year budget reports on a monthly basis through information generated from the EPICOR system. Separate reports for revenue and expenditure are initially generated providing

actual information. These reports are then consolidated which provides information for the month as well as cumulative to date and compares with the approved annual budget. Information pertaining to annual performance as a percentages and variance is also provided in the monthly reports. The in-year budget reports provide aggregated information for all the departments, lower level service delivery units as well as development projects. Since the basis for preparing the in-year budget reports is the EPICOR system, these reports conform to the GFS classification of expenditure and revenue as adopted centrally. However, the in-year budget reports are manually modified and prepared in Microsoft Excel using information extracted from the EPICOR system. The reports, which do not provide information on commitments, are prepared by the Revenue and the Expenditure Accountants.

(ii) Timeline of the issue of reports

The in-year budget reports are prepared on a monthly basis and discussed by the Council's Management Team. Any feedback and comments provided by the Management Team are taken on board as monthly reports are revised. Thereafter the reports are presented to the Council's Finance Committee within 15 days following the end of the previous month. Feedback and comments from the Finance Committee are also taken into consideration as they are revised. Monthly reports are consolidated into quarterly reports and presented to the Full Council to be discussed during the Full Council's quarterly meetings. Feedback and comments from the Full Council are taken into consideration as the quarterly reports are finalised and submitted to the Mara RAS and PMO-RALG.

(iii) Quality of information

EPICOR is not customized in a manner that allows for in-year budget reports to be generated directly from the system. This undermines the quality of information contained in the in-year budget reports as they are prepared manually by exporting data from EPICOR to Microsoft Excel. This process necessitates entering some information manually which can be subject to errors and omissions. Ideally all reports should be available from established Integrated Financial Management Systems (EPICOR) which would enhance their credibility.

Table 62: Summary of rating under PI-24

Indicator	Rating	Brief explanation
PI-24 Quality and timeliness of in-year budget reports	C+	
(i) Scope of reports in terms of coverage and compatibility with budget estimates	C	In-year budget reports are generated in line with the GFS 2001 classification of annual budgets. This allows for direct comparison to the original budget. However, the expenditure information does not include details on commitments.
(ii) Timeline of the issue of reports	A	Reports by Rorya DC are prepared on a monthly basis and are issued by the subsequent month.
(iii) Quality of information	C	Although reports are prepared using information generated from the IFMS, they are prone to errors

Indicator	Rating	Brief explanation
		and omissions that take place during the exporting process from the EPICOR system to MS Excel sheets.

PI-25 Quality and timeliness of annual financial statements

Financial statements must be intelligible to the reader and complete by including all transactions of revenue, expenditure, assets and liabilities thereby contributing to transparency and overall quality. This indicator examines these aspects. In addition, it examines whether the financial statements are prepared and submitted for audit within prescribed timelines and drawn up as per recognised Accounting standards.

(i) Completeness of the financial statement

Para 31(3) of the LGFM²² prescribes the composition of the financial statements which are to include: (a) statement of financial position; (b) statement of financial performance; (c) statement of change in net assets; (d) cash flow statement; (e) statement of financial performance by function; and (f) statement of comparison of budget and actuals by nature and by function. The LGFM further prescribes that the formats of (a) and (b) above shall be those prescribed by the International Accounting Standards Board as applicable to the public sector. The financial statements are to be supported by disclosure of accounting principles and policies and provide explanatory notes for better understanding. Detailed itemised schedules are not stipulated to form part of the published accounts but the LGFM also specifies that supporting schedules must be made available to the CAG for audit.

Results of our assessment of the last available audited financial statements for Rorya DC for FY 2013-14 and underlying systems from the perspective of completeness are given in **Table 63**.

Table 63: Comments on audited financial statements

Topic	Comments
Components of financial statements	<p>Based on the last financial year audited till the date of our visit it was noted the financial statements for FY 2013-14 include statements on: (i) financial position; (ii) financial performance; (iii) changes in net assets; (iv) cash flow. In addition, the following matters are included:</p> <ul style="list-style-type: none"> • A Statement of Responsibility signed by the Accounting Officer containing affirmations on the compliance with internal controls, integrity of the financial statements and their compliance with IPSAS and the directives issued by the Ministry; • Notes to the financial statements including:

²² References to the Local Authority Financial Memorandum 1982 includes amendments through CAP290 in 2002)

Topic	Comments
	<ul style="list-style-type: none"> ▪ Summary of significant accounting policies; ▪ Statement of financial performance by function (key departments/service centres); ▪ Comparison of budget and actual by nature (type of expense or income); ▪ Comparison of budget and actual by function.
Consolidation of information	We noted that the accounting information reflected in the financial statements included those of all the departments of the Council and its wards, operating service delivery units and villages. Since the production of final accounts is centralized, aggregation of information is undertaken by the District Treasurer based on accounting transactions incurred by units/wards. Based on our discussions, we understand that individual service delivery units (e.g. a single primary health care unit under the health department) are not considered as separate cost centres and financial statements cannot be generated centrally for such individual units. However their operations are integrated with the departmental expenditure and hence with the overall accounting system.

(ii) Timeliness of the submission of the financial statements

Para 31(1) of the LGFM prescribes that the final financial statements must be properly compiled and submitted to the Full Council and thereafter to the CAG within 3 months after the end of the financial year. We note that for FY2013-14, the financial statements were approved by the Councillors in the Full Council meeting held on 25 September 2014 and submitted to the CAG on the following day i.e. 26 September 2014. The CAG’s management letter indicates that the financial statements of Rorya DC for the year ended on 30 of June 2014 were received on the statutory due date. However, it is noteworthy that the financial statements initially submitted by Rorya DC to the CAG on 26 September 2014 had to be revised and resubmitted on 24 December 2014. This was due to the fact that the CAG pointed out numerous inconsistencies, errors and omissions in the initial submission.

A comparative table of the compliance to timelines for the last 2 financial years are enclosed.

Table 64: Rorya District Council: Submission timelines for financial statements

Activity	2012-13	2013-14
Approval by Full Council	26 Sep 2013	25 Sep 2014
Submission to National Audit office	27 Sep 2013	26 Sep 2014
Revised submission to National Audit Office	-	24 Dec 2014

(iii) Accounting standards used

Para 31(4) of the LGFM mentions that the LGA statement of financial position and statement of financial performance shall be in the "formats" prescribed by International Accounting Standards Board applicable to the public sector. The notes to the financial statements mention that they have been prepared based on the IPSAS and the provisions of the Local Government Finances Act. The notes also describe all the significant accounting policies applicable to the financial statements. For the last accounting year completed FY2013-14, the CAG has given an unqualified opinion. However, for FY2012-13 the CAG provided an adverse audit opinion indicating that the statements of financial position, financial performance and cash flows do not present, in all material aspects, the information in accordance with IPSAS and Chapter IV of the LGFA. The qualifications were substantive and in our view raise issues related to the underlying controls and the capacity of the LGA to follow international standards prescribed by IPSAS. For FY 2011-12, although the CAG provided an unqualified opinion, the report indicated delays in implementation of project activities and pending civil cases with financial implications for the Council.

It may be noted that based on the information available through our studies of national level assessments and discussions, IPSAS on cash basis is reported to be presently used for accounting by the Government of Tanzania. There are plans to move over to IPSAS on accrual basis in the near future. While LGAs are already on accrual basis of accounting the degree of compliance with IPSAS across the entire spectrum of transactions is not fully ascertainable in a study of this nature. In this connection, attention may be drawn to the text of the introduction to IPSAS which mentions as follows:

"Financial statements should be described as complying with IPSAS only if they comply with all the requirements of each applicable IPSAS."

The Annual Reports of the CAG for FY 2012-13 and FY2013-14 for LGAs have referred to the challenges of IPSAS based accounting across all LGAs in the context of significant errors/discrepancies in compilation which have to be corrected and the imminent need for training of LGA personnel on the accounting expectations for full IPSAS compliance.

Taking into account the opinion of the CAG, it may therefore be construed that the presentation of the financial statements are based both on IPSAS as well as the stipulations of local legislation as defined in Part IV of the Local Government Finances Act.

Table 65: Summary rating for PI-25

Indicator	Rating	Brief Explanation
PI-25 Quality and timeliness of annual financial statements	B+	
(i) Completeness of the financial statements	B	Though there were notable qualifications in the year 2012-13, in the last AFS prepared for 2013-14 the auditor has given an unqualified opinion.

Indicator	Rating	Brief Explanation
(ii) Timeliness of submission of the financial statements	A	The financial statements for the last audited year FY 2013-14 were initially submitted to the external auditors on 25 September 2014 i.e. within the prescribed three months' time period from close of the fiscal year. The revised statements were submitted on 24 December 2015 i.e. within six months of the end of the fiscal year.
(iii) Accounting standards used	B	The auditors in their report for 2013-14 have confirmed application of IPSAS. However, the CAG has made a common observation across all LGAs covered under this assessment on the need for training of LGA personnel on the accounting expectations for full IPSAS compliance. In view of this and other qualifications on the financial statements of the LGA in the last three financial years, application of IPSAS standards and those prescribed by the LGFA across all statements is not ensured.

5.4.4. External Scrutiny and Audit

PI-26 Scope, nature and follow-up of external audit

This indicator examines the dimensions of independent external audit with particular emphasis on its independence, the scope of coverage and its quality as evidenced by adherence to auditing standards. It also examines the promptness with which the audit reports are placed before the legislature and the effectiveness of the follow up mechanisms on audit recommendations.

(i) Scope/nature of audit performed (including adherence to auditing standards)

The regulatory basis for the audit of accounts of LGAs is provided by the Constitution, certain statutes and other regulations of the CAG. The table below summarizes the key components of the framework.

Table 66: Regulatory framework for external audit

Document	Remarks
Constitution of the United Republic of Tanzania 1997 (revised 2005)	Article 143 establishes the office of the CAG and defines its responsibilities and powers which includes the right to examine books and accounts and submit an audit report
The Local Government Finances Act 1982 (amended in 2002)	Section 48 mentions that the external auditor for a District council shall be the CAG.

Document	Remarks
The Public Audit Act 2008, amended 2012	Section 5 prescribes the Constitutional mandate to the CAG to audit and report on the financial statements including LGAs and Section 10(1) requires the CAG to examine the financial statements on behalf of the National Assembly and other functions as designated to him.
The Public Audit Regulations 2009	Defines the procedures through which the Public Audit Act would be put into practice

The National Audit Office of Tanzania (NAOT) is the Supreme Audit Institution (SAI) of the country and headed by the CAG.

Our review of the CAG audit report for Rorya DC shows that in essence it is in the nature of financial audit. It includes a detailed review of internal control systems and observations of the CAG on the control weaknesses which is furnished to the Council separately through a Management letter. Based on our discussions with the NAOT, we understand that a risk based approach is adopted and the specific of the approach and methodology is determined keeping in mind the prescriptions of the Regularity Audit Manual (RAM) depending on the circumstances. Though the emphasis appears to be on financial transactions backed up by a systemic review of underlying processes, based on our discussions with the Rorya DC it was noted that Special Audits are also conducted by the CAG's office. However no special audit has been conducted for Rorya DC since FY2010.

Feedback from the NAOT also mentioned that there is a current GIZ funded project that is examining comprehensive audit for LGAs (as one of its components) which would include performance audit and certain pilots have been planned. Considerations of value for money which already form an integral part of audit of underlying transactions is one of the aspects of performance that is covered by the present audit approaches for LGAs.

The ambit of coverage for audit purposes is total – all LGAs, the entire aggregated LGA financial transactions including its departments and sub components comprising the wards, departments, and primary service units. However, keeping in mind the risk based approach, systematic sampling is adopted for each component of the financial statements and the methodology of sampling may vary. Based on our discussions with the NAOT, we were informed that in line with the Regulatory Auditing Manual (RAM), the specific technique mandated to be adopted is a mix of (a) 100% selection where the number of items are small but of significant value or exposed to high risk or is cost effective considering its repetitive nature (b) selection of abnormal items or specific ones of high value (c) adoption of audit sampling in line with ISSAI auditing standards. Our discussions with the NAOT revealed that on an average about 75 percent of expenditure were covered during the audit assessments. We also note from the CAGs comments on the scope of audit in his audit report for Rorya DC for FY 2013-14 that the audit was on a sample basis and therefore findings are confined to the evidence made available in course of his audit.

(ii) Timeliness of submission of audit reports to the legislature

As per present practices as contemplated by the existing regulatory framework, the presentation of audited accounts is at 2 levels-the Council or local legislature of the LGA and finally at the National Assembly. Section 48(4) of the LGFA requires completion of audit not later than six months after the close of the financial year. Section 51(1) elaborates further and mentions that the signed audit report has to be provided to the LGA and copies given to the Minister, the Regional Commissioner and Director who will table it before the Council.

Furthermore, Section 34(1) of the Public Audit Act mentions that the CAG shall express his professional opinion and submit the audit report to the President and Minister within a period of nine months or such longer time as the National Assembly may permit from the date of closing of the financial year. Section 34(2) further mentions that such a report has to be tabled by the Minister in the Assembly within 7 days of the next sitting counting from the day he received the report.

Although the Annual General Report on the financial statements of all LGAs for the year 2012-13 was submitted by the CAG to the President on 28 March 2014, the CAG's audit report for Rorya DC was only received by the Council on 23 May 2014. The dates for submission of the LGA Reports to the National Assembly for the last few years are provided in Table 67 below. The dates of approval by the Full council are indicated under PI-28 (i) in Table 70.

Table 67: Receipt of Annual General Report of the CAG on the Financial Statements of LGAs

Financial year	Dates of receipt by National Assembly
2009-10	30 March 2011
2010-11	31 March 2012
2011-12	10 April 2013
2012-13	7 May 2014
2013-14	19 May 2015

(iii) Evidence of follow up of audit recommendations

Para 7 of the LGFM which defines the responsibilities of the Council Director who is the Accounting Officer of the LGA, mentions timely response to queries of the CAG and the LAAC as one of his tasks. The Audit Committee which is supposed to meet at least once a quarter as per para 12 of the LGFM is expected to also review the external audit reports particularly involving matters of concern to the Council.

Our review and enquiries on follow up of external audit reports and the documentation produced by Rorya DC revealed outstanding issues from previous years that were yet to be resolved. Although responses are provided by the Council on individual issues raised by the CAG in the Management Letter, the similarity of the nature of many of the issues from year to year and the repetitiveness of many of the areas of weaknesses in accounting and internal controls to which such issues relate reflect that the quality of follow up on audit recommendations requires further improvement.

The CAG in his audit report for FY 2012-13 indicated that Rorya DC had absence of adequate mechanism to implement auditor’s recommendations regularly. However, the CAG’s audit report for FY 2013-14 indicated that of the recommendations provided to Rorya DC in FY 2012-13:

- 61% were fully implemented;
- 6% were under implementation;
- 33% of recommendations amounting to TZS 6.6 billion were yet to be implemented.

Whilst it can be noted from the above that Rorya DC has made improvement in addressing audit queries and CAG recommendations, challenges still persist. The CAG in his management letter for FY 2013-14 made the following comments:

- The Audit Committee neither met with the External Auditors nor invited it to attend the meeting to discuss unresolved issues as per PMO-RALG directives;
- The Audit Committee did not undertake an assessment of the overall risk environment of the Council;
- The entity’s statement on internal control systems was neither included in the terms of reference nor reviewed by the Audit Committee before endorsement by the Accounting Officer and submission to the oversight Committee i.e. Council’s Finance Committee;
- Names of the members of the Audit Committee were not disclosed in the financial reports.

It is noteworthy that the Audit Committee meeting minutes were not shared with the Assessment Team.

This section deals with follow up of the CAG reports by the LGAs and the relevant ministry. Issues of follow up of comments of the LACC and national legislature are discussed in PI-28.

Table 68: Summary rating for PI-26

Indicator	Rating	Brief Explanation
PI-26 Scope, nature and follow-up of external audit	C+	
(i) Scope/nature of audit performed (including adherence to auditing standards)	B	The essence is the financial audit of the year end accounting statements but it also focusses on a risk based approach and significant as well as systemic issues. Audit also adheres to INTOSAI auditing standards. Performance audit per se is yet to start on a noticeable basis.
(ii) Timeliness of submission of audit reports to legislature	B	The base period is the time taken for submission of the audit report to the national assembly after receipt of the final financial statements by CAG for audit. Rorya DC submitted the final statements for 2012-13 to CAG

Indicator	Rating	Brief Explanation
		in September 2013. However, the audit report was submitted to the council on 23 May 2014, approximately two weeks after it was submitted to the National Assembly on 7 May 2014.
(iii) Evidence of follow up on audit recommendations	C	Responses to management letters are made but evidence of systematic follow up is absent as evidenced by comments provided and repeated in subsequent years. The notable weakness of the Audit Committee functioning referred to by the CAG is a specific pointer to the state of follow up in this regard.

PI-27 Legislative scrutiny of the annual budget law

As clarified by the Supplementary Guidelines applicable to sub-national governments of the PEFA Secretariat, references to legislature in this indicator implies the local LGA Council and not the national parliament.

(i) Scope of the Council’s scrutiny

Rorya DC is governed by a District Council established under the Local Government (District Authorities) Act 1982 and the Full Council is responsible to take all decisions relating to the Rorya DC. There is a Finance, Administration and Planning Committee that deliberates on the budget proposals received and inputs from the District and Regional Consultative Committees are also considered. The final proposals are then forwarded to the Full Council for approval. Feedback received in course of our discussions and from the minutes of the approval meeting shows that the nature of the discussions relates to estimates of expenditure and revenue. The assessment team confirmed that the Full Council reviews both the budget as well as the quarterly financial reports and annual financial statements.

(ii) Extent to which the Councils procedures are well established and respected

Part IV A and B of the Local Government (District Authorities) Act, 1982 lay down the framework for carrying out proceedings of all meeting District Council in general and of the Standing Committees constituted by the Council, in particular. Clause 42 of the Act provides for constitution of six Standing Committees for assisting operations of the Council. The Act also empowers District Authorities to issue standing orders that define the composition and functions of these Standing Committees.

Para 6 (d) of the LGFM mentions that the responsibilities of the Finance Committee include consideration of the recurrent and development estimates of all committees and presenting them to the Full Council for approval.

In Rorya DC, apart from the Finance, Administration and Planning Committee, there are also three other Committees: Economic, Health and Education Committee; Council HIV/AIDS Control Committee; and Urban Planning and Environment Committee. We note that though Section 74 of the Local Government (District Authorities) Act (LGDA) mentions six distinct Committees, Rorya DC has

combined the functions of these into four operating ones. The Council has issued standing orders (dated October 2002) that lay down the composition and responsibilities of these standing committees in line with the requirements of LGDA. For review of the budget proposals for the financial year 2013-14, minutes of meetings held by these committees have been documented. The overall proceedings of meetings are conducted in line with the provisions of Part IV of LGDA.

Despite the adherence to the legislative procedures in practice, it cannot be said that these procedures, on a whole, are respected in principle. As in the case of the budget cycle for 2014-15, ceilings for development budgets are communicated to the LGA towards the end of the budget preparation cycle, i.e. once all discussions and negotiations have been completed by the Standing Committees. In line with the ceilings issued, budget estimates are revised and finalized by the District Council without consultation/ negotiations with impacted stakeholders.

(iii) Adequacy of time for the Council to provide a response to budget proposals

Clause 15 (2) of the LGFM requires submission of the annual plan and budget to the Finance Committee by not later than 15th May each year. Clause 19 (1) states *'the Finance Committee after considering and if necessary revising the budget from other committees, shall consolidate the budget, prepare such reports and memoranda as it may deem necessary for the information of the Council and submit the same to the full Council not later than thirty first day of May in each year'*, effectively providing the Finance Committee two weeks to review and finalize the budget for approval by the Full Council. Clause 19(2) requires the accounting officer of the District Council to ensure that members of the Full Council receive budget documents within seven days before the date of the meeting.

Clause 19(2) requires the accounting officer of the Municipal Council to ensure that members of the Full Council receive budget documents within seven days before the date of the meeting. A review of the minutes of the Full Council meeting for approval of budget in 2014-15 reveal that the budget was reviewed, discussed and approved on the day of the meeting itself.

(iv) Rules for in-year amendments to the budget without ex-ante approval by the Council

According to Para 18(3) of the LGFM, Full Council approval is not required where (i) virements are between items within the same vote provided these items were part of the original budget, (ii) there are no virements from other charges to personal emoluments and (iii) the overall budget amounts do not change. If any of these conditions are not met, approval of the Full Council is required. In addition, in terms of 18(4), no virements are allowed between development and recurrent budgets except in case of change in Councils contribution to the development budget out of own sources of revenue.

As per provision 18 (1) of the LGFM, where a Council wishes to incur expenditure not originally included in the estimates or where the total provision in the annual budget is found to be insufficient, it is required to submit to the Finance Committee a supplementary budget for approval. Clause 18 (6) of the LGFM also states that each application for a supplementary budget submitted to the Full Council shall be accompanied by a brief report explaining the purpose and proposed funding of the supplementary budget.

The assessment team was informed that in Rorya DC, virements are done after approval by the Finance Committee and Full Council and inputs of such virements are provided to PMORALG. However, as per feedback from Rorya DC, no supplementary budgets were raised during the assessment years for additional expenditure. Hence, the dimension is not applicable.

Table 69: Summary rating for PI-27

Indicator	Rating	Brief Explanation
PI-27 Legislative scrutiny of the annual budget law	D+	
i. Scope of the Council's scrutiny	C	The Full Council deliberates on revenue and expenditure but only after detailed proposals are finalised.
ii. Extent to which the Council's procedures are well established and respected	B	Broad guidelines for budget review are provided for in the LGFM and LGDA. These include constitution of and review by standing committees. As per the requirements of the LGDA, the Council has also issued standing orders that lay down the composition and functions of these standing committees. However, given the reliance on transfers from the Central Government and the delay in communication on ceilings by MoF, the Council revises and finalises the budget estimates without consultation/ negotiation with the affected stakeholders. This undermines the effectiveness of the legislative procedures laid down for budget review.
iii. Adequacy of time for the Council to provide a response to budget proposals	D	As per feedback available, the budget is approved by the finance committee significantly less than one month, while Full Councils approves the budget within a day. This is clearly insufficient for a meaningful debate. Furthermore, important dates such as when the Finance Committee discussed and finalised the budget have not been provided.
iv. Rules for in year amendments to the budget without ex ante approval by Council	NA	Clear rules exist in the LGFM on the in-year budget amendments procedures that can be undertaken by the Council. In 2013-14, there were no virements. Hence, the dimension is not applicable.

PI-28 Legislative scrutiny of external audit reports

This indicator analyses the timeliness of examination of audit reports by the legislature, the nature of hearings, recommended actions and how far they are being implemented by the Councils.

(i) Timeliness of examination of audit reports by the legislature (for reports received in the last three years)

Section 51(1) of the LGFA requires that a copy of the annual accounts and the audit report shall be tabled before the Council. In addition Section 51(4) requires that the Minister to submit these to the National Assembly.

Section 40(2) of the Public Audit Act 2008 requires the Paymaster General (PMG) to receive responses and action plans from the Accounting Officers and submit the same to the Minister who will place it before the National Assembly. A copy of consolidated responses and action plans is also required to be provided to the CAG. Section 40(4) requires the CAG to comment on the actions taken in his next report.

The scrutiny of the LGA accounts is therefore at two levels: at the local level by the Councils; and at the national level the Annual Report of LGAs by the National Assembly. The recent amendment to the Public Audit Act in 2012 now requires consideration of the audit reports by the National Assembly only after the consolidated report on the responses by the auditees has also been submitted.

Section 38 of the Public Audit Act requires the Local Authority Accounts Committee (LAAC) to discuss the reports of the CAG after they are tabled in the National Assembly and submit reports including comments and recommendations. There are at present no deadlines set for review of the audit reports by the legislature. Table 70 provides the dates for the LGA reports for the last 3 audited years.

Table 70: Various dates for LGA reports

	2010-11	2011-12	2012-13
Month in which audit report was submitted	May 2012	07 th May 2013	22 nd May 2014
Date of approval of audit report by Council	12 August 2012	20 th August 2013	28 th August 2014

(ii) Extent of hearings on key findings undertaken by the Council

Review of key findings of audit, as contemplated in the regulations is supposed to be undertaken by the Audit Committee at the LGA level and at the national level by Parliament. Para 12(5) of the LGFM mentions that one of the tasks of the Audit Committee is to review all internal and external audit reports and provide advice to the Accounting officer on matters of concern raised in the CAG reports.

Although frequency of Audit Committee meetings in FY 2013-14 and in the current year has improved, there is no clear evidence of robust scrutiny of the audit observations or in-depth hearings on key audit findings. This was evidenced by observations included in the CAG's Management Letter for FY 2012-13 which indicated amongst other things the Audit Committee in Rorya DC does not

deliberate on issues provided in the External Auditor's reports. Other weaknesses addressed by the CAG for the audit committee are as discussed in PI 26 dimension (iii).

At the national level the LAAC as one of the Parliamentary Standing Committee is expected to discuss the CAG reports with the related Accounting officers and report at least once a year their findings and recommendations to the National Assembly for discussions and resolutions. The information related to nature and the frequency of the LAAC meetings to discuss the CAG audit reports has not been made available. However the CAG Annual Report for FY 2013-14 indicated that Rorya DC received five directives from LAAC out of which three were implemented. Rorya DC has made progress in this area as in the previous year FY2012-13 LAAC has issued six directives, out of which only one was implemented by the Council.

Available feedback based on secondary studies on functioning of Parliamentary Committees in Tanzania, the post audit processes of submission to the national assembly and the results of LAAC deliberations as available through its observations and recommendations on the LGA reports shows the basic institutional structures for review do exist. However the functioning of the Committee may be constrained by time and resources (common to many of the other Committees) and also the delays in information submission and responses²³.

(iii) Issuance of recommended actions by the legislature and implementation by the executive

At the LGA level, queries and recommended actions from the CAG and the LAAC are required to be responded to by the Executive Director in terms of Para7 (f) of the LAFM.

At the national level, under the earlier provisions of the Public Audit Act (Section 40(3)), the responses to the legislative comments were to be taken into account before giving the consolidated responses by the Paymaster General. However based on the amendment of 2012, the PMG is under no obligation to do so. Furthermore, under Section 38(3) of the amendment, the CAG's report cannot be tabled unless the responses to the report are also available at the same time. It is also noted that there is no legal timeline within which responses are to be submitted by the PMG. The relative lack of a regulatory time frame for submission of comments on findings to CAG reports, completion of discussion by the LAAC and issue of their instructions/recommendations tends to prolong the activities related to actions on audit reports.

Our review of internal audit reports, responses to Management Letters and the comments in the consolidated report of the CAG shows:

- The Council or the Director is generally responding to the audit observations and not making any recommendations, per se
- Extensive recommendations are being made by the LAAC based on their review of the audited accounts
- Some matters arising from previous audit were partly attended and others were not attended at all.

²³ Parliamentary Centres' Report on the Role of Parliamentary Committees on Budget Oversight in Tanzania, 2012.

Table 71: Summary rating for PI-28

Indicator	Rating	Brief Explanation
PI-28 Legislative scrutiny of external audit reports	C+	
(i) Timeliness of examination of audit reports by the Council (for reports received within the last three years)	B	Scrutiny of audit reports is usually completed by the Full Council within 6 months from receipt of the reports.
(ii) Extent of hearings on key findings undertaken by the legislature	C	There was no evidence of discussion of CAG audit report and action plan for implementation of the recommendations. In addition, there was severity of weaknesses observed by the CAG in the functioning of audit committee in the LGA.
(iii) Issuance of recommended actions by the legislature and implementation by the executive.	B	Whilst recommendations are made by the CAG and LAAC, some remain unaddressed by the District Council.

5.5. Donor practices

D-1 Predictability of Direct Budget Support

D-2 Financial information provided by donors for budgeting and reporting on project and program aid

D-3 Proportion of aid that is managed by use of national procedures

As per SN Guidelines for PEFA assessment, these indicators are applicable only when SN Government receives any direct donor funding. Based on our discussion with Rorya DC, it is understood that there are no direct donor funding. All funding for donor projects is routed through the Central Government. Hence, these three indicators are not applicable to Rorya DC.

6. Government Reform Process

6.1. Recent and On-going Reforms

Over the last two decades, GoT's reform strategies have aimed at (i) strengthening systems and processes with a view to enhancing efficiency, effectiveness, accountability and transparency in Government; (ii) developing and strengthening infrastructure to improve access to service delivery in specific sectors; and (iii) promoting democracy and good governance²⁴. Key relevant cross-cutting reforms that have been implemented by GoT in the recent past include:

- (i) Public Service Reform Programme (PSRP) whose broad objective was to improve efficiency, effectiveness and service delivery;
- (ii) Public Finance Management Reform Programme (PFMRP) which aimed at intensifying measures for mobilising public revenue and controlling expenditure;
- (iii) Local Government Reform Programme (LGRP) which focused on building capacity of the local government through Decentralization by Devolution (D by D); and
- (iv) National Anti-Corruption and Action Plan (NACAP) whose main objective is to strengthen mechanisms and processes for prevention and combating of corruption in Tanzania.

With respect to reforms at the local government level, the Government's 1998 Policy on Local Government Reform outlined the country's vision for decentralisation. It targeted four key areas – political devolution, fiscal decentralisation, administrative decentralisation and altered central-local relations. LGRP was designed to achieve the goals and objectives of this policy with rolled out in 2 Phases - Phase I, implemented between 1998 and 2008, and Phase II, implemented between 2009 and 2014, the latter being focussed on institutionalising and consolidating Phase I results. The consolidated thrust of reforms in these phases was to build capacity to assume greater responsibilities and efficiency in service delivery, creation of an enabling environment for realisation of the D by D objectives, and leading to empowerment and better accountability in functioning.

Despite the moderate success of LGRP in institutionalising enabling mechanisms for autonomous local governance, the D by D as a concept underpinning the reform programme was neither fully understood in spirit nor translated into interventions in principle. Consequently, the Programme promoted more of Decentralisation by De-concentration and Delegation rather than Devolution. This situation was further compounded by the mismatch in delegation of functions and devolution of resources. Achieving devolution of powers for human resource management to local governments was another key challenge that the Programme faced. Till date, the Prime Minister's (previously the President's) Office for Public Service Management (PO-PSM) continues to function as the central agency for human resources management and sector ministries still influence recruitment and selection, remuneration, deployment, promotion and career development of LGA staff.

LGRP was supported by another large scale reform programme – the PFMRP which was also rolled out in 1998. Phase I of PFMRP was implemented from 1998 to 2004 and targeted (i) minimisation of resource leakage; (ii) strengthening fiscal controls; (iii) enhancing accountability by reforming the budget process; and (iv) introduction of an integrated financial management information system (IFMIS). Phase II of PFMRP was implemented from 2004 to 2008 with an objective of modernising

²⁴ The United Republic of Tanzania, President's Office - State House, Reforming Tanzania's Public Sector, An Assessment and Future Direction, November 2013.

PFM systems through design and implementation of 'best practice' tools and techniques for revenue forecasting and alignment of resource allocation with strategic priorities. The key outputs of this Phase were the Medium Term Expenditure Framework, Strategic Budget Allocation System (SBAS), the Public Procurement Act (PPA), 2004, and the extension of coverage of IFMIS to LGAs. Phase III of PFMRP, implemented from 2008 to 2011, provided the necessary focus and resources for institutionalising the reforms introduced in the previous phases in an integrated manner.

As part of the first three phases of PFMRP, GoT also established a number of regulatory bodies to provide oversight functions for effective implementation of PFM policies and guidelines. These included - the Tanzania Revenue Authority; the National Audit Office headed by the Controller and Auditor General; the Internal Auditor General's Department; the National Debt Management Committee; the Public Procurement Regulatory Authority; the Public Procurement Appeals Authority; the Public Procurement Policy Unit; the Oversight Body for Parastatal and Public Enterprises; the Commission of External Finance; the Enhanced Public Accounts Committee; and the Reform Coordination Unit²⁵.

Phase IV of PFMRP was developed in line with GoT's first five year development plan (2011-12 to 2015-16), the National Strategy for Growth and Poverty Reduction/ Zanzibar Strategy for Growth and Poverty Reduction (MKUKUTA/ MKUZA) and the Vision 2025. The Phase commenced on 1 July 2012 and is slated for a closure on 30 June 2017. It aims to address existing critical limitations in PFM systems across six key result areas (KRAs) namely:

- KRA 1- Revenue Management;
- KRA 2 - Planning and Budgeting;
- KRA 3 - Budget Execution, Accountability and Transparency;
- KRA 4 - Budget Control and Oversight;
- KRA 5 - Change Management and Programme Monitoring and Communications; and
- KRA 6 - Strengthening PFM in Local Governments (added in the third year of PFMRP Phase IV implementation)

Key achievements of PFMRP IV so far include enactment of the newly drafted VAT Act and Budget Act from 1 July 2015; presentation of the Tax Administration Act to the Parliament in June 2014; modification of the Chart of Accounts used by the Central Government to accommodate program budgeting; finalization of regulations and development of strategy for clearance of arrears; notification of the Public Procurement Regulations, 2013; preparation of the draft National Procurement Policy; development of the National Debt Management Policy; preparation of a 5 year plan for migration towards IPSAS accrual accounting; and acquisition and installation of the IDEA software for internal audit.

While KRA 1-5 include select interventions for LGAs in addition to those targeted at ministries, departments and agencies (MDAs) of the Central Government, the sixth KRA focuses exclusively on the local governments and attempts to address the issues specific to these authorities. It targets achievement of three outputs at the LGA level – (1) improved resource allocation, planning and budgeting, (2) improved budget execution and financial reporting, and (3) improved oversight and financial accountability. Key activities included under PFMRP IV for LGAs, inter alia, include: (i)

²⁵ The United Republic of Tanzania, President's Office - State House, Reform Tanzania's Public Sector, An Assessment and Future Direction, Annex I – Performance of Cross Cutting Reforms, November 2013

development and installation of electronic funds transfer and information systems and i-Tax system; (ii) development of templates for enabling Regional Secretariats to monitor resource flows from LGAs to LLGs; (iii) development of web portal on PMO-RALG website for monitoring fiscal transfers from MoF to LGAs; (iv) enhanced use of IFMS at Regional Secretariats and LGA level; (v) training LGA officers on budgeting, projects coding/classification in PlanRep, IFMS, SBAS harmonised internal financial reports, auditing, report writing and PPA 2013.

6.2. Institutional Factors Supporting Reform Planning and Implementation

Government leadership and ownership

In recognition of the fact that many of the reform programmes contained overlaps or duplication and lacked synergy, which in turn resulted in weak ownership and inadequate service delivery linkages of the reforms, the institutional structures of present PFMRP initiatives have evolved out of experience.

Institutional arrangements under PFMRP IV: The governance arrangements under PFMRP III, although well documented, faced a number of challenges including: irregular meetings; inadequate separation of strategic and operational meetings; inconsistent dialogue mechanism between the GoT and development partners; and inadequate representation of key stakeholders in the programme meetings.

The institutional arrangements for the ongoing PFMRP IV comprise of three levels:

- *Joint Steering Committee (JSC):* The role of the JSC, which is Chaired by the Permanent Secretary MoF, is to provide overall strategic guidance as well as review and monitor the performance of the PFMRP. JSC, as the top level authority, reviews proposals from PMC, approves the budgets, action plans, progress reports and makes policy decisions.
- *Programme Management Committee (PMC):* PMC, which is the second level authority in the management of the programme, is co-chaired by the by the Deputy Permanent Secretary, PFM, MoF and the designated chair of the PFM DPG. PMC scrutinises plans and budgets, progress reports that have been prepared, reviewed and agreed by the Technical Working Group (TWG) . It draws conclusions and presents agreed recommendations for consideration by the JSC.
- *Technical Working Group (TWG):* TWG, which consists of designated component managers and DP counterparts, focuses on the implementation of the programme. TWG is a forum for detailed interactive technical discussions in order to build consensus and propose interventions for the way forward. TWG meetings are held on a needs basis on consultation throughout the implementation of the programme.

The overall responsibility for the programme management lies with the Permanent Secretary Treasury. The Deputy Permanent Secretary PFM is responsible for managing the programme on behalf of the Permanent Secretary. The Director of Planning Division, a designated Program Manager, is responsible for ensuring smooth implementation of the programme on the daily basis. The PFMRP Secretariat, headed by the Programme Coordinator, supports the Programme Manager in coordination of PFMRP IV implementation. The Secretariat, among others provides technical support, quality assurance, ensuring linkages between PFMRP and other reform programmes;

liaising and sharing information with various stakeholders; and supporting monitoring and evaluation activities.

The Joint Supervision Mission 2015²⁶ noted that the programme was making good progress and 43% of the milestones were achieved, and another 31% were on track. Though performance varied across the different KRAs, as regards the local government component, there was significant progress that included commencement of roll out of the revenue management system (i-Tax) and strengthening of quality and technical support by the Regions to LGAs in PFM areas such as preparation of financial statements, monitoring, ensuring audit compliance etc.

A Mid-Term Review of the PFMRP IV undertaken in September 2015 indicated that programme has a success story of achievement and on the whole was under good management and control. However, leadership and coordination mechanisms may not be working in an optimal manner²⁷. For example, JSC, PMC and TWGs did not meet as frequently as intended by the programme's operations; there wasn't a separate TWG for each KRA; and the quality review and assurance of programme's output was uncertain.

Key Challenges

Despite the wide range of intervention areas being addressed by the key reform programmes such as PFMRP, GoT and implementing agencies at all levels have demonstrated commendable ownership and commitment in roll-out activities, as is evidenced by the findings of the Mid Term Review of PFMRP IV as well as by the Joint Supervision Mission for the Programme discussed above. However, some of the key challenges faced in effective roll-out of reforms have been discussed below. Many of these also include those relating to PFM areas of the LGAs that was observed by the assessment team as a part of this assignment

- *Capacity constraints:* Inadequate training/ know-how and widespread vacancies in key positions appear to be recurring constraints faced by implementing agencies in adoption of PFM reforms. As examples - CAG's reports for LGAs across years have highlighted the persistent and immediate need for training of account officers in LGAs on accounting requirements of IPSAS. Vacancies in internal audit departments in LGAs have severely constrained the ability of LGAs to implement CAG's recommendations and/or ensure internal controls mechanisms are respected.
- *Multiplicity of financial systems:* The absence of a holistic approach to recording and monitoring financial information has led to the existence of multiple ICT systems in use by implementing agencies which (i) are stand-alone, i.e. do not speak to one another, and (ii) generate data/ reports using classifications that may not necessarily compatible requiring manual reconciliation. In case of LGAs, for example, the software used for preparation of budget estimates/ MTEF, PlanRep, is not linked to the key financial system used by LGAs for reporting, accounting and monitoring expenditure - EPICOR. This has exaggerated the weak linkages in the planning and budgeting processes of the local bodies.
- *Continued dependency of grants from the Central Government:* A specific challenge faced by LGAs and LLGs in the country is their continued inability to raise adequate own source revenue

²⁶ Joint Supervision Mission 2015, Aide Memoire (Report)

²⁷ The United Republic of Tanzania, Ministry of Finance, Mid-Term Review for the Public Finance Management Reform Programme Phase Four, Final Report, INNOVEX, September 2015.

resulting in their near complete dependency on grants from the Central Government. This severely limits their ability to plan development spending and undertake effective cash management during the fiscal year.

- *Delay in counterpart disbursements from Government of Tanzania for PFMRP:* The Report of the Joint Supervision Mission 2015 for PFMRP under during September – October 2015 found that partial disbursements of programme funds in 2013-14 by the Government impacted completion of programme activities. In comparison to the 64% counterpart funding released by the Government, 93% of the foreign component was disbursed to implementing components. To reinforce its commitment to reforms to the development partners as well as to the implementing agencies, GoT needs to commit and disburse funds in a timely manner so that planned activities can be implemented within the agreed time schedule.

Annexure.1 Data issues

The indicators, PI-1 and PI-2, analyze overall budgetary performance (Budget vs Actual expenditure). While PI-1 assesses the total variation, PI-2 assesses compositional variance.

The HLG-1 indicator analyses the planned and actual transfer of funds to LGAs and therefore supplements the analysis of the other two indicators by assessing how much of the budgetary performance has been impacted by deviations and timeliness of fund transfers from the Central Government to the LGAs.

Analysis by the consultants shows that there are variations in key data among different source documents such as the MTEF, the Annual Financial Statements, the statements of PMO-RALG, Accountant General and others.

This annexure provides a solution opted by the consultant for best use of available data that may be used for reporting on LGA performance within the norms of the PEFA framework.

Our further detailed studies and analysis has shown that the critical problem lies in (a) identification of the most reliable source documents for extracting figures of budgeted and actual expenditures and fund transfers, and (b) segregating donor funded figures which are envisaged to be not under the control of the Central Government and for which separate indicators at the central level are analysed.

Our final approach towards such data challenges are as follows:

1. With reference to PI-1 and PI-2, the statements of the Annual Financial Statements (AFS) contains budget and actual expenditure which has been taken as the most reliable source since they have undergone the test of independent scrutiny by the CAG. This also satisfies the PEFA guide requirement using the same source for budget and actual expenditure to ensure consistency.
2. The annual financial statements contains budgeted and actual development transfers from the central government. The statements also contains actual recurrent transfers from the central government but do not contain budget recurrent transfers. Therefore, such information (budgeted recurrent transfers) have been sourced from data shared separately by the LGA.
3. Donor funded budget and actual expenditure figures are not separately available from the AFS. Consequently, segregating and deducting such donor support figures from the analysis required for PI 1 and 2 is not possible. PEFA Field guide allows donor funds to be included as a part of the total analysis and not be deducted if they do not comprise a significant part of the entity total expenditure.
4. Under these circumstances, donor funded expenditure is not deducted from the total expenditure for assessment on PI 1 and PI 2. To ensure consistency across indicator wise assessments, such transfers are also not deducted from the total transfers in HLG -1. This obviates the need to compile/extract such figures which are not readily available from the AFS/other reliable sources and still ensure the general reliability and integrity of the overall assessment within the PEFA framework.

Annexure.2 Mapping of Key Weaknesses

Table 72 maps the key weaknesses identified for Rorya DC across the performance indicators against the main stakeholders responsible.

Table 72: Mapping of Key Weaknesses

SI	Topic	Key Weaknesses	Details	Key Stakeholder Responsible		
				LGA	PMO-RALG	MoF/GoT
1	Central Fund transfers	Predictability of fund transfers from the GoT is low	Uncertainties in the availability of quantum of funds, their composition and timing			
		Distortions in the formula based transfers to LLGs	Though rule based transfers exist in concept, their application gets distorted in practice due to uncertainty in fund flows			
2	Quality of Budgeting	Delay in issue of ceilings for budgeting	Delayed issue of ceilings negates the orderliness of the budgeting calendar			
		Weak linkages between budgets and forward estimates	Figures of the next 2 years are extrapolated and there are no visible linkages between such forward estimates with budgeting which is based on previous year's ceilings.			
		Absence of robustness in revenue estimation for own sources	Unrealistic revenue estimates distort cash flow expectations from own source collections			
3	Predictability & Controls in Execution	Commitment control systems are in disarray	Commitment controls affected by multiple factors as shown below:			
			a. Uncertainty in fund flows and weak revenue estimation			
			b. Lack of reliable data on arrears			
			c. Cash rationing resulting in distortions in rule based transfers			
		d. Lack of reliable forecasting through MTEF				

SI	Topic	Key Weaknesses	Details	Key Stakeholder Responsible			
				LGA	PMO-RALG	MoF/GoT	
4	Internal controls and Accountability	Limited institutional capacity	e. Raising of manual LPOs outside the IFMS				
			Budget execution capabilities of LGA affected by:				
			a. Vacancies in key positions				
			b. Lack of the day to day operations guide to the LGA staff				
			c. Poor publicity of information on tax liabilities and administrative procedures				
			d. Lack of clear monitoring system for tax arrears causing loss of revenue				
			e. Lack of adequate supervision resources and capacity for project execution				
		Key weaknesses in internal control and oversight functions	Weaknesses in internal controls evidenced by:				
			a. Preparation of final accounting statements off line (outside EPICOR /IFMS)				
			b. Classification of LLG information not in line with the GFS code				
	c. Lack of reporting of expenditure by the LLGs						
		d. Lack of debt sustainability analysis					
		e. Non-compliance to Internal Control rules					
		f. Inefficient budget approval process due to short time provided					
		g. Weak controls in procurement processes.					
		h. Lack of timely follow up of LAAC and audit recommendations					
		i. Lack of timely reconciliation and consolidation of bank accounts.					

Annexure.3 Disclosure of the Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA Local Government final assessment report for the Rorya District Council dated 25th July 2016.

1. Review of Concept Note and/or Terms of Reference

Draft terms of reference were submitted for review to the following reviewers:

- i) PEFA Task Force Co-Chairs and Members on behalf of the government of the United Republic of Tanzania – in Feb. 2014
- ii) PEFA Secretariat, Washington in April, 2014
- iii) PFM Development Partners Group in April, 2014. This group included KfW (German Development Bank), DFID and World Bank

Final terms of reference was submitted to the Development Partners and the PEFA Secretariat in June 2014. This included a table showing the response to all comments raised by the reviewers.

2. Review of draft report

Draft report for Rorya DC was submitted for review at different dates to the following reviewers:

- i) Viviana Klein – KfW on 05th July 2015
- ii) Vivek Misra – DFID on 05th July 2015
- iii) Denis Biseko – WB on 05th July 2015
- iv) PEFA Secretariat, Washington on 06th July 2015

- v) Government of United Republic of Tanzania on 05th July 2015

3. Review of final draft report

The final draft assessment report was submitted to following reviewers in 2016 on the dates noted. This final draft report includes tables showing response to all comments raised by all reviewers.

- i) Viviana Klein – KfW on 25th April 2016
- ii) Vivek Misra – DFID on 25th April 2016
- iii) Denis Biseko – World Bank on 25th April 2016
- iv) PEFA Secretariat, Washington on 25th April 2016
- v) Government of United Republic of Tanzania on 25th April 2016

4. Additional information

Date of establishment of the assessment Oversight Team (PEFA taskforce)	December 2013
Chairperson and Members of the Oversight Team	<p>Co-chairs</p> <ul style="list-style-type: none"> ○ Mr. Kagyabukama E. Kiliba – Deputy Permanent Secretary, PMO-RALG <p>Members</p> <ul style="list-style-type: none"> ○ Mr. R.L. Mkumbo – DPD, MoF

	<ul style="list-style-type: none"> ○ Mr. Shomari Mukhandi – ADLG (F), PMO-RALG ○ Mr. Deogratius Ruhanmvyva (ADRA), PMO-RALG ○ Mr. M. Yangwe - (ADICT), PMO-RALG ○ Mr. Nyingi J. K. L. (LGRP II - Coordinator), PMO-RALG ○ Mr. Faraja Tarimo – ACGEN Division (Senior Accountant MoF) ○ Mr. Raheli Ntiga - Budget Division (Budget Officer, MoF) ○ Mr. Omari Msuya – Auditor, Internal Auditor General Department (MoF) <p>Reviewers from Development Partners Group</p> <ul style="list-style-type: none"> ○ Viviana Klein – KfW ○ Vivek Misra – DFID ○ Denis Biseko – WB <p>Taskforce secretariat</p> <ul style="list-style-type: none"> ○ Mr. Sebastian E.L. Ndandala – Program Coordinator, PFMRP ○ Ms. Chausiku Nyanda - (FMO, DLG – PMOLARG) ○ Mr. Alexander Lweikila – Communication Specialist, PFMRP ○ Mr. Linus Kakwesigabo – Finance Expert – PFMRP ○ Mr. Denis Mbilinyi, (FMO, DLG – PMO-RALG) ○ Mr. Niva Kahuluda (Accountant, LGRP II), PMO-RALG ○ Ms. Fortunata Soka, FMO, MoF ○ Mr. Ernest K. Laiton, FMO, MoF
Name of the Assessment Leader (individual/entity/organization)	Ministry of Finance (MoF)
Names of the Assessment Team	<p>Mr. Anjan Kumar Roy –Team Leader Mr. Bimal Gatha –Member Mr Salum Lupande -Member</p> <p>Technical Backstopping Team Ranen Banerjee Neha Gupta Mehul Gupta</p> <p>Local Support Team Martin Kinyaha</p>

5. This form, describing the quality assurance arrangements is included in the final report.



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The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the **‘PEFA CHECK’**.

PEFA Secretariat

July 25, 2016

Annexure.4 Scoring Methodology under the PEFA Assessment Framework

All LGAs have been rated under the Public Expenditure and Financial Accountability (PEFA) Framework in line with PEFA Field Guide, 2012 and Supplementary Guidelines for Application of the PEFA Framework to Sub-National Government. These documents are publicly available and can be found at:

1. PEFA Field Guide: <https://www.pefa.org/sites/pefa.org/files/PEFAFieldguide.pdf>
2. Supplementary Guidelines: [http://www.pefa.org/sites/pefa.org/files/attachments/SNG-Supplementary-Guidelines-eng001%20\(Jan%2017\).docx .pdf](http://www.pefa.org/sites/pefa.org/files/attachments/SNG-Supplementary-Guidelines-eng001%20(Jan%2017).docx .pdf)

As per the PEFA Field Guide, there are two scoring methodologies - M1 and M2. M1 is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator. For indicators with 2 or more dimensions, the steps in determining the overall or aggregate indicator score for M1 are as follows:

1. Each dimension is initially assessed separately and given a score.
2. Combine the scores for the individual dimensions by choosing the lowest score given for any dimension.
3. A '+' is added, where any of the other dimensions are scoring higher

M2 is based on averaging the scores for individual dimensions of an indicator as per the tables given below.

2 dimensional indicators			3 dimensional indicators				4 dimensional indicators				
D	D	D	D	D	D	D	D	D	D	D	
D	C	D+	D	D	C	D	D	D	C	D	
D	B	C	D	D	B	D	D	D	B	D+	
D	A	C+	D	D	A	D	D	D	A	D+	
C	C	C	D	C	C	D	D	C	C	D+	
C	B	C+	D	C	B	D	D	C	B	D+	
C	A	B	D	C	A	D	D	C	A	C	
B	B	B	D	B	B	D	D	B	B	C	
B	A	B+	D	B	A	D	D	B	A	C+	
A	A	A	D	A	A	D	D	A	A	C+	
			C	C	C	D	C	C	C	D+	
			C	C	B	D	C	C	B	C	
			C	C	A	D	C	C	A	C+	
			C	B	B	D	C	B	B	C+	
			C	B	A	D	C	B	A	C+	
			C	A	A	D	C	A	A	B	
			B	B	B	D	B	B	B	C+	
			B	B	A	D	B	B	A	B	
			B	A	A	D	B	A	A	B	
			A	A	A	D	A	A	A	B+	
						C	C	C	C	C	
						C	C	C	B	C+	
						C	C	C	A	C+	
						C	C	B	B	C+	
						C	C	B	A	B	
						C	C	A	A	B	
						C	B	B	B	B	
						C	B	B	A	B	
						C	B	A	A	B+	
						C	A	A	A	B+	
						B	B	B	B	B	
						B	B	B	A	B+	
						B	B	A	A	B+	
						B	A	A	A	A	
						A	A	A	A	A	

The scoring methodology prescribed in the framework across all the performance indicators is given in Table 73.

Table 73: Scoring Methodology across Performance Indicators

Indicator	Methodology	Indicator	Methodology	Indicator	Methodology
HLG-1	M1	PI-10	M1	PI-20	M1
PI-1	M1	PI-11	M2	PI-21	M1
PI-2	M1	PI-12	M2	PI-22	M2
PI-3	M1	PI-13	M2	PI-23	M1
PI-4	M1	PI-14	M2	PI-24	M1
PI-5	M1	PI-15	M1	PI-25	M1
PI-6	M1	PI-16	M1	PI-26	M1
PI-7	M1	PI-17	M2	PI-27	M1
PI-8	M2	PI-18	M1	PI-28	M1
PI-9	M1	PI-19	M2		

The criteria for an ‘A’ rating across dimensions under performance indicators have been given in Table 74. Since this is the highest rating, it will help the LGA to assess what it needs to do to realize this rating as compared to its current rating as assessed in this report.

Table 74: Criteria for A rating across dimensions

PI	Description	Criteria for “A” Rating
HLG-1	Predictability of transfers from a higher level of Government	

PI	Description	Criteria for “A” Rating
(i)	Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter’s budget	In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 5%.
(ii)	Annual variance between actual and estimated transfers of earmarked grants	Variance in provision of earmarked grants did not exceed 5 percentage points in any of the last three years
(iii)	In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of start of the SN fiscal year)	A disbursement timetable forms part of the agreement between HLG and SN government and this is agreed by all stakeholders at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in more than one of the last three years OR in the absence of a disbursement timetable, actual transfers have been distributed evenly across the year (or with some front loading ⁴) in all of the last three years.
A. PFM Out-Turns: Budget Credibility		
PI-1	Aggregate expenditure compared to original budget	out-turn approved In no more than 1 of last 3 years has actual expenditure deviated from budgeted expenditure by amount equivalent to more than 5% of budgeted expenditure.
PI-2	Composition of expenditure out-turn compared to original approved budget	
(i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items	Variance in expenditure composition exceeded 5% in no more than one of the last three years.
(ii)	The average amount of expenditure actually charged to the contingency vote over the last three years	Actual expenditure charged to the contingency vote was on average less than 3% of the original budget.
PI-3	Aggregate revenue compared to original budget	out-turn approved Actual domestic revenue was between 97% and 106% of budgeted domestic revenue in at least two of the last three years.
PI-4	Stock and monitoring of expenditure arrears	
(i)	Stock of expenditure arrears	The stock of arrears is low (i.e. is below 2% of total expenditure)
(ii)	Availability of data for monitoring the stock of expenditure arrears	Reliable and complete data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile).
B. Key Cross-Cutting Issues: Comprehensiveness and Transparency		
PI-5	Classification of the budget	The budget formulation and execution is based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. (Program classification

PI	Description	Criteria for “A” Rating
		may substitute for sub-functional classification, if it is applied with a level of detail at least corresponding to sub-functional.)
PI-6	Comprehensiveness of information included in budget documents	Recent budget documentation fulfils 7-9 of the 9 information benchmarks
PI-7	Extent of unreported government operations	
(i)	The level of extra budgetary expenditure (other than donor funded projects) which is reported	The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (below 1% of total expenditure).
(ii)	Income/expenditure information on donor-funded projects which is included in fiscal reports	Complete income/expenditure information for 90% (value) of donor-funded projects is included in fiscal reports, except inputs provided in-kind OR donor funded project expenditure is insignificant (below 1% of total expenditure).
PI-8	Transparency of inter-governmental fiscal relations	
(i)	Transparent and rules -based systems in horizontal allocation among lower level governments of unconditional and conditional transfers (both budgeted and actual allocations)	The horizontal allocation of almost all transfers (at least 90% by value) from central government is determined by transparent & rules based systems
(ii)	Timeliness of reliable information to lower level governments on their allocations for the coming year	SN governments are provided reliable information on the allocations to be transferred to them before the start of their detailed budgeting processes.
(iii)	Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sector categories	Fiscal information (ex-ante and ex-post) that is consistent with central government fiscal reporting is collected for 90% (by value) of SN government expenditure and consolidated into annual reports within 10 months of the end of the fiscal year.
PI-9	Oversight of aggregate fiscal risk from other public sector entities	
(i)	Extent of monitoring public enterprises	All major AGAs/PEs submit fiscal reports to central government at least six-monthly, as well as annual audited accounts, and central government consolidates fiscal risk issues into a report at least annually.
(ii)	Extent of Central Government monitoring of sub-national governments' fiscal position	SN government cannot generate fiscal liabilities for central government OR the net fiscal position is monitored at least annually for all levels of SN government and central government consolidates overall fiscal risk into annual (or more frequent) reports.
PI-10	Public access to key fiscal information	The government makes available to the public 5-6 of the 6 listed types of information

C. Budget Cycle

PI	Description	Criteria for “A” Rating
(i) Policy-Based Budgeting		
PI-11	Orderliness and participation in the budget process	
(i)	Existence and adherence to a fixed budget calendar	A clear annual budget calendar exists, is generally adhered to and allows MDAs enough time (and at least six weeks from receipt of the budget circular) to meaningfully complete their detailed estimates on time.
(ii)	Guidance on preparation of budget submissions	A comprehensive & clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular’s distribution to MDAs.
(iii)	Timely budget approval by the legislature	The legislature has, during the last three years, approved the budget before the start of the fiscal year.
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting	
(i)	Preparation of multi-year fiscal forecasts and functional allocations	Forecasts of fiscal aggregates (on the basis of main categories of economic and functional/sector classification) are prepared for at least three years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear and differences explained.
(ii)	Scope and frequency of debt sustainability analysis	DSA for external and domestic debt is undertaken annually.
(iii)	Existence of sector strategies with multi-year costing of recurrent and development/investment expenditure	Strategies for sectors representing at least 75% of primary expenditure exist with full costing of recurrent and investment expenditure, broadly consistent with fiscal forecasts.
(iv)	Linkages between investment budgets and forward expenditure estimates	Investments are consistently selected on the basis of relevant sector strategies and recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector.
(ii) Predictability and Control in Budget Execution		
PI-13	Transparency of taxpayer obligations and liabilities	
(i)	Clarity and comprehensiveness of tax liabilities	Legislation and procedures for all major taxes are comprehensive and clear, with strictly limited discretionary powers of the government entities involved.
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes, and the RA supplements this with active taxpayer education campaigns.

PI	Description	Criteria for “A” Rating
(iii)	Existence and functioning of a tax appeals mechanism	A tax appeals system of transparent administrative procedures with appropriate checks and balances, and implemented through independent institutional structures, is completely set up and effectively operating with satisfactory access and fairness, and its decisions are promptly acted upon.
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	
(i)	Controls in the taxpayer registration system	Taxpayers are registered in a complete database system with comprehensive direct linkages to other relevant government registration systems and financial sector regulations.
(ii)	Effectiveness of penalties for non-compliance with registration and declaration	Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are consistently administered.
(iii)	Planning and monitoring of tax audit and fraud investigation programs	Tax audits and fraud investigations are managed and reported on according to a comprehensive and documented audit plan, with clear risk assessment criteria for all major taxes that apply self-assessment.
PI-15	Effectiveness of collection of tax payments	
(i)	Collection ratio for gross tax arrears being the percentage of tax arrears at the beginning of a fiscal year (average of the last two fiscal years)	The average debt collection ratio in the two most recent fiscal years was 90% or above OR the total amount of tax arrears is insignificant (i.e. less than 2% of total annual collections).
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily.
(iii)	Frequency of complete accounts reconciliation between tax assessments collections, arrears records and receipts by Treasury	Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least monthly within one month of end of month.
PI-16	Predictability in the availability of funds for commitment of expenditures	
(i)	Extent to which cash flows are forecasted and monitored	A cash flow forecast is prepared for the fiscal year, and is updated monthly on the basis of actual cash inflows and outflows.
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	MDAs are able to plan and commit expenditure for at least six months in advance in accordance with the budgeted appropriations.
(iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.
PI-17	Recording and management of cash balances, debt and guarantees	
(i)	Quality of debt recording and reporting	Domestic and foreign debt records are complete, updated and reconciled on a monthly basis with data

PI	Description	Criteria for “A” Rating
		considered of high integrity. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least quarterly
(ii)	Consolidation of government's cash balances	All cash balances are calculated daily and consolidated.
(iii)	System for contracting loans and issuance of guarantees	Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity.
PI-18	Effectiveness of payroll controls	
(i)	Degree of integration and reconciliation between personnel records and payroll data	Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.
(ii)	Timeliness of changes to personnel records and the payroll	Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3% of salary payments).
(iii)	Internal controls over changes to personnel records and the payroll	Authority to change records and payroll is restricted and results in an audit trail.
(iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers	A strong system of annual payroll audits exists to identify control weaknesses and/or ghost workers.
PI-19	Competition, value for money and controls in procurement	
(i)	Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases (percentage of the number of contract awards that are above the threshold).	The legal framework meets all six of the listed requirements.
(ii)	Extent of justification for use of less competitive procurement methods	When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements in all cases
(iii)	Public access to complete, reliable and timely procurement information	All of the key procurement information elements are complete and reliable for government units representing 90% of procurement operations (by value) and made available to the public in a timely manner through appropriate means.
(iv)	Existence of an independent administrative procurement complaints system	The procurement complaints system meets all seven criteria.
PI-20	Effectiveness of internal controls for non-salary expenditure	
(i)	Effectiveness of expenditure commitment controls	Comprehensive expenditure commitment controls are in place & effectively limit commitments to actual

PI	Description	Criteria for “A” Rating
		cash availability & approved budget allocations (as revised).
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/procedures	Other internal control rules & procedures are relevant, & incorporate a comprehensive & generally cost effective set of controls, which are widely understood.
(iii)	Degree of compliance with rules for processing and recording transactions	Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant.
PI-21	Effectiveness of internal audit	
(i)	Coverage and quality of the internal audit function	Internal audit is operational for all central government entities, and generally meets professional standards. It is focused on systemic issues (at least 50% of time).
(ii)	Frequency and distribution of reports	Reports adhere to a fixed schedule and are distributed to the audited entity, ministry of finance and the SAI.
(iii)	Extent of management response to internal findings	Action by management on internal audit findings is prompt and comprehensive across central government entities.
(iii) Accounting, Recording and Reporting		
PI-22	Timeliness and regularity of accounts reconciliation	
(i)	Regularity of bank reconciliation	Bank reconciliation for all central government bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period.
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	Reconciliation and clearance of suspense accounts and advances take place at least quarterly, within a month from end of period and with few balances brought forward.
PI-23	Availability of information on resources received by service delivery units	Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by both primary schools and primary health clinics across the country. The information is compiled into reports at least annually.
PI-24	Quality and timeliness of in-year budget reports	
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at both commitment and payment stages.
(ii)	Timeliness of issue of reports	Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.
(iii)	Quality of information	There are no material concerns regarding data accuracy.

PI	Description	Criteria for “A” Rating
PI-25	Quality and timeliness of annual financial statements	
(i)	Completeness of financial statements	A consolidated government statement is prepared annually and includes full information on revenue, expenditure and financial assets/liabilities.
(ii)	Timeliness of submission of financial statements	The statement is submitted for external audit within 6 months of the end of the fiscal year.
(iii)	Accounting standards used	IPSAS or corresponding national standards are applied for all statements.
(iv) External Scrutiny and Audit		
PI-26	Scope, nature, and follow-up of external audit	
(i)	Scope/nature of audit performed (including adherence to auditing standards)	All entities of central government are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues.
(ii)	Timeliness of submission of audit reports to legislature	Audit reports are submitted to legislature within 4 months of end of period covered & in the case of financial statements from their receipt by the auditor.
(iii)	Evidence of follow up on recommendations	There is clear evidence of effective and timely follow up.
PI-27	Legislative scrutiny of the annual budget law	
(i)	Scope of legislature's scrutiny	The legislature's review covers fiscal policies, medium term fiscal framework and medium term priorities as well as details of expenditure and revenue.
(ii)	Extent to which the legislative procedures are well established and respected	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	The legislature has at least two months to review the budget proposals.
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.
PI-28	Legislative scrutiny of external audit reports	
(i)	Timeliness of examination of audit reports by the legislature	Scrutiny of audit reports is usually completed by the legislature within 3 months from receipt of the reports.
(ii)	Extent of hearings on key findings undertaken by the legislature	In-depth hearings on key findings take place consistently with responsible officers from all or most

PI	Description	Criteria for “A” Rating
		audited entities, which receive a qualified or adverse audit opinion.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	The legislature usually issues recommendations on action to be implemented by the executive, and evidence exists that they are generally implemented.
D. Donor Practices		
D-1	Predictability of Direct Budget Support	
(i)	Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)	In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 5%.
(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	Quarterly disbursement estimates have been agreed with donors at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in two of the last three years.
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	
(i)	Completeness and timeliness of budget estimates by donors for project support	All donors (with the possible exception of a few donors providing insignificant amounts) provide budget estimates for disbursement of project aid at stages consistent with the government’s budget calendar and with a breakdown consistent with the government’s budget classification.
(ii)	Frequency and coverage of reporting by donors on actual donor flows for project management	Donors provide quarterly reports within one month of end-of-quarter on all disbursements made for at least 85% of the externally financed project estimates in the budget, with a break-down consistent with the government budget classification.
D-3	Proportion of aid that is managed by use of national procedures	90% or more of aid funds to central government are managed through national procedures.

In addition to this, for certain indicators information is yet to be made available which is relevant for rating. Therefore, such indicators/dimensions have not been rated for the purpose of this assessment.

Annexure.5 Organizational Structure of Ministry of Finance and PM-RALG, Government of Tanzania

Figure 5: Organizational Structure for MoF

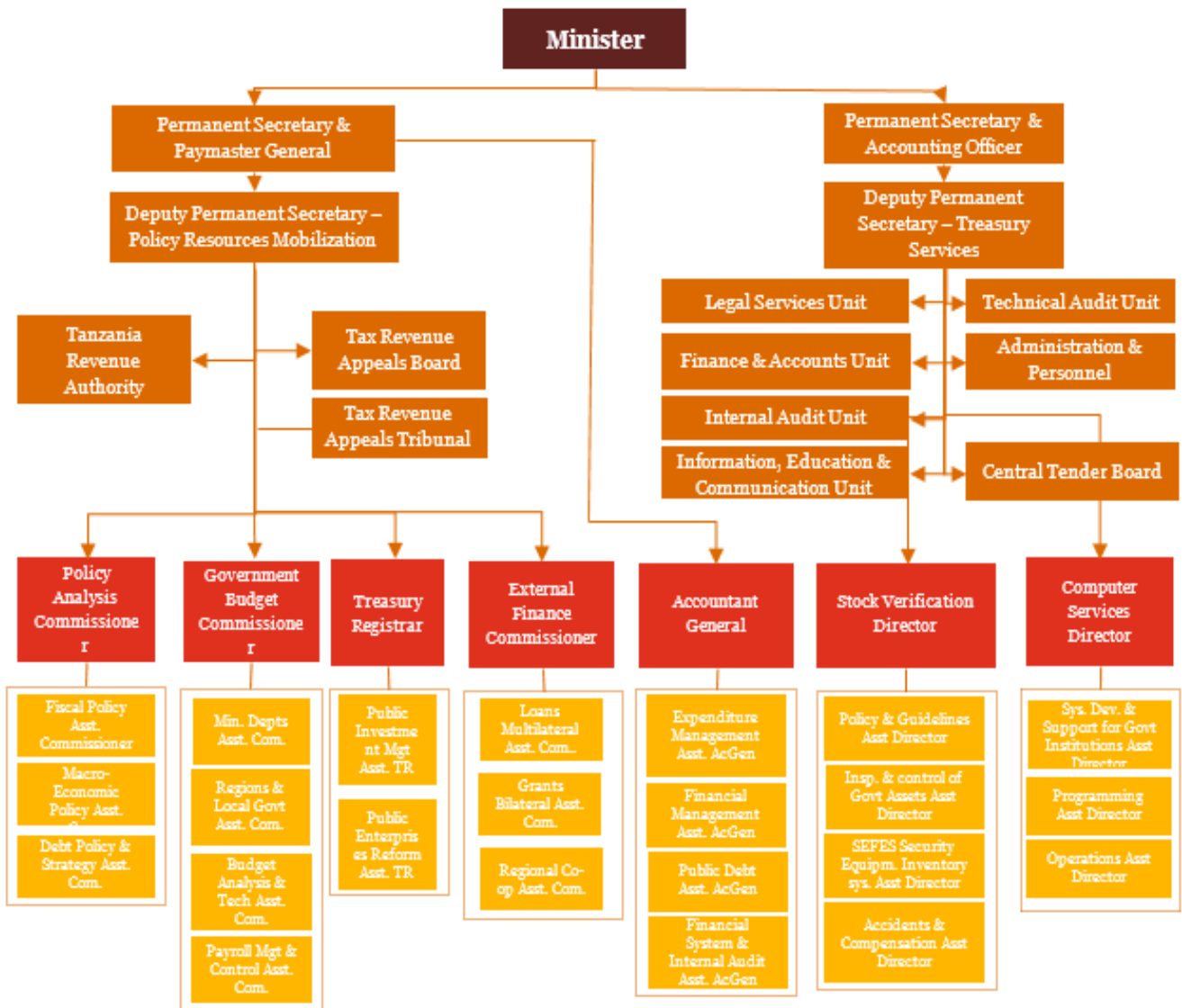
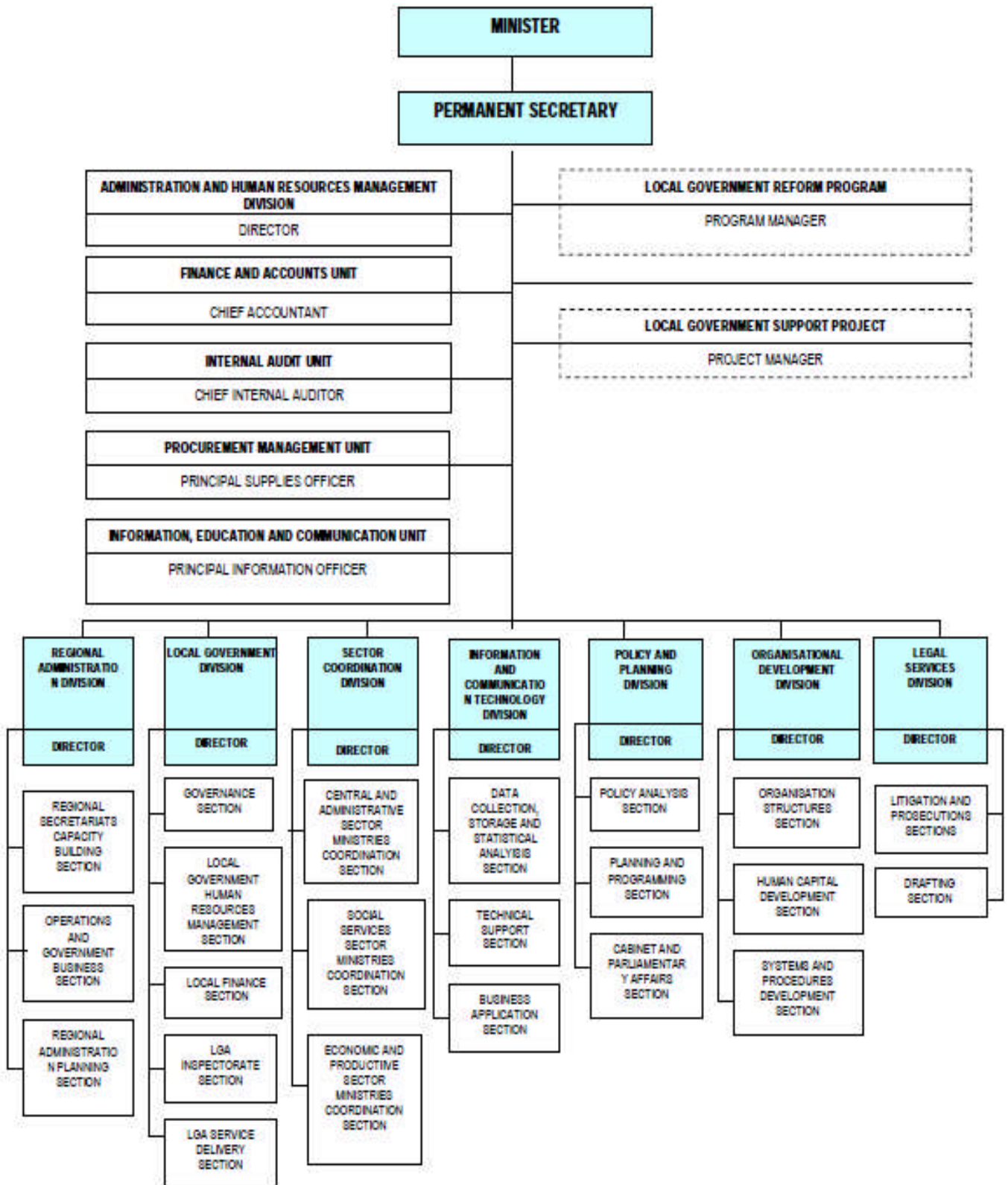


Figure 6: Organizational Structure for PMO-RALG



Annexure.6 Revenue and expenditure calculations

In this annexure, the process of calculation of total expenditure and revenue of the Council is provided. The “Statement of Comparison of Budget and Actual Amount - By Nature” of the Annual Financial Statement of Rorya District council provides budgeted revenue and expenditure and actual revenue and expenditure during the year. The budgets are prepared on a cash basis. However, the actual revenue and expenditure as reflected in the Statement includes items such as amortization of capital grant/depreciation. It does not include total capital expenditure and total capital grants (also referred as development grants) in the financial year in the total expenditure and total revenues respectively. Therefore, adequate adjustments have been made to calculate total revenue and expenditure of the Council. Table 75 and Table 76 shows example of adjustment made for the financial year 2011-12 to 2013-14 for total expenditure and total revenue respectively.

Table 75: Adjustment for Total Expenditure

	2011-12		2012-13		2013-14		Source	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Expenditure as per AFS	14410	12445	17929	12835	15901	13850	Sheet "BudVsActN"	
<i>Deduct (-): Depreciation</i>	0	353	0	380	0	579	Sheet "BudVsActN"	
<i>Add (+): Capital Expenditure</i>	5623	3583	8879	3666	8037	5217	Sheet "Capex"	
Adjusted Total Expenditure	20033	15675	26808	16120	23938	18488		

Table 76: Adjustment for Total Revenue

	2011-12		2012-13		2013-14		Source	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Revenue	14411	10822	17929	12037	15901	13209	Sheet "BudVsActN"	
<i>Deduct(-): Recurrent Grants</i>	13946	10186	16438	11328	13611	12011	Sheet "BudVsActN"	
<i>Deduct(-): Amortization of capital grants</i>		353		380		579	Sheet "BudVsActN"	
<i>Add(+): Actual Receipts of Recurrent Grants</i>	13946	10117	16438	11419	13611	12189	Sheet "BudVsActN"	Note 11 to the Financial Statement
<i>Add(+): Development Grants</i>	5623	3310	8879	4581	8037	5105	Sheet "Capex"	
Adjusted Revenues	20034	13711	26808	16328	23938	17913		

Annexure.7 Screenshots for HLG-1 Dimension (iii) and PI-1 and PI-2

7.1. HLG-1: Calculation of front loading for Rorya District Council

As per the sub-national guidelines for PEFA Assessment, frontloading means that the average timing of transfers) is less than six months into the fiscal year of the receiving government. It is calculated by taking the weighted average of the number of months into the financial year across on every occasion of central government transfer. Here weights are taken as the amount of transfer. Figure 7 and Figure 8 shows the date and amount of transfers made to the Rorya District Council across the financial years 2011-12, 2012-13 and 2013-14. It also shows the days into the financial year for each central government transfer.

In Figure 9, we have estimated the frontloading factor for 2011-12 as sum product of amount of transfer and days into the financial year.

Figure 7: Central Government Transfers, 2011-12, TZS million

Central Government Transfers in 2011-12				Central Government Transfers in 2011-12			
Year	DATE	Amount (TZS Million)	Days into the Financial Year	Year	DATE	Amount (TZS Million)	Days into the Financial Year
2011-12	7-Feb-2012	12.67	221	2011-12	13-Jul-2011	3.09	12
2011-12	7-Feb-2012	3.63	221	2011-12	19-Jul-2011	665.18	18
2011-12	7-Feb-2012	33.20	221	2011-12	1-Aug-2011	765.42	31
2011-12	8-Feb-2012	481.16	222	2011-12	1-Aug-2011	8.05	31
2011-12	20-Feb-2012	23.42	234	2011-12	1-Aug-2011	185.68	31
2011-12	22-Feb-2012	48.98	236	2011-12	4-Aug-2011	17.59	34
2011-12	22-Feb-2012	276.33	236	2011-12	4-Aug-2011	5.35	34
2011-12	23-Feb-2012	618.75	237	2011-12	4-Aug-2011	265.26	34
2011-12	2-Mar-2012	38.00	245	2011-12	4-Aug-2011	25.18	34
2011-12	2-Mar-2012	165.95	245	2011-12	4-Aug-2011	10.92	34
2011-12	8-Mar-2012	35.32	251	2011-12	5-Aug-2011	95.24	35
2011-12	9-Mar-2012	25.31	252	2011-12	9-Aug-2011	30.00	39
2011-12	9-Mar-2012	4.40	252	2011-12	12-Aug-2011	28.77	42
2011-12	9-Mar-2012	2.67	252	2011-12	13-Aug-2011	48.98	43
2011-12	9-Mar-2012	25.18	252	2011-12	30-Aug-2011	5.65	60
2011-12	9-Mar-2012	4.09	252	2011-12	2-Sep-2011	4.37	63
2011-12	12-Mar-2012	23.52	255	2011-12	23-Sep-2011	2.85	84
2011-12	22-Mar-2012	612.05	265	2011-12	28-Sep-2011	674.08	89
2011-12	24-Mar-2012	1.80	267	2011-12	29-Sep-2011	200.00	90
2011-12	27-Mar-2012	1.80	270	2011-12	4-Oct-2011	19.91	95
2011-12	27-Mar-2012	148.89	270	2011-12	7-Oct-2011	5.94	98
2011-12	28-Mar-2012	20.00	271	2011-12	10-Oct-2011	3.93	101
2011-12	30-Mar-2012	5.44	273	2011-12	10-Oct-2011	3.15	101
2011-12	4-Apr-2012	27.10	278	2011-12	10-Oct-2011	33.92	101
2011-12	5-Apr-2012	14.10	279	2011-12	10-Oct-2011	15.22	101
2011-12	5-Apr-2012	2.67	279	2011-12	10-Oct-2011	12.50	101
2011-12	5-Apr-2012	65.00	279	2011-12	10-Oct-2011	3.12	101
2011-12	5-Apr-2012	47.13	279	2011-12	10-Oct-2011	2.80	101
2011-12	5-Apr-2012	12.59	279	2011-12	12-Oct-2011	5.65	103
2011-12	5-Apr-2012	4.09	279	2011-12	19-Oct-2011	71.30	110
2011-12	9-Apr-2012	86.04	283	2011-12	20-Oct-2011	64.10	111
2011-12	9-Apr-2012	15.35	283	2011-12	21-Oct-2011	606.46	112
2011-12	10-Apr-2012	20.00	284	2011-12	26-Oct-2011	5.37	117
2011-12	20-Apr-2012	628.57	294	2011-12	10-Nov-2011	100.00	132
2011-12	20-Apr-2012	86.34	294	2011-12	10-Nov-2011	50.00	132
2011-12	24-Apr-2012	1.80	298	2011-12	10-Nov-2011	40.00	132
2011-12	2-May-2012	6.31	306	2011-12	10-Nov-2011	265.58	132
2011-12	4-May-2012	5.81	308	2011-12	16-Nov-2011	11.92	138
2011-12	7-May-2012	4.40	311	2011-12	16-Nov-2011	13.19	138
2011-12	7-May-2012	2.67	311	2011-12	16-Nov-2011	3.22	138
2011-12	7-May-2012	71.79	311	2011-12	16-Nov-2011	151.98	138
2011-12	7-May-2012	12.59	311	2011-12	16-Nov-2011	14.98	138
2011-12	7-May-2012	21.92	311	2011-12	24-Nov-2011	89.95	146
2011-12	8-May-2012	40.97	312	2011-12	25-Nov-2011	608.57	147
2011-12	9-May-2012	25.31	313	2011-12	26-Nov-2011	18.10	148
2011-12	22-May-2012	65.20	326	2011-12	16-Dec-2011	106.72	168
2011-12	28-May-2012	1.80	332	2011-12	19-Dec-2011	607.82	171
2011-12	28-May-2012	132.79	332	2011-12	19-Dec-2011	11.14	171
2011-12	28-May-2012	23.11	332	2011-12	27-Dec-2011	27.10	179
2011-12	31-May-2012	479.19	335	2011-12	5-Jan-2012	4.40	188
2011-12	6-Jun-2012	8.32	341	2011-12	5-Jan-2012	1.61	188
2011-12	7-Jun-2012	117.02	342	2011-12	5-Jan-2012	26.60	188
2011-12	8-Jun-2012	8.78	343	2011-12	5-Jan-2012	50.07	188
2011-12	14-Jun-2012	30.00	349	2011-12	5-Jan-2012	9.05	188
2011-12	14-Jun-2012	10.00	349	2011-12	5-Jan-2012	7.49	188
2011-12	14-Jun-2012	109.14	349	2011-12	6-Jan-2012	113.23	189
2011-12	21-Jun-2012	484.75	356	2011-12	9-Jan-2012	5.96	192
2011-12	25-Jun-2012	26.33	360	2011-12	9-Jan-2012	3.03	192
2011-12	27-Jun-2012	10.00	362	2011-12	10-Jan-2012	100.00	193
2011-12	27-Jun-2012	39.19	362	2011-12	10-Jan-2012	200.00	193
2011-12	28-Jun-2012	1.57	363	2011-12	10-Jan-2012	66.72	193
				2011-12	10-Jan-2012	44.47	193
				2011-12	14-Jan-2012	160.00	197
				2011-12	16-Jan-2012	30.09	199
				2011-12	16-Jan-2012	30.97	199
				2011-12	20-Jan-2012	636.76	203
				2011-12	26-Jan-2012	132.79	209
				2011-12	26-Jan-2012	21.48	209
				2011-12	3-Feb-2012	17.59	217
				2011-12	3-Feb-2012	5.35	217
				2011-12	3-Feb-2012	47.18	217
				2011-12	3-Feb-2012	25.18	217
				2011-12	3-Feb-2012	8.17	217

Figure 8: Central Government Transfers, 2012-13 and 2013-14, TZS million

Central Government Transfers in 2012-13 and 2013-14							
Year	DATE	Amount (TZS Million)	Days into the Financial Year	Year	DATE	Amount (TZS Million)	Days into the Financial Year
2012-13	27-Jul-2012	598.03	26	2013-14	23-Jul-2013	98.84	22
2012-13	7-Aug-2012	24.43	37	2013-14	24-Jul-2013	729.50	23
2012-13	13-Aug-2012	33.92	43	2013-14	31-Jul-2013	472.74	30
2012-13	22-Aug-2012	598.44	52	2013-14	12-Aug-2013	283.13	42
2012-13	22-Aug-2012	460.04	52	2013-14	13-Aug-2013	31.72	43
2012-13	7-Sep-2012	1.28	68	2013-14	13-Aug-2013	20.32	43
2012-13	12-Sep-2012	35.64	73	2013-14	13-Aug-2013	11.84	43
2012-13	12-Sep-2012	7.61	73	2013-14	13-Aug-2013	38.63	43
2012-13	19-Sep-2012	2.08	80	2013-14	13-Aug-2013	15.23	43
2012-13	19-Sep-2012	41.70	80	2013-14	22-Aug-2013	23.39	52
2012-13	24-Sep-2012	730.64	85	2013-14	28-Aug-2013	722.01	58
2012-13	24-Sep-2012	601.93	85	2013-14	5-Sep-2013	4.79	66
2012-13	10-Oct-2012	4.40	101	2013-14	18-Sep-2013	473.58	79
2012-13	20-Oct-2012	99.09	111	2013-14	23-Sep-2013	8.12	84
2012-13	25-Oct-2012	622.65	116	2013-14	7-Oct-2013	137.64	98
2012-13	25-Oct-2012	1.80	116	2013-14	10-Oct-2013	10.92	101
2012-13	25-Oct-2012	1.80	116	2013-14	10-Oct-2013	650.00	101
2012-13	25-Oct-2012	1.80	116	2013-14	10-Oct-2013	82.70	101
2012-13	1-Nov-2012	16.96	123	2013-14	15-Oct-2013	131.56	106
2012-13	1-Nov-2012	9.21	123	2013-14	24-Oct-2013	705.24	115
2012-13	8-Nov-2012	44.41	130	2013-14	29-Oct-2013	214.92	120
2012-13	8-Nov-2012	12.19	130	2013-14	7-Nov-2013	3.00	129
2012-13	22-Nov-2012	17.46	144	2013-14	7-Nov-2013	139.78	129
2012-13	22-Nov-2012	17.46	144	2013-14	11-Nov-2013	0.85	133
2012-13	23-Nov-2012	68.68	145	2013-14	14-Nov-2013	24.98	136
2012-13	26-Nov-2012	620.05	148	2013-14	18-Nov-2013	13.42	140
2012-13	26-Nov-2012	3.50	148	2013-14	29-Nov-2013	701.03	151
2012-13	30-Nov-2012	0.63	152	2013-14	13-Dec-2013	287.35	165
2012-13	30-Nov-2012	161.98	152	2013-14	13-Dec-2013	525.27	165
2012-13	30-Nov-2012	40.06	152	2013-14	18-Dec-2013	54.19	170
2012-13	30-Nov-2012	30.14	152	2013-14	20-Dec-2013	73.12	172
2012-13	30-Nov-2012	52.00	152	2013-14	21-Dec-2013	800.52	173
2012-13	30-Nov-2012	26.18	152	2013-14	24-Dec-2013	6.46	176
2012-13	30-Nov-2012	71.95	152	2013-14	30-Dec-2013	33.00	182
2012-13	30-Nov-2012	312.81	152	2013-14	30-Dec-2013	5.92	182
2012-13	4-Dec-2012	54.37	156	2013-14	30-Dec-2013	12.00	182
2012-13	4-Dec-2012	54.37	156	2013-14	30-Dec-2013	10.27	182
2012-13	7-Dec-2012	146.43	159	2013-14	10-Jan-2014	170.55	193
2012-13	13-Dec-2012	11.36	165	2013-14	16-Jan-2014	162.87	199
2012-13	13-Dec-2012	1.80	165	2013-14	24-Jan-2014	830.85	207
2012-13	21-Dec-2012	605.08	173	2013-14	7-Feb-2014	45.85	221
2012-13	24-Jan-2013	588.51	207	2013-14	7-Feb-2014	114.97	221
2012-13	25-Jan-2013	587.27	208	2013-14	7-Feb-2014	66.08	221
2012-13	27-Jan-2013	46.80	210	2013-14	12-Feb-2014	66.32	226
2012-13	30-Jan-2013	20.46	213	2013-14	17-Feb-2014	188.89	231
2012-13	5-Feb-2013	1.80	219	2013-14	19-Feb-2014	175.78	233
2012-13	6-Feb-2013	1.80	220	2013-14	25-Feb-2014	682.66	239
2012-13	11-Feb-2013	9.21	225	2013-14	28-Feb-2014	52.16	242
2012-13	11-Feb-2013	16.96	225	2013-14	12-Mar-2014	146.93	254
2012-13	12-Feb-2013	146.43	226	2013-14	16-Mar-2014	75.47	258
2012-13	15-Feb-2013	62.06	229	2013-14	20-Mar-2014	12.82	262
2012-13	22-Feb-2013	28.18	236	2013-14	25-Mar-2014	652.04	267
2012-13	28-Feb-2013	1.80	242	2013-14	4-Apr-2014	422.00	277
2012-13	1-Mar-2013	146.43	243	2013-14	4-Apr-2014	151.02	277
2012-13	1-Mar-2013	570.80	243	2013-14	8-Apr-2014	452.05	281
2012-13	1-Mar-2013	44.45	243	2013-14	28-Apr-2014	648.11	301
2012-13	1-Mar-2013	33.37	243	2013-14	5-May-2014	7.06	308
2012-13	1-Mar-2013	400.00	243	2013-14	6-May-2014	377.09	309
2012-13	1-Mar-2013	100.00	243	2013-14	13-May-2014	236.75	316
2012-13	1-Mar-2013	400.00	243	2013-14	14-May-2014	12.79	317
2012-13	5-Mar-2013	26.88	247	2013-14	14-May-2014	287.35	317
2012-13	7-Mar-2013	0.60	249	2013-14	16-May-2014	208.82	319
2012-13	12-Mar-2013	313.47	254	2013-14	19-May-2014	3.00	322
2012-13	18-Mar-2013	16.52	260	2013-14	23-May-2014	698.92	326
2012-13	18-Mar-2013	9.21	260	2013-14	9-Jun-2014	11.06	343
2012-13	22-Mar-2013	66.22	264	2013-14	13-Jun-2014	4.46	347
2012-13	25-Mar-2013	627.41	267	2013-14	13-Jun-2014	272.32	347
2012-13	5-Apr-2013	80.65	278	2013-14	23-Jun-2014	692.16	357
2012-13	5-Apr-2013	237.21	278	2013-14	24-Jun-2014	3.00	358
2012-13	5-Apr-2013	50.21	278				
2012-13	9-Apr-2013	187.42	282				
2012-13	9-Apr-2013	9.21	282				
2012-13	17-Apr-2013	0.81	290				
2012-13	22-Apr-2013	633.94	295				
2012-13	9-May-2013	72.20	312				
2012-13	9-May-2013	67.20	312				
2012-13	13-May-2013	9.21	316				
2012-13	15-May-2013	11.89	318				
2012-13	15-May-2013	292.86	318				
2012-13	22-May-2013	1.80	325				
2012-13	23-May-2013	67.40	326				
2012-13	23-May-2013	67.40	326				
2012-13	24-May-2013	636.67	327				
2012-13	25-May-2013	1.80	328				
2012-13	7-Jun-2013	81.50	341				
2012-13	8-Jun-2013	12.19	342				
2012-13	10-Jun-2013	80.93	344				
2012-13	18-Jun-2013	80.93	352				
2012-13	19-Jun-2013	4.79	353				
2012-13	19-Jun-2013	1.80	353				
2012-13	22-Jun-2013	663.51	356				
2012-13	24-Jun-2013	1.38	358				
2012-13	24-Jun-2013	1.38	358				
2012-13	26-Jun-2013	1.80	360				
2012-13	29-Jun-2013	38.20	363				
2012-13	29-Jun-2013	38.20	363				

Figure 9: Frontloading for 2011-12, 2012-13 and 2013-14

Front loading (Weighted average no. of days into the financial year): [SUMPRODUCT OF "Amount (TZS Million)" AND "Days into the Financial Year" / "Total Number of days"]		
		In Months
2011-12	184.83	6.16
2012-13	197.53	6.58
2013-14	192.85	6.43

Table 77: Computation for Figure 4

Quarters	2011-12		2012-13		2013-14	
	Planned	Actual	Planned	Actual	Planned	Actual
In TZS million						
Q1	4892	3042	6329	3136	5412	2934
Q2	4892	2974	6329	3111	5412	4624
Q3	4892	4361	6329	4267	5412	3444
Q4	4892	2750	6329	3435	5412	4488
Annual	19569	13126	25316	13948	21647	15490
Quarters	2011-12		2012-13		2013-14	
	Planned	Actual as % of planned	Planned	Actual as % of planned	Planned	Actual as % of planned
In percentages						
Q1	25%	15.5%	25%	12.4%	25%	13.6%
Q2	25%	15.2%	25%	12.3%	25%	21.4%
Q3	25%	22.3%	25%	16.9%	25%	15.9%
Q4	25%	14.1%	25%	13.6%	25%	20.7%
Annual	100%	67.1%	100%	55.1%	100%	71.6%

7.2. Screenshots for PI-1 and PI-2

Table 1 - Fiscal years for assessment

Year 1 =	2011
Year 2 =	2012
Year 3 =	2013

Data for year =		2011					
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent	
Administration	1841184167.00	1622016044	1,440,638,615	181,377,429	181,377,429	13%	
Human resource management and development	0.00	0	-	-	-	#DIV/0!	
Finance	0.00	0	-	-	-	#DIV/0!	
Trade and Economic Affairs	0.00	0	-	-	-	#DIV/0!	
Livestock	877567414.00	682176750.1	686,654,560	(4,477,810)	4,477,810	1%	
Agriculture	2110073324.00	1248419137	1,651,031,529	(402,612,392)	402,612,392	24%	
Education Primary	7385756309.00	6762461936	5,779,001,323	983,460,613	983,460,613	17%	
Education Secondary	734165137.00	568851926	574,449,132	(5,597,206)	5,597,206	1%	
Primary health services	2575919134.00	2166893574	2,015,533,611	151,359,963	151,359,963	8%	
Water	1866565582.00	573141398.4	1,460,498,359	(887,356,961)	887,356,961	61%	
Works	1937440555.00	1429942929	1,515,954,638	(86,011,709)	86,011,709	6%	
Lands	100153732.00	88119835	78,365,509	9,754,326	9,754,326	12%	
Natural Resources	0.00	0	-	-	-	#DIV/0!	
Community development, gender and children	1114807.00	64,904,000	872,283	64,031,717	64,031,717	7341%	
LGCDG	603856000.00	468,560,489	472,488,460	(3,927,971)	3,927,971		
allocated expenditure	20,033,796,161	15,675,488,018	15,675,488,018	0	2,776,040,124.8		
contingency							
total expenditure	20,033,796,161	15675488018					
overall (PI-1) variance						22%	
composition (PI-2) variance						18%	
contingency share of budget						0%	

Data for year =		2012					
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent	
Administration	2,332,235,177	2041602087	1,402,408,792.3	639,193,294.7	639,193,294.7	46%	
Human resource management and development	-	0	0.0	0.0	0.0	#DIV/0!	
Finance	218,663,000	119274950	131,485,416.6	-12,210,466.6	12,210,466.6	9%	
Trade and Economic Affairs	33,586,000	9405000	20,195,777.1	-10,790,777.1	10,790,777.1	53%	
Livestock	461,769,435	260188714	277,669,045.6	-17,480,331.6	17,480,331.6	6%	
Agriculture	1,866,630,683	799842470	1,122,433,666.9	-322,591,196.9	322,591,196.9	29%	
Education Primary	7,882,692,282	6026542955	4,739,983,802.8	1,286,559,152.2	1,286,559,152.2	27%	
Education Secondary	4,091,155,920	1761779330	2,460,074,819.8	-698,295,489.8	698,295,489.8	28%	
Primary health services	2,865,711,139	1789195007	1,723,196,072.7	65,998,934.3	65,998,934.3	4%	
Water	3,383,767,381	638795970.3	2,034,711,238.8	-1,395,915,268.5	1,395,915,268.5	69%	
Works	2,500,297,713	2059039422	1,503,467,373.6	555,572,048.4	555,572,048.4	37%	
Lands	73,931,830	25514780	44,456,343.6	-18,941,563.6	18,941,563.6	43%	
Natural Resources	171,097,500	21325500	102,883,551.7	-81,558,051.7	81,558,051.7	79%	
Community development, gender and children	119,538,000	73,957,000	93,532,772	(19,575,772)	19,575,772	21%	
LGCDG	807,000,000	493,644,230	631,438,931	(137,794,701)	137,794,701		
allocated expenditure	26,808,076,060	16,120,107,415	15,656,498,673.2	-30,035,487.9	5,124,682,347.3		
contingency							
total expenditure	26808076060	16120107415					
overall (PI-1) variance						40%	
composition (PI-2) variance						33%	
contingency share of budget						0%	

Table 4

Data for year =		2013					
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent	
Administration	2,895,364,150	1548330325	2236185035	-687,854,710	687,854,710	31%	
Human resource management and development	185,356,416	0	143156861	-143,156,861	143,156,861	100%	
Finance	257,165,000	115742624	198616994	-82,874,370	82,874,370	42%	
Trade and Economic Affairs	12,000,000	1980000	9267995	-7,287,995	7,287,995	79%	
Livestock	464,060,900	287752667	358409508	-70,656,841	70,656,841	20%	
Agriculture	1,559,851,284	1175652904	1204724490	-29,071,586	29,071,586	2%	
Education Primary	5,310,635,456	5179101749	4101578565	1,077,523,184	1,077,523,184	26%	
Education Secondary	3,386,127,964	3145309621	2615218083	530,091,538	530,091,538	20%	
Primary health services	2,982,644,669	2472191664	2303594653	168,597,011	168,597,011	7%	
Water	3,340,522,207	2747416901	2579995255	167,421,645	167,421,645	6%	
Works	2,089,029,441	984657213	1613426199	-628,768,986	628,768,986	39%	
Lands	26,000,000	2996548	20080656	-17,084,108	17,084,108	85%	
Natural Resources	24,000,000	11551000	18535990	-6,984,990	6,984,990	38%	
Community development, gender and children	171,439,550	119,738,000	134143254	-14,405,254	14,405,254	11%	
LGCDG	1,233,753,723	695,646,086	965353323	-269,707,238	269,707,238		
allocated expenditure	23,937,950,760	18,488,067,301	17536933538	586,712,359	2,628,517,086		
contingency							
total expenditure	23937950760	18488067301					
overall (PI-1) variance							23%
composition (PI-2) variance							15%
contingency share of budget							0%

Table 5 - Results Matrix

year	for PI-1	for PI-2 (i)	for PI-2 (ii)
	total exp. deviation	composition variance	contingency share
2011	21.8%	17.71%	
2012	39.9%	32.73%	0.0%
2013	22.8%	14.99%	

Score for indicator PI-1: D
 Score for indicator PI-2 (i): D
 Score for indicator PI-2 (ii): A
 Overall Score for indicator PI-2: D+

Annexure.8 Performance indicators summary

Table 78: PEFA performance indicators summary

Performance Indicators	Description	PEFA 2015 rating
HLG-1	Predictability of transfers from a higher level of Government	NR
(i)	Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget	D
(ii)	Annual variance between actual and estimated transfers of earmarked grants	NR
(iii)	In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of start of the SN fiscal year)	D
A. PFM Out-Turns: Budget Credibility		
PI-1	Aggregate expenditure out-turn compared to original approved budget	D
PI-2	Composition of expenditure out-turn compared to original approved budget	D+
(i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items	D
(ii)	The average amount of expenditure actually charged to the contingency vote over the last three years	A
PI-3	Aggregate revenue out-turn compared to original approved budget	D
PI-4	Stock and monitoring of expenditure arrears	NR
(i)	Stock of expenditure arrears	NR
(ii)	Availability of data for monitoring the stock of expenditure arrears	D
B. Key Cross-Cutting Issues: Comprehensiveness and Transparency		
PI-5	Classification of the budget	C

Performance Indicators	Description	PEFA 2015 rating
PI-6	Comprehensiveness of information included in budget documents	C
PI-7	Extent of unreported government operations	B
(i)	The level of extra budgetary expenditure (other than donor funded projects) which is reported	B
(ii)	Income/expenditure information on donor-funded projects which is included in fiscal reports	NA
PI-8	Transparency of inter-governmental fiscal relations	D
(i)	Transparent and rules -based systems in horizontal allocation among lower level governments of unconditional and conditional transfers (both budgeted and actual allocations)	D
(ii)	Timeliness of reliable information to lower level governments on their allocations for the coming year	D
(iii)	Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sector categories	D
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C
(i)	Extent of monitoring public enterprises	NA
(ii)	Extent of Central Government monitoring of sub-national governments' fiscal position	C
PI-10	Public access to key fiscal information	C
C. Budget Cycle		
(i) Policy-Based Budgeting		
PI-11	Orderliness and participation in the budget process	C+
(i)	Existence and adherence to a fixed budget calendar	C
(ii)	Guidance on preparation of budget submissions	D
(iii)	Timely budget approval by the legislature	A
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting	D+

Performance Indicators	Description	PEFA 2015 rating
(i)	Preparation of multi-year fiscal forecasts and functional allocations	C
(ii)	Scope and frequency of debt sustainability analysis	D
(iii)	Existence of sector strategies with multi-year costing of recurrent and development/investment expenditure	D
(iv)	Linkages between investment budgets and forward expenditure estimates	D
(ii) Predictability and Control in Budget Execution		
PI-13	Transparency of taxpayer obligations and liabilities	D+
(i)	Clarity and comprehensiveness of tax liabilities	D
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	C
(iii)	Existence and functioning of a tax appeals mechanism	D
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D
(i)	Controls in the taxpayer registration system	D
(ii)	Effectiveness of penalties for non-compliance with registration and declaration	D
(iii)	Planning and monitoring of tax audit and fraud investigation programs	D
PI-15	Effectiveness of collection of tax payments	D+
(i)	Collection ratio for gross tax arrears being the percentage of tax arrears at the beginning of a fiscal year (average of the last two fiscal years)	NR
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B
(iii)	Frequency of complete accounts reconciliation between tax assessments collections, arrears records and receipts by Treasury	D
PI-16	Predictability in the availability of funds for commitment of expenditures	D
(i)	Extent to which cash flows are forecasted and monitored	D

Performance Indicators	Description	PEFA 2015 rating
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	D
(iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	NA
PI-17	Recording and management of cash balances, debt and guarantees	C
(i)	Quality of debt recording and reporting	C
(ii)	Consolidation of government's cash balances	C
(iii)	System for contracting loans and issuance of guarantees	C
PI-18	Effectiveness of payroll controls	D+
(i)	Degree of integration and reconciliation between personnel records and payroll data	A
(ii)	Timeliness of changes to personnel records and the payroll	D
(iii)	Internal controls over changes to personnel records and the payroll	C
(iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers	B
PI-19	Competition, value for money and controls in procurement	D+
(i)	Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases (percentage of the number of contract awards that are above the threshold).	B
(ii)	Extent of justification for use of less competitive procurement methods	D
(iii)	Existence and operation of a procurement complaints mechanism	D
(iv)	Existence of an independent administrative procurement complaints system	D
PI-20	Effectiveness of internal controls for non-salary expenditure	D+

Performance Indicators	Description	PEFA 2015 rating
(i)	Effectiveness of expenditure commitment controls	D
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/procedures	C
(iii)	Degree of compliance with rules for processing and recording transactions	D
PI-21	Effectiveness of internal audit	C+
(i)	Coverage and quality of the internal audit function	C
(ii)	Frequency and distribution of reports	B
(iii)	Extent of management response to internal findings	C
(iii) Accounting, Recording and Reporting		
PI-22	Timeliness and regularity of accounts reconciliation	B
(i)	Regularity of bank reconciliation	B
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	B
PI-23	Availability of information on resources received by service delivery units	B
PI-24	Quality and timeliness of in-year budget reports	C+
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	C
(ii)	Timeliness of issue of reports	A
(iii)	Quality of information	C
PI-25	Quality and timeliness of annual financial statements	B+
(i)	Completeness of financial statements	B
(ii)	Timeliness of submission of financial statements	A
(iii)	Accounting standards used	B
(iv) External Scrutiny and Audit		
PI-26	Scope, nature, and follow-up of external audit	C+

Performance Indicators	Description	PEFA 2015 rating
(i)	Scope/nature of audit performed (including adherence to auditing standards)	B
(ii)	Timeliness of submission of audit reports to legislature	B
(iii)	Evidence of follow up on recommendations	C
PI-27	Legislative scrutiny of the annual budget law	D+
(i)	Scope of legislature's scrutiny	C
(ii)	Extent to which the legislative procedures are well established and respected	B
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	D
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	NA
PI-28	Legislative scrutiny of external audit reports	C+
(i)	Timeliness of examination of audit reports by the legislature	B
(ii)	Extent of hearings on key findings undertaken by the legislature	C
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	B
D. Donor Practices		
D-1	Predictability of Direct Budget Support	NA
(i)	Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)	NA
(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	NA
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	NA
(i)	Completeness and timeliness of budget estimates by donors for project support	NA

Performance Indicators	Description	PEFA 2015 rating
(ii)	Frequency and coverage of reporting by donors on actual donor flows for project management	NA
D-3	Proportion of aid that is managed by use of national procedures	NA

Annexure.9 List of people met

Table 79: List of people met

S. No.	Name	Designation	Organisation
<i>At the central level</i>			
1.	Charles Mwamwaja	Deputy Commissioner for Budgets Responsible for RASs and LGAs	Ministry of Finance
2.	Jumanne A. Sagini	Permanent Secretary	PMO-RALG
3.	Awadh Sulho	Acting Director	Capacity Building & Advisory Services, PPRA
4.	Onesmo France	Procurement expert	PPRA
5.	Juma S Maguru	Acting Director	Planning Department, Ministry of Finance
6.	Mohammed A Matonga	Internal Auditor General	Ministry of Finance
7.	Dennis Mihayo	M&E Specialist	Public Financial Management Reform Programme
8.	Sebastian E L Ndandala	Programme Coordinator	Public Financial Management Reform Programme
9.	Stanley Haule	Assistant Director, Department of Computer Services	Ministry of Finance
10.	Stanslans Mpembi	Assistant Internal Auditor General (Budget and Payroll)	Ministry of Finance
11.	Emmanuel M Subbi	Assistant Internal Auditor General (Risk Management and Control)	Ministry of Finance
12.	Mwanyiko M Somola	Assistant Internal Auditor General (Local Government)	Ministry of Finance
13.	Omari Msuya	Internal Auditor	Ministry of Finance
14.	Pole John Magesa	Principal Economist	National Audit Office of Tanzania
15.	Faraja Tarimo	Accountant	Account General Office, Ministry of Finance
16.	Chausiku Nyanda	Financial Management Officer, PEFA Coordinator.	PMO – RALG

S. No.	Name	Designation	Organisation
17.	Prwatus Lipili	Human Resource Officer	PMO – RALG
18.	Juma Mabrouk	Human Resource Officer	PMO – RALG
19.	Daria Justine Bujiku	Loans and Investment Financial Management Officer, PEFA counterpart	PMO – RALG
20.	Mustapha S Yusuf	Procurement Financial Management Officer	PMO – RALG
21.	Isaac Jeremah	Assistant Director	PMO-RALG
22.	Dennis Bandisa	Assistant Director, Governance and Service Delivery Section	PMO-RALG
23.	Linus Kakwesigambo	Financial Expert	Public Financial Management Reform Programme
24.	Aleyande Lweikila	Communication Specialist	Ministry of Finance
25.	E Macha	Financial Management Officer	Ministry of Finance
26.	Johnson Nyingi	Local Government Reform Programme II	PMO-RALG
27.	Steven Benedict	Chief Internal Auditor, and PEFA counterpart	RS Lindi
28.	Munguatosha Macha	Financial Management Officer, and PEFA counterpart	RS Geita
29.	Fulgence Luyagaza	Accountant and PEFA Counterpart	Kinondoni Municipal
30.	Waziri Ally	Accountant and PEFA Counterpart	PMO-RALG
<i>At the district level</i>			
31.	Ephraem Nguyaine	District Executive Director	Rorya District Council
32.	Benard Mehona	Economist	Rorya District Council
33.	Seben Mwalutamwa	District Treasurer	Rorya District Council
34.	Martin Kanyambo	District Planning Officer	Rorya District Council
35.	Elias Msenga	District Internal Auditor	Rorya District Council
36.	Gerald Ruzika	Head of Human Resource	Rorya District Council
37.	Ojijo Thobias	Education Officer - Primary	Rorya District Council

List of people met

38.	Mukama Mazigo	Education Officer - Secondary	Rorya District Council
39.	Baraka Peter	District Health Officer	Rorya District Council
40.	Damian Ogilla	Head of Procurement Management Unit	Rorya District Council
Counterpart Team			
41.	Steven Benedict	PEFA Counter Part	Lindi Regional Office
42.	Daria Bujilu	PEFA Counter Part	PMO RALG
43.	Fulgence Luyagaza	PEFA Counter Part	Kinondoni Municipal Council
44.	Ally Waziri	PEFA Counter Part	Bagamoyo District Council
45.	Munguatosha Macha	PEFA Counter Part	Geita Region
46.	Chausiku Nyanda	PEFA Counter Part	PMO RALG

Annexure.10 List of Documents Referred to

1. Public Financial Management Reform Programme IV Strategy Document
2. Memorandum of Understanding between DFID (acting on behalf of Government of the United Kingdom of Great Britain and Northern Ireland) and The United Republic of Tanzania for Public Financial Management Reform Programme Grants
3. Terms of Reference for Public Expenditure and Financial Accountability Assessment of 12 LGAs in Tanzania
4. Local Government Financial Memorandum
5. Local Government Accounting Manual
6. Local Government Finance Act
7. Local Government (District Authorities) Act 2002
8. Local Government (Urban Authorities Act) 2002
9. Tanzania at a glance, 2012, National Bureau of Statistics, Tanzania
10. The Constitution of United Republic of Tanzania
11. Public Procurement Act, 2011
12. Local Government Authorities Tender Board (Establishment & Proceedings) Regulations (2014)
13. Public Procurement Regulations (2013)
14. Government Loans, Grants and Guarantees Act (1974)
15. Public Finance Act (2001)
16. Guidelines For The Preparation Of Annual Plan And Budget For 2014/15 In The Implementation Of The Five Year Development Plan 2011/12-2015/16 (Including Annexure 1)
17. Internal Audit Manual, 2013
18. Annual General Report on Local Government Authorities for 2012-13 by CAG
19. Public Audit Act
20. Public Audit Regulations 2009
21. Audit Financial Statements for 2011-12 (incomplete), 2012-13 and 2013-14 (incomplete)
22. CAG's Management Letter on Financial Statements of Rorya DC for 2012-13
23. MTEF of Rorya DC for 2014-17

The primary purpose of this Sub-national Government PEFA Assessment report is to present our key findings of PFM situation in mentioned LGA. The contents of this report are based on the facts, assumptions and representations stated herein. Our assessment and opinions are based on the facts and circumstances provided/collected during our meetings with the officials of the Ministry of Finance, Government of Tanzania and other stakeholders and research from sources in public domain held to be reliable. If any of these facts, assumptions or representations is not entirely complete or accurate, the conclusions drawn therein could undergo material change and the incompleteness or inaccuracy could cause us to change our opinions. The assertions and conclusions are based on the information available at the time of writing this report and PwC will not be responsible to rework any such assertion or conclusion if new or updated information is made available.

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