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Sub-national (Local Government) PEFA Assessment in Tanzania

Final Consolidated Report

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Table of 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 Public Order
CAG	Comptroller 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 and N/A	Not Applicable and Not Available respectively
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

Acronym	Definition	Acronym	Definition
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
HRO	Human Resource Officer	POPSM	President Office-Public Sector Management
HSBF	Health Sector Basket Fund	PPA	Public Procurement Act
IAF	Internal Auditor's Office	PPAA	Public Procurement Appeals Authority
IAG	Internal Auditor General	PPP	Public Private Partnership
IASB	International Accounting Standards Board	PPR	Public Procurement Regulations
IAU	Internal Audit Unit	PPRA	Public Procurement Regulatory Authority
ICT	Information and Communication Technology	PSM	Public Sector Management
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	TBR	Tender Board

Acronym	Definition	Acronym	Definition
LGA	Local Government Authority	TIN	Tax Identification Number
LGAM	Local Government Accounting Manual	TRA	Tax Regulatory Authority
LGCDG	Local Government Capital Development Grant	TZS	Tanzania Shilling
LGDA	Local Government District Authorities Act	USD	United States Dollar
LGDG	Local Government Development Grants	VAT	Value Added Tax
LGFA	Local Government Finance Act	WSSA	Water Supply and Sanitation Authority

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**

Summary Assessment

1. Summary Assessment

Local Government in Tanzania are increasingly playing a major role in provision of services. The sub-national profile in Tanzania is provided in Appendix 1. This requires effective and efficient public financial management practices. In light of this, as assessment of the public financial management systems in select 12 LGAs was conducted in a phased manner during 2015.with the LGAs being selected to accommodate the diversities across Tanzania. Although LGAs are administratively decentralised, the financial dependency on the central government is still significant (nearly 90%). Various PFM systems and practices are determined by the Central Government (for example, public procurement regulations, budget preparation process). Therefore, mapping of identified weakness to the relevant agencies responsible (i.e. Ministry of Finance, Local government ministry (PMO-RALG), and the local government authority) has been made in Appendix 2. The methodology used in assessment of the PFM systems is given in Appendix 3.

1.1. Integrated assessment of PFM performance[1]

I. Credibility of the budget (PI 1-4 & HLG-1)[2]

The budget cannot be considered to be a credible indicator to actual expenditure for local government authorities (LGA) in Tanzania during the period 2011-14. Not only does the total quantum of expenditure vary significantly from budget estimates (by more than 15%), but the variance in expenditure composition is also high for majority of the LGAs covered under this assessment. This is largely influenced by low predictability in transfers from the central government. With respect to revenue; unrealistic forecasts, and weak internal controls for managing and monitoring revenue collections have led to revenue deviations. In only two of the 12 LGAs, the deviation was less than 10% compared to budgeted amounts in 2013-14. Updated information on the stock of payment arrears for LGAs for which information is available reveals that most of the assessed LGAs had arrears more than 2% of total expenditure and some of the LGAs with payment arrears close to 10% and did not exhibit a significant decline during the assessment period.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
HLG-1	D+	D+	NR	NR	NR	NR	D+	NR	D+	D+	D+	D+
PI-1	D	C	D	D	D	D	C	D	A	D	A	C
PI-2	D+	D+	D+	D+	D+	D+	D+	D+	B+	D+	D+	D+
PI-3	D	D	D	D	D	D	D	D	B	D	D	D
PI-4	D+	D+	D+	D	NR	NR	D+	D+	D+	D+	D+	NR

HLG-1	Predictability of transfers from a Higher Level of Government
PI-1	Aggregate expenditure out-turn compared to original approved budget
PI-2	Composition of expenditure out-turn compared to original approved budget
PI-3	Aggregate revenue out-turn compared to original approved budget
PI-4	Stock and monitoring of expenditure arrears

[1] This final consolidated report has been prepared after addressing the comments received on the draft consolidated report as well as the comments received from five reviewers (PEFA secretariat, Government, World Bank, KfW, DFID and World Bank) on each of the Final Draft Reports for 12 LGAs.
[2] NR signifies indicator has been assessed but not rated due to no/insufficient documentation or information provided to the PEFA team. Additionally, across the summary section, the indicator rating has been arrived through aggregation of individual dimension ratings using PEFA methodology.

II. Comprehensiveness and transparency (PI 5-10)

Overall comprehensiveness of information shared by the LGAs with relevant stakeholders needs further strengthening. The consolidated budget books prepared by the Councils do not include more than half the prescribed information benchmarks under the PEFA framework. It should be noted that the format of the budget documents are determined at the Central Government level and on which the LGAs do not have any control. Majority of the LGAs do not publish key fiscal information on council operations such as in year budget execution reports, fees, charges and taxes levied and details on services provided to the community. The annual financial statements (AFS) of the LGAs do not include a separate consolidated overview of the fiscal position of the lower level governments (LLGs) they cater to.

With respect to devolution of funds, the methodology adopted for prioritization of grants across LLGs is not fully transparent or participative for most categories of transfers. Additionally, there is no clear guidance on how program funds are to be re-allocated across LLGs in the event of cuts in transfers from the Central Government, which has been a regular feature in the past years. Even where formula/rule based systems exist as per guidelines issued by the Central Government, they are not fully implemented in practice due to resource constraints and the immediate compulsions of fund flows at the local level.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-5	C	C	C	C	C	C	C	C	C	C	C	C
PI-6	C	C	A	C	C	C	B	C	C	C	C	C
PI-7	A	B	A	B	B	B	B	A	B	NR	A	A
PI-8	D	D	D	D	D	D	D	D	D	D	D	D
PI-9	C	C	D	C	C	C	C	C	C	C	C	C
PI-10	B	B	C	B	C	B	C	B	C	D	D	C

PI-5	Classification of the budget
PI-6	Comprehensiveness of information included in budget documents
PI-7	Extent of unreported government operations
PI-8	Transparency of inter-governmental fiscal relations
PI-9	Oversight of aggregate fiscal risk from other public sector entities
PI-10	Public access to key fiscal information

III. Policy-based budgeting (PI 11-12)

LGAs adhere to the budget calendar issued by the Central Government. Given their dependence on transfers from the Central Government, they are not in a position to indicate budget ceilings to LLGs and line departments till such information has been received from the Ministry of Finance, which is usually delayed. For the last approved budget, i.e. 2014-15, budget ceilings were shared with most LGAs only during scrutinization meetings which are held once budget estimates have been prepared, approved by the Full Councils and submitted to the Prime Minister's Office for Regional Administration and Local Government (PMO-RALG) and MoF.

Linkages between grass root planning processes, annual budgeting and medium term expenditure forecasts are unstructured and weak. Recurrent cost implications of the investments are not considered in the forward budget estimates for capital expenditure. While all LGAs have their own five year strategic plans, these are not updated on an annual basis to ensure consistency with fiscal projections and do not include costed sector strategies.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-11	B	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
PI-12	D+	D+	D+	D+	D+	D+	D	D	D+	D	D+	D

PI-11	Orderliness and participation in the budget process
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting

IV. Predictability and control in budget execution

Revenue Administration Systems (PI 13-15): The by-laws, which are issued by the LGAs and which govern collection of taxes and levies by LGAs, need to be made more comprehensive and clear to avoid administrative discretion in liability assessments. The absence of (i) information desks for helping taxpayers, and (ii) fair tax appeal mechanisms at the local level weaken the transparency in revenue administration at the LGA level. Taxpayer records in most LGAs are still maintained manually, are not linked to other relevant databases and are not comprehensive. Data on tax arrears is not collected/ maintained as a consequence of which there is no reconciliation possible among tax assessments, collections, and arrear records. Weaknesses in internal controls over revenue collections through outsourced agents compromise revenue administration systems further leading to uncertainties in tax collections.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-13	D	D+	D+	D+	D+	D+	D	D+	D+	D+	D+	D+
PI-14	D	D	D	D	D	D	D+	D+	D	D	D	D
PI-15	D+	D+	NR	D+	D+	NR	D+	NR	NR	NR	NR	D+

PI-13	Transparency of taxpayer obligations and liabilities
PI-14	Effectiveness of measures for taxpayer registration and tax assessment
PI-15	Effectiveness of collection of tax payments

Cash and debt management (PI 16-17): Due to reliance on grants from the Central Government and in the absence of information on the release schedule of these grants, LGAs cannot (i) carry out credible cash forecasting, and (ii) provide in-year information on ceilings to departments for expenditure commitments. LGAs that have debt do not regularly report on debt stock except in their Annual Financial Statements; but ten out of twelve calculate their cash balances on a monthly basis.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-16	D	D	D	D	D	D	NR	D	D	D	D+	D
PI-17	C	C	D	C	C	D	C	C	A	C	C	C

PI-16	Predictability in the availability of funds for commitment of expenditures
PI-17	Recording and management of cash balances, debt and guarantees

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 cleansing 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. The high number of salary arrears, as recorded in HCMIS, and the absence of focused periodic payroll audits reflect the absence of suitable oversight mechanisms in this important functional area. Across LGAs, various cases of salary arrears are noted which may be due to delay in updation of promotion records, new hires and retirees.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-18	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+

PI-18	Effectiveness of payroll controls

Procurement (PI-19): Even though, for all LGAs, the value of procurement done through non tender processes is lesser than that done through the tendering route, there are multiple and repeated references made by the CAG to control lapses in carrying out procurement in all LGAs and the justification for use of non-competitive mode is not clearly stated. 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 TBR), the legislative framework has been significantly strengthened. Procurement plans are published but without the size of the procurement, procurement complaints register is prepared but not published. Bidding opportunities and contract awards are published. The appeals mechanism needs to be improved as accounting officer at the LGA is the decision maker in the procurement process who is also the nodal person for the procurement complaints at the LGA level.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-19	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+

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

Other Internal Controls (PI-20): The procurement management module in EPICOR was not effectively in use in most LGAs. Councils often resorted to the use of manual local purchasing orders (LPOs) outside the System. Manual LPOs threaten the fiscal discipline of the LGAs and are one of the leading causes for payment arrears. Additionally, internal audits as well as CAG audit reports cite common weaknesses across LGAS in documenting, recording and authorizing expenditure.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-20	C	C	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+

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

Internal Audit (PI-21): Internal audit plans do not articulate split of planned time for system and transaction audit leading to varying results of coverage of systems audit across LGAs. On an average, nearly 47% of the issues identified in the internal audit reports reviewed referred to system issues and the remaining 53% to transactional nature. Internal audit reports do not adhere to the fixed quarterly and annual schedules. However, the internal audit reports are issued to most audited entities on a regular basis. With respect to follow up on observations, there is a steady pattern of spillover of audit recommendations yet to be acted on across all LGAs. The weaknesses in the functioning of the Audit Committees pointed out by the CAG in his Management letters on the financial statements for the LGAs for 2013-14 also endorse general inadequacies in oversight structures for follow up which has affected adversely the overall performance in this area. Some of the weaknesses include lack of review of external auditors' findings in the management letter, lack of review and approval of internal auditor plan, and irregular or absence of meetings.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-21	C+	D+	C+	C+	C+	C+	D+	C+	C+	C+	C+	D+

PI-21	Effectiveness of internal audit

V. Accounting, recording and reporting (PI 22-25)

Most LGAs undertake bank reconciliations on a monthly basis. While councils do not maintain suspense accounts, they do issue salary advances. For many LGAs, recovery of these advances was found to be overdue. CAG in its report in most of the LGAs assessed has highlighted presence of significant advances at the end of the financial year despite regular bank reconciliation.

The EPICOR system was found to be not fully operational in several LGAs. Although information for preparing intra-year fiscal reports is generated through EPICOR, the final reports are prepared manually on Microsoft Excel. These reports provide monthly as well as cumulative information on actual expenditure and revenues collected but do not include details on commitments.

LGAs prepare their AFS based on the International Public Sector Accounting Standards (IPSAS) and the provisions of the Local Government Financial Memorandum (LGFM), 2009. External audit reports across years have repeatedly highlighted the need for training of LGA personnel on accounting expectations for full IPSAS compliance.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-22	D+	B+	B+	B+	B	B	C	B+	C	C	B+	B+
PI-23	B	B	B	B	B	B	B	B	B	B	B	B
PI-24	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
PI-25	B	B+	B	B+	B+	D+	C+	B+	C+	B	C+	B

PI-22	Timeliness and regularity of accounts reconciliation
PI-23	Availability of information on resources received by service delivery units
PI-24	Quality and timeliness of in-year budget reports
PI-25	Quality and timeliness of annual financial statements

VI. External scrutiny and audit (PI 26-28)

The Laws and Regulations governing external audit includes the Constitution of Tanzania, the Local Government Finance Act (LGFA) 1982, Public Audit Act 2008 and Public Audit Regulations 2009. The external audit of LGAs covers financial audit as well as the review of internal control systems. The CAG observations on the control weaknesses are provided in a Management Letter to the respective Executive Director of the LGAs. 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 Organization of the Supreme Audit Institutions (INTOSAI) and adheres to international auditing standards. The emphasis of the audit is financial in nature and performance audit is yet to start on a noticeable basis. Responses by LGAs to management letters are available but evidence of systematic follow up is absent as evidenced by repeated comments in CAG audit reports.

The legislature reviews the revenue and expenditure but only after the detailed proposals have been finalized. There is not sufficient time devoted by the legislature in review of the budget proposals. In many of the LGAs, the budget is approved by the full council on the same day. The processes for review of the budget exists but not well documented.

Scrutiny of external audit findings by Audit Committees established in the LGAs 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.

	Mvomero DC	Lindi DC	Korogwe	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma	Longido DC	Mwanga
PI-26	D+	B	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
PI-27	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+
PI-28	D+	D+	B+	D+	C+	D+	C+	C+	D+	D+	C+	D+

PI-26	Scope, nature, and follow-up of external audit
PI-27	Legislative scrutiny of the annual budget law
PI-28	Legislative scrutiny of external audit reports

1.2. Assessment of the impact of PFM weaknesses

Fiscal discipline

Fiscal discipline in general is maintained by all LGAs covered under this assessment. One of the contributing factors is that LGAs on an annual basis plan for a balanced budget, i.e. The LGAs are significantly dependent on the central government transfers to finance expenditure. This forces the LGA to cut the spending in case the central transfers fails to materialise. Secondly, structures for in-year budgetary controls are well established. While these factors contribute to fiscal discipline, risks remain due to (i) lack of linkages between medium term development objectives, medium term expenditure planning and annual budgets, and (ii) weak estimation of own source revenue collection and lack of sufficient effort to increase collections.

Strategic allocation of resources

Strategic allocation of resources is undermined due to lack of a medium term perspective in planning for spending. There is weak integration of recurrent and investment costs in proposals for capital projects. Compliance to rules for internal controls to ensure efficient budget execution remains an area that requires improvement. Internal audit systems have improved but management responses to recommendations remains sub optimal.

Service delivery and value for money

Resources transferred to service delivery units are reported on a quarterly basis. Value for money is achieved through addressing payroll deficiencies, use of open procurement methods, enhancing transparency, and greater scrutiny by the Council. However, significant dependency of the LGAs on resource transfers and irregular flow of funds severely impacts achieving cost efficiency and delivery efficiency in public expenditure.

2. Introduction

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; and
- 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. The financial assistance for this PEFA exercise is provided through KfW from a special fund by the German Ministry for Economic Cooperation and Development.

The LGAs that are part of this Sub-National (SN) PEFA assessment include: (1) Mvomero District Council, (2) Rorya District Council, (3) Mwanga District Council, (4) Sengerema District Council, (5) Korogwe Town Council, (6) Kigoma Ujiji Municipal Council, (7) Mtwara Mikindani Municipal Council, (8) Lindi District Council, (9) Bunda District Council, (10) Kasulu District Council, (11) Longido District Council, and (12) Mwanza City Council

The Terms of Reference required the assessment for Mtwara Mikindani Municipal Council (MC) to be a repeat assessment as the Council was covered in the 2006 PEFA local government exercise. However, based on our discussions with the PEFA Secretariat, KfW and the Government, it was agreed that conducting a repeat assessment for Mtwara Mikindani MC would not be possible due to certain methodological issues. These have been summarised in para 2.2.1 of this report. Therefore the assessment for this LGA was also treated as a new baseline assessment.

This report presents the final consolidated findings of the assessment team related to the 12 LGAs after consideration of the inputs received at the Validation Workshop, feedback on the draft consolidated report and the specific comments received on the final draft individual PEFA reports from five reviewers i.e., PEFA Secretariat, World Bank, Government, KfW, and DFID for each of the 12 LGAs.

2.1. Objective

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 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 SN guidelines include an additional indicator – Higher Level of Government (HLG)-1 on predictability of transfers from a Higher Level of Government which was applicable to the LGAs 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 of this assessment is done by the 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 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 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.[3]

The MoF has established two counterpart teams comprising in total of six members[4]. 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

[3] The Team was also supported by a technical backstopping group from India and local support staff. This Group was led by Ranen Banerjee who was responsible for quality assurance with technical support provided by Neha Gupta and Mehul Gupta. Martin Kinyaha was the local support staff.
[4] Counterpart Team Members included Chausiku Nyanda, Dariya J Bajiku, Steven Benedict, Munguatosha Macha, Waziri Ali, Fulgene Luyagaza

Office, MoF played a critical role in facilitating meetings with the concerned stakeholders. These included key officials in PFMRP Office (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) 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 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, District Treasurers and District/City Council Accountants and the Counterparts.

On completion of the assessment at each LGA, an individual draft LGA report was prepared and submitted to the following stakeholders for review and comments: (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.

On completion of the assessments in all the twelve LGAs, feedback on individual draft LGA PEFA reports, follow-up comments on final draft reports and the comments on the Draft consolidated report, this final consolidated report has been prepared which includes the sub-national profile.

A comments addressal matrix indicating how the stakeholders' comments on the Draft Consolidated Report have been addressed is provided in Appendix 7. The comments Addressal matrix for Final Draft Reports are provided in the individual Final Individual PEFA Reports.

Based on the feedback received from the PEFA secretariat, the consolidated report is not subject to PEFA check. However, each individual final PEFA reports for 12 LGAs have been submitted for PEFA check to the PEFA secretariat and quality assurance documents have also been attached to respective 12 reports.

In compliance with the PEFA Secretariat's requirements of a balanced PEFA exercise, the consultants have also held discussions with the Association of Local Authorities of Tanzania[5] (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.

2.2.1. Methodology

The assessment has been conducted in line with the PEFA PFM Performance Measurement Framework, and associated SN 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)

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

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)”. Indicator/ dimension has not been rated when 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.

In the early stages of the assessment, analysis by the assessment team had shown that there were material variations in key data among different source documents such as the MTEF, the Annual Financial Statements (AFS), the reports of the PMO-RALG, and the Accountant General. These were pointed out to the key stakeholders earlier by the assessment team. The key challenges therefore were mainly in identification of the most reliable source documents and in the segregation of donor funded expenditure. Based on our further analysis and discussions, we have referred to AFS as the basis for analysis including donor funded expenditure which could not be segregated from the AFS of the LGA on any rational basis. Summarized details of the data issues and the solution adopted for this report are provided in Appendix 7 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.

As regards Mtwara Mikindani MC which was earlier required to be a repeat assessment, considering (a) the long time period that had elapsed between the earlier 2006 assessment and the present intended one (the normal time frame for a repeat assessment is within 3 to 4 years) (b) lack of comparability due to the dimensions earlier not being rated and (c) non availability of further information from the government to explain the 2006 scores, the present assessment was agreed by the PEFA Secretariat to be treated as a new baseline. These views were also endorsed by KfW and the Government who had consulted with other stakeholders in this regard.

2.3. Scope of assignment and rationale

The scope of the present assignment is to conduct a PEFA assessment of 12 select LGAs as specified in the Terms of Reference. The document has been attached in Appendix 9.

This report records the results of our consolidated findings of a PEFA assessment of the 12 LGAs. It does not cover the PFM performance of entities under the Central Government including ministries, departments and agencies, the Regional Secretariats as well as the Government of Zanzibar. 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, and it reflects the performance of the LGAs only.

2.4. LGA's dependency on central government

The intergovernmental transfers are the largest source of LGA financing (accounting more than 90% of LGA financing) as shown in Table 1. This reflects high dependency of the LGA on the Central Government funding. On an average, nearly 93% of the revenues of the LGAs were financed by the central government grants in 2013-14.

Table 1: LGA wise dependency for 2013-14 (In TZS million)

Item	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC	Average
Total revenue	30,331	20,654	13,307	31,567	17,913	44,833	45,703	20,852	40,912	24,438	15,556	19,802	27,156
Recurrent grants	26,275	15,921	9,665	26,761	12,189	39,793	33,768	11,612	36,220	16,639	11,965	14,930	21,311
Development grants	3,103	3,535	2,137	3,257	5,105	3,753	5,365	6,987	3,705	6,429	2,655	4,151	4,182
Total grants	29,378	19,456	11,456	30,019	17,294	43,546	39,133	18,599	39,925	23,067	14,620	19,080	25,464
Grants as % of Total Revenues	**96.9%**	**94.2%**	**86.1%**	**95.1%**	**96.5%**	**97.1%**	**85.6%**	**89.2%**	**97.6%**	**94.4%**	**94.0%**	**96.4%**	**93.6%**

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-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 Central Budgeting Cycle. 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 (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 budgetary estimates.

Thirdly, with regard to planning, LGAs are mandated to prepare a Medium Term Expenditure Framework (MTEF) on a rolling basis. The credibility of the framework is crucially dependent on the forecasts of inter-governmental transfers given by the Central Government.

3. Country background

3.1. Country economic situation

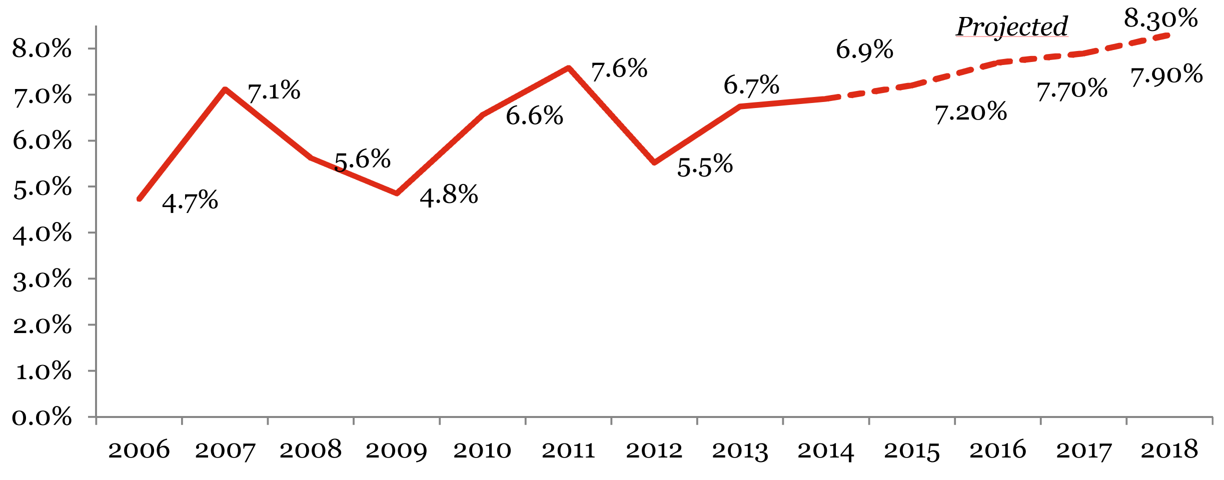
3.1.1. Country context

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" category[6] 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



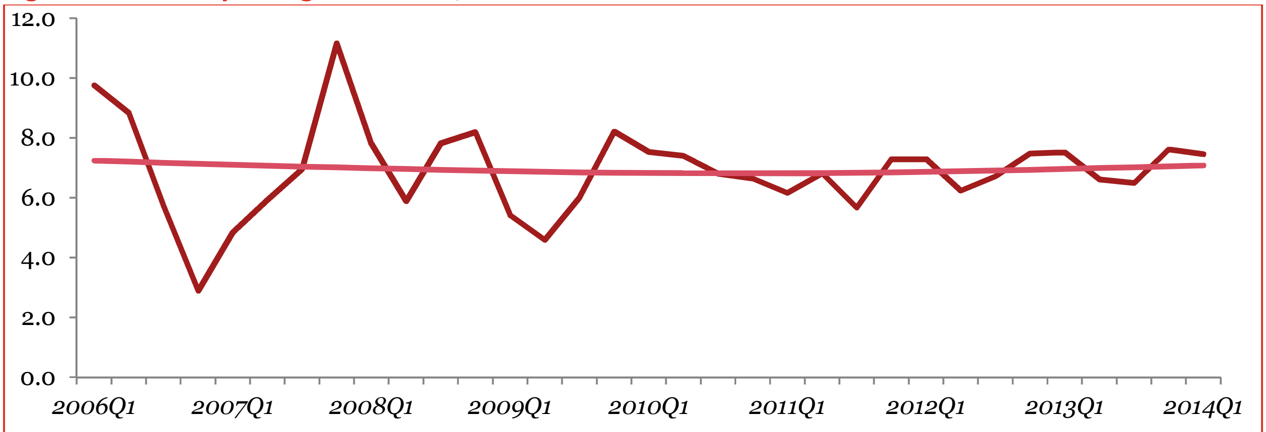
Source: Bank of Tanzania (figures till 2014), Government of Tanzania Budget Books, 2015-16 (Projected figures post 2015)

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

[6] With per capita income of $1,045 or less, (World Bank)

rate)[7]". Figure 2 shows quarterly growth rates for the Country since 2006. It can be inferred that post 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



Source: Bank of Tanzania (Quarterly Growth rates)

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 reduction[8]. 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

[7] The average sustainable rate of economic growth over a period of time estimated through Hodrick-Prescott filter method.
[8] In 2012, nearly 28.2% of population was below basic needs poverty line.

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 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 infrastructure is impressive in urban areas (specifically Dar es salaam), 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 household 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 and May, June and July are normally disinflationary time periods.

Savings and external sector

The saving rate in Tanzania is nearly one-third of investment rate, implying the gap has to be financed through capital inflows from the rest of the world. This leads to a situation of capital account surplus and current account deficit. 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-weighed 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 has been seen in growth of goods imports. More than 50% of total exports of goods and services by Tanzania are to four countries, i.e. South Africa (17.3%), India (17%), Switzerland (9.2%) and China (7%). The residual portion of exports is scattered across different economies. Since 2011, all 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 as well 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 Tanzania[9]. 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

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. 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[10].

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 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 (including implementation of VAT Act and Tax Administration Act), 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 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 2: 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%
Own Revenue	12.7%	12.9%	13.6%
Grants	3.3%	2.6%	2.1%

[9] June 2005, Monetary Policy Statement, Bank of Tanzania
[10] March 2015, Financial Stability Report, BoT

In TZS million	2011/12	2012/13	2013/14
Total Expenditure	/18.9%	20.6%	24.0%
Non-interest expenditure	18.2%	19.5%	22.7%
Interest expenditure	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%
external	3.1%	3.4%	3.0%
domestic	0.6%	1.6%	0.3%

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 (Table 3). However, the Report also notes that fiscal consolidation measures need to be continued to stabilize the public debt in future.

Table 3: Total Public Debt as per Article IV Consultation May 2014

	2010-11	2011-12	2012-13 (Preliminary)	2013-14 (Proj.)	Proj. 2014-15	Proj. 2015-16
Total public debt as % of GDP	**39.4**	**39.8**	**40.8**	**41.2**	**42.2**	**41.9**

Expenditure information by sector is not available. Table 4 shows total expenditure by economic classification. 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 2013-14.

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

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-authorisation 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, 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 Organisation structure of the Regional Secretariats – issued by the President's office, Public Service Management in June 2011 has the updated position on this subject.

Name	Functional area
Local Government Finance Act	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	Responsibilities for financial administration, Processes of budgeting, accounting, borrowings, investments, inventories, tendering and contracting, personal emoluments etc.
Local Authority Accounting Manual	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.
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 those with 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 public[11].

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 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.

[11] 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).

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 the Elizabeth Glaser Pediatric AIDS Foundation (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 auditing 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[12]

4.1. LGA profile

In terms of the requirement of the supplementary guidelines of the PEFA framework as applicable to Sub National governments, we have prepared a broad profile of the LGAs in the country as per the template provided in the framework which is shown in Appendix 1. This is a summarized overview of such profile. This should be read in the context of the key features of the PFM system discussed in Section 3.

Tanzania has a two tier government structure, i.e. central government and the local government. The nation is divided into 25 regions each administered by a regional administrative secretariat, an extended arm of the central government. The regions are divided into 159 LGAs grouped as rural and urban areas. In the rural context, the districts are governed by District Councils. There are nearly 125 such district councils in Tanzania. The urban areas are governed by town councils, municipal councils and city councils. There are 12 town councils, 20 municipal councils and 2 city councils. At the level lower than the LGA, i.e. wards, Development committees are established for coordination between village councils and the LGAs.

Sub-national government structure in Tanzania is defined under the Constitution of Tanzania and local government specific legislations such as Local Government (Urban Authorities) Act 1982, amended in 1999 and Local Government (District Authorities) Act 1982, amended in 1999. The revenue sources of the LGAs are defined in the Local Government Finance Act, 1982, amended as on 2002.

In some of the public services, LGAs share responsibility with the central government while in others LGAs are solely responsible. The latter majorly includes primary education, social welfare, primary health care, housing, water and sanitation. LGAs are heavily dependent on the central government to meet their expenditure responsibilities. However they had only 2.7% share in the total public revenues in 2013-14. This is both due to inefficiencies at the LGA level as well as lack of sufficient sources of revenues. Some of the inefficiencies at local level include inadequate monitoring of the collection agents, improper records of the taxpayers to reduce evasion and others.

Given the high dependency on the Central Government, the LGA budget cycle is required to be aligned to the Central Government budget cycle. The LGAs do not have their own budget calendar. The LGAs follows the Central Government's budget calendar. The LGAs' ability to execute the budget is directly dependent on credibility of the inter-governmental fiscal transfers. Therefore, the constraints in the fiscal situation at the central government level can lead to a resource crunch for the local government. LGAs have power to borrow but each loan proposal needs to be approved by the Ministry of Finance.

Analysis of the 12 LGAs in this assessment reveals that the LGAs have negligible borrowings on their own. The payroll system is centralized. Majority of the LGAs' personnel emoluments are paid from

[12] Consistent information across LGAs for the economic profile is awaited. The section will be added once the information is available.

the national treasury. Additionally, the recruitment is also highly centralized. LGAs do not have their own procurement policies and regulations - local procurement is conducted in line with the regulations set at the national level.

4.2. Fiscal profile

This section describes the revenue composition of the 12 LGAs. On an average, total own source revenues constituted 6.3% of the LGAs' total revenues in 2013-14. Major sources of revenues within own source revenue comprised of local taxes followed by fee, fines, penalties and licenses. It is clear from the table that own source revenues' share in total revenues was higher in town councils/ municipal councils/city councils relative to district councils.

Table 6: Revenue performance, 2013-14 (Share)

Item	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC	Average
Local Taxes	2.0%	4.1%	0.1%	1.5%	1.6%	0.4%	5.6%	6.6%	1.5%	1.4%	0.6%	1.0%	2.2%
Fee, fines, penalties and licenses	0.3%	0.1%	2.6%	1.8%	1.8%	2.4%	7.6%	3.4%	0.2%	3.6%	1.4%	2.4%	2.3%
Revenue from exchange transactions	0.8%	0.0%	10.3%	0.0%	0.0%	0.0%	0.7%	0.1%	0.2%	0.0%	1.1%	0.1%	1.1%
Other own revenue	0.0%	1.6%	0.9%	1.5%	0.0%	0.0%	0.0%	0.0%	0.5%	0.3%	2.9%	0.1%	0.7%
Total Own Source Revenue	3.1%	5.8%	13.9%	4.8%	3.4%	2.8%	13.9%	10.1%	2.4%	5.4%	6.0%	3.6%	6.3%
Land Rent	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.4%	0.7%	0.0%	0.2%	0.0%	0.1%	0.1%
Recurrent grant	87%	77%	73%	85%	68%	89%	74%	56%	89%	68%	77%	75%	76.4%
Development grant	10%	17%	13%	10%	28%	8%	12%	34%	9%	26%	17%	21%	17.2%
Total revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100.0%

Table 7 shows the composition of total expenditure for 12 LGAs in 2013-14 by economic categories. Largest component of total expenditure is "wages, salaries and employee benefits" constituting on an average nearly 63% of total expenditure.

Table 7: Expenditure composition by economic classification, 2013-14

Item	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC	Average
Wages, salaries and employee benefits	72%	64%	69%	70%	52%	76%	67%	45%	73%	56%	45%	64%	63%
Supplies and consumables used	5%	9%	6%	7%	13%	7%	13%	8%	12%	11%	19%	7%	10%
Maintenance expenses	3%	4%	7%	6%	5%	3%	5%	2%	1%	1%	17%	9%	5%
Grants and other transfer payments	*7%*	*5%*	*2%*	*0%*	*1%*	*2%*	*1%*	*5%*	*3%*	*1%*	*0%*	*1%*	*2%*
Finance costs	0%	0%	0%	7%	0%	0%	0%	0%	0%	0%	0%	0%	1%
Capital Expenditure	13%	18%	16%	10%	28%	13%	14%	41%	10%	30%	19%	19%	19%
Total Expenditure	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

5. Assessment of the PFM systems, processes and institutions

HLG-1 Predictability of transfers from a 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

In Tanzania, inter-governmental fiscal transfers constitute nearly 90% of the total revenues of the local governments. The predictability of these transfers both within the year as well as across the years significantly impacts local government's fiscal management and its ability to deliver services.

The review of the 12 local governments for the years 2011-12, 2012-13, and 2013-14 reveals low predictability of the inter-governmental fiscal transfers across majority of the LGAs. On an average, the LGAs received 20%, 13% and 10% lower transfers in 2011-12, 2012-13 and 2013-14 respectively. It is clear that the development grants have been significantly volatile. Given that the proportion of committed expenditure in case of recurrent grants (i.e., personnel emoluments) is higher than in case of development grants, the volatility is low.

Table 8: LGA wise deviation on inter-governmental fiscal transfers

Item	Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC	Average
Recurrent Grants	2011-12	-11%	-16%	-35%	-10%	-27%	-13%	26%	-33%	-1.70%	-11%	11%	10%	-9%
Development Grants		-35%	25%	-77%	-40%	-41%	-55%	-85%	-44%	-33.90%	-79%	-36%	-19%	-43%
Total Grants		-17%	-12%	-43%	-18%	-31%	-21%	-14%	-37%	-7.30%	-46%	-2%	7%	-20%
Recurrent Grants	2012-13	18%	-13%	-7%	-2%	-31%	12%	29%	-60%	1.70%	-0.20%	21%	-21%	-4%
Development Grants		-28%	23%	-62%	-41%	-48%	-47%	-26%	-65%	-5.10%	-57%	22%	-54%	-32%
Total Grants		8%	-9%	-16%	-8%	-37%	2%	10%	-62%	1%	-31%	21%	-29%	-13%
Recurrent Grants	2013-14	-3%	-16%	-23%	-8%	-10%	2%	-8%	14%	4.70%	-23%	-3%	-9%	-7%
Development Grants		-53%	-36%	-36%	-50%	-36%	-72%	-8%	68%	-22.80%	-16%	29%	-13%	-20%
Total Grants		-13%	-20%	-25%	-16%	-20%	-16%	-8%	30%	1.30%	-21%	1%	-10%	-10%

ii. Annual variance between actual and estimated transfers of earmarked grants

In case of Tanzania, all transfers are earmarked in nature. Under this dimension, the variance between estimated and actual figures for different categories of transfers needs to be assessed. There are only three kinds of grants i.e., recurrent block grants, subventions, and development grants. Table 9 shows variance by LGAs in central government transfers.

Table 9: LGA wise variance in central government transfers, 2011-12, 2012-13 and 2013-14[13]

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC	Average
2011-12	16.70%	N/A	N/A	32.30%	N/A	N/A	N/A	N/A	N/A	71.90%	23%	N/A	35.98%
2012-13	14.50%	N/A	N/A	20.30%	N/A	N/A	N/A	N/A	N/A	48%	15%	N/A	24.45%
2013-14	3.90%	N/A	N/A	21.40%	N/A	N/A	N/A	N/A	N/A	45.10%	21%	N/A	22.85%

Disaggregated information on recurrent and development transfers is available in some of the LGAs. Variance is found to be significant across the LGAs for which information is available. In eight of the twelve LGAs, such information is not available.

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. Based on the subnational guidelines (page 10, footnote 4), in the absence of disbursement timetable, we have used the default of a quarterly distribution. However, except for Lindi, Rorya, and Longido, information on dates of actual transfers across the financial years is not available from the LGAs to rate the dimension. Therefore a consolidated assessment of the timeliness of transfer of funds has not been possible in this draft report.

Out of the 12 LGAs, average timing of transfers to the LGA (weighted by the amounts transferred) is available for six only as shown in Table 10. A value less than six months conveys that on an average higher proportion of funds are received in the first half of the financial year (front loading). However, across the six LGAs assessed, in majority of the financial years, the funds were received on an average in the second half of the financial year.

Table 10: Timeliness in central government transfers, 2011-12, 2012-13 and 2013-14

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC	Average
2011-12	N/A	6.65	N/A	N/A	6.16	N/A	N/A	N/A	6.88	5.9	7.17	6.6	6.56
2012-13	N/A	7.11	N/A	N/A	6.58	N/A	N/A	N/A	6.08	6.8	6.08	6.5	6.53
2013-14	N/A	6.8	N/A	N/A	6.43	N/A	N/A	N/A	6.23	8.1	6.56	6.2	6.72

Table 11: Summary ratings for HLG-1

[13] There are differences between total inter-governmental transfers given in the council financial reports and the annual financial statements. Since detailed break-up of budgeted inter-governmental fiscal transfers is not available in annual financial statements, appropriate adjustments have been made to the information from Council Financial Reports.

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Rating	D+	D+	NR	NR	NR	NR	NR	NR	D+	D+	D+	D+
(i)	C	C	D	D	D	D	B	D	A	D	A	C
(ii)	D	NR	NR	D	NR	NR	NR	NR	NR	D	D	NR
(iii)	NR	D	NR	NR	D	NR	NR	NR	D	C	D	D

Rationale for Ratings

(i)	Except for Mwanza, Kasulu, and Longido, in other LGAs, in at least two of the last three years assessed HLG transfers fell short of the estimate by more than 15%.
(ii)	Across all four LGAs assessed, the variance in provision of earmarked grants was more than 10 % in at least two of the last three years.
(iii)	Across the six LGAs assessed (except for Kigoma), actual transfers were not distributed evenly across last three years. In case of Kigoma, in 2011-12, the actual transfers were evenly distributed.

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

(i) The difference between actual primary expenditure and the originally budgeted primary expenditure.

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 in Tanzania, which are 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 transfers from the Central Government.

The comparison of actual total expenditure from the budgetary expenditure reveals significant deviations across all LGAs. On an average, the deviation in expenditure outturn was 22.3%, 20% and 15% in 2011-12, 2012-13 and 2013-14 respectively.

Table 12: LGA wise deviation in total expenditure, 2011-12, 2012-13 and 2013-14

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC	Average
2011-12	-15.3%	-9.8%	-46.0%	-19.4%	-21.8%	-25.8%	-22.2%	-46.0%	-8.61%	-44.5%	-6.3%	1.3%	-22.03%
2012-13	-4.1%	-12.4%	-15.9%	-15.6%	-39.9%	-19.8%	-6.4%	-64.9%	-5.0%	-35.9%	4.2%	-25.3%	-20.08%
2013-14	-15.6%	-18.9%	-18.3%	-13%	-22.8%	-14.3%	-5.1%	36.6%	1.66%	-15.1%	3.6%	-12.5%	-7.81%

Some of general causes noted for such deviations are outlined below:

1. **Inadequate human resources:** Across majority of the LGAs, it was noted that various departments were managing multiple departments, i.e. one resource handled more than one department. This has impacted budget execution.
2. **Delay in central government transfers:** As highlighted in HLG-1, predictability of central government transfers is low which affects resource availability with the LGA and consequently the budget execution. There was therefore a tendency for budgetary out turn to improve where deviations in fund transfers were relatively lower as seen in some of the LGAs such as the district councils of Kasulu, Mwanga and Longido.
3. **Poor own source revenue collection:** Although own source revenues constitute less than 10% of total resources of the LGA, poor performance in own source revenue collection as shown in PI-3 has affected budget execution across LGAs.
4. **Inadequate supervision of the projects:** CAG in its management letters for various LGAs has noted deficiencies in council's supervision of development projects to ensure timely completion of activities.
5. **Unrealistic budget estimates:** As noted in PI-11 and PI-12, the grassroots budgeting process at the LGAs is not guided by the ceilings for the budget year but rather by those for the previous year. The proposals submitted by the LGAs are later revised at the central level based on the expected resources for the budget year. This raises questions on the ability of the approved budget to reflect the priorities of the LGA and impacts execution of the budget during the financial year.

Table 13: Summary rating for PI-1

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Rating	D	C	D	D	D	D	C	D	A	D	A	C

Rationale for Rating

The basis of rating is the percentage of deviation from budgeted expenditure and in how many of the last 3 years it had happened. Except for Kasulu, Longido, Mwanza, Mwanga and Lindi, in 2 or all of last 3 years actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 15% of budgeted expenditure. In Lindi and Mwanga and Mwanza in no more than 1 of last 3 years has actual expenditure deviated from budgeted expenditure by more than amount equivalent to 15% of budgeted expenditure. In Kasulu and Longido, 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

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 extent of composition variance in expenditure is shown in Table 5.

Table 14: LGA wise variance in total expenditure, 2011-12, 2012-13 and 2013-14

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC	Average
2011-12	20.8%	26.5%	32.5%	26.1%	17.71 %	24.9%	55.63%	33.5%	21.7%	70.0%	27.1%	10.5%	30.58%
2012-13	34.3%	22.3%	26.8%	11.2%	32.73 %	10.5%	16.86%	78.1%	6.1%	41.2%	23.9%	42.3%	28.86%
2013-14	12.1%	32.0%	47.9%	19.1%	14.99 %	21.9%	20.79%	64.7%	8.6%	17.5%	31.2%	16.2%	25.58%

As highlighted in Table 14, across all LGAs (except Kasulu DC), the variance in total expenditure is high resulting in lowest rating. The uncertainties in the process of budget compilation due to the imposition of ceilings and low predictability in cash flows due to resource constraints affects overall credibility as evidenced from the range of changes to the composition mix of the executed budget.

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

It is understood that at the LGA level, there is no contingency fund in which contributions are made to meet expenditure during any unforeseen circumstances. Based on feedback obtained, the assessors also did not encounter any specific expenditure item explicitly related to contingencies.

Table 15: Summary ratings for PI-2

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined	D+	D+	D+	D+	D+	D+	D+	D+	B+	D+	D+	D+
Dim (i)	D	D	D	D	D	D	D	D	B	D	D	D
Dim (ii)	A	A	A	A	A	A	A	A	A	A	A	A

Rationale for Ratings

Dim (i)	Except for Kasulu, Variance in expenditure composition exceeded 15% in at least two of the last three years for all LGAs.
Dim (ii)	There is no contingency fund at the LGA level. Hence, the dimension has been rated in line with clarification 2-l of the PEFA Field Guide.

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

The Local Government Finance Act, amended in 2002, gives powers to the LGAs to collect revenues on range of areas (details provided in sub-national profile). Robust revenue forecasting is essential for preparation of a credible budget. In case of too much optimistic revenue forecasts for the financial year, the government commits to spending higher amount in comparison with revenues which results in high fiscal deficit. On the other hand, in case of too much pessimistic revenue forecasts, proceeds from over-realization are then used for spending which has not been subject to budget scrutiny. We have analysed revenue from own sources only for this indicator since the central grant transfers have already been discussed earlier above.

Table 16 shows the variability in revenue performance across the LGAs. On an average, the LGAs collected 86.2%, 70.9% and 91% of budgeted revenues in 2011-12, 2012-13 and 2013-14 respectively. That the collection ratio varied from 19% to 193% across LGAs in the mentioned financial years is a reflection not only of the collection efficiency but also in many cases to the lack of robustness of the mechanisms for revenue forecasting.

Table 16: LGA variances in own source revenues, 2011-12, 2012-13 and 2013-14

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC	Average
2011-12	53.3%	154.7 %	42.6%	89.1%	63.7%	76.3%	78.3%	152.9%	97.6%	62.9%	51.0%	112.1%	86.21%
2012-13	63.6%	151.4 %	41.6%	63.6%	19.2%	67.3%	134.61 %	58%	90.6%	45.0%	54.8%	60.9%	70.88%
2013-14	52.1%	136.7 %	193.5%	74%	38.7%	79.9%	87%	102.7%	94.8%	86.3%	66.9%	74.2%	90.57%

Some of the main causes behind such phenomenon are as follows:

1. **Unrealistic revenue estimates:** CAG in its management letter across LGAs has emphasized unrealistic revenue estimates prepared by the LGA during the budget preparation exercise. It is noticed that the process of preparation of revenue estimates for the budget year are not prepared on any scientific method and do not reflect the ground realities/targets set under the contracts of the collection agents. It is expected that lower revenue realization in a financial year should cause conservative projections of revenues for the ensuing financial year. Table 17 shows revenue outturn in a particular year and analysis to what extent the budgeted revenue in the next year increased from the revenue outturn in previous year. It is clear that across all LGAs except Kasulu and Mwanza, despite low revenue outturn, the budgets increased drastically in the subsequent years. This shows that there are cases of rampant over-budgeting of revenues in LGAs.

Table 17: Comparison of revenue outturn and budget estimates, 2011-12, 2012-13, 2013-14

Item	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
OUTTURN 2011-12	53.4%	154.8%	42.6%	89.1%	63.7%	76.3%	78.6%	152.9%	97.7%	63.0%	51.0%	112.4%

Item	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
BUDGET 2012-13 relative to Actual 2011-12	244.2%	68.7%	364.2%	202.8%	705.1%	130.3%	53.2%	67.5%	104.4%	238.5%	196.9%	352.5%
OUTTURN 2012-13	63.5%	151.3%	41.7%	63.6%	19.2%	67.3%	136.1%	58.0%	90.6%	45.0%	54.8%	60.8%
BUDGET 2013-14 relative to Actual 2012-13	239.1%	110.5%	271.9%	165.9%	592.2%	148.9%	99.7%	221.2%	143.6%	245.8%	214.4%	192.1%
OUTTURN-2013-14	52.1%	136.6%	193.4%	74.0%	38.7%	79.9%	87.0%	102.7%	94.8%	86.3%	70.9%	74.2%
Comment	OVER BUDGETING	UNDER BUDGETING	OVER BUDGETING	OVER BUDGETI NG	OVER BUDGETING	OVER BUDGETING	Normal	OVER BUDGETING	Normal	OVER BUDGETING	OVER BUDGETING	OVER BUDGETING

2. **Internal control weaknesses in revenue management:** CAG in its management letter across LGAs has pointed towards insufficient ground study of the revenue base before outsourcing revenue collection to the private entities, lack of monitoring of the collection agents' activities, and insufficient accountability mechanism in the contracts with the collection agents.
3. **Delay in disbursal of land rent to the LGA:** As per the regulations, the LGA is required to collect land rent and transfers the entire collected amount to the central government who later transfers 30% as commission to the LGA. In various cases, there have been reported delays in transfer of land rent to the LGA[14].
4. **Upward revisions to the revenue targets:** The own source revenue estimates of each LGA is reviewed by PMO-RALG. Based on our discussion with the LGAs, we were informed that the revenue targets submitted by the LGAs are often upwardly revised by the central government which is in some cases beyond the collection capacity of the concerned LGAs.

Table 18: Summary rating for PI-3

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Rating	D	D	D	D	D	D	D	D	B	D	D	D

Rationale for Rating

Except for Kasulu, Actual domestic/own source revenue was below 92% or above 116% of budgeted domestic revenue in two or all of the last three years.

[14] 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. Wherever, the break-up of land rent in the Audited Annual Financial Statement is available, the information has been deducted, otherwise included.

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, does 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"*. This 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.

The twelve LGAs covered under this assessment presents an aging analysis of the aggregate payables in their annual financial statements. This has been presented in Table 19. It should be noted all payables overdue for more than a month (i.e. more than 30 days) have been considered as payment arrears for rating under this dimension.

Table 19: Payables (more than 30 days), 2011-12, 2012-13, and 2013-14 (As % of total Expenditure)

LGA Name	2011-12	2012-13	2013-14
Mvomero DC	0.3%	4.4%	4.5%
Lindi DC	1.5%	1%	0.4%
Korogwe TC	1.3%	3.3%	2.2%
Bunda DC	-	0.9%	10.1%
Rorya DC (total)	2%	5.4%	11.3%
Sangerema DC	0.7%	1.2%	4.7%
Mwanza CC	8%	4.7%	3.9%
Mtwara MC	1%	0.6%	2.2%
Kasulu DC	4%	3.7%	3.5%
Kigoma Ujiji MC	-	1.0%	3.0%
Longido DC	6%	5.6%	4.3%
Mwanga DC	0.1%	1.4%	3.0%

Of the twelve LGAs rated under this dimension, as on 30 June 2014:

- Eleven had arrears more than 2% of their total expenditure
- Five registered an increase in their stock of arrears as a percentage of total expenditure when compared to the levels existing on 30 June 2013.

- Only Lindi, Kasulu, and Longido experience decline in arrears as % of total expenditure in 2013-14 relative to 2011-12. In case of Bunda DC, Kigoma MC, the base year is taken as 2011-12 in the absence of available information.

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

Government of Tanzania monitors 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 LGAs[15]. With respect to recording of arrears, the key findings for LGAs were[16]:

- 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.

Table 20: Summary ratings for PI-4

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	D+	D+	D+	D	NR	NR	D+	D+	D+	D+	D+	NR
Dim (i)	C	C	C	D	NR	NR	C	C	C	C	C	NR
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D

Rationale for Ratings

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

[16] Source: Final Report of the Study dated November 2014

Dim (i)	Of the nine LGAs rated under this dimension, only Lindi DC had payment arrears less than 1% of its total expenditure on 30 June 2014. All other LGAs had payment arrears constituting 2-10% of their total expenditure that did not exhibit a significant decline when compared to the levels as on 30 June 2012. In case of Bunda DC, the payment arrears increased to more than 10% of expenditure in 2013-14. In case of Rorya DC also, the payment arrears is more than 10% in 2013-14 without a decline from previous two years. However, the dimension has not been rated for Rorya DC given that the ageing profile of the payables is not available.
Dim (ii)	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 LGAs cannot be considered to be reliable.

PI-5 Classification of the budget

The legal and regulatory framework for budget classification used at the LGA level is same as that applicable to the Central Government.. There are no specific stipulations for coding/classification of the budget in line with the GFS 2001 Manual either in the Local Authorities Accounting Manual or in the Local Government Financial Memorandum. However, local government annual budgets are prepared as per the annual planning and budgeting guidelines issued by the MoF, GoT. As per the annual budget guidelines for 2013-14 issued by the MoF, the plan and budget committee in each of the institutions is responsible for ensuring that activities are properly classified in accordance with the GFS manual 2001.

The Central Government (Mainland Tanzania) migrated to the classification as per the Government Finance Statistics (GFS) Manual 2001 in its budget for 2009-10. This was achieved through preparation of bridge tables converting GFS 1986 Manual based economic classification to GFS 2001 Manual based classification.

Currently, LGA budgets are classified broadly by project, administrative, and economic classification. . There are however cases of deviations. For example, LGA revenues in the form of development grants funded by donors (transferred by Central Government), are not classified by project, administrative, and economic classification. Similarly, government accounts, i.e. Annual Financial Statements are not prepared as per the classification consistent with the budgets. Additionally, there is no clear evidence for functional classification of budget in line with COFOG (or at least 10 main COFOG functions).

Table 21: Summary ratings for PI-5

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	C	C	C	C	C	C	C	C	C	C	C	C

Rationale for Rating

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 use of a 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 Local Government Authorities) 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 a transparency as well as accountability perspective.

The assessment for this indicator is based on their budgets presented to the Full Councils for the financial year 2014-15. Based on the guidelines for preparation of budget estimates issued by the Ministry of Finance, Government of Tanzania, LGAs are required to submit a consolidated budget book (or the MTEF document) to the Full Council, and subsequently on approval to PMO-RALG and MoF. This document for most LGAs is divided into three sections (i) Introduction (Environmental Scan), (ii) Budget performance review for FY 2012-13 and Mid-Year Review for 2013-14, (iii) Estimates for MTEF (2014-15 to 2016-17).

The budget documentation evaluated under this indicator includes only the consolidated budget book (i.e. the MTEF document) which was presented to the Full Councils for approval of the LGAs' budget for 2014-15.

Table 22: Information provided in budget documentation

S. No.	Dimension	Observations
1.	**Macroeconomic assumptions:** including at least estimates of aggregate growth, inflation and exchange rate;	Macroeconomic assumptions, economic growth, exchange rate and inflation are included in the Central Government budget documentation and are hence, not applicable at the LGA level.
2.	**Fiscal deficit:** defined according to GFS or other internationally recognized standard;	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, LGAs are not in a position to accurately estimate financing gaps and the consequent need for raising borrowings for the ensuing/ current financial year. Consequently, this dimension is not applicable to LGA.
3.	**Deficit financing:** describing anticipated composition;	Given the non-applicability of the previous dimension on fiscal deficit, this dimension is also not applicable.

S. No.	Dimension	Observations
4.	**Debt stock:** including details at least for beginning of the current year	Of the twelve LGAs, in case of six LGAs' debt was outstanding at the beginning of the current year and was not included in the budget documents.
5.	**Financial assets:** including details at least for the beginning of the current year;	For all twelve LGAs, information on the stock of LGA's financial assets (such as bank balances) has not been provided in the consolidated budget books for FY2014-15.
6.	**Prior year's budget out-turn:** presented in the same format as the budget proposal;	All assessed LGAs provided prior year's budget outturn 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;	Budget guidelines require LGAs to present actual performance for first half of the current year's budget and likely outturn for remaining part. All eight LGAs provided performance up to December of the current financial year without forecasts for the remaining year. Hence, compliance for this dimension was also partial.
8.	**Summarised budget data:** for both revenue and expenditure according to the main headings, including data for the current and previous year;	All LGAs provided summarized budget data for both revenue and expenditure as per the main headings for the previous financial year. But in case of current year, information was provided only till December and no estimates for the remaining part of the financial year is provided. Hence, compliance for this dimension was also partial.
9.	**Explanation of budget implication of new initiatives:** with estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.	The budget documents for all eight LGAs did not provide any statement/section listing down new policy initiatives in ensuing financial year and their budgetary implications. Policy statements by the Council Chairmen/Mayors outlined the broad development goals of the respective councils in the medium term and specific goals for the ensuing budget. Statements by the Council Directors also mentioned focus areas for the ensuing budget. However, the expected budgetary implications of these were not articulated.

Table 23: Summary of rating under PI-6

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Number of dimension	1/5	1/5	1/5	1/6	1/6	1/5	1/6	1/6	1/6	1/6	1/5	1/6

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
s complied with												
Rating	C	C	C	C	C	C	C	C	C	C	C	C

In seven of the twelve LGAs assessed, the dimension of inclusion of debt stock in the budget documents is also applicable.

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 purpose of this dimension is to assess whether there are any extra budgetary operations and if so the extent to which they are not included in fiscal reports. Across the LGAs assessed under this study, broadly extra-budgetary funds include (a) Drugs supplied by the Medical Stores Departments, Government of Tanzania to the hospitals/ dispensaries, (b) community contributions and (c) project specific funds sent by central government not included in fiscal reports.

Table 24: LGA wise extra-budgetary expenditure

LGA Name	Community Contributions included in			As % of TE	MSD transfers included in			As % of TE	Rating
	MTEF	AFS	QFR		MTEF	AFS	QFR		
Mvomero	Yes	No	No	0.62%	No	Yes	No	0.37%	A
Lindi	Yes	No	No	0.70%	No	Yes	No	0.84%	B
Korogwe	Yes	No	No	0.43%	No	Yes	No	0.37%	A
Rorya	No	No	No	1.2%	No	Yes	No	1.2%	B
Bunda	No	No	No	1.5%	No	Yes	No	0.33%	B
Mwanza	Yes	NA	NA	1.20%	No	Yes	No	0.60%	B
Sangerema	NA	NA	NA	1.3%	No	No	No	1.1%	B
Kigoma	NA	NA	NA	NA	No	Yes	No	0.34%	A
Kasulu	Yes	No	No	1.8%	No	Yes	No	1.18%	B
Mwanga	NA	NA	NA	NA	No	Yes	No	1%	A
Longido	NA	NA	NA	NA	No	Yes	No	0.50%	A
Mtwara Mikindani	No	No	No	NA	No	Yes	No	0.06%	A
NA= Not applicable, N/A= Not available in the relevant document, TE= Total Expenditure, MTEF= Medium Term Expenditure Framework, AFS= Annual Financial Statement, QFR= Quarterly Financial Report (In case of Linda and Bunda, there are project specific transfers as well. These were 1% and 0.25% of total expenditure respectively in 2013-14.)									

Table 24 shows LGA wise summary of extra-budgetary expenditure. In majority of the LGAs, MSD transfers are included in the Annual Financial Statements but are not included in MTEF and quarterly financial reports, hence are extra-budgetary. These transfers range from 0.06% to 1.2% of the total expenditure of the LGA.

Similarly, community contributions are broadly included in the MTEF but not in AFS or the quarterly financial reports, hence are extra-budgetary expenditure. In some of the LGAs, the information on such contributions is not available which hinders the rating of the dimension. Project specific transfers which are not transferred to the LGA through normal budgetary route are applicable in case of Lindi only.

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

In majority of the LGAs, all donor project funds are routed through the Central Government's budget. In line with the supplementary guidelines for application of the PEFA framework for sub-national governments, 2013, this dimension therefore, is not applicable to those LGAs. In some LGAs (Lindi DC, Mtwara MC, Longido DC and Mwanga DC), funding under Elizabeth Glaser Pediatric AIDS Foundation (EGPAF) and Tanzania Health Promotion Support (only in case of Mtwara MC), is provided to the LGA directly. However, since funds from these donors constitute less than 1% of the total expenditure of the respective LGAs in 2013-14, they have been considered insignificant and have not been included in the assessment for this dimension. The dimension therefore is not applicable to the assessed LGAs.

Table 25: Summary ratings for PI-7

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined	A	B	A	B	B	B	B	A	B	A	A	A
Dim (i)	A	B	A	B	B	B	B	A	B	A	A	A
Dim (ii)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Rationale for Ratings

Dim (i)	Identifiable extra –budgetary operations for all eight LGAs assessed under this dimension contributed to less than 5% of the total expenditure of the respective LGA in 2013--14
Dim (ii)	All donor funds are routed through the central budget and no significant direct donor funding to the LGA 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 discussions with officials across all twelve LGAs, lower level governments do not have their own sources of revenues, but are permitted to collect revenue on behalf of the LGAs. All expenditure is financed by transfers from the local government authority or some in-kind transfers (such as drug supplies) 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 26 shows key categories of transfers were made to LLGs by the twelve LGAs in 2013-14 and corresponding criteria[17].

Table 26: Funds transfer to lower levels of governments and criteria

S. No.	Transfer item	Purpose	Rationale for transfer
1.	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 LGA level - Allocation of money to be spent at the council level and to be distributed among CBOs based on the budget proposal submitted by CBOs
2.	Primary Education Development Programme (PEDP) and Secondary Education Development Programme (SEDP)	Funds for overall development of primary and secondary education	Capitation grant: 100% distributed across units by equal amount for each student in primary schools. Construction of classes, toilets, and staff offices: All procurement is done at the LGA level.
3.	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 LLGs is through local participatory planning and budgetary processes.
4.	District Agricultural Development Plan (DADP)	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 level, expenses include supervision cost, and in some cases procurement of goods.
5.	Other charges	Operational cost	1. General Purpose Grants: 20% of funds received are transferred in equal proportion to all LLGs 2. LGAs' own sources of revenue for OC are transferred based on budget submitted by wards.
6.	Constituency Development Catalyst Fund (CDCF)	Community driven development	Allocated to members of parliaments (MPs) for spending in their respective constituencies
7.	Tanzania Social Action Fund (TASAF)	Implementing Productive Social Safety Net Program	A proportion of funds are spent at the council level while the remaining is given to communities directly based on the budget/plan submitted.

With the exception of the General Purpose Grant and capitation grants for primary and secondary education, in general, all balance resource flows to LLGs depend on local assessments at the LGA

[17] Note: There may be more LGA specific transfers that have not been shown in Table 26.

level. The quantum of funds to be disbursed to each LLG is decided on the basis of prioritization and negotiation at the LGA level. The prioritization criteria itself may not be communicated to the LLGs prior to initiating budget preparation. Therefore, even where formula/rule based systems exist as per guidelines issued by the Central Government, they are not fully implemented in practice.

Moreover, as Table 8 shows, there is significant variation in budgeted and actual grants received by all twelve LGAs during 2013-14. There is no guidance available from the Central Government for revising allocations across LLGs in case of shortfall in grants received. Consequently, re-allocation of program grants across LLGs when actual funds received from the Central Government are less than budgeted estimates is not transparent.

It should be noted that 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 officials across all LGAs, lower level governments start preparing their annual budget proposals during September - November for the next financial year. These proposals go through various levels of approval and reach the concerned Local Government Authority in December- January. Budgets of the LGAs are usually approved by their Full Councils in January/February and are 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, LLGs 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 fund flows from the Central Government which impact 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

All transfers made by the LGAs to LLGs are treated as expenditure in the Councils' accounts. However, all LLGs submit financial reports recording revenue received and expenditure incurred to the Councils on a quarterly basis. These reports do not contain information on budget versus actuals and do not conform to the GFS classification adopted by the LGAs.

In addition to these financial reports, LLGs also report on bank balances at the end of the financial year for consolidation into the LGAs' accounts as cash and cash equivalents.

Table 27: Summary of ratings under PI-8

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC

Combined Rating	D	D	D	D	D	D	D	D	D	D	D	D
Dim (i)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D

Rationale for Ratings

Dim (i)	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, hardly any transfer appears to be determined based on transparent and rule based systems (with the exception of GPG and capitation grants).
Dim (ii)	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.
Dim (iii)	Fiscal information that is consistent with LGA fiscal reporting (GFS classification) 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

Ten of the twelve LGAs covered under this assessment did 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 is therefore, not applicable to these LGAs.

Bunda DC and Sengerema DC, on the other hand, have entered into Memorandums of Understanding (MoUs) with the District Urban Water Supply Authorities under Clause 23 (d) of the Water Supply and Sanitation Act 2009 which entitles water supply and sanitation authorities (WSSAs) to financial support from LGAs. In case of Bunda DC, the LGA is required to provide funds by way of subvention to the Bunda Urban Water Supply Authority as may be found necessary for the performance of the Authority's functions. Accordingly, the DC pays off electricity bills of the Authority on an annual basis and has also provided a one-time grant in the past of TZS 25 million for establishment of water systems in the hospitals. Sengerema DC, similarly, paid the electricity expenses of the Sengerema Urban Water Supply Authority in 2013-14 amounting TZS 114.1 million. In addition, the DC is also responsible for funding salaries of the professional staff of the Authority.

As per provisions of the MoUs, the Authorities are required to submit audited annual accounts to the Councils before 31st of December every year. They are also required to report periodically to the LGAs on details such as total revenue and total expenditure.

However, both the District Councils do not have any mechanism in place for consolidation of fiscal risks from these Authorities.

ii. Extent of local government monitoring of lower levels of governments' fiscal position

As per the Local Government Finance Act 1982, LLGs 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.

Table 28: Summary of ratings under PI-9

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	C	C	D	C	C	C	C	C	C	C	C	C
Dim (i)	NA	NA	NA	C	NA	C	NA	NA	NA	NA	NA	NA
Dim (ii)	C	C	D	C	C	C	C	C	C	C	C	C

Rationale for Ratings

Dim (i)	Only two of the twelve LGAs have a direct responsibility to an autonomous government agency, namely the District Urban Water Supply Authority. As per the MoUs signed between these District Councils and the Water Authorities, the Councils are required to provide financial support to the Water Authorities. The Authorities submit fiscal reports on a quarterly as well as annually basis to these LGAs, but there is no consolidation of fiscal risks to the LGAs from the Authorities.
Dim (ii)	On a quarterly basis, meeting minutes capturing details on revenue and expenditure of the LLGs are submitted to the concerned LGAs. Information on receivables and payables of LLGs is also included in these minutes. Additionally, on an annual basis, LLG accounts are submitted to the LGAs for consolidation. However, the AFS of the LGAs does not contain a separate statement on revenue and expenditure of the LLGs nor a consolidated overview of the fiscal risks of LLGs. CAG in its management letter for Korogwe TC states the village accounts are not reflected in the annual financial statements of the LGA which is the requirement as per the Local Government Finance Act.

PI-10 Public access to key fiscal information

The indicator assesses the extent to which relevant information on local governments' financial health and their operations are available to the public. This is critical since LGAs utilize public money to spend on specific activities and the local citizens should be informed on where and how much the money is being spent by the authorities.

In Table 29, we present a summary of the performance of the LGAs with respect information dissemination.

Table 29: Public access to key fiscal information

S. No.	Item	Observations
1.	Annual budget documentation submitted to council	Eleven of the twelve LGAs covered under this assessment put up a summary of the budget by village and ward on their notice boards. The only exception was Kigoma Ujiji Municipal Council.
2.	In-year budget execution reports within one month of completion	While all LGAs prepare quarterly revenue and expenditure information and discuss them in council meeting which include community members, none of the councils put these reports up on their notice boards.
3.	Year-end financial statements within six months of completed audit	The last audited financial statement considered for this dimension is for the financial year 2012-13. Four of the twelve LGAs covered under this assessment had published the financial statements for 2012-13 in the local newspapers and/or put these statements on their notice boards within six months of the completed audit by CAG.
4.	External audit reports within six months of completed audit	The last audited financial statement considered for this dimension is for the financial year 2012-13. Five of the twelve LGAs covered under this assessment had published the external audit reports for 2012-13 in the local newspapers and/or put these statements on their notice boards within six months of the completed audit by CAG.
5.	Contract awards with value above approx. TZS 50 million at least quarterly	Since a summary of all contract awards by all LGAs are published in weekly journal on Public Procurement Regulatory Authority Website, this criterion was met by all twelve LGAs.
6.	Resources available to primary service units	In case of two of the twelve LGA, summary of transfers to primary service units on their notice boards was not provided.
7.	Fees, charges and taxes	It is understood that council by-laws for all LGAs are available with the council treasurers and can be accessed by general public. However, only two out of the twelve LGAs has displayed their by-laws on their notice boards.
8.	Service provided to communities	None of the LGAs published information on services provided to communities on their notice board.

Table 30: Summary of ratings under PI-10

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Elements available for public access	5/8	5/8	3/8	5/8	3/8	5/8	3/8	5/8	4/8	1/8	2/8	3/8
Rating	B	B	C	B	C	B	C	B	C	D	D	C

5.1. Budget Cycle

5.1.1. 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

There is no separate budget calendar of LGAs and the timetable is determined by the Central Government. Therefore, adherence to the budget calendar is not only dependent on the LGAs' budgeting process but also on the stipulations of budget calendar issued by the Central Government.

Table 31: Relevant sections of the budget calendar as per budget guidelines 2014-15

Date as per the calendar	Main Activity	Observations
November-December, 2013	Circulation of guideline to ministries, regional and local government authorities (LGAs)	Dates of receipt of the budget guidelines from the Central Government varied from mid- October to mid- December across the LGAs covered under this assessment
07 January, 2014	MDAs, RS and LGAs to get budget ceilings for the fiscal year 2014-15	Budget ceilings were formally issued only for grants under 'Other Charges' by the Ministry of Finance on 27 January 2014. Ceilings for other heads were communicated to most LGAs only during the scrutinization meetings once the budgets had been prepared and approved by the Full Councils of the LGAs.
08 -28 January, 2014	MDAs, RS and LGAs to prepare and submit estimates to the Ministry of Finance and Planning Commission (non-tax revenue, recurrent and development expenditure) for fiscal year 2014-15	Budget estimates were submitted first to PMO-RALG in the month of February by most LGAs. These were subsequently revised and submitted to MoF in February – early March.
29 January-11 of February, 2014	Analysis of the budget of the MDAs, RS, LGAs and incorporate budgetary figures in the IFMS (computerized system)	For all 12 LGAs, MoF held scrutinization meetings in February – early March.

Instructions to LLGs and line departments for initiation of preparation of budget proposals were issued by the Councils during September to December 2013. These instructions did not include a separate budget calendar containing specific dates for submission, negotiation and finalization of budget estimates by the LLGs and departments.

ii. Guidance on the preparation of budget submissions

Guidelines issued to LLGs by the LGAs for preparation of budget proposals for 2014-15 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 the LGAs relied on transfers from the Central Government for more than four- fifth of their total revenue during 2011-14, their ability to issue budgetary ceilings to spending units without prior notification from MoF is highly constrained. Having that said, even for projects/ expenses to be funded by own sources of revenue, the LGAs did not prepare/ share ceilings with spending units for budget estimation.

iii. Timely budget approval by the legislature

As discussed above, the annual budget is approved first by the Full Councils for submission to PMO-RALG. Once discussed and reviewed by PMO-RALG and MoF, the consolidated is presented to the Parliament for final approval. Table 32 shows relevant dates for approval of the budget by the Parliament.

Table 32: Final budget approval dates

Year	Date of approval of budget by the Parliament
2012-13	14 June 2012
2013-14	12 June 2013
2014-15	13 June 2014

Table 33: Summary of ratings under PI-11

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	B	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
Dim (i)	B	C	C	C	C	C	C	C	C	C	C	C
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iii)	A	A	A	A	A	A	A	A	A	A	A	A

Rationale for Ratings

Dim (i)	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 for all LGAs except for Mvomero. Crucial information was disseminated in an ad-hoc manner, e.g. budget ceilings were issued only during scrutinization meetings.
Dim (ii)	While LGAs do 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 Councils' staff, the Departments are advised to use previous year ceilings as the base for preparation of budget proposal for ensuing year.
Dim (iii)	The budget in the last three years was approved 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;

Transfers from the Central Government to the LGAs constitute a significant portion of total expenditure. The credibility of fiscal forecasts and functional allocations is, thus crucially dependent on the forecasts of resources shared by the Central Government.

The budget guidelines for the last two completed financial years (2012-13 and 2013-14) require all accounting officers (including LGAs) to prepare the budget proposals adopting a medium term perspective. Revenue and expenditure estimates are required to be prepared for the period of three years (for the ensuing financial year and two year forward estimates). 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.

In line with the Central Government budget guidelines, LGAs prepare revenue and expenditure estimates for the next three years. These forecasts are prepared as per the GFS classification. As per discussions with officials across the 12 LGAs covered under this assessment, forecasts are prepared without any scientific analysis of development priorities and resource availability. Rather, the forecasts are only extrapolation of current year figures. This was corroborated in discussions with the Department of Planning, Ministry of Finance wherein Department officials stated how LGAs do not consider medium term estimates seriously and prepare them only for meeting budget guideline requirements. Consequently, forward year forecasts are not used as a starting point when preparing the budgets for that year. Instead, as also specified in the budget guidelines issued by MOF, previous year's approved budget is used as the ceiling for preparing the budget for the ensuing financial year.

However, since multi-year forecasts are made annually and therefore, the years of their coverage are overlapping, they can be considered to be prepared on a rolling basis.

ii. Scope and frequency of debt sustainability analysis

Of the 12 LGAs covered under this assessment, only six has an outstanding borrowing as on 30 June 2014. However, there was no evidence of any debt sustainability analysis conducted by any of these six LGAs. Table 34 shows the debt position for the six LGAs.

Table 34: Debt, 2011-12 to 2013-14, TZS million

	Bunda DC	Rorya DC	Mwanza CC	Mtwara MC	Kigoma Ujiji MC	Mwanga DC
2011-12	0	7.7	1790	82.7	271.5	0
2012-13	0	7.7	1625	68.2	222.1	0
2013-14	26	19.4	279	32.6	134.0	367.9

Source: Audited Annual Financial Statements for the respective LGAs, 2011-12, 2012-13, 2013-14

iii. Existence of costed sector strategies

All LGAs covered under this study had their own five year Strategic Plan in place which highlighted the development priorities of the respective Councils. In most cases, these Plans identified strategic areas for intervention which were broken down further to goals, strategies and activities. These strategic areas, however, involved cross sectoral interventions. The costing for each activity, if carried out, was for the entire period of the Strategic Plan and was not simplified into annual budgets. Moreover, unit costs/ costing benchmarks used for arriving at the total cost of each activity were never specified. The investment and recurrent expenditure associated with each activity was also not detailed.

It was understood from discussions with officials across these LGAs that the Strategic Plans were not revisited on an annual basis to check for consistency with annual fiscal forecasts.

iv. Linkages between investment budgets and forward expenditure estimates

In Tanzania, nearly all investment expenditures of LGAs 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 LGAs are to be considered. LGAs 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.

Table 35: Summary of ratings under PI-12

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	D+	D+	D+	D+	D	D+	D	D	D+	D	D+	D
Dim (i)	C	C	C	C	C	C	C	C	C	C	C	C
Dim (ii)	NA	NA	NA	D	D	NA	D	D	NA	D	NA	D
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iv)	D	D	D	D	D	D	D	D	D	D	D	D

Rationale for Ratings

Dim (i)	Forecasts of all line items are prepared as per the classification prescribed under GFS Manual 2001. However, there are no links between multi-year estimates and subsequent setting of annual budget ceilings.
Dim (ii)	For the LGAs that do have debt, there is no evidence of any debt sustainability analysis either in the financial statements or as a part of any separate document.
Dim (iii)	All LGAs have strategic plans reflecting their development priorities. These strategies are however, not sector specific, Also, costing of activities is (i) for the entire Plan period, i.e. not done on an annual basis, (ii) does not specify the investment and recurrent cost implications, (iii) is not revisited annually to ensure consistency with fiscal forecasts.

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Dim (iv)	Forward budget estimates are not prepared through any scientific analysis. There are no linkages between investment budgets and forward budget estimates.											

5.1.2. Predictability and control in budget execution

PI-13 Transparency of taxpayer obligations and liabilities

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, 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. The range of revenues covered across LGAs is shown with relevant sources shaded as applicable to individual entities in Table 36.

Table 36: LGA wise coverage of revenue sources

		Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
1	Produce Cess												
2	Service Levy												
3	Timber produce cess												
4	Cotton crop cess												
5	Rice crop cess												
6	Other food crop cess												
7	Property Tax												
8	Cashew Nut Cess Fee												
9	Crop cess fee												
10	Coffee crop cess												
11	Mineral extraction fee												
12	Tobacco Produce Cess												

(i) Clarity and comprehensiveness of tax liabilities

As per the feedback during our discussion, tax/fee/levies can be governed by by-law and/or main law (Central Government legislation). In case main-law lapses, the relevant by-law at the LGA level automatically becomes invalid. Part IV of the LGDA act gives powers to district councils to make their own by-laws.

Broadly, the by-laws or the main laws do not include elements of administrative discretion except in some cases such as Mwanza City Council. The actual amount of service levy to be paid is based on the financial returns shared by the levy payers. However, in case the levy collector feels that the financial returns do not reflect the true picture, the Collector can assess the liability using his/her own judgement *(Clause 13 of the By-law)*. It is equivalent to administrative discretionary powers to the levy collector. In other LGAs, however, existing by-laws do not provide for such administrative discretionary powers to the levy collector.

However, in other LGAs, it is noted that there are cases where the tax collector, in the situation of differences between assessment of service levy to be paid between the collector and the payers, enters into a mutual agreement. These differences mainly emerge from the differences in the value of turnover. The weaknesses in the revenue collection systems and controls over outsourced agents have been referred by the CAG in many of his audit reports which in turn affect the clarity and comprehensiveness of determination of tax liabilities.

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

At the stage of drafting the by-laws, taxpayers are informed on the types of local taxes, rates and their expected liabilities through the by-laws. Additionally, in case some changes to the taxes are proposed, the LGA advertises the changes and sometimes promotes awareness through loudspeakers in various localities. But after that stage, there are no special initiatives for awareness of the target audience.

Section 87 (1) LGUA, 1982, mandates that every by-law made in accordance with the Act shall be kept at the council authority by whom it was made and shall at all reasonable times be open to inspection by the public free of charge.

Similarly, Section 161 (1) Local Government District Authorities Act, 1982, mandates that every by-law made in accordance with the Act shall be kept at the council authority by which 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 LGAs dealing with briefing on taxes and other select sources of revenues. Any queries related to taxes/fees/levies are to be made to the Council Treasurer. In majority of the LGAs, the by-laws were not available on the council's notice board. The assessment team was informed that the majority councils strive to inform taxpayers on tax liabilities and administrative procedures through following means:

a) Full council meetings: Through regular full council meetings, the district councils 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.

In some LGAs, other means are also used. Dissemination practices differ across LGAs. In Mwanza, bi-annual seminars are used to target population on procedures for payment methods, rates and applicability. The Council also owns a city radio through which every Tuesday, a session on tax education programmes is broadcasted. In Mtwara, Tax education campaigns are conducted by Social Workers. In Kigoma, Local round table (meza duara) discussions are held. In Kasulu and Mwanga, tax collection agents are selected and by using the Audio Precision (AP) system with loud speakers in a mobile vehicle are used as well as posting copies of the same, the council informs the respective community on details of the tax type the collector will be responsible. .

As per recent studies made on key issues in revenue mobilization[18] , one of the challenges faced in local government taxation in Tanzania is low awareness of local tax payers. The lack of adequate resources to disseminate knowledge of the various taxes and their procedural and administrative requirements and general weaknesses in revenue related internal controls referred to by the CAG, can imply that the existing operating environment may not encourage accessibility of taxpayers to the

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

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 LGA level, there is a council's grievances desk. Any complaint related to taxes is first submitted to the desk which forwards them to Council Executive Director. These complaints are discussed during the management meeting. In case the complainer is not satisfied with resolution, he/she can approach court or the Regional Administrative Secretariat. CED 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. The assessment team was informed that in the past there have been no complaints related to individual taxes.

Table 37: Summary of ratings under PI-13

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	D	D+	D+	D+	D+	D+	D	D+	D+	D+	D+	D+
Dim (i)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (ii)	D	C	C	C	C	C	D	C	C	C	C	C
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D

Rationale for ratings	
Dim (i)	Broadly, the legislative framework does not include any discretionary powers to the revenue collection agents except for Mwanza CC. However, in other LGAs, it is noted that there are cases where the service levy collection officers enter into mutual agreement with the taxpayers where differences in tax amount is noticed.
Dim (ii)	Some organized 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 across LGAs.
Dim (iii)	It is informed that for all LGAs currently, the first point of contact for tax related complaints is the Council Executive Director who is indirectly involved in tax assessments.

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

(i) Controls in the taxpayer registration system

In some of the LGAs, the revenue records are electronically maintained and in some it is manually maintained. Table 38 shows LGA wise information on status of taxpayer records.

Table 38: LGA wise tax payer records

LGA Name	Description
Mvomero DC	Produce cess outsourced so there is no own database on produce cess. Manual records on service levy exist

Lindi DC	The council has its own manual records on taxpayers in case of service levy, but it is not linked to any other databases.
Korogwe TC	All revenues are outsourced to collection agents. The council only has information on revenue determined based on its own survey.
Bunda DC	The Council has an i-tax system, electronic database of taxpayers relating to service levy, guest house levy, cotton crop cess, and billboard fee. But it is not linked to any other databases.
Rorya DC	Trade officer has its own database on service levy but it is not linked to any other databases. Tobacco cess is collected by one company "Alliance" which pays the cess to the LGA directly.
Sangerema DC	Trade officer has its own database on service levy but it is not linked to any other databases. The Cotton crop cess is paid by the Tanzania Cotton Board who collects the cess from the cotton crop farmers.
Mwanza CC	In case of property tax, the Council has a database on buildings in the city. At the time of assessment, number of buildings in the city was nearly 49354. However, only 4200 buildings have been evaluated (nearly 8.5%). This reflects that large portion of potential taxpayers is not included in tax base. Trade officer of the CC does have their own database of taxpayers of service levy. It is a manual database and not linked to any other database such as business license for better monitoring of tax compliance.
Mtwara MC	Mtwara Mikindani MC has in place the Local Government Revenue Collection Information System (LGRCIS) which has been developed as part of a World Bank funded project. The LGA also has an i-tax system (Integrated Tax Management System) which has an electronic database of taxpayers. LGRCIS, which is currently being rolled out on pilot basis in a few LGAs, is centrally controlled by PMO-RALG and is connected to the LGAs through GIS. There are no databases for produce cess such as cashew nut crop cess and cess on other crops. Both the LGRCIS and i-tax is not linked to any other database such as business license for better monitoring of tax compliance.
Kasulu DC	Majority of the revenue items are collected by the agents. A business people register, containing name of entities, is maintained for service levy.
Kigoma Ujiji MC	All three tax revenues are outsourced to the collection agents. No database exists with the LGA.
Longido DC	Trade officer has its own database on service levy but it is not linked to any other database. There is no database in case of other revenue sources such as rice, beans, maize, kasava, and sogam.
Mwanga DC	Trade officer has its own records on crop cess, mineral extraction and service levy. But it is not linked to other databases. The Coffee crop cess is collected by the agents, so not database exists with the LGA.

The database on service levy in all LGAs is supplemented by the information provided by Tanzania Revenue Authority (TRA) database for the Council. TRA provides turnover of each business in the Council. 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. Across LGAs, it is being reported that some businesses have TIN but small businesses do not have any TIN. The entities without any TIN do not pay service levy. It was also informed to the assessor that level of compliance in case of service levy is low. This is majorly due to lack of complete information on evaders and absence of voluntary payment.

On the whole, the assessment concludes that there is absence of a comprehensive central registration system for taxes though some links with external databases exist only for service levy.

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

At LGA level, there is no regulation mandating the taxpayer to register with the LGA. Thus, no penalties are provided in case the taxpayers do not register themselves with the Council. However, there are penalties for incorrect information or non-payment of its dues. Given that CAG has highlighted internal control weakness in revenue collection across all LGAs, the effectiveness of the penalties for incorrect information as well is low.

(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. However, in many of the LGAs, in the past, there has been various surprise visits to the tax payers to check the evaders. But there is no comprehensive and documented plan nor is there any risk assessment criteria to select taxpayers.

Table 39: Summary of ratings under PI-14

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sengerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	D	D	D	D	D	D	D+	D+	D	D	D	D
Dim (i)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (ii)	D	D	D	D	D	D	C	C	D	D	D	D
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D

Rationale for Ratings

(i)	While some LGAs have electronic records of the taxpayers, majority of them maintain manual records. The records are not comprehensive as reflected by low collections and the database is not linked to any other database for better compliance.
(ii)	Currently, the legislative framework does not provide for any penalty of non-registration with the district council/city council. In practicality all LGAs except a few, Lindi DC and Mtwara MC, there are specific observations of the CAG on weaknesses in tax collection makes the effectiveness of existing measures doubtful.
(iii)	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 Councils/City Council/Municipal Council and review of the financial statements, there was no tax arrears recorded for all of the years under assessment. In spite of an accrual accounting environment, there was no evidence of a credible system for recording receivables for various revenue sources. Hence tax arrears are not reflected in the financial statements.

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

Table 40 below shows details on frequency of transfer of collected amount to the treasury for various cess/levies. Some cesses/levies are transferred to the treasury on a daily basis and some are transferred to monthly basis.

Table 40: Frequency of transfer of revenues

		Daily	Weekly	Monthly
1	Produce Cess	Varies across LGAs, collected on quarterly basis as well		
2	Service Levy			
3	Timber produce cess	By forest officer		By agent
4	Cotton crop cess	No frequency, depending on time of transfer from the Tanzania Cotton Board		
5	Rice crop cess			
6	Other food crop cess			
7	Property Tax			
8	Cashew Nut Cess Fee	No frequency, depending on time of transfer from the Agriculture Marketing Cooperative Society		
9	Crop cess fee			
10	Coffee crop cess			
11	Mineral extraction fee			
12	Tobacco Produce Cess	Collected at the end of the 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 in on average three days. It should be noted that the Council does not spend through own source revenue account. In case of spending from the revenue collected, the amount is transferred from 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.

(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, there are no formal assessment and billing systems as prevalent generally for direct taxes (e.g. 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. Revenue reconciliations are made on monthly basis but only between cumulative collections at the end of a respective month, compared to the total annual estimated collections. No reconciliations are conducted between assessed, collected and received amounts neither on the same month nor on annual basis. However, reconciliation between tax collected and amount transferred to treasury is done on a monthly basis.

Table 41: Summary of ratings under PI-15

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	D+	D+	NR	D+	D+	NR	D+	NR	NR	NR	NR	D+
Dim (i)	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR
Dim (ii)	C	C	D	B	B	D	B	D	D	D	D	C
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D

Rationale for Ratings

Dim (i)	At present, there is no comprehensive data on tax arrears collated at the LGA level. Hence, the dimension can't be rated.
Dim (ii)	All revenues are collected in the own source revenue account. Majority of the revenues collected by the LGAs internally are transferred on a daily basis. The revenues collected by the agents are majorly transferred to the own source revenue account on a monthly basis. Additionally, revenue collected in the own source revenue are required to be transferred to other accounts to allow the departments to spend. Transfers are made on fixed days only which further delay the availability of collected amount to the spending departments.
Dim (iii)	Since no comprehensive data on tax arrears is available, complete reconciliation between tax assessments, arrears records, and receipts are not established.

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

In order 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 expected 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

LGAs submit annual cash flow forecasts at the beginning of the financial year detailing fund requirements for each quarter to PMO-RALG through RAS. As per discussions with the officials across the twelve LGAs, it is understood the forecasts for development budgets are based on the sequencing of payment schedules under the various capital projects. Once submitted, no approvals are received as commitment from the Central Government to release funds as forecasted.

Some LGAs mentioned that the annual cash flow forecasts were reviewed and updated for the remaining year during the mid-year review of the budget by the Full Council. However, none of these LGAs could share evidence of the revised cash flow forecasts 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 LGAs, action plans are prepared by the Councils detailing budget allocations against various activities finalised for the financial year. These action plans are shared with all departments of the LGAs as well as with LLGs to give them an indication of the resources budgeted for commitments. All LGAs are, however, largely dependent on the funds from the Central Government 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 LGAs 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 LGAs, there is no advance information provided to line departments and LLGs on actual resources expected to be made available.

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

Para 18 of the Local Government Financial Memorandum specifies the modalities for virements and supplementary budget. In most the LGAs assessed the intra-year adjustments to budget allocations were only made once in the financial year during the mid-year review of the Councils' accounts. Once discussed and approved by their Full Councils, requests for virements are submitted to the Regional Administration Officer for approval and onward submission to PMO-RALG. Approval from the PMO-RALG is usually received in a couple of weeks which is followed by an update of necessary figures in EPICOR. In case of Lindi DC, virements were carried out three times during 2013-14. In each such case, virements were reviewed and approved by the Finance, Planning and Administration Committee and recorded in the minutes of the meetings. Table below shows the virements across LGAs. Information on virements is not available for Mwanza CC, hence the dimension has not been rated. In majority of the LGAs, the virements were insignificant (less than 5% of the expenditure) in 2013-14, hence the dimension is not applicable in line with PEFA clarification.

	Lindi DC	Korogwe TC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC
Virements carried out in 2013-14 as % of LGA expenditure	1.1%	0.9%	1.9%	1.3%	1.12%	5.9%
	Mvomero DC	**Sangerema DC**	**Bunda DC**	**Mwanza CC**	**Rorya DC**	**Mwanga DC**
	0.5%	0.8%	1.73%	-	0%	0.9%

Table 42: Summary of ratings under PI-16

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	D	D	D	D	D	D	NR	D	D	D	D+	D
Dim (i)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iii)	NA	NA	NA	NA	NA	NA	NR	NA	NA	NA	B	NA

Rationale for Ratings

Dim (i)	In the beginning of the financial year, LGAs prepare a quarterly cash flow forecast for capital expenditure based on payment schedules. However, these forecasts do not include non-development expenditure as well as expenditure from own source revenue. It is understood from discussions that for some LGAs these forecasts are reviewed and updated during the mid-year review by the respective Full Council. However, evidence for the same was not shared with the assessment team.
Dim (ii)	No advance intimation is provided to LLGs/ departments to make commitments both related to Central Government transfers and own source revenue transfers.
Dim (iii)	In majority of the LGAs, the virements were carried out once a year. Across the LGAs assessed, the virements were insignificant. The dimension hence is not applicable. In case of Mwanza, due to lack of information on virements, the dimension is not applicable.

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

i. Quality of debt data recording and reporting

Based on our discussions with PMO-RALG, LGAs can borrow from financial institutions and pension funds. All loans taken by LGA are to be approved centrally. As per section 11(1) of the Local Government Finance Act 1982, a 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 the 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 major projects such as road) 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 the Prime Minister Office. However, PMO-RALG does not receive any information on whether loan has been approved/ disbursed or not.

At end of 2013-14, only six of the twelve LGAs had outstanding debt. For each of these LGAs, debt amounts have been specified in their annual financial statements. Table 43 shows debt as percentage of the total liabilities of each of these LGAs.

Table 43: Debt as % of total liabilities, 2013-14

	Bunda DC	Rorya DC	Mwanza CC	Mtwara MC	Kigoma Ujiji MC	Mwanga DC
Debt as % of Total Liabilities, 2013-14	0.10%	0.10%	1.4%	0.10%	0.76%	2.57%

Source: Audited Annual Financial Statements for the respective LGAs, 2011-12, 2012-13, 2013-14

ii. Extent of consolidation of the government's cash balances

All LGAs covered under this assessment has seven operational bank accounts following government's order to rationalize the number of bank accounts kept by the local governments. All accounts are required to be kept with National Microfinance Bank which has nation-wide coverage. These include (a) own source collection account, (b) miscellaneous deposit cash account, (c) other charges account, (d) development account, (e) road fund cash account, (f) personnel emoluments account, and (g) National Water Sector Development Programme. Balances as on 30th June 2014 are available in the audited financial statements of the LGAs. The statements also provide details on balances in the accounts of LLGs.

Nine of the twelve LGAs reported that consolidation of cash balances was carried out on a monthly basis by the Council Treasurer. In case of Kasulu DC, cash balances were calculated daily and consolidated while in case of Korogwe TC and Sangerema DC this was done on a quarterly basis.

iii. Systems for contracting loans and issuance of guarantees

Ministry of Finance is the only agency authorized to issue guarantees in Tanzania. LGAs do not have any role in approval or issuance of guarantees to agencies.

Section 11 of the LGFA, 2002 gives powers to the LGA to borrow funds and also outlines the limitations on such processes. Table 44 outlines the relevant the sections of the LGFA. The section although specifies the approving authority and instructions when 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.

Table 44: Summary of rating under PI-17

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	C	C	D	C	C	D	C	C	A	C	C	C
Dim (i)	NA	NA	NA	C	C	NA	C	C	NA	C	NA	C
Dim (ii)	C	C	D	C	C	D	C	C	A	C	C	C
Dim (iii)	NA	NA	NA	C	C	NA	C	C	NA	C	NA	NA

Rationale for Ratings

Dim (i)	Only six of the twelve LGAs had an outstanding debt as on 30 June 2014. For these LGAs, the debt amounts are reflected in their annual financial statements. Though reconciliation is annual, there are no regular reports on debt stock.
Dim (ii)	Nine of the twelve LGAs carried out calculation of cash balances on a monthly basis. In case of Kasulu DC, the cash balances are calculated and consolidated on a daily basis.
Dim (iii)	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. However, there is no evidence on the clear guidelines, criteria and overall ceilings of issuance of such loans.

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 Public Sector Management Division of the Office of the President. The payroll data is computerized and centralized. 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 and payroll processing is done by Department of Computer Services, MoF. All government employees on the payroll of the government are paid electronically. 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 each LGA has access to the system and can upload changes.

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 LGA officials that there is significant improvement in adherence to timelines since the roll-out of HCMIS. For new hires, transfers and promotions, Councils are responsible for getting required forms populated by the employee and collecting all necessary documentation and certification from the employee. They are also responsible for vetting the payroll schedule shared on a monthly basis and take 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 Councils for approval by the PO-PSM. Since the System's automatic cut-off date for monthly salary is 20th of the month, the Councils have 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 LGA officials, the entire process of updating personnel information in the System should take 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 LGAs and HCMIS reports generated at the time of field visits, there exist various cases of salary arrears. Table 45 shows the salary arrears for the twelve LGAs as at 30 June 2014. These related to either (i) non-payment of revised salary with promotion, or (ii) lack of payment for new hires. All these cases were pending as on 20 March 2015 as well.

Table 45: Salary Arrears (No. of cases)

LGA	Salary Arrears as on 30 June 2014 (No. of cases)
Mvomero DC	172
Lindi DC	61
Korogwe TC	17
Bunda DC	6
Rorya DC	11
Sangerema DC	119
Mwanza CC	25
Mtwara MC	14
Kasulu DC	210
Kigoma Ujiji MC	193
Longido DC	33
Mwanga DC	107
Total	968

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 PI 20 of this report, existence of long overdue arrears is a pointer to lack of timely input controls.

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, 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. PO-PSM also showed to the assessment team various reports that can be generated by HCMIS. At the LGA level, there are no audit trails generated 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 LGAs during their assessments. Consequently, the actual authorisation of and basis for the changes is not verified during the course of the financial year.

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

In 2013, the Internal Auditor General of the Tanzania conducted a payroll study for the entire public sector in Tanzania examining the July – September 2013 salary payments across the public sector. The report concluded that there are areas where anomalies are found. The findings apply to entire public sector in Tanzania. Some of the findings included retired employees and employee aged less than 18 years being part of the payroll list, payment of salary arrears twice for the same claims, more than one employee receiving salary from one bank account, etc.

While there is no specific annual payroll audit, the Controller and Auditor General does cover payroll weaknesses in its annual audit. Management Letters on the financial statements of LGAs covered under this assessment pointed some common weaknesses across the Councils such as (i) statutory deductions made from salaries of retired employees, (ii) delay in remittances of unclaimed salaries relating to retired/ deceased/ resigned/ absconded employees not being remitted to MoF, and (iii) existence of long outstanding salary advances not settled due to delayed salary[19].

CAG of Tanzania in its annual general report for 2013-14 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 46: Summary of rating under PI-18

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Combined Rating	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+
Dim (i)	A	A	A	A	A	A	A	A	A	A	A	A
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iii)	C	C	C	C	C	C	C	C	C	C	C	C
Dim (iv)	B	B	B	B	B	B	B	B	B	B	B	B

Rationale for Ratings

Dim (i)	Since personnel records and payroll database are part of one system, there is reconciliation between the two once PO-PSM approves the request.
Dim (ii)	Review of reports generated from HCMIS suggests cases of long delays in salary payments. This may, in some cases, indicate changes to personnel records that do not get reflected in the payroll records in a timely manner.
Dim (iii)	HCMIS 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 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 authorization of and basis for the changes is not independently verified during the course of the financial year.
Dim (iv)	A payroll audit was conducted in 2013 which identified various weaknesses. 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 ensure value for money in procurement, there is a need to ensure certain fundamentals which include:

[19] Order 41 (1) of the Local Government Financial Memorandum, 2009 requires recovery of salary advance within a maximum period of twelve months.

- Existence of a robust legal and regulatory framework that is accessible to the public and applicable to most public procurements;
- Prescription of open competitive bidding as the preferred method of procurement;
- Transparency in availability of information of procurement opportunities, bidding and contract results;
- Provision for an independent appeals mechanism which can handle procurement related complaints.

The legal and regulatory framework for public procurement at the LGA level is guided by the laws/regulations framed at the national level. There are no separate laws/regulations at the LGA level.

The Public Procurement is governed by Public Procurement Act, 2011, and Public Procurement Regulations 2013. Table 47 provides a broad overview of existing legal and regulatory framework against the standards set under this benchmark.

Table 47: 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
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	√	√

S. No.	Dimension	Meets requirement	PPA 2011	PPR 2013 (regulation)
			Part IX: Disputes Settlement of PPA 2011	Mechanism provided in Sections 104 to 107 of the Regulations

For the LGAs, separate regulations, i.e. Local Government Authorities' Tender Boards (Establishment And Proceedings) Regulations, 2014 has been framed which derives its powers from the Public Procurement Act, 2011. 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.

(ii) Use of competitive procurement methods

As mentioned before, PPA 2011 and corresponding regulations provides for open competition as preferred method of procurement. 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. Table 48 shows the procurement method used across LGAs in 2013-14. On average, open competition method was used for over 78% of the procurement across LGAs, followed by minor procurement method (17%) and framework contracts (5%).

Table 48: Procurement method across LGAs, 2013-14 (by value)

Procurement Method	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Open Competition	80%	86%	79%	97%	90%	76%	24%	84%	77%	88%	91%	68%
Framework contracts	0%	13%	0%	3%	9%	24%	0%	2%	2%	7%	0%	0%
Minor value procurements	20%	1%	21%	0%	1%	0%	76%	14%	21%	5%	9%	32%

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. In the absence of the CAG/Internal Auditor Comments and if no data on justification of use of alternative method of procurement is available, the dimension has been rated as "D" in line with clarification 19-d in the PEFA field guide.

In majority of the LGAs, although CAG/Internal Auditor comments on weaknesses in procurement controls are available, the percentage of the procurements conducted through alternative methods and was justified in line with legal requirements is not available. Only in case of Kasulu District Council, it is found that only for 3.2% of procurements conducted through alternative methods were not justified in line with legal requirements.

(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. Across all LGAs covered, Procurement officials informed the assessment team that at the end of the previous financial year, the GPN for the current year are published on the Council's notice board, and local newspapers. Specific procurement notices (tenders) are advertised in the local newspaper. A summary of contract awards are furnished to the PPRA which are published in its weekly journal. However, the data on resolution of the procurement complaints are not published. The assessment team however does not have access to data on what percentage of actual compliance was achieved by the Councils of procurement operations as required by this PEFA rating criteria.

(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. PPA 2011 also permits (although 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 DED) 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-recoverability 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 meetings where a continuation of the proceedings might result in an incorrect contract award or make 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 Public Procurement Act (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 Public Procurement Appeals Authority (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 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 49: Summary of rating under PI-19

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
Rating	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+
Dim (i)	B	B	B	B	B	B	B	B	B	B	B	B
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iv)	D	D	D	D	D	D	D	D	D	D	D	D

Rationale for Ratings

Dim (i)	The legal framework meets five of six requirements.
Dim (ii)	In majority of the LGAs, CAG/Internal Auditor comments on weaknesses in procurement, controls are available. However the percentage of the procurements conducted through alternative methods and was justified in line with legal requirements is not available.
Dim (iii)	Annual procurement plan and the GPN are published. Data on resolution of the procurement complaints are not published. 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.
Dim (iv)	As per the Act, the PPAA is liable to collect revenues from the service rendered. The stipulation of such fees may act as a deterrent to file complaints. The Accounting Officer at the LGA is the decision maker in the procurement process who is also the nodal person for the procurement complaints at the LGA level. Rating D is warranted as the dimension does not also meet the independence criteria at the local level as mentioned at criteria (ii) under this dimension which requires the body involved in procurement complain not to be involved in any capacity in procurement transactions or in the process leading to contract award decisions.

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

This indicator aimed 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.

Local Government Financial memorandum provides guidance on establishment and maintenance of effective internal control system. Para 8 (2) 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 NAO'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 a11 LGAs (Mtwara Mikandani MC being the exception) were using the integrated financial management system (EPICOR) that had already been installed. This system has an embedded function for commitment control. When used, the system is able to limit commitments to the available cash. The procurement management module in EPICOR was not effectively used in these LGAs and the Councils often used manual LPOs thereby creation exposures due to lack of number controls over such document, indiscriminate use and consequential impact on accounting for liabilities.,

This assessment observed that the main cause for ineffective use of the procurement module in all LGAs was cash rationing whereby funds were not disbursed wholly as budgeted. As a result, commitments are entered into system on receipt of each disbursement, but expenditure for some council activities continue to be incurred by raising LPOs outside the system even during the time of funds unavailability. This practice resulted in payment arrears.

In collecting evidence of effectiveness of the commitment controls at all 12 LGAs, 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. Examples of weaknesses in commitment control were reported that included:

- Payments made in excess of the budgeted expenditure;
- Funds being utilized for unplanned activities;
- Funds being allocated in excess of the pre-approved budgets;
- Expenditure charged to wrong GFS codes without proper reallocations;

- Noticeable sums of money were overdue for 1-2 years on account of creditors, contractors and staff claims;
- There were instances of payments that were made without issue of official LPO, neither electronic nor manual;
- Payments made to subcontractors over and above the related contract prices; and
- Payments for procurement of goods and services made in cash.

Practices such as those mentioned above, distort the overall systems of commitment controls leading to pressures on liquidity.

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

Across all LGAs in Tanzania, a set of regulations/manuals/standing orders outlines the internal controls for important areas of non-salary expenditure. These include: Local Government Financial Memorandum; Local Government Accounting Manual; Procurement Regulations, 2014 and Local Government Authorities' Tender Boards (Establishment and Proceedings) Regulations, 2014; and various standing orders issued by PMO-RALG from time to time.

The present regulations guiding internal controls in financial processes have been updated taking into account public financial management reforms implemented at the LGA level in the last decade. These include implementation of EPICOR for accounting of all transactions, Lawson for payroll management, PlanRep for budgeting and reporting and implementation of IPSAS.

The understanding of the staff dealing directly with application of internal controls was gauged by assessing staff capabilities, trainings provided and the level of compliance.

The assessment found that in all the LGAs, there was 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.

On the compliance side, the CAG as well as the Internal Auditor in some of its previous audit reports have highlighted issues related to compliance with internal control rules. The issues highlighted include:

- Acts, regulations, policies and procedures were not properly communicated to the user departments for efficient and proper use whilst performing their duties;
- There were no internal control environment policies and procedures prepared by the Council management to address, control and regulate the internal and external activities of the Council and therefore risk processes and activities of the Council could not be easily identified;
- Job rotation as part of internal control measure was lacking within the councils;
- Performance of audit committees as part of the internal control was poor in most of the LGAs with some not meeting for the entire financial year and others meeting less frequently with a main reason cited as lack of funds to pay for the committee members' seating allowance;
- Skills to audit effectiveness of internal controls for the computerised systems was lacking;
- The Councils do not undertake an assessment of the effectiveness of the internal control system on a regular basis.

iii. Degree of compliance with rules for processing and recording transactions

LAAM describes in details rules for processing and recording transactions. From our assessment and review of various reports, including Internal and External Audit reports, there were notable errors, omissions, and understatements and overstatement of figures in the submitted financial statements for 2012/13. The observations made by the CAG on the extent of errors in the financial statements produced and submitted which have to undergo revision after scrutiny is a pointer to the state of the underlying compliance to rules for processing of transactions. Commonly observed instances of non-compliance with rules for processing and recording transactions included:

- Payments were made without appropriate authorisations;
- Some goods and services were procured from suppliers who were not pre-qualified;
- Payments made without appropriate supporting documentation;
- There were no evidences to show that Council management had arranged or conducted surprise cash survey for the financial year under review;
- Revenue receipt books being not returned to Treasurer leading to inadequate controls of completeness over revenue records;
- Lack of documentary evidence to justify existence of reported receivables and payables as the councils did not maintain respective control accounts;
- Fixed assets register not including all the necessary information;
- Use of LPOs and bank reconciliations outside the system;
- Delays in banking collected revenue due to inadequate record keeping system; and
- Instances of amounts collected from own source revenue being utilised prior to banking.

Variations in the ratings for this dimension reflect variation in the number of non-compliance issues identified by Internal and External Auditors and our review of other corroborated evidence. D indicates that there were significant compliance issues to the internal control requirements.

Table 50: Summary of ratings under PI-20

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	C	C	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+
Dim (i)	C	C	C	D	D	D	D	D	C	C	C	C
Dim (ii)	C	C	C	C	C	C	C	C	C	C	C	C
Dim (iii)	C	C	D	D	D	D	D	D	D	D	D	D

Rationale for Ratings

Dim (i)	Commitment controls in EPICOR system are not in full operation due to cash rationing, i.e. funds are not disbursed wholly as budgeted. As a result, even though most commitments are entered into system on receipt of each disbursement, for some activities expenditure is incurred by raising LPOs outside the system. This practice, results in payment arrears.
Dim (ii)	There is no evidence of proper guidance for LGA staff on the day to day operations or on the complexities of operations in a computerized environment. In addition, findings from various reviews indicate compliance issues to the internal control requirements.

Dim (iii)	LGAs use LAAM as a reference document in processing and recording transactions, however in practice, there are instances of significant divergences from the principles of transaction processing and recording, including errors and omissions in figures included in the financial statements.

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.

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 advise accordingly on the improvements needed. Internal Auditor General Division through Quality Assurance Section has issued a Report Format that requires among other things, all Quarterly Internal Audit reports to indicate the status of implementation of previous audit recommendations (both CAG and Internal Audit.

The overall assessment conclusion is that the internal audit environment in LGAs still needs some improvements. Major areas of weaknesses included:

- Lack of consistency in internal audit reporting format. While the IAG provided a format to be used by the LGAs, the actual reports were in several and different formats;
- Consistency in the language of internal audit reporting. There were variations in the language used for reporting. Some LGAs reported in Kiswahili, others in English and there were LGAs where the reports were available in both languages;
- Lack of adequate human, financial and physical resources;
- Delays in distribution of internal audit reports;
- Low or lack of responses to internal audit recommendations by the Council Management; and
- Ineffectiveness of the Audit Committees (AC): It was noted that frequency of quarterly meetings for the ACs was not observed in many LGAs. Even when the ACs convened meetings, evidence from the minutes of the meetings indicated the focus was on endorsing decisions rather that scrutinising and advising the council management. In addition, the ACs did not facilitate implementation of internal audit recommendations by the Council Management as required.

i. Coverage and quality of the internal audit function

Internal Audit is a separate unit in all the LGAs' 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 are other audit staff, the number of which varied from one LGA to another but ranged from 1 to 3 additional staff. Selection of these positions is done at the central level through PO-PSM, against the required entry qualifications. Promotion of staff is also centrally approved by PO-PSM as per progression criteria as they acquire further qualifications and on the job experience

Major observations in respect to coverage and quality of the IAFs for the 12 LGAs discovered through our review of the LGAs' documentation and CAG's findings are summarised below:

- *Lack of systemic quantification of audit coverage between system and transaction based audit*: All LGAs had internal audit plans in accordance with the centrally adopted internal audit charter. However, majority of LGAs did not categorise their internal audit activities between systems and transaction based audit activities neither in their plan nor in their quarterly reports. A count of the reported issues revealed that LGAs concentrated their efforts more in transaction compared to systems based audit which was below 50% in many LGAs. Table 51 shows a split between system and transaction based internal audit coverage for each LGA

Table 51: System and transaction based Internal Audit activities split

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
S	70%	39%	85%	56%	25%	41%	56%	40%	24%	53%	46%	34%
T	30%	61%	15%	44%	75%	59%	44%	60%	76%	47%	54%	66%

S: System; T: Transaction

IAFs being under staffed: According to the Councils' Schedule of approved personnel emolument and strength establishment, the Internal Audit Unit requires a minimum of five (5) auditors. The number of IAF staff in many LGAs was between 2 and 4. Table 52 below shows the number of IAF staff for the 12 LGAs. Deficit of staff in LGAs were attributed to reasons including staff on study leaves and low recruitment at central level. The only LGA that had excess in staff numbers was Kasulu DC attributable to the fact that some staff was in transit to newly established Buhigwe and Kasulu Town councils.

Table 52: Number of Internal Audit Staff

Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC
3	3	2	4	2	2	4	3	6	3	3	4

- *Inadequate physical facilities:* All LGAs had shortage of transport facilities to facilitate optimal review of remote council activities. In addition, in some LGAs office space and equipment were limited.
- *Insufficient budget allocation to meet requirements of internal audit work*: Internal audit activities were curtailed due to lack of budget and limited funds release earmarked for the IA activities.
- Lack of skills for reviewing the HRMIS and EPICOR systems.

- Internal audit charter not being customised to fit the environment of the Council because it was adopted in whole from the charter of the Internal Auditor General.
- Lack of proper reporting showing extent to which audit approaches were met for planned audit against actual performed audit activities.
- Not finalising all the planned audit works within the relevant financial year.
- Non preparation of documents related to the audit approach to be followed for the internal audit assignments.
- Absence of files containing adequate and detailed documentation (including working papers) for the audit and evidence of findings in the audit report.
- Audit committees not meeting in the required frequency or lack of evidence of Audit Committee meetings suggesting that the Audit Committees were essentially ineffective.
- Councils' management not providing any responses in respect of internal audit recommendations. This shows the relative lack of importance attached to this critical function.
- Lack of evidence on review of the internal audit work performed by the junior members of staff.
- Councils not undertaking a comprehensive assessment and review of effectiveness of their respective Council's internal controls. The Councils therefore, become prone to various risks as a result of non-identification of the inherent weaknesses.
- Lack of adequate continuous capacity building plan to all IAF staff.

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 internal audit 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.

The assessment's major observations in respect to the distribution and frequency of the reports are:

- *No annual reports were prepared*: In all the LGAs, we observed that the councils prepared quarterly reports only. The Chief Internal Auditors informed us that they did not prepare specific annual reports but the last quarterly report for the financial year summarized 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.
- *Delays in submission of the internal audit reports to the required authorities*: We also noted that the IAU reports were supposed to be submitted to the Council Director during the Full Council meeting that are held between 10th and 15th of the following month after the end of the previous

quarter. On the other hand, the reports are required to be submitted to other stakeholders within a month following the end of the quarter. For each LGA, we reviewed a total of six quarterly internal audit reports starting from 30 September 2013 to 31 December 2014. Table 53 below presents a summary of number of reports that were submitted after the required dates to both The Council Directors (labelled as "CDs") as well as external authorities including CAG's residential auditor, IAG, RAS and PMORALG (labelled as "others"). We present delayed submission out of the number of reports that we were able to verify the submission dates. There was a unique incidence of late submission of internal audit reports to the other stakeholders for almost 1 year in the case of Kasulu DC.

Table 53: Number of IA reports that were delayed for submission

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
CDs (by 15th of next month)	0/6	4/5	6/6	4/4	5/6	2/6	5/6	6/6	3/6	6/6	6/6	Not Avl
Others (within a month)	Not Avl	1/2	0/6	¾	¼	2/6	2/6	0/6	5/5	4/6	2/6	Not Avl

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.

The Council Director is responsible to provide responses to the matters raised by the Internal Auditor through the Heads of Departments.

Major observations in respect to extent of management response to internal audit findings include:

- *Responses to the IA findings were either significantly delayed or sometimes not forthcoming at all*: This was evidenced in the Internal Auditors' reports and CAG Management Letters. Delays in responding to internal audit comments led to recommendations being repeated from one quarter, and year, to another.
- *Audit Committees were not effectively functioning:* CAG in his Management Letters indicated that Audit committees required considerable improvements as in most of his teams' visits, members were not called for discussions with the external auditors, and there were no evidence on whether they reviewed the financial statements affirmed by the management or assessed the overall risk environment at the Council.

Table 54: Summary of ratings for PI 21

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	C+	D+	C+	C+	C+	C+	D+	C+	D+	C+	C+	D+
Dim(i)	B	B	B	C	C	C	B	C	C	C	C	C

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sengerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Dim(ii)	B	B	B	B	B	B	B	B	B	B	B	B
Dim(iii)	C	D	C	D	C	C	D	C	D	C	C	D

Rationale for Ratings

Dim(i)	The internal plans do not articulate split of planned time for system and transaction audit. Sample audit reports reviewed showed s varying coverage of systems audit across LGAs. Ratings for LGAs have also taken into consideration CAG's observations on IAF areas needing further improvement as per its audit reports for 2012-13 and 2013-14.
Dim(ii)	Reports do not adhere to the fixed quarterly and annual schedules. The reports are required to be submitted to CD by 15th of the following month of the end of the quarter and to the other stakeholders within a month of the end of the quarter. Reports are issued regularly
Dim(iii)	There is a steady pattern of spillover of audit recommendations that were to be acted on across all LGAs. The weaknesses in the functioning of the Audit Committees pointed out by the CAG in his Management letters for 13-14 also endorse general inadequacies in oversight structures for report follow up.

5.1.3. Accounting, recording and reporting

PI-22 Timeliness and regularity of accounts reconciliation

This indicator examines the regularity of reconciliation of bank accounts and other accounts including suspense accounts and advances.

i. Regularity of Bank Reconciliations

Para 29(2) of the LGFM prescribes that the Council Treasurer has to ensure all reconciliations including those between control and individual accounts and that between cash books and bank statements are carried out at monthly intervals and all adjustments effected. Section 7 of the LAAM prescribes the modalities of preparation of bank reconciliation statements.

In Tanzania, all LGAs have seven (7) bank accounts – (i) Development Cash Account; (ii) Own Source Revenue Cash Account; (iii) Road Fund Cash Account; (iv) NWSDP Cash Account; (v) Personal Emolument Cash Account; (vi) Other Charges Cash Account; and (vii) Miscellaneous Deposits Cash Account.

The assessment confirmed that bank reconciliations are regularly performed on all bank accounts on a monthly basis and are made available by the 15th of the following month for the previous month.

The status of the last month of reconciliations for each LGA is shown in Table 55 below. The table also shows a number of delayed reconciliations out of the months we reviewed and instances where there were un-cleared balances.

Table 55: Last month of a complete bank reconciliation*

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Reconciled until as assessed during Feb-Mar 2015 visit	06/14	01/15	12/14	02/15	02/15	02/15	02/15	05/15	01/15	02/15	02/15	02/15
Delayed recs	All a/cs	-	-	-	1 a/c	1 a/c	1 a/c	-	2 a/cs	-	-	-

*the last month assessed based on a visit or subsequent submission of the relevant bank reconciliation statements. The assessment team visit all LGA (Except Mtwara) in the month of February to March 2015. The Mtwara LGA was visited in May 2015.

Major observations regarding the bank reconciliations included:

- *Delays in reconciliations due to network problems for reconciliations performed using the EPICOR system:* As a result, reconciliations are performed in bunches whenever network is available.
- *Delays in reconciliations that were not explained*: There were certain instances of reconciliations that were not completed timely and the respective LGAs did not provide any compelling reasons;
- *Opening account and using it for council activities without explicit authority or approval*: In some of the LGAs, CAG noted that a bank account was opened in other banks without any explicit authority or approval. Furthermore, the Council transferred funds from its Development Account at NMB to the account opened at another Bank, thus clearly violating section 15 of the Public Finance Act, 2001. CAG audit reports also indicate the existence of unaccounted receipt books, under-banking of revenue etc. which point to the need for greater emphasis to investigate and clear reconciliations of own source revenue bank accounts; and

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 all the LGA transactions at the time of this assessment.

Our discussions confirmed that staff advances for salaries were being given. 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 with the 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.

Observations in respect to reconciliation and clearance of advances included:

- *Outstanding salary advances:* There were instances of salary advances and imprest remaining outstanding between two and more than twelve (12) months after the end of the relevant periods;

- *Councils not maintaining ageing analysis for advances:* This makes it difficult to monitor management of advances during the financial year or related quarters. Reports indicate only balances of the advances.

Table 56: Summary of ratings for PI 22

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	D+	B+	B+	B+	B	B	C	B+	C	C	B+	B+
Dim (i)	D	A	A	A	B	B	C	A	D	D	A	A
Dim (ii)	C	B	B	B	B	B	C	B	B	B	B	B

Rationale for Ratings

Dim (i)	In most of the LGAs, bank reconciliation is done at least on a monthly basis at aggregate and detailed levels.
Dim (ii)	LGAs do not have a suspense account. They have recoverable salary advances and imprest amounts which were outstanding for varying periods across LGAs.

PI-23 Availability of information on resources received by service delivery 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 service delivery units that are under the responsibility of the LGAs.

LGAs are responsible for the provision of primary 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 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.

The Central Government disburses funds to the LGA depending on availability of cash. After funds have been received, the Councils' Education Officers (Secondary and Primary) prepare a schedule of disbursements (relating only to the amount of funds received) which is approved by the Council Treasurer and the Council Director. Thereafter the Council transfers funds directly into the schools' bank. Disbursements to schools fall under the following categories: (i) capitation grants (Secondary Education Development Programme (SEDP) and Primary Education Development Programme (PEDP)); (ii) Capital Development Grant (CDG); (iii) Other Charges (OC); (iv) in-kind transfers which include books centrally procured by PMO-RALG; and (v) other allowances for meals (for secondary schools operating under boarding arrangements).

The use of capitation grant funds disbursed to the schools is strictly in accordance with the PEDP and SEDP Programme Documents and Guidelines issued by the Ministry of Education and Vocational Training. The PEDP and SEDP guidelines require Heads of Schools to exercise transparency by informing the school boards and school community on the receipt and expenditure of capitation grant funds.

A list of funds disbursed to schools is prepared and provided to the Ward Education Officers for publishing on the ward and village notice boards. The Ward Education Officers are also kept in the loop when funds are disbursed to schools so that they can keep the Council abreast in terms of when cash is actually received by schools and expenditure is planned.

CDG is for expenditure relating to construction and rehabilitation, part of which is disbursed to schools and part is expended by the Council on behalf of the schools. OC is for leave, extra duty allowances, follow up and supervision, teacher academic learning, fuel, stationery, funerals, transfers etc. Schools provide acknowledgement to the Councils on funds received by providing cash receipts.

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 Councils but have the autonomy to use the funds in accordance with spending decisions made by the schools' boards.

Most of the funds allocated by the Treasury to the Council for primary health centres are not disbursed directly to the health centres; rather the Council incurs expenditure on behalf of the primary health centres and transfers the procured items to the primary units. Funds disbursements to health centres are either part of the Health Basket Fund or the Health Sector Development Grant using the guidelines provided in the respective programme documents. Hospitals, health centres and dispensaries also receive direct delivery of medicines centrally from the Medical Stores Department. 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.

Primary and secondary schools prepare and submit income and expenditure reports at least on a quarterly basis to the Council. Furthermore, any expenditure incurred by the schools must be approved by the Council. Details of transfers made to schools covering both cash and in-kind in the last three years are available with all the Councils, however, Councils do not have information on the monetary value of in-kind transfers (such as books) to schools. Only description and quantitative information is maintained.

Health facilities provide income reports to the Councils on a quarterly basis. Expenditure incurred by the health facilities are based on approval obtained from the Councils. Therefore Councils are in a position to include health facilities' income and expenditure as part of their quarterly financial reports.

Several institutions and NGOs support the education and health SDUs at the LGA level. However, all of such support is provided through in-kind contribution and no cash is provided to the Council. 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 Councils' books of accounts but appear as information in the quarterly management information report.

The accounting system in all LGAs is not geared to capture the in-kind resources received by the SDUs. Accordingly, there are no annual reports consolidating the non-cash resources (in-kind) received by the SDUs. Council, however, prepare and submit quarterly management information reports on the type of cash and in-kind transfers made to SDU with PMO-RALG. It must be noted that these reports are not generated through the Council's accounting system i.e. EPICORE but through manual records maintained by the Councils.

In the last three years, there have not been any special surveys undertaken in the 12 LGAs to collect data on resources to services delivery units. However, the following two studies have been undertaken by the GoT across all LGAs which highlight some pertinent issues faced by LGAs in the country in general:

- In 2013, a mapping exercise on transfer of funds to LGAs was undertaken. The scope of the study was to carry out a critical review of the existing processes and systems that are currently being used to allocate, release and transfer funds from both Government and external sources to LGAs with a special attention on the predictability, completeness, timeliness and transparency of funds transfer.

  The study reported that although GoT was committed to equitable distribution of resources through formulae based allocation system and to ensuring smooth funds flow to LGAs through the LGDG system, the implementation of the system was below expectations and concerns were raised on its practical limitations. The report further indicated that the challenge has always been on how to ensure that public finance flows to service delivery units, ensure efficient use of resources and attain development results in a transparent and accountable manner.

  The study revealed existence of significant shortfalls in the predictability, timeliness and completeness of intergovernmental transfers. These were reported as the greatest factors impeding improved LGA performance and service delivery. The study also highlighted LGAs' dependency on funds from Central Government (more than 20% of total government spending being at stake) and called for PMO-RALG to revisit the funding mechanism to allow sustainable funding for LLGs with improved monitoring and accountability by LGAs.
- 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; and (ii) discretionary funding channels involving multiple ministries and disbursement channels.

Table 57: Summary rating for PI-23

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	B	B	B	B	B	B	B	B	B	B	B	B

Rationale for Rating

- Accounting systems do 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 kind for education and health
- Quarterly and annual reports are available for health and secondary education. PETS survey has examined systemic issues but there is no data available on service delivery units.

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

The ability to "bring in" the budget requires timely and regular information on actual budget performance to be available both to MoF and the Cabinet, in order to monitor performance and if necessary to identify new actions to get the budget back on track, and to LGAs for managing the affairs for which they are accountable.

In-year budget reports are prepared by the LGAs at least on a quarterly basis showing actual performance as well as a comparison with the approved annul budget. The reports are in compliance with GFS classification of expenditure and revenue as the information is extracted from the EPICOR system, however actual reports are manually prepared in Microsoft Excel and therefore prone to errors and omissions. The in-year budget reports are submitted to stakeholders in the following order: (1) Council Management Team; (2) Council Finance Committee; (3) Full Council; (4) RAS; and (5) PMO-RALG. Reports are usually ready by 15th of the following month after the end the previous quarter in time for the Full Council meeting.

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

LGAs prepare in-year budget reports at least on a quarterly 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 compared with the approved annual budget. Information pertaining to annual performance as a percentage 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.

ii. Timeline of the issue of reports

The in-year budget reports are prepared at least on a quarterly basis, with at least half of the LGAs preparing them on a monthly basis. The reports are initially discussed by the Council's Management Team and 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 quarter (or month where the Council prepares them on a monthly basis). Feedback and comments from the Finance Committee are also taken into consideration as the reports are revised 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 RAS and PMO-RALG.

iii. Quality of information

The EPICOR is not customised 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 58: Summary ratings for PI-24

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
Dim (i)	C	C	C	C	C	C	C	C	C	C	C	C
Dim (ii)	A	A	A	A	A	A	A	A	A	A	A	A
Dim (iii)	C	C	C	C	C	C	C	C	C	C	C	C

Rationale for Ratings	
Dim (i)	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.
Dim (ii)	Reports by LGAs are prepared on a monthly basis and are issued within two weeks in the subsequent month.
Dim (iii)	Although reports are prepared using information generated from the IFMS, they are prone to errors 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 and in addition 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 LGFM[20] 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 the LGAs covered under this assessment for 2013-14 and underlying systems from the perspective of completeness are given in Table 57.

[20] References to the Local Authority Financial Memorandum 1982 includes amendments through CAP290 in 2002)

Table 59: Comments on audited financial statements

Topic	Comments
Components of financial statements	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: • 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; • 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); and • 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 Councils and its wards, operating service delivery units and LLGs. Since the production of final accounts is centralized, aggregation of information is undertaken by Council Treasurers based on information shared by units/LLGs. 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.

The audit opinion of the CAG is a key indicator of the completeness of the financial statements submitted by the LGAs. Table 60 shows the trend in audit opinion issued to the twelve LGAs by CAG during the period 2011-14. Eight LGAs received an unqualified opinion to their financial statements in 2013-14.

Table 60: Audit opinions issued to LGAs, 2011-14

	2011-12	2012-13	2013-14
Mvomero DC	Qualified	Unqualified	Unqualified
Lindi DC	Unqualified	Unqualified	Unqualified
Korogwe TC	Qualified	Unqualified	Unqualified
Bunda DC	Unqualified	Unqualified	Unqualified
Rorya DC	Unqualified	Qualified	Unqualified
Sangerema DC	Qualified	Qualified	Qualified
Mwanza CC	Unqualified	Adverse	Qualified
Mtwara MC	Unqualified	Unqualified	Unqualified
Kasulu DC	Unqualified	Qualified	Qualified
Kigoma Ujiji MC	Qualified	Qualified	Unqualified
Longido DC	Unqualified	Qualified	Qualified
Mwanga DC	Unqualified	Unqualified	Unqualified

	2011-12	2012-13	2013-14

Source: Annual General Report of the CAG on the Financial Statements of LGAs for FY ended on 30 June 2014

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. For 2013-14, the submission time was officially extended up to 15 October 2014. Table 61 presents the compliance to timelines for 2013-14.

Table 61: Submission timelines for financial statements in 2013-14

LGA	2013-14	
	Submission to NAO	Submission of Revised Statements to NAO
Mvomero DC	Before 30 Sept 2014	30-Jan-15
Lindi DC	15-Oct-14	-
Korogwe TC	Before 30 Sept 2014	09-Jan-15
Bunda DC	15-Oct-14	-
Rorya DC	Before 30 Sept 2014	24-Dec-14
Sangerema DC	Before 30 Sept 2014	06-Feb-15
Mwanza CC	13-Oct-14	06-Jan-15
Mtwara MC	Before 30 Sept 2014	29-Dec-14
Kasulu DC	Before 30 Sept 2014	27-Jan-15
Kigoma Ujiji MC	Before 30 Sept 2014	13-Jan-15
Longido DC	Before 30 Sept 2014	29-Dec-14
Mwanga DC	Before 30 Sept 2014	15-Jan-15

Source: CAG Management Letters of the Financial Statements for the respective LGAs, 2013-14

With the exception of Lindi DC and Bunda DC, CAG Management Letters on the Financial Statements of the other LGAs for 2013-14 highlighted that the first submissions by the Councils had various errors, omissions, non-disclosures and improper disclosures which led to understatements and overstatements of the LGA finances. This led the CAG to believe that the financial statements had been submitted solely for the purpose of meeting deadlines.

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.

Four of the twelve LGAs covered under this assessment (Table 60) received a qualified opinion by the CAG on the financial statements for 2013-14 indicating that the statements of financial position, financial performance and cash flows did not present, in all material aspects, the information in accordance with IPSAS and Chapter IV of the LGFA. These qualifications were substantive and in our view raise issues related to the underlying controls and the capacity of LGAs to follow international standards prescribed by IPSAS.

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 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.

There are 5 A ratings and 7 Bs. A rating is provided for all LGAs which submitted and/or resubmitted their statements within 6 months while B is provided for statements submitted and/or resubmitted within 10 months of the end of the period.

Table 62: Summary rating for PI-25

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	B	B+	B	B+	B+	D+	C+	B+	C+	B	C+	B
Dim (i)	B	B	B	B	B	D	C	B	C	B	C	B
Dim (ii)	B	A	B	A	A	B	B	A	B	B	A	B
Dim (iii)	B	B	B	A	B	A	B	A	B	B	B	B

Rationale for Ratings

Dim (i)	Eight of the twelve LGAs received an unqualified opinion from the CAG on their financial statements for 2013-14 indicating that, with a few exceptions, full information on revenue, expenditure and financial assets/ liabilities was included in the statements. Four LGAs received a qualified opinion indicating the presence of omissions/ errors in the annual accounts.
Dim (ii)	While all LGAs submitted their financial statements for the last audited year FY 2013-14 to the external auditors before 15th October i.e. within the extended time period from close of the fiscal year, ten of the twelve LGAs had to submit revised statements subsequently due to various errors, omissions, non-disclosures and improper disclosures. In total 5 out of twelve LGA submitted and/or resubmitted their statements within six months and the other seven within 10 months of the end of the period, qualifying them for an A and B rating in line with the PEFA rating criteria, respectively.
Dim (iii)	Standards applied are a mix of IPSAS as well as practices prescribed by the LGFA. 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

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
	qualifications on the financial statements of the LGAs in the last three financial years, application of these standards fully across all statements may not be ensured.											

5.1.4. 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 63: 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.
The Public Audit Act 2008	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 reports for the twelve LGAs show that in essence the audit is in the nature of a financial audit. It includes a detailed review of internal control systems and observations on the control weaknesses which is documented and 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.

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 –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) c) adoption of audit sampling in line with ISSAI auditing standards. Our discussions with the NAOT revealed that in general, on the average about 50 to 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 reports on the financial statements of the LGAs in 2013-14 that the audits were on a sample basis and findings are therefore, confined to the evidence made available in course of his audit.

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 Organisation of Supreme Audit institutions (INTOSAI), the Africa Organisation of Supreme Audit Institutions (AFROSAI) and Organisation 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 has also been reaffirmed by the CAG in his reports for the LGAs.

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 Full 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.

In October 2012, the GoT issued a Bill Supplement 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 sequence is as follows:

a) The CAG will submit the Annual audit report to the President by 31 March each year for onward transmission to the National Assembly through the Minister;
b) The Paymaster General shall consolidate responses and plans of remedial actions prepared by Accounting Officers, and submit the same to the Minister to be laid to the National Assembly. A copy of the consolidated report (without action plans) will be served to the CAG;
c) The Minister shall then lay the CAG report together with the consolidated report (without action plans) before the National Assembly;
d) The CAG report will now be a public document, after being tabled in the National Assembly, but cannot be discussed at this stage until it has been deliberated upon by Parliamentary Oversight Committee (POC);
e) The POC will discuss the CAG report together with the consolidated report, and prepare its report which may include comments and recommendations and submit it to the National Assembly;
f) The deliberations of the POC on 'every statutory report' (including the CAG report) will be prescribed by the Parliament (i.e. the National Assembly and the President); and
g) The National Assembly will then discuss the POC report together with the consolidated report and the action plan submitted by the Minister.

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 dates for submission of the LGA Reports to the National Assembly for the last few years have been given in Table 64.

Table 64: 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

The scrutiny of the LGA accounts is, however, at two levels: the national level the Annual Report of LGAs by the National Assembly and at the local level by the Full Council. Compliance to submission and approval of Audit reports at the local level is given in table below.

Table 65: Date of submission of audit report to local legislature

	Date on which report was submitted to CAG	Date on which report was submitted to the council
Mvomero DC*	15th October 2014	Not submitted
Lindi DC	September 2013	25 May 2014

	Date on which report was submitted to CAG	Date on which report was submitted to the council
Korogwe TC*	15th October 2014	13th August 2015
Bunda DC	September 2013	2 June,2014
Rorya DC	September 2013	23 May 2014
Sangerema DC	September 2013	7 May 2014
Mwanza CC	September 2013	26-May-14
Mtwara MC	September 2013	02-May-14
Kasulu DC	September 2013	06-May-14
Kigoma Ujiji MC	September 2013	25-Apr-14
Longido DC	September 2013	16-Apr-14
Mwanga DC	September 2013	13-May-14

**Year 2013-14 has been taken as reference period, since information was available.*

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 the LGAs revealed outstanding issues from previous years that were yet to be resolved. Although responses are provided by the Councils on individual issues raised by the CAG in the Management Letters, 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.

Table 66 shows the status of implementation of implementation of CAG's recommendations across the LGAs for 2013-14. On average, of all the recommendations made for the 12 LGAs, 40% were implemented, 26% were under implementation and 33% were not implemented.

Table 66: Status of implementation of previous year CAG recommendations

	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma Ujiji MC	Longido DC	Mwanga DC	Average
I	0%	69%	66%	0%	61%	45%	50%	32.3%	26%	58%	5%	72.5%	40%
UI	21%	6%	16%	32%	6%	21%	23%	16.1%	12%	32%	95%	26%	26%
NI	79%	24%	18%	68%	33%	34%	27%	51.6%	62%	0%	0%	1.5%	33%

I: Implemented; UI: Under Implementation; NI: Not Implemented

Table 67 shows the observations made by the CAG with respect to the functioning of the Audit Committees across the twelve LGAs in 2013-14. While all LGAs (with the exception of Kasulu DC) did establish an audit committee, none of them carried out all their stated functions, including review of the financial statements and response to audit observations.

Table 67: Observations with respect to performance of Audit Committees, 2013-14

LGA	Lack of financial expertise & experience	No regular meeting	F/S Not reviewed risk, fraud	Did not prepare & submit annual report	Audit Committee Not established
Mvomero DC		✓	✓		
Lindi DC	✓				
Korogwe TC			✓	✓	
Bunda DC			✓		
Rorya DC			✓		
Sangerema DC			✓	✓	
Mwanza CC			✓	✓	
Mtwara MC			✓		
Kasulu DC					✓
Kigoma Ujiji MC		✓	✓	✓	
Longido DC			✓		
Mwanga DC		✓	✓	✓	

Source: Annual General Report of the CAG on the Financial Statements of LGAs for FY ended on 30 June 2014

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 ratings for PI-26

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	D+	B	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
Dim (i)	B	B	B	B	B	B	B	B	B	B	B	B
Dim (ii)	D	B	C	C	B	B	B	B	B	B	B	B
Dim (iii)	C	B	C	C	C	C	C	C	C	C	C	C

Rationale for Ratings

Dim (i)	The essence of audit 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. The audit also adheres to INTOSAI auditing standards. Performance audit is yet to start on a noticeable basis.
Dim (ii)	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. As shown in Table 65, largely the reports are submitted to the council within eight months of the receipt by CAG. In case of Mvomero, the audit report was not submitted to local legislature and in case of Korogwe and Bunda, the report was submitted within 12 months but more than 8 months.
Dim (iii)	LGAs do submit responses to management letters but evidence of systematic follow up is absent as evidenced by comments and repeat observations provided by the CAG in its audit reports. The notable

weaknesses of the Audit Committees referred to by the CAG are a specific pointer to the state of follow up in this regard.

PI-27 Legislative scrutiny of the annual budget law

The objective of this indicator is to understand the scope of the scrutiny by legislature, its processes of examination of the budget, the time available for review and the rules for in-year adjustments to the budget. As clarified by the Supplementary Guidelines applicable to sub-national governments of the PEFA Secretariat, references to legislature in this indicator implies the LGA Council and not the national parliament.

i. Scope of the Full Council's scrutiny

Councils have been established under the Local Government (District Authorities) Act 1982 and the Full Councils are responsible to take all decisions relating to the LGAs. All LGAs covered under this assessment have a Finance, Administration and Planning Committee that deliberates on the budget proposals received from LLGAs and inputs from the Regional Consultative Committees. 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 meetings shows that the nature of the discussions relates to estimates of expenditure and revenue. The assessment team was also informed that Full Councils review the budget as well as the quarterly financial reports and annual financial statements. Our review of the minutes of the Full Council's meetings revealed that Full Councils deliberate on the following issues relating to budgets:

- Budget proposals including distribution of funds by source of revenue, salary expenses, other expenses to be incurred and development programme. Discussion on budgets and its allocation are in relation to three stakeholders: the Central Government; Council; and citizens of the district/ city/ municipality;
- Details of the revenues by different sources;
- Details on the expenses, by PE and OC;
- Details on the costs of implementation of development programmes; and
- Recommendations for Local Government Capacity Building Grant.

ii. Extent to which the Full Councils procedures are well established and respected

Part IV A and B of the Local Government (Urban Authorities) Act, 1982 lay down the framework for carrying out proceedings of all meeting of the 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 Urban Authorities to issue standing orders that define the composition and functions of these Standing Committees.

Para 6 (d) of the LGFM mentions that the responsibility of the Finance Committee includes (i) consideration of the recurrent and development estimates of all committees, and (ii) presenting them to the Full Council for approval.

All LGAs covered under this study had three other standing committees, apart from the Finance, Administration and Planning Committee. However, none of the LGAs had issued standing orders that laid down the composition and functions of these Standing Committees.

iii. Adequacy of time for the Full 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 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 meetings for approval of budget in 2013-14 across LGAs reveals that council budgets were 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 Full 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 the LGA's 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.

In all LGAs, virements were found to be carried out after approval by the Finance Committee and/or Full Council and were in adherence to the rules pertaining to virements. All virements requests were backed by reasons for re-allocations and included details of revised budgets for the affected line items. Once approved, details of virements were also forwarded to PMO-RALG.

None of the LGAs assessed had raised requests for supplementary budgets in 2013-14 for incurring additional expenditure.

Table 69: Summary rating for PI-27

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+
Dim (i)	C	C	C	C	C	C	C	C	C	C	C	C
Dim (ii)	C	C	C	B	B	B	C	C	B	B	C	C

Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iv)	B	B	B	B	NA	B	NR	B	B	B	B	B

Rationale for Ratings

Dim (i)	Across all LGAs assessed, the minutes shows that the Full Council deliberates on revenue and expenditure but only after detailed proposals are finalized.
Dim (ii)	Broad guidelines for budget review are provided for in the LGFM and LGDA. These include constitution of and review by standing committees. The LGDA requires the Council to issue standing orders that lay down the composition and functions of these standing committees. All LGAs have constituted three standing committees in addition to the Finance Committee, and have documented minutes for budget review meetings held by these committees. However, no standing orders as required by the LGDA have been issued by any of the twelve LGAs. Consequently, adherence to the relevant legislation cannot be considered comprehensive.
Dim (iii)	As per feedback available from the LGAs, budgets are approved by Finance Committees in significantly less than one month while Full Councils approve the budget within a day. This is clearly insufficient for a meaningful debate.
Dim (iv)	Clear rules exist in the LGFM on the in-year budget amendments procedures. However, they do not set strict limits on the extent of these amendments. Mwanza CC did not share details of the virements carried out during 2013-14 including the minutes of meetings approving the amendments. Consequently, this dimension has not been rated for the LGA. All remaining ten, adhered to the rules for carrying out virements and sought approval from the Councillors before making any in-year budget amendment decisions. In case of Rorya DC, there were no virements in 2013-14. 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 Full Council; and at the national level the Annual Report of LGAs by the National Assembly. By the recent amendment to the Public Audit Act in 2012, the legislature is mandated not to consider audit observations without having responses from the executive. The amendment requires the CAG report not to be tabled before the National Assembly until consolidated reports have been prepared. However, there is no time limit as to when the consolidated report will be prepared. It is also not clear how the Council will first receive the CAG report and prepare responses, before the National Assembly considers it.

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

LGA	Month in which audit report was submitted to Council			Date of approval of audit report by Full Council		
	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
Mvomero DC	Not available	Mar-13	Mar-14	24th August 2012	05th August 2013	24th July, 2014
Lindi DC	Not available	May-13	May-14	12-Aug-12	20-Aug-13	28-Aug-14
Korogwe TC	Not available	Not available	Not available	Not available	Not available	Not available
Bunda DC	May-12	May-13	May-14	22-Jun-12	24-Jul-13	21-Jul-14
Rorya DC	May-12	May-13	May-14	12-Aug-12	20-Aug-13	28-Aug-14
Sangerema DC	May-12	May-13	May-14	19-Jul-12	12-Jun-13	18-Jul-14
Mwanza CC	Not available	28-Mar-13	26-May-14	12-Aug-12	20-Aug-13	28-Aug-14
Mtwara MC	09-May-12	22-Apr-13	02-May-14	26-Jul-12	06-Aug-13	27-Jun-14
Kasulu DC	08-May-12	08-May-13	06-May-14	Not available	Not available	Not available
Kigoma Ujiji MC	24-Apr-12	03-May-13	25-Apr-14	21-Sep-12	26-Sep-13	12-Aug-14
Longido DC	13-Apr-12	12-Apr-13	16-Apr-14	Not Available	26-Sep-13	15-Jul-14
Mwanga DC	26-Apr-12	14-May-13	13-May-14	25-Sep-12	27-Sep-13	29-Sep-14

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.

The Management Letters on the Financial Statements of the LGAs for 2013-14, however, highlighted several weaknesses of the Audit Committees in all LGAs which adversely affected implementation of CAG's recommendations. Other weaknesses identified by the CAG for the audit committee have been 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.

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 responses[21].

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:

- There appeared lack of complete commitment by the Councils' management to implement/ address audit recommendations
- 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.

Table 71: Summary ratings for PI-28

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Rating	D+	D+	B+	D+	C+	D+	C+	C+	D+	D+	C+	D+
Dim (i)	D	B	A	A	B	B	B	B	B	B	B	B
Dim (ii)	D	D	C	D	C	D	C	C	D	D	C	D
Dim (iii)	B	D	B	B	B	B	B	B	B	B	B	B

Rationale for Ratings

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

Year	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Dim (i)	Scrutiny of audit reports was completed by the Full Councils in most of the LGAs in not more than 6 months from receipt of reports. In case of Mvomero, the report was not submitted to the local legislature in 2013-14. In case of Korogwe and Bunda, the local legislature approved the audit report within three months of the receipt of the report.											
Dim (ii)	This dimension has been assessed based on the severity of weaknesses observed by the CAG in the functioning of audit committees across LGAs.											
Dim (iii)	Across all LGAs, some recommendations made by LAAC remain unaddressed. In case of Lindi DC, there were no LAAC recommendations for the reference period, but the CAG highlights serious weakness in the audit committee operations, thus call for rating D.											

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 governance[22]. 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 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

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

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 Parasternal and Public Enterprises; the Commission of External Finance; the Enhanced Public Accounts Committee; and the Reform Coordination Unit[23].

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) 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.

[23] 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

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 2015[24] 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

[24] Joint Supervision Mission 2015, Aide Memoire (Report)

coordination mechanisms may not be working in an optimal manner[25]. 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 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.

[25] 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.

Appendices

Appendix 1. Sub-national government profile

<table>
<tr><th>S/N</th><th>Questions</th><th>Response</th></tr>
<tr><td colspan="3">Overall sub-national government structure</td></tr>
<tr><td>1</td><td>What higher-level government legislation and regulations define and guide the sub-national government structure?</td><td>
Political (sub-national elections and accountability):

Article 146 of the Constitution of Tanzania defines the purpose of establishing local government authorities as to <u>facilitate people’s participation</u> in implementing development programmes
Local Authorities Elections Act, 1979
Local Government (Urban Authorities) Act 1982, amended in 1999
Local Government (District Authorities) Act 1982, amended in 1999
Local Government Laws (Miscellaneous Amendments) Act 1999

Administrative (territorial, organizational, and non-financial procedural aspects):

Article 2 (2) of the Constitution of Tanzania gives power to the President of the United Republic of Tanzania to divide the United Republic into regions, districts and other areas

<table>
<tr><th colspan="4">United Republic of Mainland Tanzania</th></tr>
<tr><th colspan="4">Regions (25)*</th></tr>
<tr><th>Rural</th><th colspan="3">Urban</th></tr>
<tr><td>District Council (125)</td><td>Town Council (12)</td><td>Municipal Council (20)</td><td>City Council (2)</td></tr>
</table>
</td></tr>
</table>

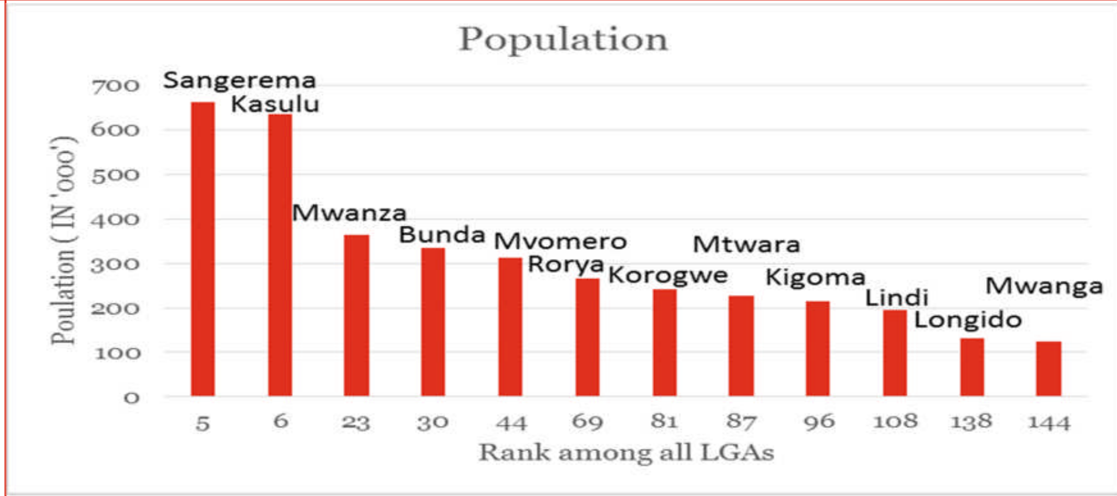
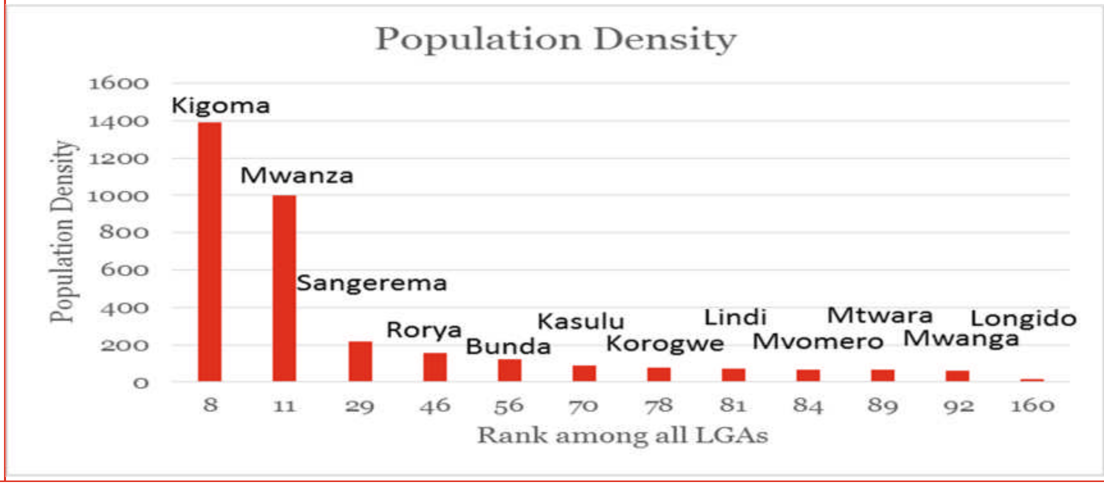
S/N	Questions	Response
		Ward Development Committees* Village Councils | Mitaa **Vitongoji** • Article 145 of the Constitution of Tanzania instructs Parliament or House of representatives to enact a law which provides for establishment of local government authorities and their structure, revenue sources, and conduct of business in each region, district, urban area and village • Regional Administration Act 1997 • Local Government (District Authorities) Act 1982, amended in 1999 • Local Government (Urban Authorities) Act 1982, amended in 1999 • Local Government Laws (Miscellaneous Amendments) Act 1999 • Local Government Negotiating Machinery Act 1982 **Fiscal (revenue raising powers, inter-governmental fiscal transfers, expenditure responsibilities)[26]:** • Local Government Finance Act 1982, amended as on 2002 • Urban Authorities (Rating) Act 1983 • Public Procurement Act, 2011 • Public Procurement Regulations, 2013 • Local Government Authorities' Tender Boards (Establishment And Proceedings) Regulations, 2014 (LGA TBR) • Government Loans, Grants and Guarantees Act (1974)

[26] List of statutes/acts is inclusive. We have also not included any statutes related to service delivery such as pollution, environment, solid waste, water etc.

<table>
<tr><th>S/N</th><th>Questions</th><th>Response</th></tr>
<tr><td>2</td><td>What is the number of government levels or administrative tiers that exists, and what is their average jurisdiction size?</td><td>
<table>
<tr><th>1
Government Level</th><th>2
Corporate Body?</th><th>3
Own political leadership?</th><th>4
Approves own budget</th><th>5
Number of jurisdiction</th><th>6
Average population</th><th>7
% expenditure (2013/14)</th><th>8
% public revenues (2013/14)</th><th>9
% funded by inter-governmental transfers (2013/14)</th></tr>
<tr><td>Central Government</td><td>No</td><td>Yes</td><td>Yes</td><td>1</td><td>44.93 million</td><td>79%</td><td>93.3%</td><td>-</td></tr>
<tr><td>Local Government</td><td>No</td><td>Yes</td><td>Yes</td><td>159</td><td>0.274 million</td><td>21%</td><td>2.7%</td><td>90.3%</td></tr>
</table>
Source: 2012 POPULATION AND HOUSING CENSUS (5, 6), Bank of Tanzania (8), PMO-RALG
</td></tr>
<tr><td>3</td><td>What is the year of the local government law, decentralization law, or last major reform of intergovernmental (fiscal) structure? What is the name of the law or reform?</td><td>Year of local government law:

1999 (principal law in 1982): Local Government (District Authorities) Act, Local Government (Urban Authorities) Act, and Local Government Finance Act

Last major reform in intergovernmental fiscal structure: Introduction of formula based grant system in 2005: Local Government Capital Development Grant</td></tr>
<tr><td>4</td><td>How does the entity that is the subject of the assessment compare to other jurisdictions at the same government level in terms or population size, population density, economic activity, and (total and per capita) expenditures and own source revenues.</td><td>Population:</td></tr>
</table>

S/N	Questions	Response
		 

S/N	Questions	Response
Main functional responsibilities of the sub-national government		
5	Which sub-national government/administrative level is the most important in terms of public service delivery and public expenditure?	LGAs play a critical role in service delivery. Broadly, 90% of total expenditure at the LGA level is financed by the central government. Therefore, the Central Government is most important in terms of public expenditure.
6	What are the functions / expenditure responsibilities of the government level under consideration? Where are these functional assignments defined (e.g., constitution or law)? Are these functional assignments generally accepted, clear, and followed in practice?	Legally, there are no clear demarcation of responsibilities of central government and the local government with regard to service delivery. Service delivery is shared between the LGAs and the sector ministries. Section 111 (2) of the Local Government District (or urban for urban authorities) Authorities Act, 1982 amended in 1999 states, "For the purpose of the better execution of its functions, whether *done alone or in co-operation and conjunction with any other local government authority or other person or body of persons….*" The Act also mentions the functions of the LGAs. As per section 111 of the Local Government District Authorities Act, 1982 and section 54 of the Local Government Urban Authorities Act, 1982 , the responsibility of the LGAs include: 1. Maintain and facilitate the maintenance of **peace, order and good government** within its area of jurisdiction 2. Promote the **social welfare and economic well-being** of all persons within its area of jurisdiction 3. Subject to the national policy and plans for **rural and urban development**, to further the social and economic development of its area of jurisdiction 4. Suppression of **crime, the maintenance of peace and good order** and the protection of public and private property lawfully acquired 5. Control and improvement of **agriculture, trade, commerce and industry**

S/N	Questions	Response
		6. Furtherance and enhancement of the **health, education, and the social, cultural and recreational life** of the people 7. **Relief of poverty and distress**, and for the assistance and amelioration of life for the young, the aged and the disabled or infirm 8. Development, mobilization and application of productive forces to the war on **poverty, disease and ignorance** (only in case of district authorities)
Sub-national budgetary systems		
7	To what degree do central (or higher-level) laws and regulations guide the sub-national budget cycle?	Local Government does not have its own budget calendar. The LGA's budget cycle is required to be aligned to the national budget cycle. As per the guidelines issued for the budget 2015-16, the budget preparation process starts from August of year prior to the budget year and ends in June of the budget year. The Guidelines specifies various activities for the LGA with the timelines. Although the LGA approves its budget prior to the approval of the national budget, the credibility of the approved budget is low since broadly 90% of the LGAs' budget is financed through the national budget. The national budget is approved in June of the budget year. Following this, the LGA councils approve the final budget (in many occasions after the start of the fiscal year). It should be noted that as per the Local Government District Authorities Act, the LGA's budget must be approved at least two months prior to the start of the fiscal year.
8	What are the main features of the sub-national financial management process (e.g., do entities hold their accounts in the national Treasury or in bank accounts in their own name; and so on)?	***Accounts:*** Based on the assessment of 12 LGAs across the country, it is noted that the LGAs keep seven to eight bank accounts. These accounts are held in national treasury, i.e. kept in a Bank. These eight accounts relates to (i) personnel emoluments (ii) other charges (iii) miscellaneous deposit (iv) water sector (v) roads (vi) own source revenue (vii) development (viii) DASIP. A separate account on Land rent is also kept but it is not operational in many of the LGAs visited.

<table>
<tr><th>S/N</th><th>Questions</th><th>Response</th></tr>
<tr><td>9</td><td>For the latest year for which actual expenditure data are available, what is the general expenditure composition of sub-national governments in terms of economic classifications? (Complete top part of Table B)</td><td>
Table 72:Overview of LGA's expenditure (2013-14)
<table>
<tr><th>Item</th><th>Amount (In TZS trillion)</th><th>Per capita (In TZS)</th><th>As % of total</th></tr>
<tr><td>Wage expenditures</td><td>2205.9</td><td>49569</td><td>55.66%</td></tr>
<tr><td>Non-wage recurrent administration</td><td>1229.5</td><td>27629</td><td>31.02%</td></tr>
<tr><td>Capital expenditures</td><td>527.9</td><td>11862.8</td><td>13.32%</td></tr>
<tr><td>Total expenditures</td><td>3963.3</td><td>89062.2</td><td>100.00%</td></tr>
</table>
Source: PMO-RALG
</td></tr>
<tr><td>10</td><td>Do sub-national governments have their own budgets which are adopted by their councils (without subsequent modification by higher level governments, other than administrative approval processes)? If not, explain.</td><td>Local Governments' councils approve its budget during January to March. As mentioned before, nearly 90% of the local governments' budget is financed by the higher level of government. The approved budget during January to March is based on previous year approved budget only instead of ceilings for the ensuing fiscal year. Therefore, the approved budget has low credibility. It is submitted to the higher level government and is modified during various inter-governmental discussions based on available resources.</td></tr>
</table>

<table>
<tr><th>S/N</th><th>Questions</th><th>Response</th></tr>
<tr><td>11</td><td>Do sub-national governments hold and manage their own accounts within a financial institution of their choice (with the context of applicable legislation/regulations)? Alternatively, are sub-national governments required to hold their accounts with the central bank or national treasury?</td><td>Local governments hold their accounts with the national treasury, i.e. kept in a bank.</td></tr>
<tr><td>12</td><td>Do sub-national governments have the authority to procure their own supplies and capital infrastructure (with the context of applicable procurement legislation/regulations)? Is higher-level / external approval needed for procurement by sub-national governments and/or is there a limit (ceiling) to the procurement authority of sub-national governments?</td><td>The legal framework permits the local governments to procure goods and services. However, maximum limits are specified for the head of the department and the accounting officer in the local government. These are as follows:
<table>
<tr><th rowspan="2">Method of procurement</th><th colspan="2">Maximum procurement values</th></tr>
<tr><th>Head of Department</th><th>Accounting Officers</th></tr>
<tr><td>Direct contracting of works and services on quotations basis with minimum three quotations from different sources</td><td>Up to TZS 20,000,000 per annum provided that the value of no one contract may exceed TZS 3,000,000</td><td>Up to TZS 50,000,000 per annum provided that the value of no one contract may exceed TZS 3,000,000</td></tr>
<tr><td>Direct shopping for goods on quotations basis with minimum three quotations from different sources</td><td>Up to TZS 20,000,000 per annum provided that the value of no one contract may exceed TZS 3,000,000</td><td>Up to TZS 50,000,000 per annum provided that the value of no one contract may exceed TZS 3,000,000</td></tr>
<tr><td>Direct contracting for consultancy services on quotations basis with</td><td>Up to TZS 20, 000,000 per annum provided that the</td><td>Up to TZS 50, 000,000 per annum provided that the</td></tr>
</table></td></tr>
</table>

S/N	Questions	Response		
		minimum three quotations from different sources	value of no one contract may exceed TZS 3,000,000	value of no one contract may exceed TZS 3,000,000

Sub-national fiscal systems

S/N	Questions	Response
13	For the latest year for which actual revenue data are available, what is the general composition of financial resources collected and received by subnational governments? (Complete bottom part of Table B)	Table 73: Overview of LGA's revenues (2013-14)

Table 73: Overview of LGA's revenues (2013-14)

Item	Amount (In TZS trillion)	Per capita (In TZS)	As % of total
Own source revenues	323.3	7264	9.6%
Intergovernmental fiscal transfers	3040.4	68321	90.4%
Other revenue sources	0.0	0	0.0%
Total revenues	3363.7	75586	100.0%

Source: PMO-RALG

<table>
<tr><th>S/N</th><th>Questions</th><th>Response</th></tr>
<tr><td>14</td><td>What are the main own revenue sources assigned to the sub-national government level? What tax and non-tax revenue sources are the most important revenue generators at the local government level?</td><td>As per the Local Government Finance Act, amended in 2002, following are the main own revenue sources of revenue assigned to the local governments:
<table>
<tr><th>S/N</th><th>District Council</th><th>Township Authority</th><th>Urban Authority (City Council, Municipal Council, Town Council)</th></tr>
<tr><td>1</td><td>Development levy and Service levy</td><td>License fees under Films And Stage Plays Act and all moneys derived from fees for licenses, permits, dues or other charges approved by the bylaws)</td><td>License fees (Under Auctioneers Act, Business Licensing Act, Intoxicating Liquors Act, Films And Stage Plays Act and all moneys derived from fees for licenses, permits, dues or other charges approved by the bylaws)</td></tr>
<tr><td>2</td><td>Rental income from LGA's rented properties</td><td>Receipts from sale of assets</td><td>Thirty percentage of land rent collected under the Land Act</td></tr>
<tr><td>3</td><td>License fees (Business Licensing Act, Intoxicating Liquors Act, Arms and Ammunition Act, all moneys derived from</td><td>Guest house levy under the Hotels Act</td><td>Cess payable at source on any agricultural or other produce</td></tr>
</table></td></tr>
</table>

S/N	Questions	Response			
			fees for licenses, permits, dues or other charges approved by the bylaws)		
		4	Forest produce cess and Sale of assets owned by the LGA	Receipts under the Entertainment Tax Act	Service levy
		5	Guest house levy under the Hotels Act		Guest house levy under the Hotels Act
		6	Fees derived from meat inspection and abattoir use	Interest on investment of the township authority	Sale of assets owned by the LGA
		7	Thirty percentage of land rent collected under the Land Act	Proceeds of by-products sold by the township authority	Fees derived from meat inspection and abattoir use
15	What are the main intergovernmental fiscal transfers (including revenue sharing and/or intergovernmental grants) that are provided to the sub-national government level? How is the size of each of the transfer pools	***Main inter-governmental fiscal transfers*** There are broadly three kinds of inter-governmental grants (i) recurrent block grants (ii) subventions and donor basket funds, and (iii) development grants. **Recurrent Block Grants (2005)**			

S/N	Questions	Response
	determined? How are these transfer resources distributed among eligible sub-national governments? Are these intergovernmental fiscal transfers conditional or unconditional?	Recurrent block grants are sectoral block grants (education, health, water supply, agriculture, and roads) provided for personnel emoluments and other charges (O&M). Prior to 2004, there was nearly no formula used for horizontal allocation of recurrent grants among the LGAs. In 2004, sector specific formulas were applied for distribution of recurrent block grants across LGAs (Jointly on Personnel Emolument and Other Charges). These were as follows:

Table 74: Sectoral block grant formula

Sector Block Grant	Formula
Primary Education	• 100% based on number of school aged children (and special treatment for special schools)
Health	• Population: 70 percent • Number of poor residents: 10 percent • Direct medical vehicle route: 10 percent • Under-five mortality: 10 percent
Agriculture (extension)	• Number of villages: 80 percent • Rural population: 10 percent • Rainfall index: 10 percent
Water	• Equal shares: 10 percent • Number of un-served rural residents: 90 percent
Local roads	• Road network length: 75 percent • Land area (capped): 15 percent • Number of poor residents: 10 percent

S/N	Questions	Response
		<table><tr><td>General Purpose Grant</td><td>• Fixed lump sum: 10 percent • Total number of villages: 10 percent • Total population: 50 percent • Total number of rural residents: 30 percent</td></tr></table> However, this application of formula based grants on both PE and OC together failed and formula was applied to OC only. **Subventions and donor basket funds** These funds include sector specific transfers from MDAs such as primary education, secondary education, health, roads. The funds are distributed for recurrent purposes. **Development Grants (2005)** Local Government Capital Development Grant was introduced in 2005. Prior to this, there was nearly no discretionary capital development resource available to the LGAs. The main mechanism was centrally controlled sectoral programs and development partners supported area based development programs. With the implementation of World Bank Local Government Support Programme, all area based development programmes were clubbed into **single nation-wide non-sectoral discretionary local government capital development programme**s (for capital expenditure or maintenance). It was aimed that at least 2% of national budget should be allocated to LGCDG. The LGCDG transfers across LGAs were made **using a horizontal allocation formula and linked to performance on financial management aspects**. Additionally, since these transfers were discretionary, it was also ensured that at least 50% of transfers are further distributed to wards but no regulations were proposed for distribution among wards. LGCDG comprises of: 1. Capital Development Grant

S/N	Questions	Response
		2. Capacity building grant 3. Local Government Development Grant (including domestic as well foreign funding) 4. Discretionary Sectoral Windows Except for few items such as the Personnel emoluments, General Purpose Grant and the capitation grants for primary and secondary education, in general, all the balance resource flows to the LGAs are matters of prioritization and negotiation. Therefore, even where formula/rule based systems exist in theory, they are not implemented in practice.
16	Are sub-national governments allowed to borrow? If so, what mechanisms for sub-national government borrowing are available? What legislative or regulatory restrictions (if any) are imposed on sub-national borrowing?	***Power to borrow and the mechanism:*** Yes. Local Government Authorities have powers to borrow. Clause 14 of the Local Government Finance Act, amended in 2002 gives powers to the local government authority to borrow within the United Republic of Tanzania after approval from the Minister of Finance, Government of Tanzania. ***Legislative or regulatory restrictions:*** There are no limits on the sub-national borrowings stipulated under a law or any rules. However, all borrowings of the LGA must be approved by the central government (Minister of Finance). The loans as taken by the LGA may be secured on the revenues of the LGA, mortgage, land or premises in LGA's ownership. In case the LGA do not repay the due amount until three months from the date on which demand was raised, the Minister of Finance has the power to instruct either (i) levying of a rate immediately or at a later date, in the concerned LGA's jurisdiction, necessary to collect the due amount, or (ii) order liquidation of the security pledged under the loan. ***Overdraft facilities:***

S/N	Questions	Response
		The LGAs are also allowed to take overdraft from banks (clause 15, local Government finance act). However, the overdraft amount at any point in time should not exceed the income of the authority in the previous financial year. It should be noted that since the audited financial statements for any financial year is only available by March of next financial year (nine months into the financial year), the effectiveness of this provision is low.
Sub-national institutional (political and administrative) structures		
17	Does the relevant sub-national level have directly elected councils? (If not, explain.) Is the council involved in approving the budget and monitoring finances?	***Elected Councils:*** Yes. As per the Local Government District (Urban in case of urban areas) Authorities Act, 1982 amended in 199, the local governments have their directly elected councils. In case of rural areas, there are District Councils and Village Councils. In case of urban areas, there are elected city council, municipal council, and town council. ***Budget approval:*** The council is involved in approving the budget. As per the clause 46 of the Local Government Finance Act, 1982 amended in 1999, each local government authority shall, not less than two months before the beginning of the financial year, at a meeting specially convened for the purpose, pass a detailed budget of the estimates of the amounts: (a) expected to be received (b) expected to be disbursed

S/N	Questions	Response
		By the authority during the financial year, and whenever circumstances so require, an authority may pass a supplementary budget in any financial year. ***Monitoring finances:*** The council is also involved in monitoring of the finances. The Local Government Authorities Act provides for setting up five standing committees in case of rural areas and six in case of urban areas. These standing committee performs the function of the Council with respect to various sectors. These are provided below:

S/N	District Authority	Urban Authority
1	Finance and planning	Finance and administration
2	Administration and establishment	Urban planning
3	Social services	Public health
4	Educational affairs	Education and culture
5	Economic services	Works
		Trade and economic affairs

As per the section 21 of the local government financial memorandum, *"it shall be the duty of the Council Management to provide to all committees monthly budgetary control statements on recurrent and development budgets. The accounting officer shall, in addition, prepare a quarterly report for the Finance Committee, which after the approval shall be submitted to the Full Council, Minister responsible for local Government Regional Administration Secretary and other stakeholders".*

S/N	Questions	Response
18	Is the local political leadership (executive or council) able to appoint their own officers independently of external (higher-level) administrative control? Are the chief administration officer, the chief financial officer/ treasurer, internal auditor, and other key local finance officials locally appointed and hired?	No, the local political leadership does not have powers to appoint chief administrative officer (council director). As per the Public Service Regulations 2003, the central government or the local service commission has the authority to appoint the council director. The council director, in turn, appoints the council staff such as treasurer, planning officer, internal auditor and other key local finance officials. The council staff is locally appointed.

Appendix 2. Mapping of Key Weaknesses

Table 75 maps the key weaknesses identified for various LGAs across the performance indicators against the main stakeholders responsible.

Table 75: Mapping of Key Weaknesses

Sl	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	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 for specific expenditure heads.			
		Absence of robustness in revenue estimation for own sources	Unrealistic revenue estimates distort cash flow expectations from own source collections			

Sl	Topic	Key Weaknesses	Details	Key Stakeholder Responsible		
				LGA	PMO-RALG	MoF/GoT
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			
			e. Raising of manual LPOs outside the IFMS			
		Limited institutional capacity	Budget execution capabilities of LGA affected by:			
			a. Vacancies in key positions			
			b. Lack of adequate supervision capacity for project execution			
4	Internal controls and Accountability	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. Lack of comprehensively documented byelaws and standing orders			
			c. Inefficiencies in the Audit Committee			

Sl	Topic	Key Weaknesses	Details	Key Stakeholder Responsible		
				LGA	PMO-RALG	MoF/GoT
			d. Conflict of interest in tax assessment related complaints			
			e. Weaknesses in Internal Audit such as non-comprehensive working papers; insufficient review of internal controls; lack of clarity in disclosing follow up comments of previous audit findings; non adherence to audit plans and lack of sufficient budget for the internal audit			
			f. Lack of timely follow up of LAAC and audit recommendations			

Appendix 3. 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

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 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		
D	D	**D**
D	C	**D+**
D	B	**C**
D	A	**C+**
C	C	**C**
C	B	**C+**
C	A	**B**
B	B	**B**
B	A	**B+**
A	A	**A**

3 dimensional indicators			
D	D	D	**D**
D	D	C	**D+**
D	D	B	**D+**
D	D	A	**C**
D	C	C	**D+**
D	C	B	**C**
D	C	A	**C+**
D	B	B	**C+**
D	B	A	**B**
D	A	A	**B**
C	C	C	**C**
C	C	B	**C+**
C	C	A	**B**
C	B	B	**B**
C	B	A	**B**
C	A	A	**B+**
B	B	B	**B**
B	B	A	**B+**
B	A	A	**A**
A	A	A	**A**

4 dimensional indicators				
D	D	D	D	**D**
D	D	D	C	**D**
D	D	D	B	**D+**
D	D	D	A	**D+**
D	D	C	C	**D+**
D	D	C	B	**D+**
D	D	C	A	**C**
D	D	B	B	**C**
D	D	B	A	**C+**
D	D	A	A	**C+**
D	C	C	C	**D+**
D	C	C	B	**C**
D	C	C	A	**C+**
D	C	B	B	**C+**
D	C	B	A	**C+**
D	C	A	A	**B**
D	B	B	B	**C+**
D	B	B	A	**B**
D	B	A	A	**B**
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 across performance indicators is given in Table 76.

Table 76: 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 77.

Table 77: 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 loading4) in all of the last three years.
A. PFM Out-Turns: Budget Credibility		
PI-1	**Aggregate expenditure out-turn compared to original approved budget**	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 out-turn compared to original approved budget**	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

PI	Description	Criteria for "A" Rating
		standards. (Program classification 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.
(iii)	Existence and functioning of a tax appeals mechanism	A tax appeals system of transparent administrative procedures with appropriate

PI	Description	Criteria for "A" Rating
		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 considered of high integrity. Comprehensive management and statistical

PI	Description	Criteria for "A" Rating
		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

PI	Description	Criteria for "A" Rating
		commitments to actual 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

PI	Description	Criteria for "A" Rating
		or most 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.

Appendix 4. List of documents referred

1. Terms of Reference for Public Expenditure and Financial Accountability Assessment of 12 LGAs in Tanzania
2. The Constitution of United Republic of Tanzania
3. Public Finance Act (2001)
4. Public Procurement Act, 2011
5. Public Procurement Regulations (2013)
6. Public Audit Act
7. Public Audit Regulations 2009
8. Internal Audit Manual, 2013
9. Government Loans, Grants and Guarantees Act (1974)
10. Budget guidelines issued by Ministry of Finance for 2014-15
11. United Republic of Tanzania, Standing Orders for the Public Service, 2009. Third Edition
12. United Republic of Tanzania, Public Expenditure Review Study on the Prevention and Management of Payment Arrears, November 2014
13. United Republic of Tanzania, Comprehensive Council Health Planning Guidelines, July 2011
14. Local Government Financial Memorandum
15. Local Government Accounting Manual
16. Local Government Finance Act
17. Local Government (District Authorities) Act 2002
18. Local Government (Urban Authorities Act) 2002
19. Local Government Authorities Tender Board (Establishment & Proceedings) Regulations (2014)
20. Public Financial Management Reform Programme IV Strategy Document
21. 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
22. Tanzania at a glance, 2012, National Bureau of Statistics, Tanzania
23. 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 A)
24. Annual General Report on Local Government Authorities for 2012-13 by CAG
25. Annual General Report on Local Government Authorities for 2014-15 by CAG
26. Mvomero District Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
27. Mvomero District Council CAG's Management Letter on Financial Statements FY 2012-13
28. Mvomero District Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
29. Lindi District Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
30. Lindi District Council CAG's Management Letter on Financial Statements FY 2012-13
31. Lindi District Council MTEF for FY 2014-17
32. Lindi District Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
33. Mwanza Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
34. Mwanza City Council CAG's Management Letter on Financial Statements FY 2012-13
35. Mwanza City Council MTEF for FY 2014-17
36. Mwanza City Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
37. Kasulu District Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
38. Kasulu District Council CAG's Management Letter on Financial Statements FY 2012-13
39. Kasulu District Council MTEF for FY 2014-17
40. Kasulu District Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15

41. Kasulu District Council Budget instructions issued to LLGs, FY 2014-15
42. Rorya District Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
43. Rorya District Council CAG's Management Letter on Financial Statements FY 2012-13
44. Rorya District Council MTEF for FY 2014-17
45. Rorya District Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
46. Rorya District Council Budget instructions issued to LLGs, FY 2014-15
47. Bunda District Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
48. Bunda District Council CAG's Management Letter on Financial Statements FY 2012-13
49. Bunda District Council MTEF for FY 2014-17
50. Bunda District Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
51. Longido District Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
52. Longido District Council CAG's Management Letter on Financial Statements FY 2012-13 and FY 2013-14
53. Longido District Council MTEF for FY 2014-17
54. Longido District Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
55. Sengerema District Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
56. Sengerema District Council CAG's Management Letter on Financial Statements FY 2012-13
57. Sengerema District Council MTEF for FY 2014-17
58. Sengerema District Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
59. Mtwara Mikindani Municipal Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
60. Mtwara Mikindani Municipal Council CAG's Management Letter on Financial Statements FY 2011-12; FY 2012-13; and FY 2013-14
61. Mtwara Mikindani Municipal Council MTEF for FY 2014-17
62. Mtwara Mikindani Municipal Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
63. Mtwara Mikindani Municipal Council Budget instructions issued to LLGs, FY 2014-15
64. Kigoma Ujiji Municipal Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
65. Kigoma Ujiji Municipal Council CAG's Management Letter on Financial Statements FY 2012-13; and FY 2013-14
66. Kigoma Ujiji Municipal Council MTEF for FY 2014-17
67. Kigoma Ujiji Municipal Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
68. Korogwe Town Council Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
69. Korogwe Town Council CAG's Management Letter on Financial Statements FY 2012-13
70. Korogwe Town Council MTEF for FY 2014-17
71. Korogwe Town Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
72. Audit Financial Statements for FY 2011-12; FY2012-13; and FY 2013-14
73. Mwanga District Council CAG's Management Letter on Financial Statements FY 2012-13
74. Mwanga District Council MTEF for FY 2014-17
75. Mwanga District Council Quarterly Internal Audit Reports for FY 2013-14 and FY 2014-15
76. Reforming Tanzania's Public Sector, An Assessment and Future Direction, President's Office - State House, the United Republic of Tanzania, November 2013
77. Aide Memoire (Report), Joint Supervision Mission 2015, Public Financial Management Reform Programme (PFMRP)
78. Final Report, Mid-Term Review for the Public Finance Management Reform Program Phase Four Tanzania, September 2015, Ministry of Finance, the United Republic of Tanzania

Appendix 5. List of people met

S. No.	Name	Designation	Organisation
At the central level			
1.	Charles Mwamwaja	Deputy Commissioner for Budgets Responsible for RASs and LGAs	Ministry of Finance
2.	Sebastian E L Ndandala	Programme Coordinator – PFMRP	Ministry of Finance
3.	Linus Kakwesigambo	Financial Expert – PFMRP	Ministry of Finance
4.	Aleyande Lweikila	Communication Specialist - PFMRP	Ministry of Finance
5.	Dennis Mihayo	M&E Specialist - PFMRP	Ministry of Finance
6.	Stanley Haule	Assistant Director, Department of Computer Services	Ministry of Finance
7.	Stanslans Mpembi	Assistant Internal Auditor General (Budget and Payroll)	Ministry of Finance
8.	Emmanuel M Subbi	Assistant Internal Auditor General (Risk Management and Control)	Ministry of Finance
9.	Mwanyiko M Somola	Assistant Internal Auditor General (Local Government)	Ministry of Finance
10.	Omari Msuya	Internal Auditor	Ministry of Finance
11.	Juma S Maguru	Acting Director - Planning Department	Ministry of Finance
12.	E Macha	Financial Management Officer	Ministry of Finance
13.	Mohammed A Matonga	Internal Auditor General	Ministry of Finance
14.	Raheli Ntiga	Local Government Division	Ministry of Finance
15.	Faraja Tarimo	Accountant - Account General Office	Ministry of Finance
16.	Awadh Sulho	Acting Director - Capacity Building & Advisory Services	PPRA
17.	Onesmo France	Procurement expert	PPRA
18.	Jasper Mero	Assistant Accountant General - LGA	National Audit Office of Tanzania
19.	Kubela Mwakatundu	Assistant Accountant General - LGA	National Audit Office of Tanzania
20.	Pole John Magesa	Principal Economist	National Audit Office of Tanzania
21.	Elvida Max	Assistant Director, Payroll Management	PO-PSM
22.	Jumanne A. Sagini	Permanent Secretary	PMO-RALG
23.	Shomari Mukhandi	Assistant Director – Local Government	PMO-RALG
24.	Chausiku Nyanda	Financial Management Officer	PMO-RALG
25.	Prwatus Lipili	Human Resource Officer	PMO-RALG
26.	Juma Mabrouk	Human Resource Officer	PMO-RALG
27.	Daria Justine Bujiku	Loans and Investment Financial Management Officer	PMO-RALG
28.	Mustapha S Yusuf	Procurement Financial Management Officer	PMO-RALG
29.	Isaka Jeremah	Assistant Director	PMO-RALG
30.	Danis Bandisa	Assistant Director - Governance and Service Delivery Section	PMO-RALG
31.	Johnson Mjiji	Local Government Reform Programme II	PMO-RALG

S. No.	Name	Designation	Organisation
32.	Aidan Eyakuze	Executive Director	Twaweza
33.	Florian Schweitzer	Head of Department Health Governance and Finance	Sikika
34.	Husein Kamote	Director of Policy and Advocacy	Confederation of Tanzania Industries
35.	Akida Mnyenyelwa	Policy Specialist (Advocacy)	Confederation of Tanzania Industries
36.	Moses Kimaro	Resource Mobilisation Manager	Association of Local Authorities of Tanzania
37.	Elisia Rugano	Finance and Administration Manager	Association of Local Authorities of Tanzania
At the district level			
38.	Chausiku Nyanda	PEFA Counter Part	PMO-RALG
39.	Munguatosha Macha	PEFA Counter Part	Geita District Council
40.	Waziri Ali	PEFA Counter Part	Kinondoni Municipal Council
41.	Steven Benedict	PEFA Counter Part	Lindi Regional Office
42.	Dariya Bujilu	PEFA Counter Part	PMO RALG
43.	Fulgence Luyagaza	PEFA Counter Part	Kinondoni Municipal Council
44.	Lucas Mwairaka	Ag. Regional Administrative Secretary	Morogoro Regional Administrative Secretariat
45.	Anthony Mtaka	District Commissioner	Mvomero District Council
46.	Diana Muywanga	Ag. District Executive Director	Mvomero District Council
47.	Stephen Sindagulu	District Treasurer	Mvomero District Council
48.	Amos Migire	Economist	District Planning Officer
49.	Michael Ligola	Education Officer - Primary	Mvomero District Council
50.	Gideon Shangwel	Education Officer - Secondary	Mvomero District Council
51.	Dr Mbena Omari	District Health Officer	Mvomero District Council
52.	Mugeri Kemberete	Internal Auditor	Mvomero District Council
53.	Jacob Kechibi	Head of Procurement Management Unit	Mvomero District Council
54.	John Likango	Ag. Regional Administrative Secretary	Lindi Regional Administrative Secretariat
55.	Oliver Wavunge	District Executive Director	Lindi District Council
56.	Gervas Ngomano	District Treasurer	Lindi District Council
57.	Andrea Chezue	Economist	Lindi District Council
58.	Yumua N Muhehe	Revenue Accountant	Lindi District Council
59.	Mohamedi Ausi	Education Officer - Primary	Lindi District Council
60.	Alphonce Ngongi	Education Officer - Secondary	Lindi District Council
61.	Dr Boniphace Richard	District Health Officer	Lindi District Council
62.	Iddy Mboweto	Internal Auditor	Lindi District Council
63.	Daniel Kasembe	Head of Procurement Management Unit	Lindi District Council
64.	Faisal H Issa	Regional Secretary	Mwanza Regional Secretariat
65.	Jeremiah Mahinya	Ag Council Director	Mwanza City Council
66.	Kellan Ngombe	Council Treasurer	Mwanza City Council
67.	Kepha Mashimba	Economist	Mwanza City Council

S. No.	Name	Designation	Organisation
68.	Stewart Shubi	Revenue Accountant	Mwanza City Council
69.	Abdul Mallambo	Education Officer - Primary	Mwanza City Council
70.	Upendo John	Education Officer - Secondary	Mwanza City Council
71.	Julieth Mawalla	District Health Officer	Mwanza City Council
72.	Godbless Urio	Internal Auditor	Mwanza City Council
73.	Acrey Biseko	Head of Procurement Management Unit	Mwanza City Council
74.	Amede E A	District Treasurer	Kasulu District Council
75.	Edmund Kayombo	Economist	Kasulu District Council
76.	Onesmo Birago	District Planning Officer	Kasulu District Council
77.	Anthony Sokoi	District Internal Auditor	Kasulu District Council
78.	Daniel Kaloza	Head of Human Resource	Kasulu District Council
79.	Geofrey Nsilla	Education Officer - Primary	Kasulu District Council
80.	Fredrick Kamayugi	Education Officer - Secondary	Kasulu District Council
81.	Magewi Pandamali	District Health Officer	Kasulu District Council
82.	Sikudhan Hamis	Head of Procurement Management Unit	Kasulu District Council
83.	Ephraem Nguyaine	District Executive Director	Rorya District Council
84.	Benard Mehona	Economist	Rorya District Council
85.	Seben Mwalutamwa	District Treasurer	Rorya District Council
86.	Martin Kanyambo	District Planning Officer	Rorya District Council
87.	Elias Msenga	District Internal Auditor	Rorya District Council
88.	Gerald Ruzika	Head of Human Resource	Rorya District Council
89.	Ojijo Thobias	Education Officer - Primary	Rorya District Council
90.	Mukama Mazigo	Education Officer - Secondary	Rorya District Council
91.	Baraka Peter	District Health Officer	Rorya District Council
92.	Damian Ogilla	Head of Procurement Management Unit	Rorya District Council
93.	Serapion Rujuguru	Acting District Executive Director	Bunda District Council
94.	Abbas Abdul	Economist	Bunda District Council
95.	Emmanuel Joram	District Treasurer	Bunda District Council
96.	Julieth Ntuku	District Planning Officer	Bunda District Council
97.	Ntibankiza Dismas	District Internal Auditor	Bunda District Council
98.	Kelvin Mkirya	Head of Human Resource	Bunda District Council
99.	Jonathan Bugara	Education Officer - Primary	Bunda District Council
100.	Matiku Nsma	Education Officer - Secondary	Bunda District Council
101.	Harun Kija	District Health Officer	Bunda District Council
102.	Sebere Chacha	Head of Procurement Management Unit	Bunda District Council
103.	Chaiya Julius	District Executive Director	Longido District Council
104.	Mbilu Joseph	District Treasurer	Longido District Council
105.	Kachira Tumbiho	Economist	Longido District Council

S. No.	Name	Designation	Organisation
106.	Joan Foya	District Planning Officer	Longido District Council
107.	Mwajuma Mndera	District Internal Auditor	Longido District Council
108.	Derick Rwegiza	Head of Human Resource	Longido District Council
109.	Sharban Shemziray	Education Officer - Primary	Longido District Council
110.	Asha Kivaju	Education Officer - Secondary	Longido District Council
111.	Elvis Abraham	District Health Officer	Longido District Council
112.	Marietha Kasongo	District Executive Director	Sengerema District Council
113.	Ndaro Samson	District Planning Officer	Sengerema District Council
114.	Andrew Kiyungu	District Treasurer	Sengerema District Council
115.	Nicao Ligombi	Economist	Sengerema District Council
116.	Prosper Luasha	District Internal Auditor	Sengerema District Council
117.	Rehema Mdoe	Head of Human Resource	Sengerema District Council
118.	Edwin Itamba	Education Officer - Primary	Sengerema District Council
119.	Benjamin Siperto	Education Officer - Secondary	Sengerema District Council
120.	Sosthenes Kulwa	District Health Officer	Sengerema District Council
121.	Andrew Enock Ndaki	Head of Procurement Management Unit	Sengerema District Council
122.	Shimwera	Municipal Director	Mtwara Mikindani MC
123.	Amon Mkocha	Municipal Planning Officer	Mtwara Mikindani MC
124.	Mariam Mwakasitu	Municipal Treasurer	Mtwara Mikindani MC
125.	Ramadhan Manesu	Economist	Mtwara Mikindani MC
126.	Joseph Wilbert	Municipal Internal Auditor	Mtwara Mikindani MC
127.	Baraka Kilango	Head of Human Resource	Mtwara Mikindani MC
128.	Castory Epiphania	Education Officer - Primary	Mtwara Mikindani MC
129.	Juma Chikojo	Education Officer - Secondary	Mtwara Mikindani MC
130.	Sosthenes Kulwa	Municipal Health Officer	Mtwara Mikindani MC
131.	Andrew Pembe	Head of Procurement Management Unit	Mtwara Mikindani MC
132.	Eng Bonience Nyambere	Municipal Director	Kigoma Ujiji Municipal Council
133.	Michael Marco	Municipal Treasurer	Kigoma Ujiji Municipal Council
134.	Salum Mandai	Municipal Planning Officer	Kigoma Ujiji Municipal Council
135.	Elimboto Ntandu	Municipal Internal Auditor	Kigoma Ujiji Municipal Council
136.	Debora Ngangaji	Head of Human Resource	Kigoma Ujiji Municipal Council
137.	Joseph Matehaba	Education Officer - Primary	Kigoma Ujiji Municipal Council
138.	Bruno Sangwa	Education Officer - Secondary	Kigoma Ujiji Municipal Council
139.	Eng Bonience Nyambere	Municipal Director	Kigoma Ujiji Municipal Council
140.	Michael Marco	Municipal Treasurer	Kigoma Ujiji Municipal Council
141.	Salum Mandai	Municipal Planning Officer	Kigoma Ujiji Municipal Council
142.	Doctor John Mginga	Municipal Health Officer	Kigoma Ujiji Municipal Council
143.	Marietha Kasongo	Town Executive Director	Korogwe Town Council

S. No.	Name	Designation	Organisation
144.	Ndaro Samson	Town Planning Officer	Korogwe Town Council
145.	Andrew Kiyungu	Town Treasurer	Korogwe Town Council
146.	Nicao Ligombi	Economist	Korogwe Town Council
147.	Prosper Luasha	Town Internal Auditor	Korogwe Town Council
148.	Rehema Mdoe	Head of Human Resource	Korogwe Town Council
149.	Edwin Itamba	Education Officer - Primary	Korogwe Town Council
150.	Benjamin Siperto	Education Officer - Secondary	Korogwe Town Council
151.	Sosthenes Kulwa	Town Health Officer	Korogwe Town Council
152.	Andrew Enock Ndaki	Head of Procurement Management Unit	Korogwe Town Council
153.	Mabula Nmyigi	AG. DED	Mwanga District Council
154.	Dirk Mwanagwegu	AG. DIA	Mwanga District Council
155.	Jassen M Mwizu	AG. DHRO	Mwanga District Council
156.	Joshua Ugoli	HRO	Mwanga District Council
157.	Mwanaisha Ally	AG.DDMO	Mwanga District Council
158.	George Nathan	VFC	Mwanga District Council
159.	Hassan A Hassan	ACCT	Mwanga District Council
160.	Nisgurwe Mashika	AG. DMO	Mwanga District Council
161.	Hawa F Mrutu	AG.	Mwanga District Council
162.	Yusuf Hamisi	AG. DEO	Mwanga District Council
163.	Anthony Musanke	JA	Mwanga District Council
164.	Honest Mbombo	SU	Mwanga District Council
165.	Fulgence E Shabani	SLO	Mwanga District Council
166.	Kisgavu E Shabani	AG. DEO	Mwanga District Council
167.	Elizabeth Kossem	CC	Mwanga District Council
168.	Evetha S Lyimo	DPLO REP	Mwanga District Council
169.	Emmanual Kawia	Economist	Mwanga District Council
170.	Zaitunia Mmboja	SLO(P)	Mwanga District Council
171.	Bakaria Mubaga	AG.DT	Mwanga District Council

Appendix 6. Performance indicators summary

Indicator	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
HLG -1	D+	D+	NR	NR	NR	NR	D+	NR	D+	D+	D+	D+
Dim (i)	C	C	D	D	D	D	B	D	A	D	A	C
Dim (ii)	D	NR	NR	D	NR	NR	D	NR	NR	D	D	NR
Dim (iii)	NR	D	NR	NR	D	NR	NR	NR	D	C	D	D
PI -1	D	C	D	D	D	D	C	D	A	D	A	C
PI -2	D+	D+	D+	D+	D+	D+	D+	D+	B+	D+	D+	D+
Dim (i)	D	D	D	D	D	D	D	D	B	D	D	D
Dim (ii)	A	A	A	A	A	A	A	A	A	A	A	A
PI – 3	D	D	D	D	D	D	D	D	B	D	D	D
PI – 4	D+	D+	D+	D	NR	NR	D+	D+	D+	D+	D+	NR
Dim (i)	C	A	C	D	NR	NR	C	C	C	C	C	NR
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
PI – 5	C	C	C	C	C	C	C	C	C	C	C	C
PI – 6	C	C	A	C	C	C	B	C	C	C	C	C

Indicator	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
PI – 7	A	B	A	B	B	B	B	A	B	NR	A	A
Dim (i)	A	B	A	B	B	B	B	A	B	NR	A	A
Dim (ii)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
PI - 8	D	D	D	D	D	D	D	D	D	D	D	D
Dim (i)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D
PI – 9	C	C	D	C	C	C	C	C	C	C	C	C
Dim (i)	NA	NA	NA	C	NA	C	NA	NA	NA	NA	NA	NA
Dim (ii)	C	C	D	C	C	C	C	C	C	C	C	C
PI – 10	B	B	C	B	C	B	C	B	C	D	D	C
PI – 11	B	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
Dim (i)	B	C	C	C	C	C	C	C	C	C	C	C
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iii)	A	A	A	A	A	A	A	A	A	A	A	A
PI – 12	D+	D+	D+	D+	D+	D+	D	D	D+	D	D+	D

Indicator	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Dim (i)	C	C	C	C	C	C	C	C	C	C	C	C
Dim (ii)	NA	NA	NA	D	D	NA	D	D	NA	D	NA	D
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iv)	D	D	D	D	D	D	D	D	D	D	D	D
PI 13	D	D+	D+	D+	D+	D+	D	D+	D+	D+	D+	D+
Dim (i)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (ii)	D	C	C	C	C	C	D	C	C	C	C	C
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D
PI – 14	D	D	D	D	D	D	D+	D+	D	D	D	D
Dim (i)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (ii)	D	D	D	D	D	D	C	C	D	D	D	D
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D
PI - 15	D+	D+	NR	D+	D+	NR	D+	NR	NR	NR	NR	D+
Dim (i)	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR
Dim (ii)	C	C	D	B	B	D	B	D	D	D	D	C
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D

Indicator	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
PI -16	D	D	D	D	D	D	NR	D	D	D	D+	D
Dim (i)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iii)	NA	NA	NA	NA	NA	NA	NR	NA	NA	NA	B	NA
PI – 17	C	C	D	C	C	D	C	C	A	C	C	C
Dim (i)	NA	NA	NA	C	C	NA	C	C	NA	C	NA	C
Dim (ii)	C	C	D	C	C	D	C	C	A	C	C	C
Dim (iii)	NA	NA	NA	C	C	NA	C	C	NA	C	NA	NA
PI - 18	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+
Dim (i)	A	A	A	A	A	A	A	A	A	A	A	A
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iii)	C	C	C	C	C	C	C	C	C	C	C	C
Dim (iv)	B	B	B	B	B	B	B	B	B	B	B	B
PI – 19	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+
Dim (i)	B	B	B	B	B	B	B	B	B	B	B	B
Dim (ii)	D	D	D	D	D	D	D	D	D	D	D	D

Indicator	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iv)	D	D	D	D	D	D	D	D	D	D	D	D
PI – 20	C	C	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+
Dim (i)	C	C	C	D	D	D	D	D	C	C	C	C
Dim (ii)	C	C	C	C	C	C	C	C	C	C	C	C
Dim (iii)	C	C	D	D	D	D	D	D	D	D	D	D
PI – 21	C+	D+	C+	D+	C+	C+	D+	C+	D+	C+	C+	D+
Dim (i)	B	B	B	C	C	C	B	C	C	C	C	C
Dim (ii)	B	B	B	C	B	B	B	B	B	B	B	B
Dim (iii)	C	D	C	D	C	C	D	C	D	C	C	D
PI – 22	D+	B+	B+	B+	B	B	C	B+	C	C	B+	B+
Dim (i)	D	A	A	A	B	B	C	A	D	D	A	A
Dim (ii)	C	B	B	B	B	B	C	B	B	B	B	B
PI – 23	B	B	B	B	B	B	B	B	B	B	B	B
PI – 24	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
Dim (i)	C	C	C	C	C	C	C	C	C	C	C	C

Indicator	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Dim (ii)	A	A	A	A	A	A	A	A	A	A	A	A
Dim (iii)	C	C	C	C	C	C	C	C	C	C	C	C
PI – 25	B	B+	B	B+	B+	D+	C+	B+	C+	B	C+	B
Dim (i)	B	B	B	B	B	D	C	B	C	B	C	B
Dim (ii)	B	A	B	A	A	B	B	A	B	B	A	B
Dim (iii)	B	B	B	A	B	A	B	A	B	B	B	B
PI – 26	D+	B	C+	C+	C+	C+	C+	C+	C+	C+	C+	C+
Dim (i)	B	B	B	B	B	B	B	B	B	B	B	B
Dim (ii)	D	B	C	C	B	B	B	B	B	B	B	B
Dim (iii)	C	B	C	C	C	C	C	C	C	C	C	C
PI – 27	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+	D+
Dim (i)	C	C	C	C	C	C	C	C	C	C	C	C
Dim (ii)	C	C	C	B	B	B	C	C	B	B	C	C
Dim (iii)	D	D	D	D	D	D	D	D	D	D	D	D
Dim (iv)	B	B	B	B	NA	B	NR	B	B	B	B	B
PI – 28	D+	D+	B+	D+	C+	D+	C+	C+	D+	D+	C+	D+

Indicator	Mvomero DC	Lindi DC	Korogwe TC	Bunda DC	Rorya DC	Sangerema DC	Mwanza CC	Mtwara MC	Kasulu DC	Kigoma MC	Longido DC	Mwanga DC
Dim (i)	D	B	A	A	B	B	B	B	B	B	B	B
Dim (ii)	D	D	C	D	C	D	C	C	D	D	C	D
Dim (iii)	B	D	B	B	B	B	B	B	B	B	B	B
D-1	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dim (i)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dim (ii)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
D-2	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
Dim (i)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dim (ii)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
D-3	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**

Appendix 7. Comments Addressal Matrix

Comments adderssal matrix for the consolidated report is given below. The matrix for the individual reports is given final individual reports for 12 LGAs.

Table 78: Comments by PEFA Secretariat on consolidated report

PI/ Section	Comments	Assessment Team Response
Summary	The reform prospects were not mentioned. They have not been introduced in the consolidated report.	Now introduced
Introduction	1. Quality assurance arrangements were missing. The consolidated report introduced some elements that are discussed below under the section "*PEFA Check*". 2. The structure of the public sector is not provided either; it complements the scope of the assessment by providing the relative shares of public expenditures of entities composing the public sector (please refer to the *Blue Book* pages 57 and 58).	The structure of the public sector is now captured in the institutional framework section and the structure at the LGA level is captured in the annexure on sub-national profile.
Background information	No information on the overall government reform program and the rationale for PFM reforms was provided. Those elements are still missing in the consolidated report.	The information has been included in the Final Consolidated Report.
Section 4	The consolidated report presents as well the institutional factors support the planning and implementation of PFMRP IV. It is noted that no specific elements are introduced concerning reforms handled by or institutional factors directly linked to sub-national levels of governments.	The information has been included in the Final Consolidated Report. Please refer Government reform section and sub-national profile.
PEFA check	1. The draft consolidated report indicates page 18 that "*a comments addressal matrix indicating how the stakeholders' comments on the draft LGA reports have been addressed is currently under preparation and will be issued as an addendum to this draft consolidated report*". The production of the matrix is a requirement for a PEFA Check endorsement. Upon reception of	Based on clarifications by the PEFA Secretariat, that the Consolidated Report is not subject to PEFA Check, the required documents will be

PI/ Section	Comments	Assessment Team Response
	the matrix, the PEFA Secretariat will examine how the initial comments provided have been addressed and will issue follow up comments. Hence in the present note, no comments is issued related to the changes introduced to the indicators (narrative or scores), as the supporting matrix is to be produced. 2. The draft consolidated report also indicates page 18 that "*Relevant PEFA CHECK documentation does not form part of this report and will feature in the final consolidated as well as each of the final individual reports*". The template "*Disclosure of quality assurance mechanisms*" needs to be filled in for each SNG assessment report (please refer to the following link in the PEFA website http://www.pefa.org/sites/pefa.org/files/attachments/DisclosureQAMechanism_Eng_2.doc). The PEFA Check will be issued provided all requirements described in that document are met.	provided along with the final individual PEFA reports.

Table 79: Comments on the consolidated report-World Bank

Performance Indicators	Comments	Assessment Team's Response
General Comment	There is a lot of repetition from the individual LGA reports that could be removed without loss of value to the consolidated report. The focus of this report, which it does well is to bring out the general patterns with regard to the overall assessment of LGAs. A number of thematic issues emerge that have been well summarized by the consolidated report. However, there are several key threads that appear in the report that could have been brought together including: Dependency of the LGAs on Central Government......	A short summary on integrated performance of LGAs has been added to the Summary Assessment to bring out the key elements of the assessment across all LGAs.
Pi-6	Indicators on analysis of macroeconomic information in budget under PI-6 and costing of strategic plans are not applicable in Tanzania, PEFA Secretariat need to clarify on this.	The assessment has been made in line with PEFA Framework.

Performance Indicators	Comments	Assessment Team's Response
PI-1	The report alludes to several causes for major deviations between the approved budget and actual expenditures including inadequate human resources, delay in central government transfers and others. But primarily is it not that the weaknesses in the central government are translated to the local government as well?	Yes to the extent of this dependency.
PI-2	: The lack of a contingency vote at the LGA level has been a source of the high rating of the PI-2 indicator for dimension (ii). While this is good in a way, it should be kept in mind that the contingency fund is important to address any unforeseen aspects of the budget, especially in-year. The absence of the contingency vote thus restricts the LGA flexibility to address such events.	Noted and incorporated.
PI-6	The text in this section does not include anything new or consolidated from the individual reports. It repeats the same information. Table 23 which gives a consolidated view is not discussed in the text. This needs to be addressed.	Noted and modified.
PI-7	There could be a reason that MSD funds are not captured in LGAs MTEFs. Is it because they are captured at central level, i.e. Ministry of Health?	Yes, Medical Stores Department is part of the Ministry of Health.
Pi-8	World Bank: While it is a fact that "The quantum of funds to be disbursed to each LLG is decided on the basis of prioritization and negotiations at the LGA level,.." that it does not involve the concerned LLGs is something worth checking again. What about the councillors who chair Ward Development Committees and who also sit at the Council level, since they may have a role in the allocation of these resources.	The dimension only assesses the existence of transparent rules in allocation resources among the LLGs by the LGA. We understand that except for few items such as the General Purpose Grant and the 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

Performance Indicators	Comments	Assessment Team's Response
		formula/rule based systems exist in theory, they are not implemented in practice.

Table 80: Comments on the consolidated report-KfW

Performance Indicators	Comments	Assessment Team's Response
General	The introduction should contain a short description of the PEFA framework and its value added in assessing a country's PFM performance. Without knowing PEFA each reader should understand the rationale behind such an assessment.	The description on the PEFA framework and the methodology has been provided the Annexure. The structure of the report is in line with the guidelines provided in the PEFA Framework.
General	The annex needs to be completed: - Comments matrix showing how consultants addressed all stakeholder comments - PEFA Check documentation; quality assurance arrangements - Terms of Reference of the assignment	Comments matrix has been included. Based on the clarifications received from the PEFA Secretariat, the consolidated report is not subject to PEFA check, and quality assurance arrangements. Hence, PEFA check documents and quality assurance arrangement is not included. The terms of reference of the assignment is included in the consolidated report.
General	Twice, you provide the reasoning for why Mtwara Mikindani has not been carried out as a repeat assessment (p.16/p.19), and you describe that both PEFA Secretariat and KfW have approved of this. Please note that also the GOT has agreed to carry out Mtwara Mikindani as a new baseline assessment.	The comments have been incorporated in the consolidated report.
General	In order to create a better understanding of the ratings the methodology section should go more into depth on rating and aggregation methodologies. The meaning of an A, B, C, D rating should be explained. For all indicators LGAs should have an idea	The annex on the PEFA methodology has been included in the PEFA report.

Performance Indicators	Comments	Assessment Team's Response
	of what is required to score better. Parts of this might also be addressed in a separate Annex.	
General	Many of the indicators are attributable solely to central government actions, some LGA actions, some are mixed. While the comprehensive narratives usually contain explanation thereon this should also be made clearer and more visible in the summary overview.	The strengths and weaknesses in the PFM systems across LGAs and the level of government responsible have been included in the Annex.
General	While you provide throughout a very detailed reasoning for rating an indicator in a specific way sometimes you miss pointing out specific underlying reasons for why this is. Your final reports (individual/draft) should contain some more analysis of why specific PFM strengths/weaknesses are being detected.	The write-up has been modified.
General	There are some examples of requirements under some indicators which are not applicable to the LGA context in Tanzania (e.g. analysis of macroeconomic information in budget under PI-6; costing of strategic plans which is not a legal requirement in Tanzania). It should be clarified with the PEFA Secretariat whether these indicators shall be rated (with reference that LGAs follow national legal practices that however do not conform to PFM best practice according to the PEFA framework) or whether N/A is the more appropriate rating result.	In line with clarification received, the relevant indicator/dimension have been rated as "Not Applicable".
General	Chapter 6 on government reforms lacks analysis of reform processes. The chapter should not be merely a copy-paste of reform plans and milestones, but should rather analyse the constraints and strengths of reform processes in the country. Please refer for your analysis of PFMRP also to the Mid-Term Review from October 2014 and the Aide Memoire of the Joint	The section on Government Reforms has been modified as required.

Performance Indicators	Comments	Assessment Team's Response
	Supervision Mission from 2015 (already sent to you via email). An analysis of the Local Government Reform Program is completely missing and should be included – there are perhaps lessons learnt from this reform programme.	
General	The key summary you presented during the validation workshop (key weaknesses and responsible actors) should be included in the report, as it is very useful to inform future reform planning of the GOT and DPs. It presents a good summary of PFM weaknesses and strengths while remaining within the limits of a PEFA assessment by not giving recommendations. It shall be considered whether central government should be further broken up into different actors (PMORALG-MOF) so as to be more specific on which institution is responsible for which issue. The key summary should also form part of the summary assessment so as to inform management.	The weakness mapping has been included in the consolidated report. The bifurcation of PFM weaknesses and strengths across the institutions has been made and reflected in Annexure to this report.
Specific	Under 2.4 (p.20) there is a reference error with regard to Table 1.	Corrected.
Specific	Under 3.1.1. you provide some key economic data, some data is given as a % of GDP. Please ensure you provide post-GDP rebasing data. Can you further provide some information on the debt and arrears situation? This is currently missing in the analysis.	The report does mention "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." An additional table has been included.
Specific	Under 3.2 you elaborate on government measures to widen the tax base and improve tax administration (p.26). Please include some information on the new VAT Act and Tax Administration Act operational since July 2015. In your last sentence before	Included.

Performance Indicators	Comments	Assessment Team's Response
	Table 3 (p.27) the percentage value for the year 2013-14 is missing. Please add.	
Specific	Under 3.3.1 you state that central funds constitute around 80% of total LGA revenues (p.27). My understanding from previous statements is that it is around 90%. Please correct.	Corrected.
Specific	The sub-chapter on 3.3.3.2 contains information on funds flow. The way central funds flow to LGA level should be better explained. Some short explanation on the formula-based mechanism for recurrent and development expenditure would improve the understanding.	The information on fund flow has been captured in the sub-national profile.
HLG-1	Table 8 shows the LGA-wise deviations on inter-governmental fiscal transfers. It would be helpful adding one column where you show the average value across all 12 LGAs. This also applies to forthcoming tables.	Incorporated
PI-3	Table 8 shows the LGA-wise deviations on inter-governmental fiscal transfers. It would be helpful adding one column where you show the average value across all 12 LGAs. This also applies to forthcoming tables.	Incorporated
PI-13 (ii)	You mention the Audio Precision System being used by Kasulu to inform taxpayers of the tax type (p.69). Can you please provide some clarification what the AP system is? In the rating summary in Table 37 the dimension shows differences between some LGAs – some are rated C, some D. It	Information on AP system has been incorporated. The rating across LGAs for the underlying dimension does not vary. Hence the comment is now not applicable.

Performance Indicators	Comments	Assessment Team's Response
	should be made clear why this is; what are some doing better than others. What would be the ideal situation?	
PI-14 (ii)	It should be explained why Sangerema and Mtwara receive a NR rating while others receive a D rating. If certain information is not available this should be stated in the narrative or rationale for ratings.	Adequate information has been included.
PI-19 (iv)	Please explain in Table 49 what the criteria (ii) under this dimension entails. It should be made transparent throughout what LGAs need to fulfill to have a better rating.	Included.
PI-21 (i)	Add the %-sign for Kasulu in Table 51.	Included
PI-22 (i)	In the second paragraph (p.92) you write LVAs instead of LGAs. Please correct. Table 56 is not quite clear. Please think of a better way to present the information for a reader that has not read the individual reports and does not know when you visited the single LGAs.	Modified A footnote has been added.
PI-23	In your narrative (p.94) the first two paragraphs are stated double. Please delete one.	Deleted
PI-25 (ii)	1. Please explain why three of the LGAs receive an A rating, the others a B rating. This does not become sufficiently clear. 2. In your rationale text you write that that all LGAs submitted their Financial Statements before 30th September (Table 63). However, Table 62 shows that three LGAs (Lindi,	Now there are 5 A ratings and 7 Bs. A rating is provided for all LGAs which submitted and/or resubmitted their statements within 6 months while B is provided for statements submitted and/or resubmitted within 10 months of the end of the period.

Performance Indicators	Comments	Assessment Team's Response
	Bunda, Mwanza) were late and only submitted in October. Please revise	Rephrased the text with and exception for 2013-14 where the submission date was officially extended to 15th October. Hence all LGA reports were submitted within the prescribed time.
PI-26 (ii)	Table 65 states the dates of receipt by the National Assembly; please include information on when the audit report was submitted to the local legislature.	This information was initially included in Table 70 under PI-28 (i). A cross reference to this has now been added at the bottom of table 65.
PI-26 (iii)	Please include another column in Table 66 stating the average across the 12 LGAs.	Added and included explanation of the averages on the paragraph introducing table 66.

Table 81: Government's comments on the consolidated report

PI/ Section	Comments	Assessment Team Response
General	1.1 On Acronym against definition; a) The TBR -Acronym should be corrected to read "TB" which refers to Tender Board. b) CAG -Comptroller Auditor General should read Controller.... c) TRA -Paraphrased as Tanzania "regulatory" Authority should read Tanzania Revenue Authority. d) PwC - Is not paraphrased, it should be paraphrased to read "Price Water House Coopers". e) LGDG - acronym should be corrected to read LGCDG which should be paraphrased as Local Government Capital Development Grant. f) Page 28 (AG) which is normally paraphrased as Attorney General contradicts with Accountant General; the acronym for Accountant General should be ACGEN. g) The acronym RCMIS- is used in the report but not paraphrased h) The acronym HoDs and WDC are used in the report but not paraphrased	Incorporated

PI/ Section	Comments	Assessment Team Response
	i) The acronym LPO is paraphrased as Local Public Order but the correct, paraphrase is Local Purchasing Order. j) The Names of Counterpart are not included when mentioning the people whom PWC met, kindly mention them. k) The abbreviation of DPLO should read District Planning Officer not Town Planning Officer l) Some of abbreviation words like LLG, SNG,TC, M1, M2, DPG and KfW they are not on the list of acronyms.	
General	Government: On 1.1. Integrated Assessment of PFM performance, specifically on Credibility of the budget (PI 1-4 & HLG-1), statement “lack of effort by LGAs to raise revenues” need to be revised to “there is weakness in revenue collection, though the efforts to improve revenues have started.	The comment has been made in line with observations made the CAG in its management letter for various LGAs.
General	Government: The consultant has indicated on page 16, that PEFA secretariat and KfW has agreed that Mtwara Mikindani has not been carried out as a repeat assessment. This paragraph should consider that the government has also agreed on the same.	Incorporated.
Introduction	1) The is a need to consider government efforts in addressing weakness identified by 2013 Central PEFA. It is suggested that the sentence "Reforms are underway to bridge the gaps identified in the PEFA assessment of Central Government Mainland Tanzania" to be replaced by "the government has started implementing the action plan drawn to address the gaps identified in the PEFA assessment of Central Government Mainland Tanzania. "The government of Tanzania has been implementing Public Financial Management Reform program...." 2) The sentence "With the support of the EuropeAid, the 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". The study was supported by European Union and not by of Europe Aid.	1,2,3,4: Incorporated. 5, The source of the information is Terms of Reference of the PEFA assignment. However, the statement has been removed.

PI/ Section	Comments	Assessment Team Response
	3) The 2nd need to consider government efforts in addressing weakness identified by 2013 Central PEFA. It is suggested that the sentence "Reforms are underway to bridge the gaps identified in the PEFA assessment of Central Government Mainland Tanzania" be replaced by the words "the government has started implementing the action plan drawn to address the gaps identified in the PEFA assessment of Central Government Mainland Tanzania. 4) The sentence "However, these reforms at the national level do not directly deal with financial management assessments of the Local Government Authorities (LGAs)" is misleading because since 1998 when the reform started to date, all reforms directly deal with the Financial Management in LGAs. Some of the components under the reform deals with Financial Management in LGAs such components are IAG, PMOLARG, CB, ACGEN, KRA 6, PPD, PPRA. This is evidenced in the PFMRP annual work plans. 5) Sentence "Nearly 20-25% of general government expenditure is spent at the local government level". The consultant has to provide the source of the data.	
Objectives	Process of preparing the report 1. The 2nd paragraph on participants of the kick starts meet need to revise to include other participants. It is suggested that the sentence has to read "These included key officials in PFMRP Secretariat, offices of the Internal Auditor General and the Controller and Auditor General, Accountant General, Ministry of Finance, President's Office-Public Service Management, Prime Minister's Office Regional Administration and Local government, Development Partners including KfW who are financing the assessment and various departments of Ministry of Finance concerning local government budgeting, planning, and payroll. 2. The sentence "However, these reforms at the national level do not directly deal with financial management assessments of the Local Government Authorities (LGAs)" is misleading because since 1998 when the reform started to date, all reforms directly deal	The information is appropriately covered in the sections. Relevant text is as follows: “The broad scope of the assignment was finalized in the kick-off meeting. PFMRP Office, MoF played a critical role in facilitating meetings with the concerned stakeholders. These included key officials in PFMRP Office (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) and various other departments of the MoF concerning

PI/ Section	Comments	Assessment Team Response
	with the Financial Management in LGAs. Some of the components under the reform deals with Financial Management in LGAs such components are; IAG, PMOLARG, CB, ACGEN, KRA 6, PPD, PPRA. This is evidenced in the PFMRP annual work plans.	local government budgeting, planning, and payroll."
1.4	Context of the assessment- Data issues The first sentence in the first paragraph, "Analysis by the consultants had shown that there were material variations in key data among different source documents such ....." The word material variations is too strong and has a bad connotation, it therefore suggested that the words material to be replaced by the word "some". The sentence will read "Analysis by the consultants had shown that there were some variations in key data among different source document such ....." 1. The name of Raheli Ntiga is missing on Appendix 3 - list of people met.	The comment on data issues has been included in Annex in the Final Consolidated Report. The suggested name has been included.
HLG1	Sengerema: The council is not in the position to know the time and when the HLG can release funds to LGA'S, thus it is not easy for the council to prepare the timetable for the year distribution of disbursement due to uncertainty in release of fund from the central government Kigoma: The missed documents are submitted to PWC for verification. Mtwara Mikindani: The LGA do not have a mandate or power to force the central government to transfer funds to LGA on promptly time.	Sangerema: Noted. The dimension has been rated accordingly. Kigoma: The indicator has now been rated. Mtwara: Noted. The objective of the indicator is to present the reliability of central government transfers which impacts LGA's ability to execute budget. LGAs are not evaluated under the indicator. The purpose is only to support the context under which financial

PI/ Section	Comments	Assessment Team Response
		management systems of the LGA needs to be assessed.
PI-1	Sengerema: Timetables are not provided because funds are received after ceiling committee of the particular month. There is no assurance when funds are going to be released. Korogwe: Funds received were lesser than the budget expenditure could not 100% due to procurement and contract management procedures. Kigoma Ujiji MC: The Council make expenditure according to funds released from Central Government. Timetables are not provided because funds are received after ceiling committee of the particular month. There is no assurance when funds are going tc be released. Mtwara Mikindani MC: Figures used to assess dimension was inappropriate on the sources related to AFS Correct. Timetables are not provided because funds are received after ceilin committee of the particular month. There is no assurance when funds are going to be released. Information used for dimension on this indicator does not show the true figure on financial statements report in year 2011/12-14. The assessment team used the unaudited financial statement report for the year 2011/12 while the audited report availed to them.	Sangerema: Noted. Korogwe: Noted. Kigoma: Noted. Mtwara: Noted. Please refer to the Annex 7 of the Final Individual PEFA Report.
PI-2	Longido: The overall rating should be improved.	Longido: The indicator has been rated as per the methodology.

PI/ Section	Comments	Assessment Team Response
	Mwanga DC: Expenditure variance from the 12 cited Departments was caused by ether undeceived or uncollected revenue or excess funds received in the course of budget implementation. For example in 2012/2013 budget, the Council received Tshs. 373,614,0000/ = from the Local Government Loans Board. Similarly, receipt of on call allowances for health staff as well as payment of various entitlements to Teachers added on to the original budget. Besides, these variances can only be noted is referred in the original budget although revised budget has been adjusted in compliance to the laws. We may deserve more than (D) rating. Mtwara Mikindani MC: Overall score C+ There was a mistake on rating this indicator so it needs to be revised. The assessment team used the unaudited financial statement report for the year 2011/12 while the audited report availed to them	Mwanga DC Noted. The objective of the indicator to assess if expenditure allocations across the department is a reliable estimate at the start of the financial year. The examples mentioned by the LGA substantiates the D rating. Mtwara: The indicator has now been assessed based on audited annual financial statement.
PI-2 (i)	1. Longido DC: At Longido DC variance in expenditure composition exceeded 15% across all of the last three financial years. This is noted for future rectification, However we scored D in (i) and A in (ii) how did you get D as an average? 2. Korogwe TC: Funds received were lesser than the budget expenditure could not 100% due to procurement and contract management procedures 3. Mtwara Mikindani MC: Dimension rating D	Longido DC The rating has been revised. Korogwe TC Noted. Mtwara:

PI/ Section	Comments	Assessment Team Response
		Noted.
PI-2 (ii)	Mtwara Mikindani MC: Dimension rating A	Noted
PI-3	1. Korogwe TC: Currently there is improvement in the collection of own source revenue whereby - Revenue collection contract is well managed - Increase of other source of revenue example Property tax -Collection by using electronic method 2. Mtwara Mikindani MC: Figures used to assess dimension was inappropriate on the sources related to AFS Since the source data was not reliable on the valuation then this indicator need to be revised.	Korogwe Noted Mtwara: The assessment in the final report is based on the revised information made available.
PI-4	1. Longido DC: Since the information is provided to PWC, we expect improvements on the rating. 2. Kigoma Ujiji MC: There is a need for capacity building in this dimension for improvement 3. Mtwara Mikindani MC: Revise rating The dimension (i) need to be assessed again. We were agreed together with assessed team that aging analysis was included in the audited financial statements reports for all 3 accounting years.	Longido DC The assessment in the final report is based on the revised information made available. Kigoma Noted. Mtwara: The assessment in the final report is based on the revised information made available.
PI-4 (i)	1. Longido DC:	The assessment in the final report is based on the revised information made available.

PI/ Section	Comments	Assessment Team Response
	The information on arrears has been submitted to PWC.And more details are revealed in the Accounting Schedules as the attachment of Financial reports. 2. Korogwe TC: Aging payables for 2012/2013 - 2013/2014 are available for verifications 3. Kigoma Ujiji MC: Data on arrears for year 2012/2013 are submitted to PWC for verification	
PI-4 (ii)	1. Longido DC: The Accounting Schedules provided to you replies this question. 2. Mtwara Mikindani MC: The reliable data availed on AFS	The assessment in the final report is based on the revised information made available.
PI-18	1. Overall: Payroll Controls - The word "payroll cleansing exercise should read "Payroll Cleaning exercise". However, there are some areas which still need to be strengthened. The internal controls over the payroll are still weak. I suggest this sentence to be added here "however, the Paymaster General (PMG) had issued the circular requiring all internal auditors in the Ministries and Local Government Authorities to put into their annual work plans, the audit of payroll at least two times annually". 2. Longido DC: Since the required information for PI-18 (ii) has been shared, we expect the general rating and PI-18 (ii) to be improved. However we scored A in (i), C in (iii) and B in (iv) is it correct to have an average of D+? 3. Mtwara Mikindani:	1. General: Rephrased. 2. Longido: The information provided was not the only reason for the rating. This has been retained. The overall score is D+ in line with M1 aggregation method as per the PEFA Field guide. This is different from mathematical averaging. 3. Mtwara Mikindani This overall rating has now changed from NR to D+ in line with M1 rating, it was initially incorrectly aggregated.

PI/ Section	Comments	Assessment Team Response
	This indicator was not rated so need to be revised.	
PI-18 (ii)	1. Longido DC: This is done through the HCMIS system in updating personnel records and payroll for every month before the salary payments eg. Termination of retiree and deceased (before salary payments. 2. Korogwe TC: The Authority (TAMISEMI) should provide directives	1. Longido DC Noted. 2. Korogwe TC Noted.
PI-19 (i)	1. Korogwe TC: Supplies officers have attended training that allow them to prepare LPO from the epicor system 2. Mtwara Mikindani MC: All information was submitted to the assessment team PWC	Noted for both. The legal system is centralised, hence all LGAs have been rated equally.
PI-20 (i)	Korogwe TC: Currently all LPO's of KTC are prepared from the epicor system	This comment was provided post-review confirmation of which is subject to a physical verification. Recorded in the report is the status as at the time of the assessment.
PI-21	Internal Audit - We suggest this sentence to be included here "Internal Auditor General Division through Quality Assurance Section has issued a Report Format that requires among other things, all Quarterly Internal Audit reports to indicate the status of implementation of previous audit recommendations (both CAG and Internal Audit".	Now included in the background section of PI-21.
PI-27	Mtwara: The documents on the extent to which the council procedure are established also adequacy of time for to provide a response to budget proposals were available to assessment team	The information requirement was subsequently considered and the indicator was rated accordingly.

PI/ Section	Comments	Assessment Team Response
PI-27 (i)	Korogwe TC: The minutes is submitted to PWC for verifications	Reviewed and the dimension was rated C, accordingly.
PI-27 (ii)	Korogwe TC: Orders are submitted to PWC for verifications	Reviewed and the dimension was rating C, accordingly.
PI-28	1. Longido: The overall ranking for this indicator is not fair since the council has obtained C in P1-28(ii) and B in p1-28 (iii) the average of NR is not correct. 2. Longido: We do not have donor ceiling, secondly their financial year differ with our financial calendar year. There are negotiations going on how to incorporate this in our formal budget procedure	1. Rating is revised after consideration of the availed information. 2. Noted. But this recommendation seems not to be relevant for any dimension under PI-28.
PI-28 (i)	1. Longido: The absence of the dates of receipts of audit report by the District Council and approval by the Full Council for 2010-11. This dimension is not been rated. Minutes of full of 26/07/2012 and Finance Committees of 12/06/2012 are submitted to PWC for verification 2. Korogwe TC: The minutes is submitted to PWC for verifications.	1. Minutes reviewed and rating updated. 2. Minutes reviewed and rating updated.

Appendix 8. Data Issues

The indicators, PI-1 and PI-2, analyze overall budgetary performance (Budget vs Actual expenditure). While PI-1 assesses it in total, PI-2 assesses it broken into the various components of expenditure.

The HLG-1 indicator analyses the planned and actual transfer of funds to LGAs and therefore supplements the analysis of the other 2 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 had shown that there were 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. These have already featured in a different note given to stakeholders earlier.

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 main 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 there are separate indicators for assessment at the central level.

Our conclusions based on further investigations are:

1. For Budget and Actual expenditures, notes to the Annual Financial Statements (AFS) containing these figures may be taken as the most reliable since they have undergone the test of independent scrutiny by the CAG. This will also satisfy the PEFA guide requirement of both the figures for comparison being taken from the same source document for comparability across PEFA assessments.
2. 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. Even if we were able to compile the donor support budgeted figures from other source documents (such as the national budget documents), the actual donor expenditures would still not be available.
3. PEFA Field guide allows donor funds to be included as a part of the total analysis and not be deducted where they do not comprise a significant part of the entity total expenditure. Our studies for Mvomero have shown that 80% of the fund transfers are from domestic sources and include personnel emoluments. In addition, since the LGA does not have any direct donor funding, all the transfers it receives is through the budgetary route only.
4. Under these circumstances, we are proposing that donor funded expenditure be included in the total analysis and not be deducted for assessment of PI 1 and 2. To ensure consistency across indicator wise assessments, the segregation of transfer between donors and the Central Government will also not be done for HLG 1. This will

obviate 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.

5. The same concept is proposed to be used in the assessment reports for all the other LGAs

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.

Appendix 9. Terms of Reference

Terms of Reference for

Undertaking a sub-national[1] (Local Government) PEFA Assessment in TANZANIA

[1] A sub-national profile setting out the overall sub-national structure; main functional responsibilities of the SNG; sub-national budgetary systems; sub-national fiscal systems; sub-national institutional (political and administrative) structures is attached as Annex A (to be completed at planning stage)

Appendix 10. Organizational Structure of Ministry of Finance and PM-RALG, Government of Tanzania

Figure 3: Organizational Structure for MoF

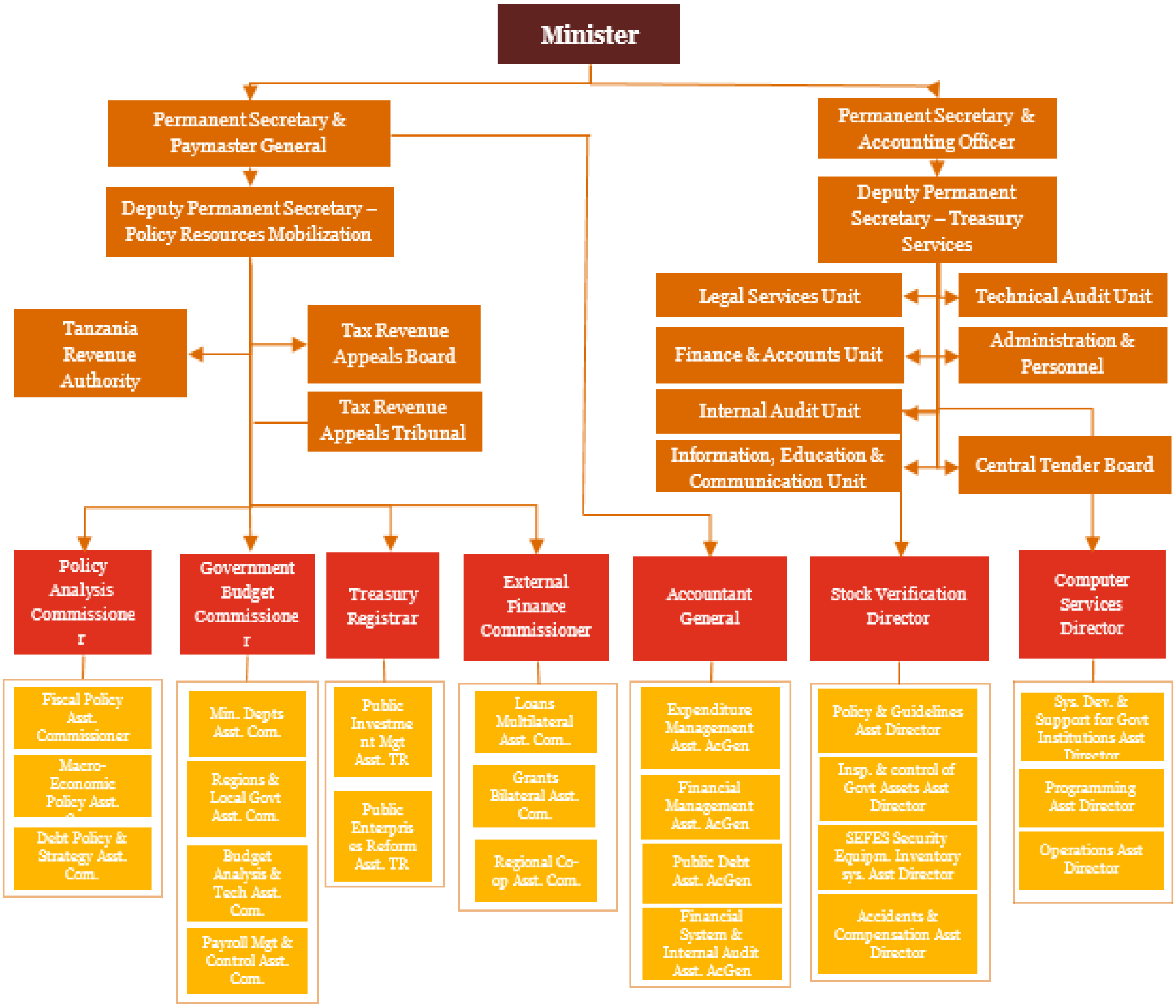
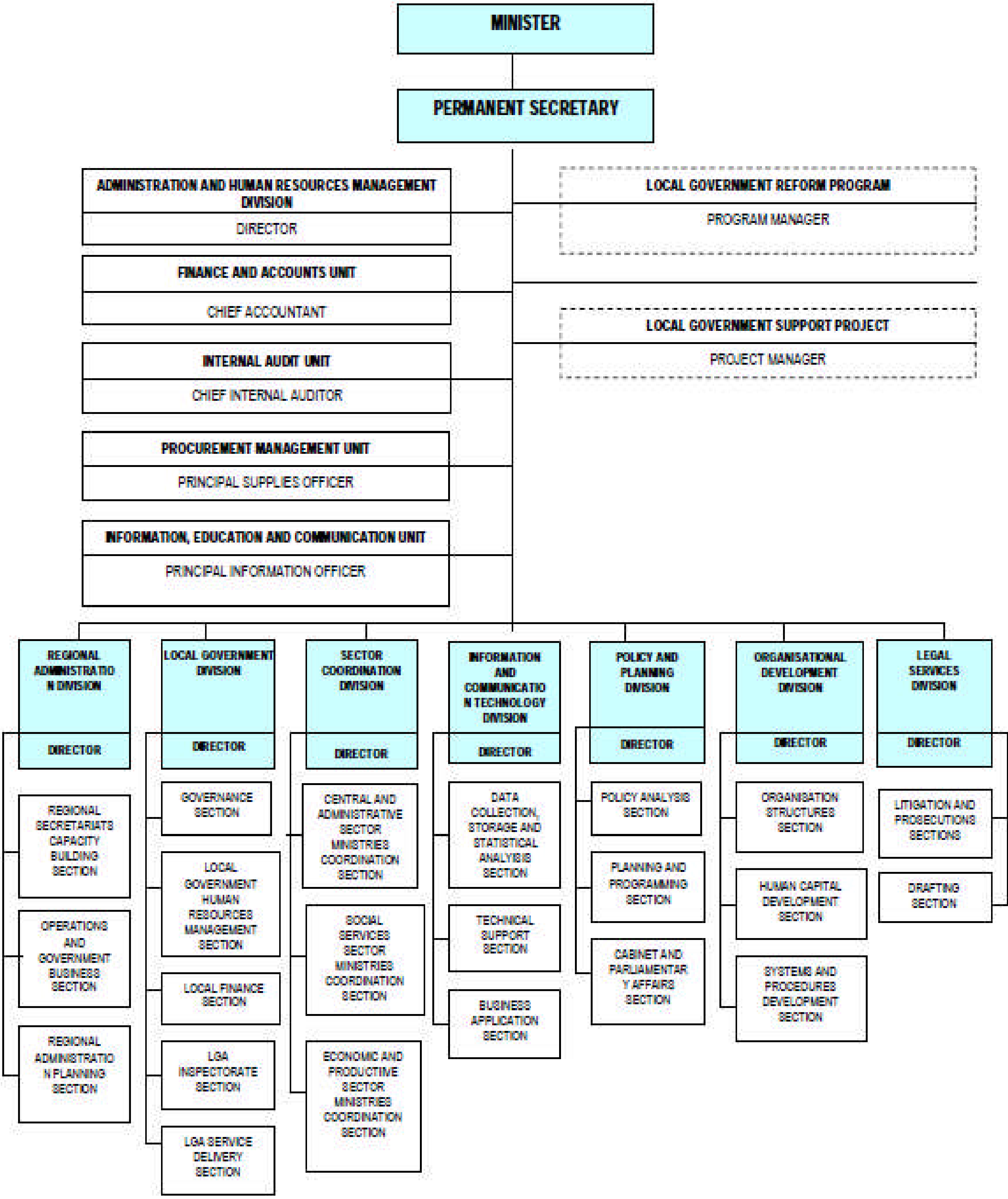


Figure 4: Organizational Structure for PMO-RALG



The primary purpose of this Consolidated Sub-national Government PEFA Assessment report is to present our key findings of PFM situation across LGAs. 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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