



**The Revolutionary Government of Zanzibar (RGoZ) PEFA Assessment,
2018**

Public Financial Management assessment following PEFA methodology for the
RGoZ

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the **'PEFA CHECK'**.

PEFA Secretariat
April 3, 2019



The Revolutionary Government of Zanzibar

Public Expenditure and Financial Accountability (PEFA) Assessment, 2018

FINAL Report

April 2019



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Financial year in Zanzibar = July to June

Currency = Tanzanian shillings (TZS)

Exchange rate = US\$1 = TZS 2,300 at 1 October 2018

Abbreviations and acronyms

ADB	African Development Bank
BoT	Bank of Tanzania
CAG	Controller and Auditor General
CIA	Chief Internal Auditor
CPO	Central Payment Office (MoFP)
CPS	Central Payment System
CSD	Civil Service Department
CS-DRMS	Commonwealth Secretariat – Debt Recording and Management System
DFID	Department for International Development (United Kingdom)
DPs	Development Partners
GAAP	Generally Accepted Accounting Practice
GBS	General Budget Support
GFS	Government Finance Statistics (IMF system)
GoT	Government of Tanzania
HBS	Household Budget Survey
HoR	House of Representatives
IAU	Internal Audit Unit
IFMS	Integrated Financial Management System
IMTC	Inter Ministerial Technical Committee
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
LGAs	Local Government Authority
MDAs	Ministries, Departments, and Agencies
MoFP	Ministry of Finance and Planning (Zanzibar)
MKUZA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Zanzabar (Zanzibar Strategy for Growth and Reduction of Poverty: ZSGRP).
MTEF	Medium-term Expenditure Framework
OCAG	Office of the Controller and Auditor-General
PAC	Public Accounts Committee (HoR)
PEFA	Public Expenditure and Financial Accountability
PFMA	Public Finance Management Act, 2016
PFM-PR	Public Financial Management – Performance Report (PEFA report)
PFMRP	Public Financial Management Reform Programme
PSRP	Public Sector Reform Programme
RGZ	Revolutionary Government of Zanzibar
TAB	Tax Appeals Board
TAP	Tax Administration Project
TIN	Taxpayer identification number
TRA	Tanzania Revenue Authority
TZS	Tanzania shilling
VAT	Value Added Tax
VRN	VAT registration number
ZIFA	Zanzibar Institute of Financial Administration
ZRB	Zanzibar Revenue Board
ZSSF	Zanzibar Social Security Fund
ZSTC	Zanzibar State Trading Corporation

Executive summary

Purpose and management of the assessment

The overall objective in preparing this document is to assess the public financial management (PFM) system operated by the Revolutionary Government of Zanzibar (RGoZ), using the 2016 PEFA Performance Measurement Framework.

Since 2003/2004 the RGoZ has undertaken reforms in Public Financial Management (PFM) to address challenges in the management and control of public finances and to promoting good financial governance and accountability. These reforms have been undertaken under the PFM Program (supported by Norwegian Embassy between 2007/08 and 2011/12) and PFMRP in phases up to the present, and the following milestones have been achieved:

1. Improved budget, budget execution and accounting, following the implementation of the IFMIS;
2. An integrated Human Resource Management and Payroll system has been procured;
3. Human Resource Capacity has been strengthened, through a significant amount of training, including establishing internal audit units and PMUs in all MDAs;
4. Systems for budgeting and monitoring have been improved not uploaded directly to the IFMIS;
5. Aid management information systems and procedures have been installed.

This "PEFA Assessment" ("Assessment") provides an analysis of the current performance of all aspects of Zanzibar's PFM systems, and establishes a baseline against which future developments can be measured.

Assessment management, coverage and timing

The assessment was managed by an Oversight Team Chaired by the Principal Secretary and comprising senior staff of the Ministry of Finance and Planning. Beneath this team, a Task Force Secretariat was established, and an Assessment Manager appointed. The Assessment Team from INNOVEX Development Consulting Ltd comprised of Philip Sinnett (Leader); Leonard Chacha Kitoka, and Bahiya Tajiri (consultants).

The concept note and assessment report were reviewed by the Oversight Team and:

- Devinder Goyal, (Chief Regional Financial Management Coordinator), Eline Okudzeto (Principal Governance Officer), François Nkulikiyimfura (Chief Governance Officer), Mr. Godfrey Kaijage (Principal Financial Management Officer) African Development Bank;
- Svein Olav Svoldal Country Economist, Royal Norwegian Embassy; Hakon Mundal, NORAD
- Simon Moshy, Public Finance Management DPG Coordinator, United Nations Development Programme;
- Ministry of Finance and Planning, RGoZ;
- PEFA Secretariat.

This Assessment covers the Revolutionary Government of Zanzibar, a semi-autonomous component of the United Republic of Tanzania. The fieldwork underpinning the document was undertaken in October 2018, and most indicators were assessed using data from 2018 and the two previous completed Financial Years.

Impact of PFM Systems on the three main budgetary outcomes

Aggregate fiscal discipline

As can immediately be seen from the first three indicators (PIs-1, 2 and 3) fiscal discipline is not good: the gaps between planning both revenues and expenditures and the actual outturns are significant, although it is recognised that a failure to realise planned revenues from own or external sources may lead to reductions in expenditures.

However, several elements in the overall PFM system that contribute to achieving fiscal discipline are not functioning beyond a basic level. For example, there appear to be significant unreported operations (PI-6, rated 'D' partly due to a lack of data), expenditure arrears are not monitored (PI-22.2, rated 'D'), and commitment controls are no more than basic (PI-25.2, rated 'C').

Furthermore, several risks to attaining fiscal discipline are apparent, such as a lack of monitoring fiscal risks from other Public Sector entities, including contingent liabilities and 'Public Private Partnerships' (PI-10), and RGoZ lacks a debt management strategy (PI-13.3, rated 'D').

On the other hand, a number of positive elements that contribute to the achievement of aggregate fiscal discipline, should be noted: these include predictability in the availability of resources (PI-21, rated 'B+') and the low level of expenditure arrears (PI-22.1). In addition, two of the new indicators that relate to this budgetary outcome are functioning reasonably well ('Macroeconomic and Fiscal Forecasting' – PI-14 rated 'B' – and 'Fiscal Strategy' PI-15, rated 'C').

Finally, several elements of the system concerned with budget execution – including internal controls and in-year monitoring – are no more than 'functional' and contribute little to the attainment of aggregate fiscal discipline.

Strategic allocation of resources

Four of the five indicators concerned with 'policy-based fiscal strategy and budgeting', (PIs 14 to 18) received satisfactory – or better – overall ratings, and demonstrate that the processes to allocate budgetary resources in accordance with RGoZ's declared strategic objectives are essentially sound. In particular, the budget preparation process works very well as do the oversight arrangements (PIs-17 and PI-18 are both rated 'B+'). The exception is PI-16, which suffers from a lack of ceilings in the BCC, and difficulties in aligning strategic plans with the budget (PI-16, rated 'D+').

Most of the other indicators that contribute to the strategic allocation of resources function well, notably the comprehensiveness of the budget documentation, and its classification in accordance with international norms (PIs 5 and 4, rated 'A' and 'C' respectively). However, the indicators related to the revenue collected specifically for RGoZ (PIs 19 and 20) are concentrated on a relatively small number of payers (and not on the revenue collected by the (mainland) Tax Department, which is considered as revenue transferred from the URT budget), and here the management and accounting arrangements are weak.

There are two completely new indicators relevant to this budgetary outcome, the first of which 'Public Investment Management' (PI-11) is rated as basic ('C'), while the second relates to the way a government manages its assets, and the practice in RGoZ is undergoing a number of improvements, but at present, fails to meet "generally accepted good practices", and is rated 'D+' (PI-12).

The one negative point is that while resources may be allocated strategically, they are not always used in the manner intended, as can be seen in the weak ratings for PI-2, rated D+.

Efficient use of resources for service delivery

In terms of the efficient use of resources, PFM performance is mixed. On the positive side, Zanzibar's control over its own revenue functions is basic but satisfactory (PIs-19 and 20), and information about service delivery is sound (PI-8, 'C+'): this demonstrates that services to citizens are delivered with transparency, which should support efficiency. This is reinforced by the indicator related to the predictability of resource allocation in the year (PI-21, rated 'B+') which should mean that citizens can expect to receive the services they are promised (when the budget is approved): however, this will only be the case if revenues are realized as planned, and this is contradicted by the poor rating for PI-3 (rated 'D').

However, most of the mechanisms in place to reduce possible leakages in the system — such as internal controls, procurement, and controls over payroll (PIs 25, 24 and 23 respectively) — are weak, and it should also be noted that RGoZ has embarked on the 'D-by-D' process, and as this gets underway, it will take time for the financial relationships between the levels of government to evolve (PI-7, rated 'C+') which may well impact on the delivery of services.

When coupled with other weaknesses elsewhere in the system, such as the fact that the implementation of the modern concept of internal audit is just getting under way (revised structures have recently been established, PI-26, rated 'D+'); accounting control mechanisms are sound (PI-27, 'B'); there are weaknesses in budget execution (PIs-1, 2, and 3); and, limited fiscal data published (PI-9, rated 'D'), it is difficult to conclude that service delivery could not be improved.

Lastly, it must be noted that the oversight arrangements (addressed in PIs 30-31) are less than fully effective. While the CAG is independent with an extensive mandate (PI-30.4), the budget is controlled by the MoFP, and there are delays in completing annual audits. In addition, no independent review of OACG has been carried out to provide assurance on whether international audit standards are generally applied. More positively, the HoR does scrutinize the audited financial reports that have been submitted, and hearings have taken place, though not in public sessions (PI-31, rated 'B').

In conclusion, the RGoZ's PFM system is evolving, and working through a number of very significant changes. The system currently operates at a satisfactory – though in places rather basic – level, with several areas for future improvement.

Performance changes since last assessment

This was the first assessment of the RGoZ using the Upgraded PEFA Framework, (2016) and in view of the passage of time, it was agreed that a comparison with the 2010 report would not be of value.

Table 1: Overview of PEFA indicators scores

PFM Performance Indicator		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
Pillar I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	D				D
PI-2	Expenditure composition outturn	M1	D*	D	A		D+
PI-3	Revenue outturn	M1	D	D			D
Pillar II. Transparency of public finances							
PI-4	Budget classification	M1	D				D
PI-5	Budget documentation	M1	A				A
PI-6	Government operations outside financial reports	M2	D	D	D*		D
PI-7	Transfers to subnational governments	M2	D	A			C+
PI-8	Performance information for service delivery	M2	A	A	D	D	C+
PI-9	Public access to fiscal information	M1	D				D
Pillar III. Management of assets and liabilities							
PI-10	Fiscal risk reporting.	M2	B	D	D		D+
PI-11	Public investment management	M2	C	C	C	C	C
PI-12	Public asset management	M2	C	D	C		D+
PI-13	Debt management	M2	B	B	D		C+
Pillar IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	B	A	C		B
PI-15	Fiscal strategy	M2	C	C	C		C
PI-16	Medium-term perspective in exp budgeting	M2	A	D	D	D	D+
PI-17	Budget preparation process	M2	A	C	A		B+
PI-18	Legislative scrutiny of budgets	M2	B	A	A	A	B+
Pillar V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	C	C	D*	C+
PI-20	Accounting for revenue	M1	A	A	D		D+
PI-21	Predictability of in-year resource allocation	M2	A	A	C	A	B+
PI-22	Expenditure arrears	M1	B	D			D+
PI-23	Payroll controls	M1	A	C	A	D	D+
PI-24	Procurement	M2	D	D	D	B	D+
PI-25	Internal controls on non-salary expenditure	M2	B	C	D		C
PI-26	Internal audit	M1	B	C	D	D	D+
Pillar VI. Accounting and reporting							
PI-27	Financial data integrity	M2	B	NA	NA	B	B
PI-28	In-year budget reports	M1	D	D	D		D
PI-29	Annual financial reports	M1	C	B	C		C+
Pillar VII. External scrutiny and audit							
PI-30	External audit	M1	D	D	D	C	D+
PI-31	Legislative scrutiny of audit reports	M2	C	A	B	C	B

1. Introduction

1.1 Rationale and purpose

This PEFA assessment is intended to enhance the effectiveness of Zanzibar's PFM systems and aid the Revolutionary Government of Zanzibar (RGoZ) to consolidate its ongoing and planned reforms and to optimize the outcomes. More specifically, the assessment has undertaken an independent assessment of the quality and performance of PFM systems in Zanzibar for the financial years 2015/16; 2016/17; 2017/18 (it was agreed that due to the lapse of time, a comparison with the earlier assessment would be of limited value). In doing so, it has provided a diagnostic analysis that can be used as the basis for dialogue on PFM reforms that will inform future updates and design work on the PFM reform strategy and subsequent action plans. Additionally, this work will inform the Monitoring and Evaluation Framework and will enhance the dialogue between the RGoZ and its Development Partners and other key stakeholders on PFM in the country.

1.2 Assessment management and quality assurance

PEFA assessment management organization

Oversight Team — all Ministry of Finance and Planning, Zanzibar:

Mr. Khamis Mussa Omar – Principal Secretary (Chair);
 Mr. Iddi Haji Makame – Deputy Principal Secretary, (Deputy Chair);
 Ms. Mwanahija Almas Ali – Accountant General;
 Mr. Mwita M. Mwita – Commissioner of Budget.
 Ms. Bihindi Nassor Khatib – Commissioner for External Finance;

Representing the Development Partner Group supporting PFM strengthening in Zanzibar:

Mr. Godfrey Kajjage –Principal Financial Management Officer, African Development Bank (AfDB);
 Mr. Francois Nkulikiyimfura – Chief Governance Officer – African Development Bank (AfDB);
 Mr. Simon Moshy – Coordinator, PFM Development Partners Group, (UNDP).

Task Force Secretariat – all Ministry of Finance and Planning, Zanzibar:

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Review of concept note and/or terms of reference

Devinder Goyal, (Chief Regional Financial Management Coordinator), Eline Okudzeto (Principal Governance Officer), François Nkulikiyimfura (Chief Governance Officer), Mr. Godfrey Kajjage –Principal Financial Management Officer) African Development Bank;
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Review of the assessment report, January 2019

Invited reviewers who provided comments:
 Government of Zanzibar,
 PEFA Secretariat,
 Davinder Goyal, Chief Regional Financial Management Coordinator, AfDB
 Hakon Mundal, NORAD

1.3 Assessment methodology

In undertaking this assignment, a team of consultants studied PFM systems in Central Government entities, Public Entities and Local Government. A representative sample of Ministries, Departments and Agencies was selected for the study.

The Assessment has followed the standard PEFA assessment process for Central Government, Public Entities and Local Government and has used all the indicators: the analysis and findings are presentation of in line with the PEFA guidelines (so, for example "D*" is used in PI-6.3 where no data is available).

The consultants studied previous diagnostic reports on the Country's PFM systems, the PFM Reform Strategy and related Action Plan, various financial management progress reports, reports of the Controller and Auditor-General, Consolidated financial statements, Internal Audit reports, and other relevant documentation.

The performance assessment process was monitored and endorsed by the Ministry of Finance and Planning through the Principal Secretary, and the work was financed by the African Development Bank. The consulting team were most appreciative of the assistance provided by the 'PEFA Technical Team' formed from staff of the MoFP.

2. Country background information

2.1 Country economic situation

Country Context

As a semi-autonomous part of the United Republic of Tanzania (URT), Zanzibar has two main islands (Unguja and Pemba) and its own government: 'the Revolutionary Government of Zanzibar' (RGoZ). The URT was formed in April 1964, when Tanganyika and Zanzibar agreed 'Articles of Union'. The following year, the Tanganyika Constitution was amended to accommodate the Union structure and in 1977 the URT Constitution was enacted, establishing a unique federal arrangement which allows Zanzibar to enjoy significant autonomy over internal affairs including its own constitution, development policy and budgetary matters.

The RGoZ is made up of the Revolutionary Council and the House of Representatives (HoR), which has a similar composition to the National Assembly of Tanzania: 50 members are elected directly from electoral constituencies to serve five-year terms; 10 members are appointed by the President of Zanzibar; 15 special seats are for women members of political parties that have representation in the House of Representatives; six members serve ex officio, including the attorney general. Five of these 81 members are then elected to represent Zanzibar in the National Assembly. Zanzibar has its own Presidency, and Judiciary, as well as three tiers of deconcentrated government structures: five regional administrations (with their own budget votes) three on Unguja: Zanzibar Central/South, Zanzibar North and Zanzibar Urban/West; and two on Pemba: Pemba North and Pemba South); eleven district administrations – i.e. local governments, which are elected on a ward basis in 111 wards; and 388 shehias.

The 2012 census showed a population of 1.3 million, with an annual growth of 2.7% (although the Office of Statistics projected a figure of 1,534,291 by 2017). The average annual income per head is US\$250. About half the population lives below the poverty line. Life expectancy at birth is 57 years, which is significantly lower than the 2010 world average of 67.2.

Zanzibar has consistently remained politically stable and peaceful. On 25 October 2015, Tanzania held its fifth General Elections since the reintroduction of multi-party democracy in 1992. Chama cha Mapinduzi (CCM) won a majority of votes and Dr. Ali Mohammed Shein took office as the seventh President. His Government started off promisingly by addressing evasion of taxes and curbing wasteful public spending. As a result, tax collection by the Zanzibar Revenue Board and the Tanzania Revenue Authority (Zanzibar) has surpassed monthly targets ever since.

In December 2015, the Government reorganized its Ministries, including moving the Planning Commission from the President's Office back to the Ministry of Finance.

Economic Growth

2017 statistics show that the economy grew by 7.5% compared with 6.8% in 2016 and 6.5% the previous year: this has been attributed to increases in clove production as well as in the number of tourists from 376,242 in 2016 to 433,474 in 2017. GDP stands at TZS 2,628 billion, which is TZS 1,806,000 (USD 830) per capita in 2016. The services sector contributed 45.1% to GDP in 2016 (and an average of 43.1% over the last five years), with an average growth of 7.1% per annum. Agriculture has the second largest contribution to GDP, at 25.7% in 2016 and an average of 27.9% over the last five years. It is reported that this sector grew by 5.7% in 2016 and has been

growing at an average of 2.5% per annum. The smallest – yet fastest growing – sector is industry, which contributed 18.6% of GDP: while this sector is relatively small, it grew by 9.7% in 2016 and by an average of 7.5% over the last five years.

Employment

Total employment for all sectors (i.e. Government, Parastatals and Private) increased from 54,302 in 2016 to 56,140 in 2017 of whom males were 31,341 and females were 24,799 employees. Unlike the Government sector, both Government parastatals and private sectors had higher number of male employees than female employees. The total wage bill in 2017 was TZS 446,092 million.

The total number of **Government** sector employees in 2017 was 31,342 in which the number of female employees (16,459) was higher than the total number of male employees (14,883), as was the case for many industries. The total number of **Parastatal** employees in 2017 was 5,547 out of which 3,839 were male and 1,708 were female employees. Transportation and storage industry had the highest number of 1,766 employees compared with other industries. The results show a Parastatal sector with a total wage bill of TZS 69,969 million.

In 2017, the total number of **Private sector** employees was 19,251 of which 12,619 were males and 6,632 were females: of the total, 9,717 were employed in the accommodation and food services industries. In general, more males than females were employees in 2017. The wage bill for all private industries was TZS 126,417. Financial and insurance activities industry accounted for higher composition to total wage bill TZS 17,403 million in 2017.

TABLE 2.1: Selected economic indicators

	2015/16	2016/17	2017/18
GDP (TZS, Bil)	2,310	2,628	3,101
GDP per capita (TZS, '000)	1,633	1,806	2,021
Real GDP growth (%)	6.5	6.8	7.5
Gross government debt (% of GDP)	>1%	>1%	>1%
Total external debt (% of GDP)	>1%	>1%	>1%
Exchange rate (TZS to US \$)	1,997	2,177	2,229

Source: Ministry of Finance and Planning

2.2 Fiscal and budgetary trends

TABLE 2.2: Aggregate fiscal data

TZS '000	2015/16	2016/17	2017/18
Total revenue			
– Own revenue	428,511,220	521,883,570	688,755,000
– Grants	38,914,000	46,865,000	38,115,000
Total expenditure			
– Non-interest expenditure	545,181,370	571,476,631	911,777,926
– Interest expenditure	7,704,457	9,331,647	11,166,36
Aggregate deficit	15,943,312	198,841,398	(3,876,504)
Primary deficit	8,238,855	189,509,751	(15,042,865)
Net financing			
– External	65,997,918	66,830,479	156,295,000
– Domestic	20,857,430	8,108,120	20,000,000
– Transfer from URT to RGoZ	7,674,000	5,656,500	3,153,000
Public debt	240,244,783	252,408,898	311,889,976

Source: Bank of Tanzania 'Monetary Policy Statement', Mid-Year Review, February 2018

The RGoZ raised domestic revenue of TZS 418 Bil in 2015/16 compared with TZS 362 Bil in 2014/15, an increase of 15.5% of annual growth rate. Of the domestic revenue collected, 93% (TZS 390 Bil) was from taxes while the remaining TZS 28 Bil was non-tax revenue. In 2015/16, RGoZ received external revenue of TZS 147 Bil, of which loans were TZS 70 Bil and TZS 77 Bil were grants. Actual expenditure of RGoZ was TZS 474 Bil in 2015/16, a decrease of almost 1% from 2014/15. Out of the amount spent in 2015/16, recurrent expenditure was TZS 396 Bil and development expenditure was TZS 78 Bil.

TABLE 2.3: Budget allocations by function (COFOG)

Actual budgetary allocations by sectors TZS '000		2015/16	2016/17	2017/18
		Actual	Approved	Estimate
01	General public services	381,018,415	474,648,047	415,385,773
02	Defence	47,435,297	32,390,601	42,748,941
03	Public order and safety	4,383,698	1,826,562	5,593,722
04	Economic affairs	160,270,404	60,625,119	296,387,792
05	Environmental protection	4,313,307	13,759,616	8,395,575
06	Housing & community amenities	12,170,383	40,064,673	33,678,559
07	Health	60,069,106	68,131,855	78,803,499
08	Recreation, culture and religion	2,686,095	7,754,443	2,733,006
09	Education	177,634,664	141,485,932	199,709,440
10	Social protection	609,117	790,651	623,092
GRAND TOTAL		850,590,487	841,477,500	1,087,359,400

Source: Ministry of Finance and Planning

TABLE 2.4: Budget allocations by economic classification

Actual budgetary allocations by economic classification (TZS '000)	2015/16	2016/17	2017/18
	Actual	Approved	Estimate
Current expenditures		553,399,436	751,444,147
—Wages and salaries		243,272,128	324,224,113
—Goods and services		138,707,248	196,111,579
—Interest		9,859,080	11,629,426
—Transfers		58,907,033	93,748,100
—Others		102,653,947	125,730,929
Capital expenditures		288,078,064	335,679,051
GRAND TOTAL		841,477,500	1,087,359,400

Source: Ministry of Finance and Planning

2.3 Legal and regulatory arrangements for PFM

Table 2.5: Legal framework for PFM

Public Finance	The Constitution of Zanzibar 1984, sets the basis for PFM in Zanzibar. The Public Finance Management Act No. 12 of 2016 replaced the 2005 legislation. define in great detail the roles, functions and responsibilities in management of government revenue and expenditure (the Minister of Finance, the Paymaster General, the Accountant General, the Accounting Officers and Warrant Holders in ministries, departments and agencies, as well as the Controller and Auditor General). They also define the accounting, control and reporting systems. The Government Loans, Stocks, Grants and Guarantees Decree, 1978, provides authority to the Minister of Finance to raise loans.
Audit	Articles 112 and 113 of the 1984 Constitution establish the position, appointment and removal, and basic mandate of the Controller and Auditor General (CAG). The establishment of the Office of Controller and Auditor General Act, No.11 of 2003 established the Audit Service Board to manage audit personnel, and elaborated the duties of the CAG.

<i>Procurement</i>	The Public Procurement and Disposal of Public Assets Act, No. 9 of 2005 has been replaced by No. 11 of 2016 (same title) announced in the Government Gazette for implementation. Formats and procedures for bidding and bid evaluations were developed, and training in their application implemented. In addition, asset valuation and registration were completed for five MDAs with a target to include all MDAs. Training in asset valuation and inspection was successfully accomplished and contributed to the asset valuation and registration process.
<i>Public Bodies</i>	Public Investment Act 2002 and amendments 2005, which empowered the President to set up public corporations and established a Public Investment Department within the Ministry of Finance & Planning. Also, individual acts establishing the Zanzibar Social Security Fund, Road Fund, etc.
<i>Revenue</i>	Income tax are legislated partly by mainland Acts: the Income Tax Act; Tax Revenue Appeals Act; Gaming Act; Vocational Educational and Training Act; Road and Fuel Tolls Act; Airport Service Charges Act; the Tanzania Revenue Authority Act and Customs duties by the East African Customs Management Act (2005). Related laws include Entertainment Tax Decree, 1962; Hotel Levy Act, No.1 of 1995; Stamp Duty Act, No. 6 of 1996; Value Added Tax Act, No. 4 of 1998, as amended by the Finance (Public Revenue Management) Act, No. 4 of 2009 [reducing VAT from 20 to 18%]; Port Service Charge Act, No. 2 of 1999; Petroleum Levy Act, No. 7 of 2001; Property Tax Act, October 2009 [not yet in operation].
<i>Other</i>	There is an Anti-Corruption Act, a Money Laundering Act (No 10, 2009, regulation 2015) but no Freedom of Information Act.

Since 2003/2004 the RGoZ has undertaken reforms in Public Financial Management (PFM) to address challenges in the management and control of public finances and to promoting good financial governance and accountability. These reforms have been undertaken under the PFM Program (supported by Norwegian Embassy between 2007/08 and 2011/12) and PFMRP in phases up to the present, and the following milestones have been achieved:

1. Improved budget, budget execution and accounting, following the implementation of the IFMIS;
2. Software for an integrated Human Resource Management and Payroll system has been procured, but requires further customization and reconciliation of information from current dual systems.
3. Strengthen Human Resource Capacity, through a significant amount of training, which has strengthened capacities of MoFP and MDAs and also resulted in fully functional internal audit units and PMUs in all MDAs.
4. Improving systems for budgeting and monitoring have partially been completed not uploaded directly to the IFMIS. MTEF reporting formats were developed to assist in monitoring implementation. However, a tax policy review has yet to be implemented. This is a critical element if to undertake required reform of current tax regime.
5. Aid management information systems and procedures were installed. However, a strategy and action plan to further align aid to RGoZ PFM system and procedures are yet not implemented.

2.4 Institutional arrangements for PFM

Structure of Government

The Revolutionary Government of Zanzibar is a parliamentary democracy and 42 units comprise 'Budgetary Central Government'. In addition, there are 37 'Extra Budgetary Units'; 11 local governments (organised into five 'Regions'); one Social Security Fund; and nine public corporations, shown in [Annex 5A](#).

The Executive

The Executive consists of the President and the Revolutionary Council (Cabinet), which at December 2017, had 19 members: the President appoints and chairs the Council. The President is assisted by two Vice-presidents, the second being the leader of the Government while the first being leader of the main opposition in HoR; the position of the First Vice President is now vacant. An Inter-Ministerial Technical Committee of Principal Secretaries (IMTC) acts as a coordinating body below the Cabinet.

The Legislature

The House of Representatives is headed by the Speaker, who is elected by the members. S/he is assisted by the vice speaker and several committees drawn from the members. The House of Representatives has 81 members of whom 50 are directly elected by universal suffrage from Constituencies to serve five-year terms; 10 are nominated by the President; 15 are special seats for women; 6 ex-officio seats. Five of the 81 members are then elected to represent Zanzibar in the National Assembly of Tanzania.

The Judiciary

Zanzibar has a distinct and separate legal system, within which the Judiciary operates independently from the executive. There are four levels of the Judiciary, the lowest being the Primary Courts. Kadhi's Courts are only for family matters. Appeal is to either the District Courts or the Resident Magistrates Courts or Kadhi's Appeal Courts for Islamic matters. Further appeal is to the High Court of Zanzibar, above which is the Tanzania Court of Appeal whose judges are appointed by the president of Tanzania.

Office of the Controller and Auditor-General

The Office of the Controller and Auditor-General (OCAG) is mandated to carry out its functions and responsibilities by section 112 of the Constitution and section 25 of the Public Finance Act, 2005 and its amendment of 2016. The agency presently has 142 professional and/or technical staff and 49 support staff, apart from the Controller and Auditor-General, who is a statutory appointee. The Controller and Auditor-General is responsible for approving any withdrawals from the Consolidated Fund following a legislative process. Audit reports issued annually are presented to the House of Representatives by the executive.

Bank of Tanzania

The Bank of Tanzania (BOT) is the central bank to both mainland Tanzania and the RGoZ, with the major role of formulating and implementing monetary policy geared towards maintaining price stability conducive for sustainable economic growth. Further, pursuant to the Bank of Tanzania Act, No.5 of 2006, the Bank is the banker of the two governments and banks; sole issuer of currency (notes and coins); supervisor of banks and other financial institutions; advisor to the Governments on fiscal matters and guardian of international reserves.

Ministry of Finance and Planning

The Ministry of Finance and Planning (MoFP) is responsible for all aspects of financial management. It is headed by a Minister, and administratively by the Principal Secretary, who is also the Paymaster General.

Zanzibar Revenue Board

The Zanzibar Revenue Board (ZRB) was established under the ZRB Act No. 7 of 1996 as an agency of the Government of Zanzibar for collection and administration of all domestic taxes other than customs, excise and income taxes that are administered by the Tanzania Revenue Authority (TRA). ZRB became operational in July 1998.

Tanzania Revenue Authority, Zanzibar Branch

The Tanzania Revenue Authority (TRA) Act, 1995 established the Authority as a semi-autonomous agency of the Government of Tanzania, under the general supervision of the Union Minister for Finance. The Zanzibar Branch collects customs, excise and income taxes arising in Zanzibar.

Line ministries

Principal Secretaries of individual ministries are appointed as administrative heads with specific responsibilities including compliance with the Public Finance Act as well as sound economic and expenditure management of the ministry's affairs. Each of the 14 Ministries has a Tender Board and Procurement Management Unit, a Chief Accountant and Chief Internal Auditor.

Local Government

The Ministry of Local Government is responsible for the eleven local governments in Zanzibar, and administers the Local Government Act, including policy making and coordinating all issues relating Financing. There is a Minister in the Revolutionary Council, but for daily operations, the Ministry is headed by Principal Secretary responsible for Local Government.

In the 2017/18 financial year, RGoZ has started to implement the Local Government Act (No. 7 of 2014) and other policies concerning transfers ('Devolution By Decentralization'; D-by-D) from the centre to Local Authorities, starting with Primary Health care, Nursery- and Primary Education and Agriculture (Community Forest, Extension Centre and Fish Landing). Local Governments receive transfers to support these areas, whereby budgets are approved in the same way as the RGoZ budget.

2.5 The key features of the PFM system

The MoFP leads the annual budget process, which has been set in a three-year rolling medium-term expenditure framework since 2006.

Zanzibar has a centralised payments office and payroll system located in MoFP. RGoZ's integrated financial management system (IFMS), uses the Epicor package and covers all spending agencies. Procurement is decentralised to 54 procuring entities.

TABLE 2.6: Structure of the public sector (number of entities)

	Government subsector		Social security funds	Public corporation subsector	
	Budgetary unit	Extrabudgetary units		Nonfinancial public corporations	Financial public corporations
Central	42	37	1	9	2
Local authorities	11	-	-	-	-

TABLE 2.7: Financial structure of government—budget estimates (in TZS Billions)

2017/18	Central government			
	Budgetary units	Extrabudgetary units	Social security funds	Total aggregated
Revenue	1,087.00		unknown	
Expenditure	992.37	94.63 ¹	unknown	1,087 ²
Transfers to (-) and from (+) other units of general government	94.63			
Liabilities				
Financial assets				
Nonfinancial assets				

Source: Ministry of Finance and Planning

2.6 Other key features of PFM and its operating environment

As stated above, Zanzibar is a semi-autonomous part of the United Republic of Tanzania, and has its own government: 'the Revolutionary Government of Zanzibar' (RGoZ). Under the terms of the 1977 Constitution, Zanzibar enjoys significant autonomy over internal affairs including its own development policy and budgetary matters.

However, under this federal arrangement, the Union government is responsible for security and external trade matters; so, for example, external borrowing is undertaken by the Union Government; which then 'on-lends' amounts to RGoZ. In addition, the revenue indicators (PIs 19 and 20) have been assessed on the basis of the RGoZ's 'own income'.

¹ Only subvention from Central Government

² Amount excludes ZSSF

3. Assessment of PFM performance

Pillar I. Budget reliability

PI-1 Aggregate expenditure outturn

This indicator measures the difference between the originally estimates of expenditure approved by the legislature and the actual outturn: 'good practice' is defined by PEFA as this difference not exceeding 5% in two of the three most recent financial years.

1.1 Aggregate expenditure outturn

The "original" cost estimate is the total budget expenditure approved by the House of Representatives, exclusive of loan principal repayment. As defined by the Government Finance Statistics (GFS), general fiscal balance includes expenses carried over from previous year, and excludes expenses carried over to following year. Good international practices recommend carry-over should be limited.

Budget information was drawn from budget books and data on actual expenditure from the Draft Consolidated Financial Statements. Total expenditure outturn compared to approve original budget for 2015/16 to 2017/18 periods are provided in Table 3.1 below (detailed spreadsheet provided in Annex 6A).

Table 3.1: Aggregate expenditure outturn vs. original approved budget (TZS Mil)

	2015/16		2016/17		2017/18	
	Approved budget	Actual	Approved budget	Actual	Approved budget	Actual
Total expenditure	830,360	545,151	841,478	562,145	1,087,359	933,958
% difference between actual outturn and original approved budget	65.7%		66.8%		85.90%	

Source: Revenue and Expenditure Estimate Reports (Budget Books) for 2015/16, 2016/17 and 2017/18 for Budget Data and Consolidated Financial Statements for the years 2015/16, 2016/17 and 2017/18 for Actual Data.

PI-1	Dimension	Score	Justification
	Aggregate expenditure outturn	D	Overall rating based on M1 methodology
1.1	Aggregate expenditure outturn	D	In each of the last three FYs, expenditure outturn was less than the approved original budget: the variations were between 65.7% and 85.9%, i.e. beyond the range required for a 'C' rating (between 85% and 115%).

Current improvement efforts:

None.

PI-2 Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains the following three dimensions and uses the M1 (WL) method for aggregating dimension scores.

2.1 Expenditure composition outturn by function

The first measurement of variance between expenditure outturn and expenditure estimates of each sector (contingency reserves excluded) is cost estimate of the said sector multiplied by percentage difference between implemented and estimated budgets, as specified in PI-1. Then, calculate the variance between expenditure outturn and adjusted budget of each sector. Finally, the variances of all sectors are summed up (by absolute value, regardless of positive or negative value) and are compared with total expenditure outturn.

Good practice requires a variance smaller than 5% for at least two out of most recent three years, which is the criteria for an 'A' rating. However, in Zanzibar, the Draft Consolidated Financial Statements do not have a breakdown of the actual expenditures in the format required by the PEFA Framework for the calculation (See [Annex 6A](#)).

Dimension rating: D*

Table 3.2: Expenditure variance (%)

ITEM	2015/16	2016/17	2017/18
Actual Expenditure vs. Original Budget Variance (PI-1)	65.7%	66.8%	85.9%
Expenditure Composition Outturn by Functions (PI-2.1)	?	?	?
Expenditure Composition Outturn by Economic Type (PI-2.2)	85.6%	49.2%	66.1%

Source: Budget Estimates books using Program Based Budget for the fiscal years 2015/2016, to 2017/2018 and Draft Consolidated Financial Statements for the years 2015/16, 2016/17 and 2017/18.

2.2 Expenditure composition outturn by economic type

This dimension measures the variance between actual and estimated expenditure by economic types, including interest payment but excluding contingency reserves. 'Good practice' requires a variance between actual and estimated expenditure lower than 5% at least two out of three most recent years. [Table 3.2](#) above (details in [Annex 6B](#)), indicate variances for 2015/16, 2016/17 and 2017/18 are 85.6%, 49.2% and 66.1% respectively, which are outside the permitted range.

Dimension rating: D

2.3 Expenditure from contingency reserves

The third dimension acknowledges the necessity of budget contingency reserves for handling unpredictable events. This contingency reserve should not account for a large share in budget estimate, or it would undermine budget reliability. Scoring for this dimension is based on percentage of expenditure from contingency reserve against aggregate expenditure for the most recent three years. Good practice (score A) requires a final percentage lower than 3%.

Table 3.3: Expenditure from contingency provision

ITEM	2015/16	2016/17	2017/18
Expenditure from Provision	0	0	0
Total Actual Budget Expenditure	0	0	0
Share	0%	0.0%	0%
Average share of expenditure from provision	0%		

Source: Budget Estimates books using Program Based Budget for the fiscal years 2015/2016, to 2017/2018

In Zanzibar, the budget does not include a separately identifiable contingency provision (although individual votes appear to contain such provisions) nor does the Accountant-General report any such provision in the Annual Report: however, following the PEFA Guidelines, the rating for this dimension is 'A'.

Dimension rating: A

PI-2	Dimension	Score	Justification
Expenditure composition outturn		D+	Overall rating based on M1 methodology
2.1	Expenditure composition outturn by function	D*	The Draft CFS do not have a breakdown of actual expenditures in the format required by the PEFA Framework.
2.2	Expenditure composition outturn by economic type	D	Variances for 2015/16, 2016/17 and 2017/18 are 85.6%, 49.2% and 66.1% respectively.
2.3	Expenditure from contingency reserve	A	The budget does not include a separately identifiable contingency provision nor does the Accountant-General report any such provision in the Annual Report.

Current improvement efforts:

The Public Finance Management Act, 2016 will enforce compliance and create awareness.

PI-3 Revenue outturn

This indicator assesses budget revenue planning quality by calculating variance between approved original budget against year-end implementation. The higher the variance, the lower the score. Information on budgeted amounts was derived from Revenue and Expenditure Reports (Budget Books) while information about actual amounts was drawn derived from Draft Consolidated Financial Statements for the years 2015/16, 2016/17 and 2017/18.

3.1 Aggregate revenue outturn

Dimension 3.1 indicates the variance between Revenue Outturn and approved original revenue planning. Good practice requires a variance between 97% to 106% of revenue planning for at least two out of three most recent years for score A.

Revenue variance calculations are based on PEFA Framework methodology and presented in [Annex 6C. Table 3.4](#) below demonstrates detailed revenue data of 2017. In the period 2015/16 – 2017/18, actual revenue for all years were less than planned: 67.6% for 2015/16, 90.4% for 2016/17, and 83.8% for 2017/18.

Dimension rating: D

3.2 Revenue composition outturn

Dimension 3.2 assesses variance between the plan revenue and the outturn, which “good practice” expects to be lower than 5% for two out of three most recent years for an ‘A’ rating. The revenue outturn variance is calculated using the PEFA Secretariat’s spreadsheet (presented in [Annex 6A](#)) and consolidated in the data table below.

Dimension rating: D

PI-3	Dimension	Score	Justification
Revenue outturn		D	Overall rating based on M2 methodology
3.1	Aggregate revenue outturn	D	Revenue outturn vs. revenue planning for the most recent three years: - 2015/16: 67.6% - 2016/17: 90.4% - 2017/18: 83.8%
3.2	Revenue composition outturn	D	Revenue outturn variance is more than 15% in all of the most recent three years: - 2015/16: 82.8% - 2016/17: 68.1% - 2017/18: 25.1%

Current improvement efforts:

The PFMA 2016 will enforce compliance and create awareness.

Pillar II. Transparency of public finances

PI-4 Budget classification

This indicator has one dimension to assess the extent to which the government budget and accounts classification is consistent with international standards.

4.1 Budget classification

The RGoZ prepares its annual budget using international COFOG standards. Ideally, MoFP performs Budget formulation, execution, and reporting on every level of administrative, economic, and functional classification using GFS/COFOG standards. This complies with the COFOG standard, as shown in the Budget Books which use function, administrative and economic classifications. However, the IFMS is currently not performing up to standard and is not able to generate reports based on the information fed in through the Isidore system that is being used during budget preparation stage. Therefore, since the system is incapable of producing reports which is a vital part of the process, this Indicator is rated 'D', as performance is less than that required in terms of good practice.

PI-4	Dimension	Score	Justification
Budget classification		D	Overall rating based on M1 methodology
4.1	Budget classification	D	The RGoZ uses function, administrative and economic classifications in the budget, but not for reporting making the budget system less effective

Current improvement efforts: None

PI-5 Budget documentation

This indicator has one dimension to assess the comprehensiveness of information presented in the annual budget documentation, verified against a specific list of "basic" and "additional" items. 'Good practice' requires the budget documentation to provide at least eight items (four of which are "basic") from a list of twelve.

5.1 Budget documentation

Table 3.5: Standard budget documentation

#	Standard budget documentation	Passed / Failed
Basic elements		
1.	Forecast of the fiscal deficit or surplus or accrual operating result	Pass
2.	Previous year's budget outturn presented in the same format as the budget proposal.	Pass
3.	Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Pass
4.	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates. (Budget Classification is presented in PI-4.)	Pass
Additional elements		
5.	Deficit financing, describing its anticipated composition.	Pass
6.	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	Pass

#	Standard budget documentation	Passed / Failed
7.	Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.	Pass
8.	Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard.	Pass
9.	Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership contracts, and so on.	Fail
10.	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs	Pass
11.	Documentation on the medium-term fiscal forecasts.	Pass
12.	Quantification of tax expenditures (tax loss due to offers, deductions).	Pass

PI-5	Dimension	Score	Justification
	Budget documentation	A	Overall rating based on M1 methodology
5.1	Budget documentation	A	Budget documentation fulfils 11 elements, including all the 'basic' elements.

Current improvement efforts:

None.

PI-6 Government operations outside financial reports

This indicator measures revenue and expenditure not recorded in financial / budget reports of the government. In principle, all activities (exclusive of commercial revenue by state-owned enterprises) should be recorded in budget reporting to provide for openness, transparency, and sustainability, and improve allocation and utilization efficiency of these resources.

The Assessment Team identified RGoZ's 37 extrabudgetary units, which are listed in [Table 3.6](#) below:

Table 3.6: RGoZ's Extrabudgetary units

Names of extrabudgetary units
Zanzibar Government Printing Press Agency – ZAGPA
Zanzibar Commission for disasters control/response
Protection Agency – JKU
Zanzibar Revenue Board
Zanzibar Investment Promotion Authority [ZIPA]
Zanzibar Roads Fund
Office of Chief Government Statistician of Zanzibar
Institute of Public Administration
Wakfu Commission
Zanzibar Public Leaders Ethics Commission
Zanzibar Food and Drugs Agency
Office of Government Chemist
Zanzibar Journalism and Mass Media College (ZJMMC)
Zanzibar Examination Council
Zanzibar Higher Education Loan Board
Zanzibar Muslim Academy
State University of Zanzibar (Benjamin, Health, ZITOD and ZIFA)
Vocational Training Authority

Names of extrabudgetary units
Zanzibar Institute of Education
Karume Institute of Science and Technology
Tractors and Farms Employment Agency
Kizimbani Institute of Agriculture
Zanzibar Agriculture and Livestock Research Institute
Zanzibar Water Authority (ZAWA)
Zanzibar Petroleum Regulatory Authority
Land Commission
Zanzibar Utility Regulatory Authority (ZURA)
Zanzibar Maritime Authority (ZMA)
Stone Town Conservation and Development Authority
Zanzibar Contractors and Registration Board
Board of architectural buildings
The Zanzibar Youth Council
Labour Commission
Zanzibar Bureau of Standard
Zanzibar Property and Business Registration Agency
Small and Medium Industrial Development Authority
Zanzibar Public Procurement and Disposal Authority

Source: Ministry of Finance & Planning

6.1 Expenditure outside financial reports

This indicator examines expenditures incurred by extrabudgetary units (including social insurance funds) not reported in financial/ finalization reporting of the central government. "Good practice" (score A) requires expenditures not included in financial reports to be less than 1% of total expenditure.

Table 3.7: Expenditure outside financial reports 2017/18

Item	Implemented
Total budget expenditure (TZS Bil)	1,087
Extrabudgetary funds (TZS Bil)	unknown
Percentage (%)	unknown

Expenditure outside financial reports is unknown.

Dimension rating: D

6.2 Revenue outside financial reports

This indicator demonstrates revenue of the budget and extrabudgetary units (including social insurance funds) not included in financial / finalization report of the government. Good practice (score A) requires revenue outside financial reports lower than 1% total revenue.

Extrabudgetary revenue is presented in [Table 3.8](#).

Table 3.8: Revenue outside financial reports 2017/18

Item	Implemented
Total Budget Revenue (TZS Bil)	1,087
Extrabudgetary funds (TZS Bil)	unknown
Percentage (%)	unknown

Extrabudgetary revenue is unknown.

Dimension rating: D

6.3 *Financial Reports of extrabudgetary units*

This indicator assesses how extrabudgetary units submit their financial reports to the government. Good practice (score A) requires finalization report of all extrabudgetary units to be submitted on annual basis within three-month window after the budget year expires.

RGoZ has started to compile such reports for the first time in the 2017/18 financial year, but this was not available to the assessment team.

Dimension rating: D*

PI-6	Dimension	Score	Justification
	Government operations outside financial reports	D	Overall rating based on M2 methodology
6.1	Expenditure outside financial reports	D	Expenditure excluded from financial reports is unknown.
6.2	Revenue outside financial reports	D	Revenue excluded from financial reports is unknown.
6.3	Finalization / financial reports of extra-budgetary units	D*	No data is available to formulate a rating.

Current improvement efforts:

PFMA 12, 2016 Section 110 (quarterly and annual reports, and compliance is required).

PI-7 *Transfers to subnational governments*

Zanzibar has eleven local government authorities, grouped into five regions (which are included in the 42 central government spending agencies). Indicator PI-7 assesses transparency and timeliness of transfers from central government to these 'local government authorities' (LGAs), reviews the basis for such transfers, and assesses whether subnational governments are timely notified about the transfers to facilitate their expenditure estimates efforts.

7.1 System for allocating transfers

"Good practice" (score A) requires all resources allocated to subnational governments to be based on objective criteria.

There are targeted transfers by some of the development partners that go straight to LGA which may not be included in the budget estimates but are aimed at facilitating specific projects in various regions and local government authorities in Zanzibar.

Currently there is not enough information about sub-national transfers made in the past FY, 2017/2018.

Dimension rating: D

7.2 Timeliness of information on transfers

Good Practice requires that the process by which subnational governments receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides clear and sufficiently detailed information for subnational governments to allow at least six weeks to complete their budget planning on time.

The process in Zanzibar follows these requirements: i.e. subnational governments are sufficiently informed about transfers from the budget before July when the House of Representatives approves expenditure estimates for subsequent year.

Dimension rating: A

PI-7	Dimension	Score	Justification
	Transfers to subnational governments	C+	Overall rating based on M2 methodology
7.1	System for allocating transfers	D	There is insufficient information about sub-national transfers made in the past year 2017/2018.
7.2	Timeliness of information on transfers	A	Subnational governments are sufficiently informed about transfers before July when the HoR approves expenditure estimates for subsequent year.

Current improvement efforts:

These will be determined by transparent, rule-based systems, as per section 12 of the PFMA, 2016.

PI-8 Performance information for service delivery

Good practice demands that performance, e.g. outcomes and implications, of services and programs delivery financed by state budget be included in budget proposal and relevant documents, reviewed in yearend reports, audit report and performance evaluation reports to improve public service performance and quality. In addition, service delivery units should be informed about resources secured by state budget to be more active in implementing assigned responsibilities.

This indicator is assessed on health care and education & training sectors because they are directly related to social welfare, and their budget account for highest share among public services.

8.1 Performance plans for service delivery

Good practice requires that information is published annually on the activities to be performed under the policies or programs for the majority of ministries or a framework of performance indicators relating to the outputs or outcomes of the majority of ministries is in place. Score A is attained when information is presented for most sectors.

In Zanzibar, budget proposals include performance on service delivery for all votes. The budget estimate for each vote is preceded by a briefing on estimates of Revenue Collection and Expected Expenditures; a summary of the particular vote that includes introduction, vision and mission of the vote, obligations, achievements and challenges of the vote in the particular fiscal year, future plans, a list of programs/functions and sub-programs/functions as well as performance delivery information for each of the sub-program/function. Performance and service delivery information details objectives, key performance indicators, outputs to be produced, and the outcomes planned for such votes, disaggregated by program or function.

Dimension rating: A

8.2 Performance achieved for service delivery

This item assesses how outcomes are presented in budget proposal or annual report. Good practice requires that most sectors should accommodate this to acquire score A.

The budget book includes information on of service delivery. Such information is also available in the Budget Proposal that is submitted to the House of Representatives as well as in Annual Reports of each Vote, as a separate document titled "Performance Report" that supplements financial information of each Vote. This information is published annually on the programs and/or functions performed for all authorized Votes i.e. MDAs, etc.

Dimension rating: A

8.3 *Resources received by service delivery units*

Good practice requires that information on resources received by frontline service delivery units is collected and recorded for at least two large ministries, disaggregated by source of funds. A report compiling the information is prepared at least annually. In Zanzibar, resource requirements for service delivery Ministries are derived from adjusting the previous year's estimates to current year changes, such as new National Policies, Presidential Directives and Budget Guidelines provided by the MoFP, and these are compiled into a report by the Planning Commission annually. However, there has not been a survey carried out in any of the last three years that provides estimates of the resources received by service delivery units for at least one large ministry.

Dimension rating: D

8.4 *Performance evaluation for service delivery*

This dimension assesses public services system, its relevance, efficiency and effectiveness through independent performance evaluation. "Good practice" (score A) requires independent performance reviews for public services to be implemented for most sectors at least once in the most recent three years.

- Performance evaluation criteria for health care sector are; number of beneficiaries of different programs, number of hospitals and health facilities built, rate of new infections for top ten diagnosed diseases for different age groups, degree of completion of government health related project and number of evaluation reports produced in a year etc.
- Performance evaluation criteria for education sector are; number of beneficiaries, literacy rate in the community, number of schools built, number of schools built for special needs students, enrolment rate, rate of special needs students' enrolment, classroom to student ratio, students to teachers' ratio, rate of graduates from schools and institutes, degree of completion of government education, etc.
- Performance evaluation criteria for agriculture sector are; Number of staff trained, number of beneficiaries trained, number of trainings and workshops, number of contracts signed, tonnes of grains and other agricultural products supplied, number of trees and plantations planted in a year, area cultivated for various crops, rate of graduates from Agricultural Degrees and Programs, number of registered professionals, number of researches conducted and number of evaluation reports produced in a year etc.
- Performance evaluation criteria for communication, infrastructures and transportation sector are; number of road kilometres constructed, number of road kilometres repaired, number of bridges built and repaired, number of traffic lights repaired and installed, other maintenance work done, number of permits provided in a year, number of driving students enrolled, number of full driving license and learners' driving permits issued in a year, number of meetings and training conducted, percentage of completion of projects, number of vehicles inspected for safety and number of evaluation reports produced in a year etc.

Good practice for this dimension requires independent evaluations of the efficiency and effectiveness of service delivery to be carried out and published for most ministries at least once within the last three years. This is practised in Zanzibar where evaluations for service delivery are performed at least once every three years to determine quality and coverage of service deliveries. During the assessment, however, information about dates when such

evaluation were done could not be gathered and evidence on which MDA's were involved in the service delivery evaluation could not be produced.

On the other hand, the House of Representatives can challenge budget estimates proposed for ministries that lagged behind in their service delivery based on the implementation report read before the budget speech as a motive to do better in the next fiscal year.

Dimension rating: D

PI-8	Dimension	Score	Justification
	Performance information for service delivery	C+	Overall rating based on M2 methodology
8.1	Performance plans for service delivery	A	The budget estimate for each vote includes performance information for each sub-program/function: this details objectives, key performance indicators, outputs to be produced, and the outcomes planned for such votes, disaggregated by program or function.
8.2	Performance achieved for service delivery	A	The budget Proposal and the Budget book both include information on service delivery, as does the Annual Reports of each Vote: information is published annually on the programs and/or functions performed for all votes.
8.3	Resources received by service delivery units	D	No surveys of the resources received by service delivery units have been carried out in the last three years.
8.4	Performance evaluation for service delivery	D	There was no enough evidence that service delivery evaluation are done as such reports could not be provided.

Current improvement efforts:

None.

PI-9 Public access to fiscal information

This indicator assesses the public accessibility to fiscal information.

9.1 Public access to fiscal information

This dimension assesses public accessibility to budget management details. It is considered evidence of fiscal transparency. The PEFA Framework identifies nine elements related to the budget, of which five are basic and four are additional. Scoring is based on public access to the nine elements. "Good practice" requires eight out of nine items listed in [Table 3.9](#) below to be available to the public within specified timescales to obtain score A.

Table 3.9: Public access to fiscal information

#	Items	Public?	Note (Media)
Basic elements			
1.	<i>Annual Executive budget proposal documentation</i>	Yes	The Budget Speech was available to the media on the day of its presentation in 2018/19, and also on HoR website. A national budget brief is also available on the MoFP website.
2.	<i>Enacted budget.</i>	Yes	Available in the HoR website and printed books are made available upon request.
3.	<i>In-year budget execution reports.</i>	No	Not produced.
4.	<i>Annual budget execution report.</i>	No	Produced but not readily made available to the general public.
5.	<i>Audited annual finalization / financial report, incorporating or accompanied by the external auditor's report.</i>	No	Produced but not readily made available to the general public. Public can only get to hear them through PAC reports.
Additional elements			
6.	<i>Pre-budget statement.</i>	Yes	Made available on MoFP website and public media.
7.	<i>Other external audit reports.</i>	No	When made they are not made public unless through PAC discussion in parliament.
8.	<i>Summary of the budget proposal.</i>	Yes	Made available on MoFP website and public media
9.	<i>Macroeconomic forecasts.</i>	Yes	Made available on MoFP website.

As only two of the five basic elements are accessible to the public, a score of D is applicable (a 'C' rating requires four basic elements to be publicly available within the specified time frames).

Dimension rating: D

PI-9	Dimension	Score	Justification
	Public access to fiscal information	D	Overall rating based on M1 methodology
9.1	Public access to fiscal information	D	Only 2 of the 5 basic elements are made available to the public on a timely basis. In year and annual budget execution reports are not available. For example, quarterly Budget Execution reports were not published for the year 2017/18. 3 of the 4 'additional elements' were available to the public.

Current improvement efforts:

PFMA, 2016 Section 12 requires publication, ongoing reform started with Budget Framework Paper.

Pillar III. Management of assets and liabilities

PI-10 Fiscal risk reporting

This indicator measures the extent to which fiscal risks to the government are reported. Central government usually has a formal oversight role in relation to other public sector entities: including the activities of local governments and public corporations. Fiscal risks can also arise from guarantees, operational losses, expenditure payment arrears, unfunded pension obligations, and external risks such as market failure or natural disasters can also incur financial risks.

10.1 Monitoring of public corporations

This dimension assesses how rapidly financial information (through audited annual financial reports) is publicly available. "Good practice" requires audited financial reports of all public corporations to be publicized no later than six months after end of fiscal year, and summary reports to be publicized on an annual basis: both criteria are required for an 'A' rating.

The Public Investment Act, 2002, as modified for Public Entities by the PFMA (Act No 12 of 2016), and the Finance Act and Regulations) requires public corporations to submit corporate strategy statements, half yearly and annual financial statements to the respective line ministry and to MoFP, and this requirement is met by most of them, although not all share the same financial year as RGoZ. Within MoFP, the Commissioner for Stock Verification and Public Investments receives the annual reports, which are due within six months of the end of the financial year. There is a programme of monitoring their activities, including cyclical visits, but no consolidated report is produced.

Table 3.10 below list the eleven public corporations in Zanzibar and whether the 'good practice' requirement that audited financial reports were produced no later than six months after end of fiscal year was met.

Table 3.10: Public corporations, for the Year (2016/2017) (TZS Millions)

	Name of corporation	Revenue	Expenditure	Audited AFS: Remarks	Y/N
1	People's Bank of Zanzibar	51,313	38,193	The law requires report within 3 months of FY end, but was late (May): AGM was held within 3 months.	Y
2	Zanzibar Insurance Corporation	17,197	16,036	Audited AFS: FY is 30th December, as per Tanzania Insurance Regulatory Agency.	Y
3	Zanzibar Shipping Corporation	12,316	14,839	Draft report submitted August, accounting period is 30th June. Audited AFS: December 2017.	Y
4	Zanzibar State Trading Corporation	97,856	93,381	Draft report submitted August, accounting period is 30th June. Audited AFS: December 2017.	Y
5	The Corporation of Zanzibar Newspaper	1,683	1,620	Audited AFS: Not submitted to MoFP.	N
6	Zanzibar Port Corporation	26,837	26,181	Draft report submitted August, accounting period is 30th June. Audited AFS: December 2017.	Y
7	Zanzibar Library Services Corporation	382	382	Audited AFS: Not submitted	N

	Name of corporation	Revenue	Expenditure	Audited AFS: Remarks	Y/N
8	Zanzibar Broadcasting Corporation	3,454	3,561	Audited AFS:	Y
9	Zanzibar Electricity Corporation	82,635	70,253	Draft report submitted August, accounting period is 30th June. Audited AFS: December 2017.	Y
10	Zanzibar Housing Corporation	374	262	Submitted, Not audited.	Y
11	Zanzibar Petroleum Development Company	NIL	NIL	Established in 2017/2018	N
	Total	294,052	264,713		

* There is one other public corporation, the Zanzibar Multiplex Company Ltd, which is dormant.

The subventions to the bodies that receive them are included in the Consolidated Accounts, but *not* actual expenditures, which may be greater than the subventions where they have other sources of revenue (the difference is "unreported expenditure": cf PI-6).

There are multiple requirements concerning the submission of reports, but all will be submitted to the Accountant-General's Office. Hence in summary, **most** of these entities (i.e. **more than 90% by revenue**) publish their audited financial reports within six months of the end of their financial year.

Dimension rating: B

10.2 Monitoring of subnational governments

"Good practice" (score A) requires that annual audited financial reports of all subnational governments to be publicized no later than nine months after the end of the fiscal year, in addition to a consolidated report showing the overall financial position of the subnational governments.

There are 11 'local governments', established by the Zanzibar Municipal Council Act, the District and Town Council Act: these are grouped under five 'regional councils' (established under the Regional Administration Authority Act). The functions of the rural and urban councils include planning and supervising the implementation of economic, commercial, industrial and social developments.

The RGoZ has adopted a policy of decentralization by devolution (D-by-D), but the staffing needs of all LGAs are determined and funded centrally ('on budget') and LGAs have control only over their 'own' revenues, such as registration of taxis, auctioneers' fees, fees from rent and use of council property and property tax: these can be used to execute minor activities.

The Ministry of Local Government complies with the legislative requirement to publish a consolidated report showing the overall financial position of the local governments, but more than nine months after the end of the financial year.

Dimension rating: D

10.3 Contingent liabilities and other fiscal risks

"Good practice" requires the government to publicize a consolidated annual report on contingent liabilities and other fiscal risks (required for score A).

In recent years, the RGoZ has become involved in several 'Public-private partnerships' for infrastructure (for example: 15% in Zanzibar Electricity, and 3% in Zanzibar Post Bureau), and these include some outsourcing of road maintenance, which is to be taken over by the local governments.

However, the Consolidated Public Accounts do not include a statement of the amounts guaranteed by RGoZ in respect of public loans and other contingent liabilities as required by the Public Finance Act, nor of the fiscal risk public corporations pose for RGoZ.

Dimension rating: D

PI-10	Dimension	Score	Justification
Fiscal Risk Reporting		D+	Overall rating based on M2 methodology
10.1	Monitoring of public corporations	B	The Public Investment Act (2002), requires public corporations to submit annual financial statements to the Commissioner for Stock Verification and Public Investments MoFP, and most of these are published within six months of the year end.
10.2	Monitoring of local governments	D	The Ministry of Local Government publishes a consolidated report showing the overall financial position of the local governments, but more than 9 months after the end of the financial year.
10.3	Contingent liabilities and other fiscal risks	D	The Consolidated Public Accounts do not include a statement of the amounts guaranteed by RGoZ in respect of contingent liabilities of other fiscal risks (as required by the Public Finance Act).

Current improvement efforts:

Enactment of the new law to give more power to Treasury Registrar/Commissioner for Public Investment to enforce the Public Investment Act, under PFM RP-V 2018/19.

The Process of 'Decentralization by Devolution' for the local governments is underway and gaining pace, alongside the integration of Local Government budgeting processes with those of Central Government but the D-by-D in some areas will take several years and will require significant technical support to be fully implemented.

PI-11 Public investment management

This indicator assesses the extent to which the government conducts economic appraisals, selects, projects the costs, and monitors the implementation of public investment projects, with an emphasis on the largest and most significant projects. Good international practice requires economic efficiency to be analysed and publicized. In addition, the analysis should not be taken by the project owner.

In Zanzibar, the institutional framework is set out in the PFMA 2016, section 45, which provides for multi-year planning.

11.1 Economic analysis of investment proposals

"Good practice" requires the economic efficiency of all "major investment projects" to be analysed, verified by an independent source, and publicized. The PEFA Framework defines a "major investment project" as one that has a total investment equal or above 1% total annual budget and is among the 10 biggest projects (by total investment) for the five largest units by investment expenditure. The list of projects that meet the PEFA criteria are shown in [Table 3.11](#) below, and comprise:

Table 3.11: Summary of five largest projects in 2017/18

#	Name	Investor	Contractor	Value TZS Thousands
1	Construction of passenger terminals in Zanzibar	Ministry of Infrastructure, Communication & Transportation	BCAG	56,500,000
2	Construction of roads from Bububu – Mahonda – Mkokotoni	Ministry of Infrastructure, Communication & Transportation	CCACC-China	47,030,000
3	Cities development programs -Zanzibar urban services project	MoFP	CRJE	18,732,747
4	Construction of 9 school buildings - enhancement of primary school project	Ministry of Education and Vocational Training	CRJE	27,514,098
5	Construction of government offices	MoFP	M/S quality contractors	8,300,000
				158,076,845
Total planned capex in 2017/18 (from Table 2.4 , above)				336,000,000

Source: Ministry of Finance and Planning

RGoZ has centralised the management of public investment aimed at ensuring the attainment of value-for-money in all investments initiated by all its agencies: this responsibility lies with the Planning Commission. Section 45 of the PFMA requires the development of multi-year plans. Currently project proposals are submitted by 1 October preceding the budget year, and must accord with national and sectoral priorities, and utilise the Planning Commission's requirements.

Evaluations of stand-alone projects are undertaken by a committee headed by the President with staff mostly drawn from the MoFP, using criteria including the priorities specified in 'Mkuza III' (the national development plan). However, while not all appraisals results are published (as required for an 'A' rating), those for the largest projects, i.e. *some*, are (47% in 2017/18, as can be seen in [Table 3.11](#), above).

Dimension rating: C

11.2 Investment project selection

To attain score A, "good practice" requires all major investment projects to be prioritized by an authority based on publicized selection criteria.

In Zanzibar, the institutional framework supporting investment project selection begins with the submission of proposed projects to the Planning Commission for initial clearance: selection is based on RGoZ's five-year strategy (*Mkuza III*) and sector priorities. If approved, projects are included in a list of key projects (most of which are PEFA-defined major projects or have significant socioeconomic implications) and resubmitted for appraisal and approval before the necessary budgetary provisions are made. The projects in [Table 3.11](#), above all passed through this process.

It is important to state that approved projects do not necessarily translate to automatic budgetary allocations or funding, and that the prioritization process is currently not standardized.

Dimension rating: C

11.3 Investment project costing

“Good international practice” requires budget documentation to provide medium-term forecasts about investment projects based on total cost, i.e. investment and recurrent expenditures across the lifetime of an investment and whether these are incorporated in the estimates: the PEFA Framework requires both conditions to attain score A.

Comprehensive project costings should consider both investment cost and forward linked recurrent expenditure: however, this does not appear to be the case, as only the total cost and current year’s figures are included in the budget documents.

Dimension rating: C

11.4 Investment project monitoring

This indicator assesses the presence of thorough project monitoring and reporting to accommodate capital utilization efficiency and transparency. “Good practice” requires monitoring to provide periodic reports showing both physical progress and financial details.

Within MoFP, there is a unit responsible for managing and reporting on RGoZ’s investment projects. The unit disseminates reporting templates to MDAs, who are responsible for implementing their approved projects. In addition, field visits are conducted to projects to ascertain the level of implementation, and reports are prepared showing both physical progress and financial details: these are submitted to Cabinet on a quarterly and annual basis.

Dimension rating: C

PI-11	Dimension	Score	Justification
Public Investment Management		C	Overall rating based on M2 methodology
11.1	Economic analysis of investment proposals	C	Capital investment projects are submitted to the Planning Commission for economic appraisal before approval: while not all appraisal results are published, those for the largest projects are: in 2017/18, 47% were, i.e. <i>some</i> .
11.2	Investment project selection	C	Some major investment projects are prioritized by the Planning Commission before they are included in the budget.
11.3	Investment project costing	C	Only the projects total cost and current year’s figures are included in budget documents.
11.4	Investment project monitoring	C	Quarterly physical inspections of all approved projects are undertaken, and quarterly and annual progress and financial reports showing both physical progress and financial details are prepared for Cabinet, but these are not published.

Current improvement efforts: None.

PI-12 Public asset management

This indicator assesses the government’s ability to manage and monitor its assets, and the extent to which there is transparency in asset disposal. The legal framework is provided in the ‘Public Procurement and Disposal of Public Assets Act’ (‘PPDPAA’) of 2016, amended in 2018. This Act established the Zanzibar Public Procurement and Disposal Authority, which has developed and published a draft ‘Asset Management Strategy’ in February 2018, but this remains to be finalized and implemented. *Inter alia*, the strategy makes the Accountant-General responsible for ensuring that the Public Assets Register is ‘operational, properly maintained, and timely updated’.

12.1 Financial asset monitoring

The Treasury monitors cash assets and the treasury balance on a regular basis. "Good practice" to attain score A requires utilization and market value of all financial assets to be tracked and publicized.

The MoFP maintains records of all government investments (all investments are domestic). The Public Investments Department within MoFP maintains a separate folder containing the share certificates of all companies in which RGoZ has a financial interest: these are listed in [Table 3.12](#) below:

Table 3.12: Financial assets at December 31, 2017

Financial Assets	Holding
Cash	
RGoZ Accounts at Bank of Tanzania	
Shares	
Zanzibar Shipping Corporation	100% shares
Zanzibar State Trading Corporation	100% shares
The Corporation of Zanzibar Newspaper	100% shares
Zanzibar Port Corporation	100% shares
Zanzibar Library Services Corporation	100% and Subvention
Zanzibar Broadcasting Corporation	100% and Subvention
Zanzibar Electricity Corporation	100% and Subvention
Zanzibar Multiplex Company Ltd	
Zanzibar Petroleum Development Co	Subvention (TZS1.0Bil)
Zantel	15% shares
Tanzania Postal Bank	5% shares
Deep Sea Fishing Authority	20% on surplus

Source: Ministry of Finance & Planning

While these records are maintained by the Public Investments Department, they are not published.

Dimension rating: C

12.2 Non-financial asset monitoring

"Good practice" (score A) requires the government to maintain a registration system for its holding of fixed assets, including utilization, age, and to publicize this annually.

The PPDPA has a draft asset management policy and framework that provides comprehensive guidelines on the acquisition, registration, safeguarding, recording and accounting, valuation, loss, transfer and disposal, and insurance of fixed assets such as land, roads, buildings, vehicles and furniture. The Asset Management Unit in the MoFP has received information on fixed assets from all government agencies and this has been compiled into a computer-based register, which provides details such as description of asset, asset code, date of acquisition, serial number, historical cost, current year depreciation, accumulated depreciation, and the net book value.

A review of register showed that it is currently more than 85% complete, and will be completed during the current financial year. However, this was not in place in the 'last completed year', which is the coverage of this indicator.

Dimension rating: D

12.3 Transparency of asset disposal

"Good practice" (score A) requires that all asset disposal details are submitted to the legislature for reporting or approval purposes.

Disposal procedures are specified in the PPDPA (which was amended in January 2018 to include a stipulation that “a person shall not sell or offer to sell any Government building without the prior consent of the Revolutionary Council”); however, regulations to support the operation of the Act are still awaited. Units wishing to dispose of an asset are required to make a request to the PMG (the PS in the MoFP) to do so, and if approved, will advertise the disposal in the newspapers or TV. Any proceeds from asset disposal are received by the Treasury.

Dimension rating: C

PI-12	Indicator	Score	Justification
Public asset management		D+	Overall rating based on M2 methodology
12.1	Financial asset monitoring	C	RGoZ maintains a record of its holdings of financial assets.
12.2	Non-financial asset monitoring	D	Work to complete a computerised asset register will shortly be completed, but was not in place for the last completed financial year.
12.3	Transparency of asset disposal	C	If the PMG approves a request to dispose of an asset, details are incorporated in each units/MDA disposal plan’ budget finalization report.

Current improvement efforts:

The RGoZ has developed and published a draft ‘Asset Management Policy’ and an ‘Asset Management Strategy’ in February 2018, but this remains to be finalized and implemented.

PI-13 Debt management

This indicator assesses management of domestic and foreign debt and guarantees. It aims at identifying the existence of satisfactory management practices, records, and controls to ensure efficiency and effectiveness.

13.1 Recording and reporting of debt and guarantees

“Good practice” (score A) requires publication of all government debts (including amounts guaranteed), and that these are regularly reconciled against data sources to ensure accuracy: in addition, statistical and comprehensive management reports should be prepared at least quarterly.

External debt is managed by the Union Government (and on-lent to RGoZ). Domestic debt in the form of treasury bills and bonds and government stocks is maintained by MoFP Debt Management Unit using Excel spreadsheets. Domestic debt also includes arrears to domestic suppliers, and pension and gratuities owing to former civil servants. Arrears to domestic suppliers are listed in spreadsheets: many are old, and are gradually being paid off.

Table 3.13: Statement of domestic debts as at 30 September 2018

Domestic debt description	TZS '000'
Government Stocks	654,177
Treasury Bonds	80,259,211
Treasury Bills	0
Loans	
Peoples Bank of Zanzibar	5,751,022
ZSSF loan	22,156,250
Total Domestic Debts	108,820,660
ARREARS	
Government Suppliers	29,533,229
Pension and Gratuity	5,459,543

Domestic debt description	TZS '000'
Zanzibar Ports Corporation	3,287,858
Total Arrears	38,280,630

Source: Ministry of Finance & Planning

Table 3.14: Statement of external debts as at 30 September 2018

External debt description	USD	TZS '000'
Multilateral Creditors:		
International Development Association (IDA)	28,264,584.30	64,299,385.47
Arab Bank for Economic Development (BADEA)	10,682,142.52	24,300,912.84
OPEC Fund for International Development (OFID)	4,307,711.43	9,799,655.81
World Bank (WB)	0.00	0.00
Africa Development Fund (ADF)	33,040,100.82	75,163,255.75
Bilateral Creditors:		
Government of China (GOCN)	2,303,100.55	5,239,346.48
EIBC	68,136,209.35	155,003,744.01
China National Limited	478,000.00	1,087,406.98
Commercial Creditors:		
Bank of Trust Community (BTC)	3,926,793.90	8,933,102.71
GERMANY	597,000.00	1,358,121.27
Export Creditors:		
Baharat Heavy Electrical (BHEL)	833,046.97	1,895,106.91
Nashizawa Ltd	277,000.00	630,150.07
Laemthong Rice Co.	5,735,600.00	13,047,973.80
	158,581,289.84	360,758,162.10

Source: Ministry of Finance & Planning

Domestic debts are reconciled monthly, and external debts quarterly: these reports are submitted to the Accountant-General and are included in her annual reports.

Dimension rating: B

13.2 Approval of debt and guarantees

To attain score 'A', "good practice" requires a dedicated government body to be responsible for approving all loan and guarantee contracts, and all borrowing activities should comply with transparent criteria that are consistent with fiscal objectives of the government.

All external loans and guarantees have to be approved, first, by the MoFP, then by a Technical Debt Management Committee which includes representation from the BoT. The RGoZ has a debt limit of 1% of GDP approved annually by the HoR: this figure has been in place for several years, is monitored, and has not been breached.

Dimension rating: B

13.3 Debt management strategy

"Good practice" requires the executive to report its medium-term debt management strategy, including quantified targets and objectives, to the legislature.

A draft '*Debt Strategy and Policy*' has been prepared to be submitted for approval by the Revolutionary Council and the process do not require to be approved by the HoR: this draft only covers domestic debt and lacks indicators of risk.

Dimension rating: D

PI-13	Dimension	Score	Justification
Debt Management		C+	Overall rating based on M2 methodology
13.1	Recording and reporting of debt and guarantees	B	Domestic debts are reconciled monthly, and external debts quarterly; these included in the Accountant-General's annual reports (an 'A' rating requires quarterly publication).
13.2	Approval of debt and guarantees	B	All external loans and guarantees must be approved, first, by the MoFP, then by a Technical Debt Management Committee which includes representation from the BoT. The debt limit is 1% of GDP, approved annually by the HoR: this figure has been in place for several years, is monitored, and has not been breached.
13.3	Debt management strategy	D	A draft Debt Strategy and Policy has been prepared for approval by Revolutionary Council: but this draft lacks the parameters specified in the PEFA Framework.

Current improvement efforts:

Section 58 of the PFMA sets out the procedure and mandates for borrowing and approval of borrowing for MDAs.

Pillar IV. Policy-based fiscal strategy and budgeting

PI-14 Macroeconomic and fiscal forecasting

This indicator measures the ability of the government to develop robust macroeconomic and fiscal forecasts to support medium-term expenditure plans: these are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. This is considered “good practice” and is the basis for score A for each dimension.

14.1 Macroeconomic forecasts

Within the Planning Commission, there is a Department of Macroeconomic Management, which comprises four units: Macro-fiscal; Economic Intelligence; Public Private Partnerships; and, Fiscal Policy. The macro-fiscal unit (‘MFU’, which has received support from the IMF) produces medium-term forecasts incorporating government policies set out in MKUZA as well as ad hoc inputs from line Ministries, the Office of the Chief Government Statistician (OCGS) and the Bank of Tanzania.

The Executive Secretary of the Planning Commission chairs a committee of all Principal Secretaries to review this work, which is then reported to an Inter-Ministerial Technical Committee (which is the Finance Committee of Cabinet) which decides on the appropriate scenario. While projections of different scenarios are *not* shared with the HoR or published, the ‘chosen’ scenario is included in the Budget Framework Paper (BFP), which is presented to the HoR, then made public (cf. PI-5, element 6).

Dimension rating = B

14.2 Fiscal forecasts

Revenue forecasting is formalized, integrated in the budget process, and sufficiently top down to influence the allocation of expenditure across RGoZ priorities. MoFP currently forecasts tax and non-tax revenue with inputs from both ZRB & TRA, using past experience of collections and macroeconomic aggregates on a rolling annual basis (three years). Revenue forecasts are comprehensive to include all sources including domestic revenue (tax and non-tax revenue) and grants (capital and budget support), and form part of the budget documentation sent to the HoR.

In addition, the MTEF submitted to the HoR includes the forecast fiscal year and the next two years on both revenue and expenditure with explanatory notes explaining variances from the previous year’s forecasts.

Dimension rating: A

14.3 Macro-fiscal sensitivity analysis

The work of the MFU includes modelling various scenarios, such as the impact of changes in commodity prices, such as cloves. These scenarios include sensitivity analyses, and are presented to the Cabinet, but not to the HoR.

Dimension rating = C

PI-14	Dimension	Score	Justification
	Macroeconomic and Fiscal Forecasting	B	Overall rating based on M2 methodology
14.1	Macroeconomic forecasts	B	Projections incorporating government policies; GDP; inflation; exchange rates; and inputs from BoT are incorporated in a framework produced by the Macro-fiscal

PI-14	Dimension	Score	Justification
			Unit: this is included in the BFP presented to the HoR, then made public.
14.2	Fiscal forecasts	A	The MTEF submitted to the HoR includes the forecast FY and the next two years on both revenue and expenditure.
14.3	Macro fiscal sensitivity analysis	C	The MFU models various scenarios, which are presented to the Cabinet, but not to the HoR.

Current improvement efforts:

PFMA, 12 2016 Fiscal Strategy paper to HoR in the new act, section 37, section 5, requires compliance.

PI-15 Fiscal strategy

This indicator analyses the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. "Good practice" (score A) requires the estimated fiscal impact of all changes to revenue and expenditure policies for the budget year and the two subsequent budget years to be submitted to Parliament.

15.1 Fiscal impact of policy proposals

A failure to anticipate the impact of policy changes can lead to unanticipated deficits and undermine service delivery, hence the need for these to be understood and documented. Hence the Fiscal Policy Unit within the Planning Commission advises the Tax Advisory Committee on possible tax changes that will meet economic policy objectives, and highlights the impact on both taxpayers and the economy. The Unit also identifies new avenues for widening the tax base to raise domestic revenues to finance the budget, and prepares annual and medium-term revenue forecasts.

On the expenditure side, proposed changes to service delivery plans include for each vote a summary of achievements, challenges, and planned outcomes for the policy change being proposed, disaggregated by program. As noted in PI-5 (item 10), the budget documentation presented to the HoR includes the impact of proposed policy changes for the budget year.

Dimension rating: C

15.2 Fiscal strategy adoption

The BFP sets out the fiscal framework within which the RGoZ budget is formulated. As well as defining and preparing a series of standard assumptions to ensure that the basis upon which fiscal forecasts are produced is both robust and transparent, the framework includes forecasts of debt issuance and repayment.

Fiscal data is formulated into a MTFF Framework to project aggregate ceilings for the budget as well as forecasts of the fiscal balance. Different scenarios are modelled for internal use, although the final documentation presented to the HoR includes only the most likely forecast.

Dimension rating: C

15.3 Reporting on fiscal outcomes

This dimension assesses the extent to which the government makes available – as part of the annual budget documentation submitted to the legislature – an assessment of its achievements against the stated fiscal objectives and targets.

The BFP contains data on the actual and planned fiscal balance, together with some explanations of the reasons for variances: the relevant extract is shown in [Table 3.15](#) below.

Table 3.15: Difference between actual and originally forecasted fiscal balance

	2015/2016		2016/2017		2017/2018	
	TZS B	%	TZS B	%	TZS B	%
Planned	830		841		1,087	
Actual	563		644		909	
Difference	267	(32)	197	(23)	178	(16)

Dimension rating: C

PI-15	Dimension	Score	Justification
Fiscal strategy		C	
15.1	Fiscal impact of policy proposals	C	Estimates of the fiscal impact of proposed policy changes are included in budget documentation submitted to the HoR.
15.2	Fiscal strategy adoption	C	A three-year medium-term fiscal strategy with quantitative targets was used during budget preparation in the last FY.
15.3	Reporting on fiscal outcomes	C	The BFP contains data on the actual and planned fiscal balance, together with explanations of the reasons for variances.

Current improvement efforts:

PFMA, 12 2016 Fiscal Strategy paper to HoR in the new act, requires compliance.

PI-16 Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings (considered “good practices”). It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans.

16.1 Medium-term expenditure estimates

RGoZ moved from annual budgeting to a medium-term expenditure framework in 2007/08, and since then has prepared expenditure estimates for the budget year and two subsequent years. The estimates are produced using administrative, economic and program classifications. However, there have been comments that MDAs may not fully understand the links between these estimates and subsequent budget ‘ceilings’.

Dimension rating: A

16.2 Medium-term expenditure ceilings

While guidelines on budget preparation are clear, and are set out in two Budget Call Circulars (BCCs), they do not include ceilings. However, a separate document that includes ceiling amounts for all MDAs and regions was produced by the MoFP before the 2017/2018 budget, but after the BCCs.

Dimension rating: D

16.3 Alignment of strategic plans and medium-term budgets

Programs and subprograms have strategic plans which specify and separate capital from recurrent items, and while sector strategies exist for major sectors and have indicative budgets, the majority of these are not related to available resources, and there is no data to justify any part of the strategic plans being costed. The Budget Book contains Strategic Plans (both Development and Recurrent – separately), these strategic plans are purely qualitative and are not reflected in the budget estimates, at least not in the same format being presented earlier on in the strategic plans i.e. elements of strategic plans are not directly translated into line items within the budget.

Dimension rating: D

16.4 Consistency of budgets with previous year's estimates

The Budget Framework Paper sets a medium-term resource envelope and clarifies the costs of strategic policy options. However, only *some* of the links between the estimate for 2017/18 prepared in 2016/17 and its subsequent budget 'ceiling' are clear to MDAs.

Table 3.16: MTEF/BFP Outer Year Links (TZS Mil.)

	BFP 2016/17	BFP 2017/18	BFP 2018/19
2015/16		-	-
2016/17	841,477		
2017/18	919,963	1,087,359	
2018/19	1,002,030	1,192,849	1,315,114
2019/20		1,302,513	1,498,458
2020/21			1,688,841

Source: MoFP, Budget Framework Papers

Reconciliations with previous budget forward years are included in both Budget Implementation Speech and Budget Framework Paper (BFP). These two documents however, only include a mention of the difference between second year of the last medium-term budget and the first year of the current medium-term budget.

The link between the two years is recognized although there is not enough information on the reasons for the difference nor an explanation of such changes.

Dimension rating = D

PI-16	Dimension	Score	Justification
	Medium-term perspective in expenditure budgeting	C+	Overall rating based on M2 methodology
16.1	Medium-term expenditure estimates	A	Estimates of expenditure for the budget year and the following two years are produced using administrative, economic and program classifications.
16.2	Medium-term expenditure ceilings	D	Although the BCCs do not include ceilings, MoFP produced a separate document with ceilings for the 2017/2018 budget, but after the BCCs.
16.3	Alignment of strategic plans and medium-term budgets	D	A medium-term expenditure framework for all sectors has been in place for several years: however, these are purely qualitative and are not reflected in the budget estimates, at least not in the same format.
16.4	Consistency of budgets with previous year's (medium-term) estimates	D	Links between the MTEF second year estimates and setting of the annual budget for the following FY are recognized although there is not enough information on the reasons for the difference nor an explanation of such changes.

Current improvement efforts:

Starting 2018/2019 Budget Guidelines are going to be provided in two circulars; Circular 1 which will not include Budget Ceiling to be issued in November 2018 and Circular 2 which will include Budget Ceilings to be issued in February 2019 going forward which is required by PEFA Framework.

PI-17 Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It also assesses the alignment between proposed expenditure estimates and policy objectives. Dimensions (17.1) and (17.2) works on the most recent budget estimates submitted to the HoR (2017). Dimension (17.3) works on the most recent three budget years (2015/16, 2016/17 and 2017/8).

17.1 Budget calendar

This indicator measures the extent of budget calendar for the year it is in place and complied with and allows budgeting units to have at least six weeks to finish their detailed budgeting. This is considered "good practice" and is the criterion to attain an 'A' rating.

Table 3.17: Budget calendar

Budget activities	2018/19
Ministry of Finance and Planning issues budget guidelines on budget estimation	February 2018
Department of Budget sends official letter requesting other ministries, departments, government agencies (MDAs) and regions to provide their basic targets and budget estimates	March 2018
Ministries, departments, government agencies (MDAs) and regions submit proposed budget estimates to the Department of Budget	April 2018
Budget Department consolidates MDAs and regions budgets ready for submission to the House of Representatives	April 2018

Source: Ministry of Finance and Planning – Budget Department.

The MoFP is responsible for the annual budget preparation process, effective participation by other ministries or budgetary units as well as by the leadership of the executive, House of Representatives affects the extent to which the budget reflects macroeconomic, fiscal, and expenditure and revenue policy priorities. Effective participation requires an integrated top-down and bottom-up budgeting process, involving engagement from every party in an orderly and timely manner, in accordance with a predetermined budget preparation calendar.

The rating for this indicator is 'A', as a clear annual budget calendar is issued in Mid-February and is generally adhered to, and allows budgetary units (all MDAs and Regions) at least six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time. Deadline for Budgetary units to submit their Budgets to the MoFP – Budget Department is the last working day of March, from which 1st April (or the first working day in the month of April) data entry process begins for consolidated Budget Books to be presented to the House of Representatives.

Dimension rating: A

17.2 Guidance on budget preparation

Budget preparation follows instructions issued by MoFP in November regarding recurrent and development expenditures. Guidelines on budget preparation are considered clear, and even though the guidelines do not include ceilings, there is a separate document issued by MoFP that includes ceiling amounts for all MDAs and

regions for the 2017/2018 budget. The estimates are reviewed and approved by the HoR after they have been completed in every detail by budgetary units.

Dimension rating: C

17.3 Budget submission to the HoR

Good practice requires the estimates to be submitted at least two months before the start of a new budget year for each year in every three years. The specific submission dates of budget proposal to the Parliament for budget years of 2015/16, 2016/17 and 2017/18 are provided in [Table 3.18](#).

Table 3.18. Specific dates of submission of budget proposal in the last three years

Budget Year	Submission Date
2015/16	21/04/2016
2016/17	17/04/2017
2017/18	13/04/2018

Source: Ministry of Finance and Planning

The practice in Zanzibar is that the Commissioner for Budget under the MoFP submits the annual budget proposal to the House of Representatives at least two months before the start of the fiscal year in each of the last three years as shown above. These dates are derived from submission letters filed by the Budget Commissioner to the House of Representatives.

Dimension rating: A

PI-17	Dimension	Score	Justification
Budget preparation process		B+	Overall rating based on M2 methodology
17.1	Budget calendar	A	A clear annual budget calendar is issued in mid-February and is generally adhered to: this allows budgetary units at least six weeks to complete their detailed estimates on time.
17.2	Guidance on budget preparation	C	MoFP issues ceilings to all budgetary units in February each year, setting limits of expenditure for the next three years.
17.3	Budget submission to the legislature	A	The annual budget proposal was submitted to the HoR at least two months before the start of the last three fiscal years.

Current improvement efforts:

The MoFP starting in the budget year 2018/2019 has issued two budget circulars, one in November containing proposed budgets for three years and one in the month of February containing adjusted ceilings for every budgetary unit aiming to provide guidance to various units towards preparation of their respective budgets. Prior to this, one Budget Circular was being issued in October which contained the information need for budgetary units to prepare their annual budgets.

PI-18 Legislative scrutiny of budgets

This indicator assesses the legislative scrutiny of the annual budget, the extent to which the legislature establishes and complies with scrutiny process, to scrutinize, debate, and approve the annual budget before the start of a new budget year.

18.1 *Scope of budget scrutiny*

This dimension assesses the scope of legislative scrutiny. Such scrutiny should cover review of fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as the specific details of expenditure and revenue estimates. "Good practice" requires the legislature to have the ability to propose fiscal policies to the central government, medium-term budget framework and priorities, and budget revenue and expenditure estimates through scrutiny and debates on budget proposal.

The budget estimate book is based on the MTEF (i.e. it is on a multi-year basis), and is submitted for review to the HoR. The HoR review covers fiscal policies and aggregates for the medium-term as well as details of each MDAs revenue and expenditure for the coming year. The HoR actively scrutinised the 2018/19 budget documents.

Dimension rating: B

18.2 *Legislative procedures for budget scrutiny*

This dimension assesses the extent to which legislative review procedures are established and adhered to. This includes public consultation arrangements, internal organizational and committee arrangements, technical support, and negotiation procedures. "Good practice" (score A) requires legislative procedures for budget scrutiny approved by legislature to be complied with during budget debates.

In Zanzibar, these procedures include public participation. The procedures include internal organizational arrangements such as specialized review committees of the HoR, technical support, and negotiation procedures that involve the public and civil societies and chamber of commerce. The Budget Committee of the HoR coordinates the process, with technical support from the House staff. The Budget Committee of eight members, through HoR standing order number 100(2) meets with the Executive to discuss and agree on all issues that have been raised by members of the House during the budget debate – in the 2018/19 budget session, the discussions were held in two days consecutively; on 18/06/2018 and 19 /06/2018.

Dimension rating: A

18.3 *Timing of budget approval*

This dimension assesses the timeliness of the scrutiny process in terms of the legislature's ability to approve the budget before the start of the new fiscal year. The deadline is important so that budgetary units know at the beginning of the fiscal year what resources they will have at their disposal for service delivery.

The law in Zanzibar requires budget to be debated and approved before start of new financial year. In each of the relevant three years (2018/19, 2017/18 and 2016/17) budgets were approved before the respective budget year started. Budget for 2018/19 was passed by HoR on 27 June 2018, the budget for 2017/18 was passed on 20 June 2017 and the budget for 2016/17 financial year was approved by HoR on 27 June 2016.

Dimension rating: A

18.4 *Rules for budget adjustment by the executive*

This dimension assesses the frequency and transparency of adjustments to budget allocations. PEFA-defined "good practice" requires specific regulations to limit the authority of the Executive to adjust the budget in-year without approval by the HoR or Local Government Council.

The law in Zanzibar provides specific procedure on how budget adjustment can be made. Accounting officers in MDAs or LGAs are personally responsible for any excess expenditure incurred without proper authority. If expenditures are required to avoid detriment to public service over and above approved estimates either approval to virement or a supplementary estimate must be sought.

If a supplementary estimate is agreed to by the Paymaster General and the Minister for Finance, a Supplementary Appropriations Bill will be brought before HoR for approval. If approved, the Accountant-General will receive a Supplementary Appropriation Warrant and, in turn, will issue an accounting warrant.

If a virement is requested, an application for warrant must be submitted to the Paymaster General. The Minister of Finance has the authority to approve virement within the overall total of a vote. On approval, the Minister will issue a virement warrant to the Accounting Officer, copied to the Accountant-General.

At the close of a financial year, the Accountant-General arranges for schedules to be prepared showing excess expenditure on each item of the estimates for consideration by the HoR and Public Accounts Committee.

Dimension rating: A

PI-18	Dimension	Score	Justification
Legislative scrutiny of budgets		B+	Overall rating based on M1 methodology
18.1	Scope of budget scrutiny	B	The HoR reviews the proposed budget for the upcoming fiscal year especially on fiscal policies and aggregates for the medium term as well as details by MDAs of revenue and expenditure.
18.2	Legislative procedures for budget scrutiny	A	The procedures for scrutiny of budget proposals for the House of Representatives include specialised committees, public consultations and agreed negotiation processes, which also include MoF of the United Republic of Tanzania and the East African community. They are approved in advance and adhered to. The Budget Committee of the HoR coordinates the process with support from the House technical team.
18.3	Timing of budget approval	A	The Legislature approved the annual budget in advance of the fiscal years in 2016/17 and 2017/18 and 2018/19.
18.4	Rules for budget adjustment by the Executive	A	Clear rules exist in-year budget amendments by the Executive.

Current improvement efforts:

None.

Pillar V. Predictability and control in budget execution

PI-19 Revenue administration

This indicator assesses compliance of laws and regulations on revenue management of collections. In the RGoZ, there are two entities that administer central government revenues, which may include tax administration, customs administration, and social security contribution administration. These entities are Zanzibar Revenue Board (ZRB) for Local Revenues and Tanzania Revenue Authority (TRA) for revenues with regards to Union matters. These include public enterprises that operate as regulators and holding companies for government interests such as Government Corporations, Companies and Investments. This assessment has been conducted with revenue information collected from entities outside the government sector i.e. ZRB, TRA, Zanzibar Association of Accountants and Auditors (ZAAA) as well as Zanzibar National Chamber of Commerce, Industry and Agriculture (ZNCCIA). Below indicator assesses the procedures used to collect and monitor central government revenues. It contains the following four dimensions and uses M2 (AV) method for aggregating dimension scores:

19.1 *Rights and obligations for revenue measures*

There are two revenue authorities in Zanzibar: ZRB and TRA collect the majority of RGoZ revenues and provide payers with access to comprehensive and up-to date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures. ZRB features a Public Awareness section while TRA features Public Education section both with the aim of educating the public i.e. tax payers on their rights and obligations to pay tax through newspapers, radio and TV live programs, brochures as well as conducting seminars to tax payers sometimes in association between the two revenue collection centres categorizing tax payers into Large, Medium and Small tax payers and providing the knowledge a required by the particular tax group.

From the collected brochures, leaflets, magazines, seminar minutes and training materials produced by both ZRB and TRA, it is evidenced that there is some level of awareness provided to the public on matters concerning their rights and obligations to pay taxes as well as processes and procedures to do the same. The two revenue collection centres provide the public with comprehensive up to date information regarding type of taxes, rates of taxes, targeted groups for each type of taxes, and channels of payment of such taxes.

Dimension rating: A

19.2 *Revenue risk management*

This indicator assesses the extent to which revenue risks are reviewed and managed: "good practices" (score A) require a methodical review for all revenue items.

Entities collecting most of revenues (TRA and ZRB) use approaches that are partly structured and systematic for assessing and prioritizing compliance risks for some revenue streams. A list of revenues collected by the revenue collecting entities with a breakdown by revenue type and further by tax type has been obtained.

Dimension rating: C

19.3 *Revenue audit and investigation*

The RGoZ collects union tax and customs obligations through the TRA. Local taxes and customs are collected through ZRB. Both entities undertake audits and fraud investigations using a compliance improvement plans and complete the majority of planned audits and investigations. The uncompleted audits are carried over to the following year. For example, TRA completed 80% and 71% of planned audits in years 2016/17 and 2017/18

respectively. On ZRB part, 50% of the planned audits were conducted in 2016/17 and 71% was conducted in the following year, 2017/18.

Table 3.19A: TRA Zanzibar tax collection performance 2016/17 and 2017/18

Description of Items	2016/17	2017/18
Planned audit cases (No)	80	100
Completed audit cases (No)	64	71
Performance in %age	80%	71%
Amount assessed from audit (TZS)	18,461,127,603	16,817,859,743
Amount collected from audit (TZS)	7,373,649,166	4,041,131,177
Collection as a % of tax identified	40%	24%

Table 3.19B: ZRB tax collection performance 2016/17 and 2017/18

Description of Items	2016/17	2017/18
Planned audit cases (No)	120	96
Completed audit cases (No)	60	68
Performance in %age	50%	71%
Amount assessed from audit (TZS)	6,282,977,170	19,811,993,309
Amount collected from audit (TZS)	11,435,018,453	11,004,492,232
Collection as a % of tax identified	182%	56%

The rating is based on the work and functioning of the TRA and ZRB in Zanzibar.

Dimension rating: C

19.4 Revenue arrears monitoring

This indicator assesses whether revenue arrears are collected sufficiently by collectors by focusing on extent and age of revenue arrears. It is only applied to subnational government collectors.

There is insufficient information on revenue arrears to assess this dimension.

Dimension rating: D*

PI-19	Dimension	Score	Justification
Revenue Administration		C+	Overall rating based on M2 methodology
19.1	Rights and obligations for revenue measures	A	ZRB and TRA collect the majority of revenues and provide payers with access to comprehensive and up-to date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures.
19.2	Revenue risk management	C	Entities collecting the majority of revenues use approaches that are partly structured and systematic for assessing and prioritizing compliance risks for some revenue streams
19.3	Revenue audit and investigation	C	ZRB collects the revenue due to RGoZ, and undertakes audits and fraud investigations using a compliance improvement plan: the majority of planned audits are completed.
19.4	Revenue arrears monitoring	D*	There is insufficient information on revenue arrears to assess this dimension.

Current improvement efforts: none

PI-20 Accounting for revenue

This indicator assesses the procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts.

20.1 Information on revenue collections

The practice in Zanzibar is that entities collecting most of central government revenue sends revenue information to the MoFP on monthly basis with details of revenue type. Good practice requires that a central agency obtains revenue data at least monthly from entities collecting most central government revenue. This information is broken down by revenue type and is consolidated into a report. A report from the MoFP that shows a breakdown of revenue collected by tax type and other revenue sources for the years 2015/2016, 2016/2017 and 2017/2018 has been obtained.

MoFP obtain revenue data at least monthly from entities collecting all central government revenue. This information is broken down by revenue type and is consolidated into a report at the MoFP.

Dimension rating: A

20.2 Transfer of revenue collections

In principle, 'good practice' required all tax collections (including collections for central and local budgets) to be transferred immediately to the budget through the Treasury.

The practice in Zanzibar is that transfers are made every week on Monday for the ZRB and every week on Friday for TRA to the consolidated fund account controlled by the Treasury (in MoFP): this meets the 'good practice' criterion that entities collecting most central government revenue transfer collections at least weekly to the Treasury

Dimension rating: A

20.3 Revenue accounts reconciliation

This indicator assesses the timeliness in reconciling between revenue collection and transfer to Treasury.

Good practice requires that entities collecting most central government revenue (ZRB and TRA) undertake complete reconciliation of assessments, collections, arrears, and transfers to MoFP at least quarterly within four weeks of the end of quarter. In addition, there was no evidence to demonstrate that ZRB and TRA undertake complete reconciliation of collections and transfers to Treasury and other designated agencies at least annually within 2 months of the end of the year. There have not been therefore any revenue reconciliation statements to rate this dimension.

Dimension rating: D

PI-20	Dimension	Score	Justification
	Accounting for revenue	D+	Overall rating based on M1 methodology
20.1	Information on revenue collections	A	Both ZRB and TRA obtain revenue data at least monthly from entities collecting all central government revenue. This information is broken down by revenue type and is consolidated into a report.
20.2	Transfer of revenue collections	A	Transfers are made every week on Monday for the ZRB and every week on Friday for TRA to the consolidated fund account controlled by the Treasury in MoFP.
20.3	Revenue accounts reconciliation	D	There have not been any revenue reconciliation statements to demonstrate that ZRB and TRA undertake complete quarterly reconciliations of assessments, collections, arrears, and

PI-20	Dimension	Score	Justification
			transfers at least within four weeks of the end of quarter. In addition, there was no evidence to demonstrate that ZRB and TRA undertake complete reconciliation of collections and transfers to Treasury and other designated agencies at least annually within 2 months of the end of the year.

Current improvement efforts:

None.

PI-21 Predictability of in-year resource allocation

This indicator assesses the ability of the MoFP to predict expenditure commitment and balance needs and provide reliable information about the ability to accommodate expending needs of budget expending units for service delivery. Efficient service delivery and budget compliance require budgeting units to be well informed about fund capability. Data used to assess the three dimensions of this indicator are either at the time of the assessment or from the last completed year, i.e. 2017/18.

21.1 Consolidation of cash balances

The RGoZ operates over 40 bank accounts at commercial banks for its non-tax revenue collections, and these are 'swept' into a single account controlled by the MoFP at the BoT at the end of each working day: hence MoFP has on-line access to all amounts received.

On the expenditure side, there are separate accounts for recurrent and development expenditures, and RGoZ is able to operate what is effectively a 'Treasury Single Account'.

Dimension rating: A

21.2 Cash forecasting and monitoring

"Good practice" requires cash flow forecast to be prepared for the budget year and updated monthly for actual incoming and outgoing flows, this is required for an A rating, and RGoZ meets this requirement.

A Ceiling Committee (which includes representatives from the BoT) meets monthly and decides on available cash for budget releases. Since a major share of expenditure is payroll (managed centrally by MoFP), the main issue concerns other charges, particularly development expenditures, which are linked to timeliness in disbursement of external funding. Transfers are made within a day of the request, provided it is maintained within the monthly expenditure ceiling allocated.

Dimension rating: A

21.3 Information on commitment ceilings

To attain score A, "good practice" requires budget-expending units to know their available expenditure commitments at least six months in advance. However, for the past several years – including 2017/18 (latest completed year) – the Ceiling Committee has provided monthly ceilings for spending agencies, to ensure that expenditures are maintained within the limits of available cash.

Dimension rating: C

21.4 Significance of in-year budget adjustments

Supplementary estimates have not been used in recent years. However, the executive can and frequently does, authorize re-allocations *within* an Agency's vote on request, subject to a limit of 15%: however, shifts from development to recurrent expenditure are not permitted.

Dimension rating: A

PI-21	Dimension	Score	Justification
	Predictability of in-year resource allocation	B+	Overall rating based on M2 methodology
21.1	Consolidation of cash balances	A	Revenue collections are 'swept' into a single account controlled by the MoFP at the end of each working day: MoFP has on-line access to all amounts received.
21.2	Cash forecasting & monitoring	A	Cash flow forecasts are prepared for the fiscal year, and are updated monthly based on actual cash inflows and outflows.
21.3	Information on commitment ceilings	C	Spending agencies are provided reliable information for one month in advance.
21.4	Significance of in-year budget adjustments	A	The executive can and does, authorize re-allocations within an Agency's vote, subject to a limit of 15%, but shifts from development to recurrent expenditure are not permitted.

Current improvement efforts:

Zanzibar is currently implementing a pilot four-month ceiling for the Ministries of Health, Agriculture, Communication and Education, plus OCAG.

PI-22 Expenditure arrears

This indicator measures the stock of arrears, and whether any systemic problem in this regard is being addressed and brought under control.

22.1 Stock of expenditure arrears

This dimension assesses the extent to which there is a stock of arrears. The stock is preferably identified at the end of the fiscal year and compared to total expenditure for the considered fiscal year. "Good practice" requires expenditure arrears to not exceed 2% total expenditure for at least two out of three past budget years for score A. Expenditure payment arrears are expenditure obligations that have been incurred by government, for which payment to the employee, retiree, supplier, contractor or loan creditor is overdue.

The Assessment Team obtained from Accountant-General only two expenditure categories from the availed information – gratuity and government suppliers. It does not appear that expenditure arrears are properly document and tracked and therefore there is possibility of there being arrears that have not been captured and reported, e.g. VAT refunds, pensions, loan creditors, etc. The stock of expenditure arrears as per [Table 3.20](#) is no more than 6% of total expenditure in at least two of the last three completed fiscal years.

Table 3.20: RGoZ Expenditure arrears

Year	Arrears -TZS	Total Expenditure - TZS	Arrears %of expenditure
2015/16	16,974,544,727	420,862,690,000	4%
2016/17	31,891,447,788	635,488,876,000	5%
2017/18	NA	911,777,926,000	NA

Source: MoFP – Accountant-General

Dimension rating: B

22.2 Expenditure arrears monitoring

This dimension assesses the extent to which any expenditure arrears are identified and monitored. It focuses on which aspects of arrears are monitored and how frequently and quickly the information is generated. "Good practice" (score A) requires governments to provide for in-year arrears monitoring process, and debt data should be compiled every quarter no later than four weeks as of the end of a quarter monitoring expenditure commitment of budgeting units with contractors.

The Accountant-General documents total payment arrears of the government and the consolidated figures are disclosed in the annual consolidated financial statement of the RGoZ. The Assessment Team however, was not able to see the breakdown of payment arrears in their various categories or sectors where they came from, their age, etc. There is no clear evidence that expenditure arrears are systematically monitored.

Dimension rating: D

PI-22	Dimension	Score	Justification
Expenditure Arrears		D+	Overall rating based on M1 methodology
22.1	Stock of Expenditure Arrears	B	Reports obtained indicate arrears not above 6% of CG total expenditure in more than two of the last three completed years.
22.2	Expenditure Arrears Monitoring	D	There is no systematic reporting of arrears within the financial reporting system i.e. data on the stock, age profile and composition of arrears is not generated annually.

Current improvement efforts:

None.

PI-23 Payroll controls

This indicator assesses the payroll for public servants and bureaucrats, how changes are handled, and how consistency with personnel records management is achieved.

The entire Zanzibar civil service is estimated at 40,000 staff comprising of all MDAs, Local Government Authorities (LGAs) – including teachers and health professionals. However, the armed forces, police and the staff of public enterprises or parastatals are not included, nor is 'casual labour'.

The payroll is controlled through a human resources computerised database known as the Human Resources Management Information System (HRMIS), and is being managed by President's Office Public Service Management (PO-PSM) in collaboration with MoFP payroll section. The HRMIS contains staff details such as names and associated relevant biodata (e.g. dates of birth, professional qualifications), positions held by staff, salaries, and changes in employee circumstances (e.g. salary changes, promotions). HRMIS has been developed in-house by PO-PSM staff since 2013 and was put into application in 2016.

Requests made by an MDA to fill a vacant position, terminate a staff member's employment, increase/ decrease the number of positions or to make promotions and transfers, is validated and checked against the establishment list by PO-PSM and against the approved budget by the HoR. Although POPSMS continuously receive proposed adjustments from MDAs; POPSMS are required to submit their updated and approved list to MoFP by 15th day of the month to ensure that proposed changes are included in the following month payroll.

Good practice requires solid top-down management to prevent any changes beyond authority in personnel and

payroll record, which may lead to unreasonable salary raise to certain individuals.

Payroll management is now being decentralised to MDAs, but the process is still in progress. The MDAs that are already onboard can now access and enter changes in personnel records into HRMIS directly, after which the PO-PSM controls and authorizes the changes made. There are currently 250 users across all MDAs that can access the system, but with varying degree of user authority depending on their needs and as defined by system administrator. Right now, all salary payments are managed through the system. The system is capable of handling statutory deductions, taxes, insurance and pension payments. The system has other capabilities such as leave processing and performance assessment management.

It has been seven years since PO-PSM last did a payroll audit. It was reported that OCAF is now given the responsibility to carry out payroll audit every time there is need. There are no routine payroll audits that has been established by the government.

23.1. Integration of payroll and personnel records

Good practice requires solid linkages between payroll and personnel documents. Any change in personnel record (e.g. new designation) should automatically result in changes to the payroll.

The establishment list and the staff list are integrated in HRMIS, and changes made by MDAs into HRMIS are checked and authorized by PO-PSM on a monthly basis. The system generates the monthly payroll, which is checked at the MDA and against the budget in accordance with a government circular and is then forwarded to MoFP for payment processing.

Discussions with the HRMIS team indicate that the appetite to utilise all the functionalities of the system is still minimal. Although utilization of the system is at the minimal, it does not affect the performance of system or the fact that the system is capable of being integrated with other financial management systems. Interest from PO-PSM management would enable utilisation of most useful modules in the system that are yet to be activated but useful. Utilisation of more available modules would however not affect the rating of the dimension.

Dimension rating: A

23.2. Management of payroll changes

This dimension assesses the timeliness of changes to personnel and payroll data. Any amendments required to the personnel database should be processed in a timely manner through a change report, and should result in an audit trail. For the RGoZ, required changes to the personnel records and payroll are updated at least monthly, generally in time for the following month's payments. Retroactive adjustments when calculated showed corrections of 7% of salary payments, this is above the maximum limit of 3%. There is no data to show frequency of adjustments done to payroll. However, all changes to the payroll are processed through the HRMIS system and thus generate an audit trail, including all relevant approvals.

Table 3.21: RGoZ Payroll adjustments

Year	Payroll Adjustment - TZS	Total Payroll - TZS	%age
2016/17	22,109,808,886	217,864,975,000	10%
2017/18	20,003,512,288	282,206,997,000	7%

Source: MoFP

Dimension rating: C

23.3 Internal control of payroll

This dimension assesses the controls that are applied to the making of changes to personnel and payroll data. Effective internal controls should: restrict the authority to change records and payroll; require separate verification; and require production of an audit trail that is adequate to maintain a permanent history of transactions together with details of the authorizing officers.

The authority to change records and payroll is restricted and results in an audit trail, in addition there is evidence to demonstrate full payroll data integrity. The assessment team's interviews with President's Office responsible for Public Service (POPSM) confirm cases of delayed update of information from MDAs as they are not able to timely respond to the needed staff data changes. In addition, there has not been any report showing existence of ghost workers in civil service in recent years.

Dimension rating: A

23.4 Payroll audit

This dimension assesses the degree of integrity of the payroll. Payroll audits should be undertaken regularly to identify ghost workers, fill data gaps, and identify control weaknesses. PEFA requires a payroll audit system to verify presence of each personnel and relevant documents in personnel record (e.g. correct qualification as declared) and accuracy in salary calculation.

There is no evidence that partial or full payroll audits or staff surveys have been undertaken within the last three completed fiscal years. Although it was reported that OCAG have the responsibility to carry out payroll audits but no evidence in form of report or other means was made available to the Assessment Team.

Dimension rating: D

PI -23	Dimension	Score	Justification
Payroll controls		D+	Overall rating based on M1 methodology
23.1	Integration of payroll and personnel records	A	Approved staff list, personnel database, and payroll are integrated in the HRMIS system to ensure budget control, data consistency and monthly monitoring.
23.2	Management of payroll changes	C	Changes to the personnel and payroll system are updated monthly through the HCMIS system which leaves an audit trail. Retroactive adjustments when calculated showed corrections of 7% of salary payments, this is above the maximum required 3%. There is no data to show frequency of adjustments done to payroll.
23.3	Internal control of payroll	A	Authority to change records and payroll is restricted, results in an audit trail and is adequate to ensure high integrity of data.
23.4	Payroll audit	D	There is no evidence that partial or full payroll audits or staff surveys have been undertaken within the last three completed fiscal years. Although it was reported that OCAG have the responsibility to carry out payroll audits but no evidence in form of report or other was made available to the AT.

Current improvement efforts: None

PI-24 Procurement

This indicator uses last completed year data to assess key aspects of procurement management. It focuses on transparency of arrangements, use of open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements.

24.1 Procurement monitoring

This dimension assesses the extent to which prudent monitoring and reporting systems are in place within government to ensure value for money and promote fiduciary integrity. Completeness refers to the information on procurement contracts awarded.

It is the responsibility of procuring entities (government ministries, districts, departments) to prepare procurement plan. The Zanzibar Public Procurement and Disposal of Public Assets (ZPPDPA) is only one year old and its ability to play monitoring role of procuring entities is yet to be developed. It was therefore not possible to get evidence from ZPPDPA on the state of public procurement in procuring entities in Zanzibar. Among the information not made available include information on the procurement plans, procurement methods used as well as the value of procurement and details of contract awards.

The CAG management letter for Ministry of Agriculture, Natural Resources, Livestock and Fishing for the year 2015/16 disclosed that the Ministry did not prepare a procurement plan. There was no evidence from other ministries that the Assessment Team reviewed indicating that procurement plans were being prepared routinely and had relevant information included.

The Office the *Internal Auditor General*, also in its infancy stage, does not have report to provide information on the situation of public procurement in Zanzibar. In the PAC reports to HoR in both 2016/17 and 2017/18, the Committee reported poor adherence to public procurement procedures and procurement done without adhering to procurement plans. The Committee also reported that some of the procuring entities did not prepare procurement plans or contracts for awarded contracts. The PAC reports to the Legislature also highlighted the following procurement issues in government procuring entities:

- Absence of tender boards in some LGAs
- Where tender boards existed, lack of involvement of tender boards in procurement and disposal of public assets, e.g. MoFP
- General lack of compliance to procurement law and regulations
- Negligence by staff in conducting public procurement
- Shortage of procurement professionals among procuring entities
- Lack of understanding of procurement law by those responsible for conducting public procurement.

Although the PAC report did not explicitly state the magnitude of the noncompliance in MDAs or LGAs but anecdote evidence and discussions with members of nongovernment organisations corroborate to noncompliance to procurement regulations in many procuring entities. The site visits that the AT made to Ministry of Health, Ministry of Agriculture, Ministry of Infrastructure, Ministry of Local Government did not provide evidence to suggest proper procurement monitoring in government procuring entities.

Dimension rating: D

24.2 Procurement methods

This dimension analyses the percentage of the total value of contracts awarded with and without competition. A good procurement system ensures that procurement uses competitive methods, except low-value procurement under an established and appropriate threshold.

In accordance with section 68 (1) of the PPDPA Act (2016), a procuring entity engaging in the procurement or disposal of public assets shall apply domestic competitive tendering unless otherwise stated in the Act. Section 68 (4) allows foreign or international companies to bid for domestic competitive tenders. There are, however, other provisions in the Act for open international bidding, restricted bidding, quotation, and single source. Specific rules for procurement under Public-Private-Partnerships are not covered under the PPDPA act (2016).

The interviews and consultations made with various government officials have not shown evidence of consolidated data on procurement methods applied by procuring entities. Given the infancy institutional development that ZPPDPA is at now, it lacks the required capacity to collect and provide such information, the institution is basically still in start-up mode. It was therefore not possible to get information from both the ZPPDPA and sampled MDAs on how much procurement was conducted using competitive methods in the last completed fiscal year.

Dimension rating: D

24.3 Public Access to Procurement Information

This dimension reviews the level of public access to complete, reliable and timely procurement information. Public dissemination of information on procurement processes and their outcomes are also key elements of transparency.

The public in general has access to sufficient information about procurement opportunities published in bidding newspapers and website of some government entities. Additional public procurement details are provided in [Table 3.22](#), below.

Table 3.22: PEFA Framework benchmarks: Public procurement details

Public procurement details:		
1	Legal and regulatory framework for procurement	Yes. <i>There is Public Procurement and Disposal of Public Assets Act 2016. However, there is no regulation that has been issued to allow proper application of the Act. Based on the information received from MoFP and ZPPDPA authority, the government is now preparing new Public Procurement and Disposal of Assets Regulations. ZPPDA is one year old since its establishment and most of its functions are still in their nascent development stage.</i>
2	Government procurement plans	No. <i>Public procurement is still under development in Zanzibar following the enactment of PPDA Act 2016. However sec 42 (1) of PPDPA act (2016) and in accordance with the budget preparation procedures issued by the Minister responsible for finance, a procuring and disposing entity is required in each financial year, by a date determined by the Paymaster General to prepare and submit to the Paymaster General and to the ZPPDPA its annual procurement plan for the following financial year. The new authority has now issued guidelines to procuring entities with sample procurement plans and there is evidence that few procuring entities are preparing procurement plans and submitting them to ZPPDA for review. There is no evidence to demonstrate that preparation of procurement plans has developed and is a practice across all procuring entities and for 2017/18 it was definitely not the case. Although, a few MDAs showed that they were preparing some form of procurement plans which were not standard across all procuring entities for the year 2018/19. Although the law requires a PE to review its procurement plan quarterly; there is no evidence that such reviews were done by PEs in 2017/18.</i>
3	Bidding opportunities	Yes. <i>Bidding opportunities are made available in public newspapers. However, most opportunities are not posted in various government websites that already exist. The</i>

Public procurement details:		
		<i>ZPPDPA authority does not as yet have a website but it was said its under development. There are still therefore avenues for making bidding opportunities more public and readily available.</i>
4	Contract awards (purpose, contractor and value)	<i>No. There is no database to show contract awarded in the public sector. There is evidence that over the period under assessment, some public contracts had been awarded to companies for various purposes. However, there is evidence that participating bidders are informed whenever there is intention to award a tender to a winning bidder.</i>
5	Data on resolution of procurement complaints (no complaint, so no result).	<i>No. There is no readily available database documenting resolution of public procurement complaints. However, there are some evidence that ZPPDPA had played some roles in resolving public procurement complaints.</i>
6	Annual procurement statistics	<i>No. There is no evidence that there are statistics of annual public procurement that is undertaken by the various procuring entities of the RGoZ. The procurement statistics were not available at ZPPDPA or Ministry Finance.</i>

A score of "C" requires that at least three of the key elements are complete and reliable for government units representing the majority of procurement operations and are made available to the public. The AT has established that only two of the key elements are complete and also, that there is no way to determine the extent of information of procurement operations that is made public.

Dimension rating: D

24.4 Procurement complaints management

This dimension assesses the existence and effectiveness of an independent, administrative complaint resolution mechanism. A good procurement system offers stakeholders access to such a mechanism as part of the control system, usually in addition to the general court system.

Table 3.23 below lists the six criteria of a body that handle procurement complaints independently. The AT indicates the level of compliance to each of the criteria by the RGoZ. For a score of "C", the RGoZ procurement complaint system should be able to meet at least criterion (1) below, and one of the other criteria.

Table 3.23: Complaint handling criteria

Complaints are reviewed by a body which:		
1	Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	<i>Yes: although the Accounting Officer of the procuring entity is the first authority for review of a complaint, the matter can then be referred to the ZPPDPA which is independent of the procurement transaction and process after which the matter can be referred to courts.</i>
2	Does not charge fees that prohibit access by concerned parties	<i>Yes: a bidder raising a complaint is required to pay a nominal fee, which is not prohibitively high to the extent of discouraging a bidder to submit a complaint.</i>
3	Follows processes for submission and resolution of complaints that are clearly defined and publicly available	<i>Yes: the ZPPDPA is clear on the processes for resolution and complaints and the rules and procedures are described in the law however, due to its infancy stage, the ZPPDPA is yet to develop its websites and there are no brochures available to the public on what the authority does.</i>
4	Exercises the authority to suspend the procurement process	<i>Yes: both the Accounting Officer and the ZPPDPA can suspend the procurement process (section 90 in Public Procurement and Disposal of Public Assets Act 2016).</i>
5	Issues decisions within the timeframe specified in the rules/regulations	<i>No: Although there is evidence that ZPPDPA issued decisions on complaints presented to them, there is no evidence that such cases were all resolved within the timeframe provided for in the law, section 85 (4) of the Public Procurement and Disposal of Public Assets Act.</i>

Complaints are reviewed by a body which:		
6	Issues decisions that are binding on every party (without precluding subsequent access to an external higher authority).	<i>Yes: in accordance with section 85 of Public Procurement and Disposal of Public Assets Act 2016.</i>

The AT have established evidence that the RGoZ public procurement system meets at least criterion (1) in the table above and four other criteria. There is no evidence to show that complaints decisions are issued within the timeframe specified in the law.

Dimension rating: B

PI-24	Dimension	Score	Justification
Procurement		D+	Overall rating based on M2 methodology
24.1	Procurement monitoring	D	ZPPDPA does not compile data from source information provided by procuring entities throughout the government. ZPPDPA is one year old and therefore its capacity to provide procurement monitoring would still need development.
24.2	Procurement methods	D	There is no report from ZPPDPA which shows numbers of procurements by type and value for 2017/18, and therefore it has not been possible to provide a percentage government contracts awarded by competitive methods. However, the law provides various methods of procurement to follow, some competitive while others non-competitive.
24.3	Public access to procurement information	D	Only two of the six key procurement information elements are complete and reliable for Government units representing most procurement operations and are made available to the public.
24.4	Procurement complaints management	B	The procurement complaints system meets five of the six criteria for the effectiveness of an independent administrative complaint resolution mechanism.

Current improvement efforts:

None.

PI-25 Internal controls on non-salary expenditure

This indicator measures the effectiveness of multiple processes and controls of the government, including segregation of duties, expenditure commitment controls, and compliance with expenditure controls.

Controls over commitment and payment of non-salary expenditures are in place with the Ceiling Committee that assesses availability of funds on a monthly basis. The RGoZ financial management system (IFMIS) effectively blocks any payment if sufficient funds are not allocated in the system and payments cannot be made without Exchequer authority.

25.1 Segregation of duties

The dimension assesses the existence of the segregation of duties, which is a fundamental element of internal control to prevent an employee or group of employees from being in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties. In this dimension, "good practice" (score A) requires clear regulations on segregation of duties in place to prevent an individual or group of employees from violating or concealing violation or fraud while carrying out their regular duties. Incompatible primary duties that should be segregated include: (a) decision; (b) keeping records; (c) holding assets; (d) reconciliation or auditing.

Segregation of duties is specified in the PFMA and is adopted by bodies and units in their internal expenditure guidelines or circulars which are the basis for spending. The IFMIS manual (2015) also ensures segregation of duties among those working in various decision points and duties in the government financial management system. However, there is no evidence to show that each body and unit has a guideline specifying duties of all internal positions and teams and how duties have been divided between different staff positions.

The AT viewed the operations of IFMIS system, in particular the processing of a sample of MDA transactions. This review indicated that the prescribed system for segregation of duties was followed in practice and was working well.

Dimension rating: B

25.2 Effectiveness of expenditure commitment controls

Expenditure commitment controls helps to prevents arrears, and strengthens and improves budget management. Managing expenditure commitments, especially multiyear contracts also assists medium-term budgeting. "Good practice" (score A) requires maintaining comprehensive control of expenditure commitment to prevent exceeding allocated expenditure or beyond planned cash balance for the future months.

Several factors are impeding effective commitment control, such as the monthly cash rationing system by the Cash Ceiling Committee that brings cash constraints to the MDAs and LGAs, as it tends not to be consistent with monthly needs in terms of implementing approved action plans as per MDAs/LGAs approved budgets. Cash rationing tends to weaken the control environment and gives rise to arrears – it leads to the budget allocation to follow cash rather than cash allocation to follow budget.

Payment arrears arise when interim payment certificates or invoices are presented for payment during the year and cash constraints prevent these from being paid immediately, and therefore accumulate. Although the establishment of internal audit units in MDAs is supposed to enhance expenditure commitments, they are however still developing and affecting by capacity challenges. The Office of IAG is responsible to supervise the government internal audit function was hired only within the past one year and is still setting up the office.

Dimension rating: C

25.3 Compliance with payment rules and procedures

This dimension assesses the extent of compliance with the payment control rules and procedures based on available evidence. "Good practice" requires all payments to comply with standard payment procedures and all exceptions to be predefined: both are conditions to attain score A.

The Public Finance Management Act (2016) specifies rules and procedures for payment control. The Assessment Team has not been able to analyse a sample of payments to determine their percentage and has thus relied on the reports of the CAG for the assessment of this dimension. The IAG is still very young and therefore does not have a report to corroborate compliance by government entities with payment controls.

According to the CAG 2015/16 and 2016/17 audit reports for RGoZ, the CAG acknowledges lack of capacity of her team to audit IFMIS as staff at the office have not been trained for this task. The AT has not seen evidence to demonstrate CAG capacity to effectively audit IFMIS, which is the main means of payment in the entire government system. There is therefore no independent assurance that controls that have been set in the IFMIS system actually are complied with routinely and can be relied on.

The 2015/16 and 2016/17 CAG audit reports for the RGoZ shows some cases of payments made without supporting documents, inaccessibility by CAG for bank accounts especially at the Ministries of Health and Agriculture, lost payment vouchers, ineligible salary payments, payment made without proper adherence to procurement procedures; all these instances suggest that the procedures for payments may not be working as intended.

The CAG report focusing on independent government institutions and enterprises for the year 2015/16 also reported non-compliance with procurement rules and public finance management procedures when institutions are making payments. There are 14 government-owned 'independent' institutions in Zanzibar. While the majority of payments may appear compliant with regular payment procedures there is no evidence seen by AT to demonstrate that payment exceptions are properly authorized.

Dimension rating: D

PI-25	Dimension	Score	Justification
	Internal controls on non-salary expenditure	C	Overall rating based on M2 methodology
25.1	Segregation of duties	B	The PFM law and regulations clearly establish segregation of duties for the main incompatible responsibilities.
25.2	Effectiveness of expenditure commitment controls	C	Commitment control procedures do exist, which provide coverage and are effective. However, the existence of extensive expenditure arrears renders the system of commitment control not wholly effective.
25.3	Compliance with payment rules and procedures	D	It appears payments are largely done according to established procedures. However, the AT failed to obtain evidence that the majority of the exceptions for compliance are properly authorised.

Current improvement efforts:

PFM Regulations will set more clarity on compliance, control and rules and procedures.

PI-26 Internal Audit

Public finance management good practice requires internal audit activities to support management in enhancing systems to improve efficiency, economics and effectiveness of public services (this is basic condition to attain score A).

26.1 Coverage of Internal Audit

This dimension assesses the extent to which government entities are subject to internal audit. This is measured as the proportion of total planned expenditure or revenue collection of the entities covered by annual audit activities, *whether or not substantive audit work is carried out*. Typical features of an operational audit function are the existence of laws, regulations and/or procedures and the existence of audit work programs, audit documentation, reporting, and follow-up activities leading to the achievement of the internal audit objectives, as described in international standards.

Internal audit is operational for central government entities representing the majority of budgeted expenditures and for central government entities collecting the majority of budgeted government revenue. Although each MDA that the AT visited had an internal audit unit, following the amendment of PFM Act 2016 and is supposed to report

functionally to the newly established IAG; however, the IAG was not able to provide a list of all internal auditors and their MDAs.

The PFMA 2016 established the position of IAG, heading the Internal Audit Department under the MoFP. Each MDA has an audit committee that is supposed to review the work of the internal auditor and report to the Principal Secretary. According to section 116 of PFMA 2016, the IAG has the following responsibilities:

- scrutinize and compile audit reports from Public Institutions including donor funded projects
- under take continuous audit risk management
- develop and supervise the implementation of internal audit strategy; review Annual Audit Program; Budget Planning, a view to ascertaining compliance to national goals and objectives
- determine value for money of works, goods and services offered to government
- liaise with the respective audit committees of the HoR, CAG, Accountant-General and MDAs on audit matters
- prepare audit reports and advise the Government on intervention measures
- undertake special and investigative audits
- review, evaluate and recommend on systems of Government revenue collections and expenditure management for proper accountability
- recruit, promote according to the Public Service Act, train and transfer of auditing staff in the Public Institutions

IA units existed in all the MDAs that the AT visited and the IAG informed that all MDAs have internal audit units. MDAs make up the most spending entities of the RGoZ. Almost all the revenues of the government are collected by TRA and ZRB and were both visited and found to have functioning internal audits. Also, all ministries of the government have internal audit functions and they are the main government spenders.

Dimension rating: B

26.2 Nature of audits and standards applied

This dimension assesses the nature of audits performed and the extent of adherence to professional standards. Based on interviews and documents shared, internal audit activities are primarily focused on financial compliance and there does not appear to be capacity to carry out other types of audit such as performance audit, value for money audit, procurement audit, or IFMIS audit.

Although when interviewed, internal audit staff indicated that they complied with International Professional Practices Framework (IPPF) and other local standards and regulations, there was no evidence that internal auditors had been trained in IPPF and fully applied the standards as required. A few reports in the sampled MDAs did not provide adequate assurance that IPPF was being applied effectively. For instance, in the 2016/17 CAG report for the Ministry of Agriculture, it was recommended that internal audit in the ministry needs to be given more resources to enhance its capacity and conduct the function. Given the review of internal audit reports in other MDAs visited and lack of internal audit plans in some, it is evident that internal audit function in public institutions needs significant enhancement in both width and depth. One of the internal auditors who met the AT complained that in her ministry, senior management do not give value to internal audit function.

Where audits are carried out, annual reports showed that internal audit function is primarily focused on compliance with financial rules and regulations. Although some internal auditors when interviewed appeared to understand the need to widen audit scope, there was no evidence to show internal audit is being done beyond a focus on financial compliance.

Dimension rating: C

26.3 Implementation of Internal Audits and reporting

This dimension assesses specific evidence of an effective internal audit (or systems monitoring) function as shown by the preparation of annual audit programs and their actual implementation including the availability of internal audit reports.

According to the Internal Audit Manual, each internal audit unit in an MDA is required to report on findings from their audits to the Audit Committee and Accounting Officer in their entity, and to submit a copy of quarterly internal audit reports to the Paymaster General (where it can be reviewed by IAG) and to the CAG. The IAG is required to scrutinize audit reports from internal audit units, and prepare a summary of major audit observations and recommendations and submit this to the Paymaster General for further action.

Each of the 14 Ministries has an audit committee, and these meet and discuss the reports from internal audit units. However, there is no evidence that the system is effective in ensuring that issues raised by IA are dealt with in view of strengthening internal control systems.

According to MoFP financial regulations, an Audit Committee is to be composed of senior members of an MDA as the case may be, nominated by the respective Accounting Officer and at least one member appointed by the Paymaster General from External Sources. The AT was able to see a report produced by at least one Audit Committee to the Accounting Officer. There was no evidence of specific feedback by the AC or PS to the Internal Auditor about the internal audit work done as required in the Internal Audit Manual.

The AT was able to see two annual internal audit plans out of the five entities that were requested. The audit plans do not have standard formats and there is no evidence that they are approved by Audit Committee.

Dimension rating: D

26.4 Response to Internal Audits

This dimension assesses the extent to which action is taken by management on internal audit findings. This is of critical importance since lack of action on findings undermines the rationale for the internal audit function.

The Internal Audit Manual and Public Finance Regulations (2005) require internal audit units in MDAs to review and report on the adequacy of actions taken by the management in implementing recommendations made by internal auditors and external auditors. Response means that management provides comments on the auditors' recommendations and takes appropriate action to implement them where necessary. The AT did not find evidence to demonstrate the extent to which internal auditors' recommendations are being acted upon. Some of those interviewed in the entities that were sampled indicated that their internal audit function was not being taken seriously in the efforts to strengthen internal controls in their organisation. At present, it is the responsibility of the individual internal audit units to keep record of their recommendations and management's follow up.

Dimension rating: D

PI-26	Dimension	Score	Justification
Internal Audit		D+	Overall rating based on M1 methodology
26.1	Coverage of internal audit	B	Internal audit is operational for MDAs representing most total budgeted expenditures and entities collecting virtually all budgeted revenues.
26.2	Nature of audits and standards applied	C	Internal audit activities are primarily focussed on compliance.
26.3	Implementation of internal audits and reporting	D	There is no evidence of preparation of audit programmes and given the infancy of IAG, monitoring of internal audit units does

PI-26	Dimension	Score	Justification
			not exist at present.
26.4	Response to internal audits	D	Evidence from the 5 internal audit units in MDAs whose work was assessed indicates that the practice of preparing management responses to internal audit units is very weak and is not given appropriate attention.

Current improvement efforts:

The Office of the IAG has just been established and it is expected that once it is up and running, it will support internal audit units across the government to carry out their internal audit work.

Pillar VI. Accounting and reporting

PI-27 Financial data integrity

In order to report credible financial data, it is compulsory to constantly review and evaluate accounting recording practice. This is an important aspect of internal audit and serves as a basis to ensure quality information is fed to the management. This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes support the integrity of financial data.

27.1 *Bank account reconciliation*

This dimension assesses the regularity of bank reconciliation. There should be regular and timely comparisons between government bank account (central or commercial) transaction data and government cash books. "Good practice" (score A) envisages frequent reconciliation between the treasury's book and relevant bank accounts.

For this dimension, 'central government bank accounts' means the bank accounts of budgetary units and extrabudgetary units. It has been verified that bank reconciliation of all RGoZ bank accounts take place monthly, usually before four weeks from the end of each month.

The RGoZ is yet to introduce a Treasury Single Account (TSA) in its operations, although plans are underway to commence this. MDAs have approximately 40 bank accounts in commercial banks for various cash collections, and there is a Standing Order arrangement that requires deposits to be made to the Exchequer Recurrent Revenue account maintained at BoT on a weekly basis. The tax revenue account at BoT is reconciled on a daily basis with commercial banks. Recurrent expenditure account is reconciled on a weekly basis. The development bank account at BoT is reconciled daily by the Accountant-General. For nontax revenue, reconciliation is done on a monthly basis.

Dimension rating: B

27.2 *Suspense accounts*

This dimension assesses the extent to which suspense accounts, including sundry deposits/liabilities, are reconciled on a regular basis and cleared in a timely way.

The Accountant-General's staff confirmed that they do not maintain suspense account in their system and there is no evidence that RGoZ maintains suspense accounts. This means, any transaction pending due to lack of information and in need of further investigation is not posted anywhere in IFMIS, but rather kept aside awaiting investigation. The absence of suspense accounts from a financial reporting point of view is considered a risk.

Dimension rating: NA

27.3 *Advance accounts*

This dimension assesses the extent to which advance accounts are reconciled and cleared. Advances cover amounts paid to vendors under public procurement contracts as well as travel advances and operational imprests for RGoZ officials. This dimension does not cover intergovernmental transfers even though these may be called 'advances' (transfers to subnational governments are dealt with under PI-7).

The Accountant-General confirmed that advance accounts are not maintained. The AT considers the exclusion of such accounts in the IFMIS as a significant omission and potentially creates a risk of misuse of advance payment

especially operational and travel imprests, which are usually not managed through contracts as is the case for procurements. Although the Accountant-General does not believe that the omission is a significant risk and that the RGoZ no longer allows travel imprests, the AT notes that this omission may create a risk to cash management. For example, in the MoFP Internal Audit report, there was evidence of a query on advance payment of TZS 63,0192,420 that had not been retired; although subsequently cleared following the audit finding.

The CAG reports reviewed by the AT do not have findings on unretired imprests. It is however, not certain whether this is a result of the lack of comprehensiveness of the audit coverage or that there are actually no issues at all on advance payments within the RGoZ financial management system.

Dimension rating: NA

27.4 *Financial data integrity processes*

This dimension assesses the extent to which processes support the delivery of financial information and focuses on data integrity defined as accuracy and completeness of data. The dimension is assessed on two key aspects: access to information, including read-only, and changes to records by creation and modification; and existence of a body, unit or team in charge of verifying data integrity.

The RGoZ 2015 Accounting Manual contains a description of roles of key actors and operational controls in EPICOR ERP version 10.1. A single sign-on (SSO) application facilitates the administration of user access and authorization for the different levels of authority in the systems. The IFMIS is capable of creating an audit trail after a user has accessed and used the system. Anyone who accesses the Epicor application must be set up in the User Account Maintenance program. All users must have a defined User ID, name, and password. The IFMIS has been designed to prompt users to change their passwords every three months. In the IFMIS program, one can also define addresses, phone numbers, and other information.

The Accountant-General receives forms for requests of user registration. The requests specify the level of access requested and tasks of the user. EPICOR provide log reports through which it can be traced who the officers were that carried out the registration and authorisation of the individual transactions.

The system administrator grants security permissions based on the user's role in the company. Given the limited capacity of the CAG and IAG to audit IFMIS, the AT has no base to conclude that information provided through the system has full integrity.

Dimension rating: B

PI-27	Dimension	Score	Justification
Financial data integrity		B	Overall rating based on M2 methodology
27.1	Bank account reconciliation	B	All government bank accounts are reconciled at least monthly, with revenue bank accounts reconciled on daily basis or weekly.
27.2	Suspense accounts	NA	The Accountant-General does not keep suspense accounts and there is no alternative way in the system to track pending postings. Transactions pending which lack information and in need of investigation are therefore not posted in IFMIS. This is a risk as some receipts or expenditure may never get identified by the government.
27.3	Advance accounts	NA	The Accountant-General stated that there are no advance accounts. This is yet another risk and a deviation from best practice for keeping track of government money. The Accountant-General confirmed that the government has banned use of travel advances or travel imprests.

PI-27	Dimension	Score	Justification
27.4	Financial data integrity processes	B	Access and changes to IFMIS records is restricted and provides audit trail of all the access and changes taking place in the system. Since the installation of the system, there has not been any assessment or audit of the system and therefore financial data integrity cannot be ascertained.

Current improvement efforts:

None.

PI-28 In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of budget obligation fulfilment during the year. In-year budget reports must be prepared in a consistent manner with budget coverage and classifications, which allows monitoring of budget performance and, if necessary, timely use of corrective measures.

28.1 Coverage and comparability of reports

This dimension assesses the extent to which information is presented in in-year reports and in a form that is easily comparable to the original budget (i.e., with the same coverage, basis of accounting, and presentation). "Good practice" (score A) envisages a readiness of updated expenditure data detailed by sector, economic item and administrative level in order for comparison to be made between actual revenue collection and expenditure with the budget.

Although not used for scoring the indicator, it is important to take note that the online annual execution expenditure reports allow for comparison to the original budget (approved estimates) and also to the projections (estimates) for the specific budget execution period in question. It does not include information on revised estimates (taking account of budget reallocations and virements), but includes budget estimates and projections for the forthcoming two years.

Annual actual performance for domestic revenue collections is presented in a relatively high level of detail, showing the main sub-heads of revenue (tax types and non-tax). Funds received from other sources such as grants, concessional loans, domestic borrowing and external non-concessional borrowing, dividends are also presented comprehensively.

Expenditure is classified into recurrent (personnel emoluments and other charges), development and debt servicing, but no further details of the economic classification is provided. The report does not include information on the actual expenditures executed by deconcentrated units and LGAs from the transfers made by the MoFP. Therefore, it is clear that expenditure data is presented at the Vote level, divided between recurrent and development – foreign and domestic. Although reports are available online in the system and contain most of the details required, there is no evidence that in-year budget reports were produced during the year 2017/18 and used for decision making.

Dimension rating: D

28.2 Timing of in-year budget reports

This dimension assesses whether in year budget information is submitted in a timely manner and accompanied by an analysis and commentary on budget execution. A, B, and C ratings depend on reports actually being prepared

and distributed to those responsible for budget execution, not merely being potentially available from a computerized information system.

The Assessment Team has not received any evidence to suggest that in-year budget execution reports that were published in 2017/18. No quarterly execution reports or semi-annual execution reports were issued in 2017/18.

Dimension rating: D

28.3 Accuracy of in-year budget reports

This dimension assesses the accuracy of the information submitted, including whether expenditure for both the commitment and the payment stage is provided. This is important for monitoring budget implementation and utilization of funds released. In order to achieve score A, “good practice” envisages that in-year reports will be prepared with credible accuracy level and include information on both committed expenditure and amounts actually spent.

In-year budget execution reports were not produced in 2017/18 and therefore the dimension automatically gets a score of D. However, the format of the annual execution report indicates that most of the important information for in-year reports could be included if quarterly or semi-annual execution been produced, and these would have allowed monitoring and testing of their accuracy.

Dimension rating: D

PI-28	Dimension	Score	Justification
In-year budget reports		D	Overall rating based on M1 methodology
28.1	Coverage and comparability of reports	D	No in-year budget execution reports were published during 2017/18 – the most recently completed fiscal year but are available in the system. The coverage and classification of data of 2017/18 does not allow direct comparison to the original budget for the main administrative headings.
28.2	Timing of in-year budget reports	D	There is no evidence that quarterly budget execution reports were produced during the year 2017/18.
28.3	Accuracy of in-year budget reports	D	There is no evidence that quarterly budget execution reports or semi-annual reports were produced during the year 2017/18. However, the template allows such an analysis to be carried out had the in-year budget execution reports been prepared.

Current improvement efforts:

None.

PI-29 Annual financial reports

This indicator assesses the timeliness and consistency with accounting standards and rules universally accepted for the preparation of annual finalization / financial reports. This is a critical aspect to ensure the transparency and accountability of public finance management system.

29.1 Completeness of annual finalization /financial reports

“Good practice” envisages the preparation annual report of total revenue and expenditures, including the revenue sourced from fees and charges retained at the unit level (which are settled through the deposit account at the state’s treasury) to facilitate the revenue collection of the units. The financial statements should contain sufficient

information in terms of the total debt owed by and guaranteed by the Government, along with the information about financial and non-financial assets. Information about expenditure and Government's debt (owed to both domestic and foreign sources) has met this criteria.

Table.3.24: Information presented in the finalization report – consolidated annual financial report

Description	Sub-section	Presented in finalization report
Revenue	Direct taxes	Yes
	Indirect taxes	Yes
	Other non-tax receivables	Yes
	Aids/grant	Yes
Expenditure and transfer	Salary and stipend	Yes
	Administration	Yes
	Service	Yes
	Investment	Yes
	Compulsory expenditure	Yes
	Subsidy	Yes
	Expenditure transferred among different budget levels	Yes
	Projects sponsored by development partners	Yes
Assets	Cash and bank account balance	Yes
	Advance	No
	Loans (recoverable)	No
	Owner's capital and other investment	No
	Outstanding receivables	Yes
Liabilities	Public debt (domestic source)	Yes
	Public debt (foreign source)	Yes
	Other regulated obligations	Yes
	Outstanding expenditure debts	Yes

The consolidated annual financial report is prepared annually and is comparable with the approved budget.

Dimension rating: C

29.2 Submission of reports for external audit

This dimension assesses the timeliness of submission of reconciled year-end financial reports for external audit as a key indicator of the effectiveness of the accounting and financial reporting system. The PEFA Framework requires financial reports to be sent to CAG within three months from the financial year-end in order to achieve score A.

The PFM Act (2016) requires that the Accountant-General prepares and submits to the CAG consolidated financial statements by 30 November of the following year, and provides details of information to be included in the annual reports prepared by the Accountant-General. According to sections 121 and 122 of the Act (and the Accounting Manual (2005)), the financial statements should include revenues, expenditure, assets and liabilities including in the notes financing, loans and guarantees, public debt, and contingent liabilities. They should also include revenue and expenditure arrears and outstanding commitments.

Table 3.25: Timeframe for submission of consolidated financial statements

Year	Budget account finalization report	Date of report submission
2015/16	Account finalization of budget revenues and expenditures	08 May 2017
2016/17	Account finalization of budget revenues and expenditures	29 December 2017
2017/18	Account finalization of budget revenues and expenditures	Not yet submitted, deadline 30 November

Source: MoFP – Accountant General

The last Consolidated Financial Statement to be submitted to CAG was for the financial year 2016/17 and was submitted the 6th month after the end of the financial year while the law requires submission to CAG to be done within five months and PEFA framework requires submission within three months.

Dimension rating: B

29.3 Accounting standards

This dimension assesses the extent to which annual financial reports are understandable to the intended users and contribute to accountability and transparency. This requires that the basis of recording the government's operations and the accounting principles and national standards used be transparent. "Good practice" envisages that annual financial statements will be prepared in accordance with the standards introduced by the International Federation of Accountants (IFAC).

Adherence to the requirements of the Accountant-General's Accounting Manual and PFMA (2016) require uniform practice in compliance with Financial Accounting Standards issued by both National Board of Accountants and Auditors (NBAA) and the International Federation of Accountants (IFAC). The financial statements of the RGoZ are therefore supposed to be prepared in accordance with IPSAS Cash Basis. The National Board of Accountants and Auditors (NBAA) requires that all entities in the country, private or public to apply international accounting standards, either IPSAS for public entities or IFRS for profit-oriented entities.

The AT observes lack of disclosure of contingent liabilities such as government guarantees, joint venture liabilities, government litigations, students' loans, issued share calls, which cast doubt on complete compliance to the requirements of IPSAS. Expenditure arrears in the notes to the financial statements were not explained or detailed.

Dimension rating: C

PI-29	Dimension	Score	Justification
	Annual finalization / financial reports	C+	Overall rating based on M1 methodology
29.1	Completeness of annual finalization / financial reports	C	The annual financial reports include much of the information required. However, items such as advances, loans recoverable and investments including capital are not disclosed.
29.2	Submission of reports for external audit	B	In the FY 2015/16 the financial statements for budgetary central Government were received by the CAG in May 2017, more than 10 months after the end of the fiscal year. However, the last submitted financial statements (FY2016/17) were submitted within 6 months after the end of financial year.
29.3	Accounting standards	C	Accounting standards are disclosed and are consistent with the legal framework in the PFMA (2016). However, there is lack of disclosure of contingent liabilities such as government guarantees, joint venture liabilities, government litigations, students' loans, issued share calls, which indicate that there could be inadequate compliance to the requirements of IPSAS.

Current improvement efforts:

None.

Pillar VII. External scrutiny and Audit

PI-30 External Audit

This indicator reflects the quality of independent audit, covering scope of audit, compliance to auditing standards (including independence of external auditors), depth of auditing with regard to material financial management aspects of the financial statements and effectiveness of financial auditing activity, which includes credibility of the finalisation report as well as transactional and operational effectiveness of the internal audit system. Apart from promptly implementing auditor's recommendations, committing to the deadline for submission of the audit reports to legislature is also a critical factor to ensure timely accountability of the authorities towards the public. This indicator also covers audit aspect for all of the state's extra-budgetary financial funds and agencies (only focusing on 2017 financial reports).

30.1 Audit coverage and standards

This dimension assesses key elements of external audit in terms of the scope and coverage of audit, as well as adherence to auditing standards. "Good practice" (score A) requires all agencies of the government to be audited annually, with all revenues, expenditures, assets and liabilities assessed in accordance with recognised standards in order to identify critical issues.

Adherence to auditing standards, such as the International Standards of Supreme Audit Institutions (ISSAI) and International Standards on Auditing (ISA), should ensure that CAG focus on significant and systemic PFM issues in reports, as well as conducting financial and compliance audit activities, such as providing an opinion on the financial statements, the regularity and propriety of transactions, and the functioning of internal control and procurement systems. It has been noted that the CAG does not include a statement of CAG opinion in the individual audited financial statements of MDAs/ LGAs despite the fact that it is a requirement of PFMA (2016) – the audit opinion is issued separately and not included in the financial statements of the respective MDAs or LGAs.

The OCAG does not have adequate staff with qualifications and experience to carry out the different types of audit in respect of technological advancement and economic changes taking place. With this understanding, the PAC Chairman when presenting the 2015/16 PAC annual report to the HoR raised concerns of lack of experts in OCAG for technical audits, such as road infrastructure audit and civil engineering works. The report also highlighted the size of the OCAG's budget, which does not allow the Office to train and hire an adequate number of staff for audit work.

In the last three years 2015/16, 2016/17 and 2017/18 only one financial year (2015/16) was audited and CAG issued audit opinion of 61 MDAs and LGAs. All MDAs received unqualified audit opinion. During the period, CAG also audited 13 out of the total of 14 independent government entities; they all received unqualified opinion. The audit for 2016/17 has not been completed while the 2017/18 audit for MDAs and LGAs is supposed to have started in Oct 2018. According to CAG, the delays in finalisation of audits is contributed by slow response on audit queries by audited MDAs and LGAs.

The PAC in their 2016/17 report to the HoR informed members that IFMIS although operating as the main financial management system of the government, it has not been audited by CAG or any other independent entity, and therefore PAC has no assurance of the integrity of the system's internal controls. The lack of IFMIS audit is mainly contributed by the CAG inability to carry out such audits.

The PAC report further informs that CAG does not issue audit opinion certificate to each individual MDAs or LGAs despite the fact that all institutions are being audited and each has their own accounting officer. In the CAG consolidated report to the House of Representatives however, the CAG would show opinion of each of the audited entities.

The PAC report further reported to HoR that there are internal control problems evident in MDAs, but are not always picked up by CAG audit. Further, PAC argues that it is mainly because of undeveloped capacity of staff at the OCAg that is why some internal control issues are not picked by the auditors. Only one of the last three completed fiscal years of central government entities financial statements have been audited by CAG despite the fact that financial statements have been submitted.

Dimension rating: D

30.2 *Timeliness of submission of audit reports to the legislature*

This dimension assesses the timeliness of submission of the audit report(s) on budget execution to the legislature, or those charged with governance of the audited entity, as a key element in ensuring timely accountability of the executive to the legislature and the public. According to PEFA Framework, "good practice" (score A) requires the audit report on finalization report to be provided within three months.

According to section 58 of the establishment of the OCAg Act no.11 of 2003, the CAG shall within nine months after the close of the financial year submit the audit report to the President in accordance with section 112 (5) of the Constitution and thereafter shall be submitted to the HoR. According to article 112 (5) of the Constitution, upon receipt of such report, the President shall direct the persons concerned to submit that report before the first sitting of the HoR which shall be held after the President has received the report. The audit report is to be submitted to such sitting before the **expiration of seven days** from the day the sitting of the House of Representatives began. If the President does not take steps of submitting such report to the HoR, then the Constitution requires the C&AG to submit the report to the Speaker of the House of Representatives or the Deputy Speaker who shall submit the report to the House of Representatives.

Table 3.26 below shows the dates when reports were submitted to the President, obviously outside the 9 months provided for in the constitution which also means the submission to the HoR was delayed. Based on the interviews and discussion with members of PAC, there have never been a problem of President submitting a report to the House on time and within the requirements of the constitution. The delay is usually attributed to the CAG late completion of audits.

Table 3.26: Timeframe for submission of audit reports to the President

Audited year	Submitted CAG report	Date report submitted to President
2013/14	Report on Audited RGoZ Financial Statements 2013/14	20 February 2016
2014/15	Report on Audited RGoZ Financial Statements 2014/15	27 February 2017
2015/16	Report on Audited RGoZ Financial Statements 2015/16	05 April 2018

Source: OCAg

Dimension rating: D

30.3 *External Audit follow-up*

This dimension assesses the extent to which effective and timely follow-up on external audit recommendations or observations is undertaken by the executive or audited entity. "Good practice" (score A) envisages a clear evidence

that involved units respond positively to the recommendations of the auditors in order to improve their systems and heighten the employee's discipline.

The AT has not received Management Letter of the audit of the Consolidated Financial Statements of the RGoZ for the year 2015/16 and the year 2016/17 therefore there is no evidence that executive provided responses on the issues that were raised by CAG. In both the 2015/16 and 2016/17 audit management letters that the AT reviewed, for the Ministry Agriculture and another for Ministry of Works, Communication and Transport; there is no evidence that there was executive response to the issues raised and, in both reports, there was no report on audit issues raised in the previous audit periods. The PAC report in both years also highlighted the lack of seriousness by the executive to address and close audit queries.

Dimension rating: D

30.4 Independence of Supreme Audit body

This dimension assesses the independence of the C&AG from the executive. Independence is essential for an effective and credible system of financial accountability, and should be laid down in the constitution or comparable legal framework. In practice, independence is demonstrated by the arrangements for the appointment (and removal) of the Head of the OCAZ and members of collegial institutions, non-interference in the planning and implementation of the audit work, and in the approval and disbursement procedures for the OCAZ budget.

The appointment and removal of CAG is enshrined in article 112 (1) of the Constitution, which states that *"There shall be a Controller and Auditor General of the Revolutionary Government of Zanzibar who shall be appointed by the President"*. Article 113 (1) states that the C&AG may be removed from office only for inability to perform the functions of the office (either due to illness or to any other reason) or for misbehaviour and shall not be removed from office except in accordance with the provisions article 113 (3). Otherwise, the C& AG shall continue in office until he/she attains the age of retirement as shall be prescribed by law enacted in that behalf by the HoR.

Although the Constitution of Zanzibar of 1984 clearly provides adequate protection and independence to the CAG, in the Establishment of Controller and Auditor General Act (2003) of the HoR, there are articles that appear to limit the full independence of CAG as envisioned in the Constitution. For example:

- Section 6(2) of the Act – A person shall be qualified to be appointed as auditor if he holds such *qualification as shall be prescribed by the Minister after consultation with the Board*,
- Section 6(5) of the Act – The staff required to assist the Controller and Auditor General in the performance of his duties shall be composed of such *number of officers as the Minister may determine and shall be appointed by the Board*.

Additionally, on matters of staff, the Audit Act has established the Audit Services Board with overall responsibility to deal with staff issues, from recruitment, promotion to termination. On all such staff matters, the decision of Audit Services Board is final. The CAG is a member of the Board and its Chairman is appointed by the President of Zanzibar.

There also seems limited budget that is made available to CAG. In the 2015/16 PAC report to HoR, the Chairman of the Committee lamented the small budget that is allocated to the OCAZ which limits the capacity of the OCAZ to develop and conduct better audits in depth and scope. Until then, for four years in a row, the office had not been allocated any development budget – the office was being allocated only recurrent budget, therefore, CAG was not able to train their staff and improve their work tools (including desirable audit systems).

In 2016/17, the Chairman of PAC reported to the House of Representatives that the office of CAG was not able to complete adequately their audit work and in time because of insufficient number of audit staff and the Chairman went on to pledge to the executive to let office of CAG hire more staff. This was a repeat call by PAC after similar calls having been made in the previous financial year.

Table 3.27: The independence of auditing body benchmarked with INTOSAI standards

INTOSAI standards	Audit activities in harmony with INTOSAI standards
Independence of human resources including the aspects of appointment, dismissal and salary	<i>While a Board has been established to handle matters of recruitment, promotion, performance and termination of audit staff, its decisions are dependent upon Ministerial determination, about numbers and qualifications required.</i>
Independence of finance and human resources allocation	<i>The Audit Act gives mandates on finance and some roles in the recruitment of staff for OCAG to Minister responsible for audit matters. The PAC is not involved in advising and determining the budget of CAG.</i>
Access to public dossiers	<i>Independent access to documents is guaranteed in the Constitution and also in both the PFMA (2016) and the Establishment of the Office of the Controller and Auditor General Act (2003).</i>
Independence of preparing annual audit plan	<i>CAG is fully in control of annual audit plan and is not interfered with by any other entity, such rights have also been enshrined in the constitution.</i>

Dimension rating: C

PI-30	Dimension	Score	Justification
External Audit		D+	Overall rating based on M1 methodology
30.1	Audit coverage and standards	D	Most government entities are audited annually although the audits are delayed, over the most recent three years, audit had taken place only once. Given the limited capacity in OCAG, some important audits are not carried out or are delayed, e.g. IFMIS, value for money, procurement audits. No independent quality assurance review has been carried out in OCAG to provide assurance on whether audit standards are generally adhered to.
30.2	Submission of audit reports to the legislature	D	For the last three completed fiscal years, audit reports on Central Government were not submitted to the President within nine months of the completion of the fiscal year.
30.3	External audit follow-up	D	The AT has not seen evidence of the executive responding to CAG issues. In addition, interviews with CAG indicated that MDAs delay in responding to audit queries and that this delay contributes to long time to complete annual audits. HoR show that some PAC directives and some CAG audit recommendations from previous years have not been implemented by auditees.
30.4	Independence of Supreme Audit body	C	The CAG operates largely independently from the Executive, enjoying life-time employment and significant constitutional protection from removal from office. The CAG has unrestricted legal and timely access to requested records. Although CAG enjoys operational control in the execution of her budget, the <u>budget approval process limits OCAG freedom</u> as there remains a degree of reliance on the Executive. The CAG also <u>lacks adequate independence in determining how many and what type of staff to hire.</u>

Current improvement efforts:

None.

PI-31 Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny placed on audit reports of relevant departments, boards and budget-expenditure units. Data used to assess the first aspect are based on audit reports submitted to legislature for the past three years, while those to assess the other aspects are collected from the past 12 months.

In line with the requirements of the Establishment of the OCAZ Act (2003) and the Constitution, the CAG is required to submit the audited financial statements of the Government (MDAs and LGAs) and of the Public Authorities and other public institutions to the HoR. The PAC holds hearings on the audited accounts and the CAG's audit reports and issues directives to the executive, which are also tabled before the Legislature.

The assessment of this section has been based on an analysis of the Constitution, the relevant legislation of the CAG's reports for 2015/16, and the PAC's reports on 2015/16 and 2016/17 and 2017/18, as well as interview with the Vice Chair of the PAC, Chair of Budget Committee, Clerk of the HoR and several key members of the two committees and their secretariats.

31.1 Timing of audit report scrutiny

This dimension assesses the timeliness of the legislature's scrutiny, which is a key factor in the effectiveness of the accountability function. To be considered complete, an audit review by the Public Accounts Committee should be tabled in the full chamber of the legislature for scrutiny.

As may be seen from [Table 3.28](#) below, for the three most recently completed fiscal years, audited financial statements and audit reports have been systematically tabled before the Legislature by 30th June of each year – about 24 months from the close of the Fiscal Year being reported. Because this period coincides with the time of the consideration by the Legislature of the Executive's Budget Proposal for the subsequent financial year, the PAC's hearings on the audit reports are held immediately and are therefore held later in August, going by the past two recent years.

Table 3.28: The independence of auditing body benchmarked with INTOSAI standards

Financial year of CAG report	Date of submission of report to President	Date of PAC receipt of CAG report	Date of tabling PAC hearings	Date of PAC hearing
2013/14	20 February 2016		25 May 2016	Nov. 2016
2014/15	27 February 2017		12 May 2017	August 2017
2015/16	05 April 2018		14 June 2018	August 2018
2016/17	Pending	Pending	Pending	Pending

According to the OCAZ Act, the CAG is required to submit to the President audit reports of MDAs and other government institutions within nine months after the close of the financial year, as required in section 112 (5) of the Constitution. Upon receipt of such report, the President shall direct the persons concerned to submit that report before the first sitting of the HoR which shall be held after the President has received the report and it shall have to be submitted to such sitting before the expiration of seven days from the day the sitting of the HoR began.

Evidently, the CAG's reports for the three years under assessment were made available to PAC and HoR almost two years after the end of the respective fiscal year despite the Constitutional requirement of nine months. For example, the CAG had not completed audits of MDAs and public institutions for the 2016/17 fiscal year, 17 months after the end of the year.

The Constitution goes on to mandate the CAG that, in case the President does not take steps of submitting such audit report to the HoR, then the CAG shall submit the report to the Speaker or the Deputy Speaker who shall submit the report to the HoR. The Constitution has been crafted to ensure that as long as there is an audit report produced by the CAG, it has to be submitted to the HoR.

As confirmed by the Vice-Chair and the Members of the PAC, in the last three fiscal years, the PAC's report on the audit report has been presented by June and therefore the process of scrutiny by House of Representatives has been completed within 12 months of the receipt of the audit report.

Dimension rating: C

31.2 *Hearings on audit findings*

This dimension assesses the extent to which hearings on key findings of the SAI take place. "Good practice" – as reflected in the standard for score A – envisages that the legislature will hold hearings in order to question representatives of organizations and units which have been the subject of audit criticism, particularly where the organizations and units concerned have received adverse or qualified opinions on their financial statements.

Based on the interviews that the AT had with PAC committee members and committee documents made available, hearings on audit findings are undertaken with MDAs and other public institutions on an agreed calendar that runs between August and November each year. The hearings are attended by CAG staff and auditees; the hearings are conducted for all auditees irrespective of the level of criticism raised in audit reports. Irrespective of the audit opinion of an institution, the PAC ensures that hearing is conducted for most public institutions. Over the last three completed fiscal years, in depth hearings on the key findings in the CAG's reports have been undertaken by PAC with all audited entities.

Dimension rating: A

31.3 *Recommendations on audit by the legislature*

This dimension assesses the extent to which the legislature issues recommendations and follows up on their implementation. Good practice would have the legislature issue recommendations for actions which are based on the work of the auditor, and which the government then accepts.

The AT noted evidence of PAC issuing directives each year for actions to be implemented by the Executive. Some of the mechanisms that are used by PAC to follow up implementations are:

- site visits by PAC members to auditees' offices or projects
- review of implementation progress during the subsequent year's PAC hearings
- follow up on implementation of PAC directives by the CAG in the CAG's annual report on the subsequent year
- use professionals in verifying progress of audit directives

The AT was not able to see a database of audit issues being followed up by PAC although in their specific committee minutes and report to the HoR, it was clear that PAC was tracking implementation of their directives through hearings and site visits. Follow up of PAC directives however was sometimes hampered by inadequate resources and technical skills to carry out the work effectively.

Therefore, it is evident that the PAC issues directives on actions to be implemented by the Executive and follows up on the implementation of those directives. However, implementation of the directives by the Executive is not always as directed by PAC or the Legislature. There are instances where PAC reported to the HoR that some MDAs and other auditees were not taking the Committee with the level of seriousness that was mandated by law

and therefore, some issues remained unimplemented despite the fact that the HoR had issued directives and executive accepted their implementation. This would imply that, follow up mechanisms need to be strengthened to improve implementations of Legislative directives.

Dimension rating: B

31.4 *Transparency of legislative scrutiny of audit reports*

This dimension assesses the transparency of the scrutiny function in terms of public access. Opening committee hearings to the public facilitates public scrutiny of the proceedings and is also a good opportunity for a legislative committee to inform the public about its work. Good practice requires hearings on audit findings to take place in public, and discussed Committee with the results being announced in order to achieve score A.

The reports of the PAC are provided to the full chamber of HoR and made available to the public on the official website of the House. The PAC acknowledges that they do not invite the public or members of the media to their hearings. However, the reports of the PAC are published on the official website of the HoR (www.zanzibarassembly.go.tz) immediately after they have been presented to the House.

Dimension rating: C

PI-31	Dimension	Score	Justification
Legislative scrutiny of audit reports		B	Overall rating based on M2 methodology
31.1	Timing of audit report scrutiny	C	In each year, the PAC's report on the CAG audit report has been tabled to the HoR by 30 June, i.e. within 12 months of the receipt of the audit report.
31.2	Hearings on audit findings	A	The HoR has been consistent in its scrutiny of audited public financial statements and issues raised by CAG. Hearings involve accounting officers and reports are publicized via radio and HoR website.
31.3	Recommendations on audit by the legislature	B	PAC issues directives on actions to be taken, and those endorsed by Parliament are formally issued to the executive for action. The PAC conducts field visits to MDAs and public institutions to see implementation of their directives: nonetheless, not all directives are implemented by the executive.
31.4	Transparency of legislative scrutiny of audit reports	C	PAC reports are provided to the full chamber of HoR and reports are made available to the public on the official HoR website. PAC hearings are neither conducted in public nor are members of the press/ media invited.

Current improvement efforts:

None.

4. Conclusions of the analysis of PFM systems

4.1 Integrated assessment of PFM performance

Pillar I: Budget reliability

The ratings for the first three indicators relate to the credibility of the budget and are disappointing for both revenues and expenditures. For example, the expenditure outturn compared to the figures in the originally approved budget deviated by more than 30% in two of the last three years, reflecting significant under spending, mainly on the investment budget. In addition, reallocations across both economic and administrative expenditure categories have been significant, and might suggest that budget implementation fails to match policy intent: however, an alternative interpretation would be that the expenditure has to be curtailed when planned revenues are not realized.

It should also be noted that the IFMS in place together with the Isidore system have been facing technical issues preventing the generation of information about actual expenditures, which, if left unresolved, could undermine the credibility of RGoZ's financial system.

An additional point is that the budget fails to identify any contingency as a separate item (i.e. 'contingencies' are embedded in each vote), which is often seen as a weakness – despite the methodology awarding an 'A' rating – as this practice does not encourage transparency.

Pillar II: Transparency of public finances

RGoZ prepares its annual budget using international accepted standards: the budget is formulated by the MoFP, using every level of administrative, economic, and functional classification according to GFS/COFOG standards. In addition, the budget documentation fulfils eleven (of the 12) 'good practice' elements listed in the PEFA Framework. However, there may be significant amounts that are 'off budget' (PI-6), and public access to fiscal information is very limited, and apart from the annual executive budget proposals and the enacted budget, neither in-year nor annual execution reports are made available within the specified timescales.

D-D is evolving, and at present the basis for providing transfers to the eleven local governments is unclear: however, the amounts to be transferred are known in time for the local governments to set their budgets (PI-7). Performance and service delivery information including objectives, key indicators, and planned outcomes are detailed in a "Performance Report" that supplements financial information for each Vote, and is published annually.

Pillar III: Management of assets and liabilities

In general, mechanisms for monitoring fiscal risks are weak (PI-10, score 'D+') and the RGoZ has not yet followed up guarantees or debt provisions that may arise from public-private partnership projects, nor does it keep track of other contingent liabilities (PI-10). While debts are subject to sound processes of recording and approval, at present no medium-term debt management strategy has been prepared (although external debt is 'on-lent' from the mainland).

While all proposed capital investment projects are submitted to the Planning Commission for economic appraisal before approval, not all results are published, and only the total cost and current year's figures are included in budget documents. In addition, quarterly and annual progress and financial reports are prepared for Cabinet, but are not published.

The Zanzibar Public Procurement and Disposal of Public Assets Authority has produced a draft asset management policy, and fixed assets from all government agencies are being compiled into a computer-based register: this is

almost complete, but at present, the information is not published nor is it included in the annual financial statements.

Pillar IV: Policy-based fiscal strategy and budgeting

This pillar of RGoZ's PFM system works well, and four of the five indicators concerned with 'policy-based fiscal strategy and budgeting', (PIs 14 to 18) received satisfactory – or better – overall ratings, and demonstrate that the processes to allocate budgetary resources in accordance with declared strategic objectives are essentially sound. The requirements of the indicators related to 'macroeconomic and fiscal forecasting' and 'fiscal policy' and are met and justify solid ratings (PIs-14 and 15): however, 'medium-term perspective in expenditure budgeting' (PI-16) is weak, and the difference in revenue outturns compared to plans (PI-3) may be explained by non-technical factors. There is a clear annual budget calendar, which is adhered to, and which allows budgetary units at least six weeks to complete their detailed estimates (PI-17). Budgets are submitted to the HoR two months before the start of the fiscal year (PI-17.3), and are approved before the FY commences (PI-18.3). While significant budget funds have been reallocated in the past few years (PI-2), this is mostly in accordance with the clear rules that exist (PI-18.4).

Pillar V: Predictability and control in budget execution

PIs-19 and 20 only assesses the fees and charges that belong to the RGoZ (i.e. they exclude taxes collected by the URT government, via a branch of the revenue authority), and neither rate particularly highly. With respect to "own-source" revenues, the ratings are mixed as there is no structured or systematic procedure for assessing and prioritizing compliance risks other than internal controls, which are reasonable (PI-25).

The RGoZ operates numerous accounts at commercial banks – including separate accounts for recurrent and development expenditures – and these are 'swept' into a single account controlled by MoFP at the end of each working day into what is effectively a 'Treasury Single Account'. A Ceiling Committee meets monthly and decides on available cash for budget releases. While supplementary estimates have not been used in recent years, the executive authorizes re-allocations within an Agency's vote: shifts from development to recurrent expenditure are not permitted.

While the overall rating for Payroll (PI-23) is weak ('D+') some parts of the system appear to work well. For example, the approved staff list, the personnel database, and the payroll are integrated in the HRMIS system, and this ensures budgetary control, data consistency and monthly monitoring. Similarly, there are restrictions on changes to payroll records (and changes results are updated monthly through the HRMIS system which leaves an audit trail) and data integrity is high. However, retrospective adjustments amounted to 7% of salary payments, well above the maximum 3% expected by 'good practice', and while it was reported that OCAZ have the responsibility to carry out payroll audits, it does not appear that full or even partial payroll audits have been undertaken in the last three years.

The newly-established ZPPDPA is one year old and therefore its capacity to provide procurement monitoring is still in need of development, as it does not yet compile data from source information provided by procuring entities throughout RGoZ – hence there are no reports that show numbers of procurements by type and value for 2017/18 (and hence it has not been possible to provide a percentage of contracts awarded by competitive methods). However, the law does provide for various methods of procurement (both competitive and non-competitive). Only two of the six key procurement information elements (PI-24) are complete, reliable and made available to the public, although the procurement complaints mechanism does meet five of the six criteria for an effective and independent complaint resolution mechanism.

The PFM law and regulations clearly establish segregation of duties (PI-25.1) for the main incompatible responsibilities, and these appear to be operationalised. By contrast, while commitment control procedures exist,

they may not be effective as they may be inconsistent with monthly needs in terms of implementing approved action plans. It appears that payments are largely in accordance with established procedures.

While Internal audit is operational for MDAs representing most budgeted expenditure and also for entities collecting virtually all revenues, its activities are primarily focussed on compliance (PI-26). In addition, there is no evidence the audit programmes are prepared, and the IAG is not yet able to monitor the internal audit units within agencies. The evidence from five internal audit units whose work was assessed indicates that the practice of preparing management responses to internal audit units is very weak and is not given appropriate attention.

Pillar VI: Accounting and reporting

The overall rating for PI-27 is positive ('B'), as bank reconciliations for all accounts take place on a monthly basis, although RGoZ uses neither suspense accounts nor advance accounts: pending transactions which lack information and require investigation are not posted in IFMIS, and hence some receipts or payments may never be identified, while there is a risk that operational and travel imprests may be misused (as suggested by an internal report which noted that imprests of TZS 131,010,000 have not been retired). Finally, access and changes to IFMIS records is restricted and has a reliable audit trail, although this has not been independently tested since the system was installed.

In-year budget execution reporting (PI-28) is via the Treasury system, but as no in-year reports were published during 2017/18 – they are available in the system, and allow direct comparison to the original budget for the main administrative headings – the rating is 'D'.

The annual consolidated financial statements (PI-29) were received by the CAG within 6 months of the end of the fiscal year and cover all budget agencies: they are comparable with the approved budget, and allow consistent reporting over time. However, items such as advances, loans recoverable, investments, and contingent liabilities are not disclosed. Accounting standards are consistent with the legal framework of the PFMA, but do not fully comply with IPSAS.

Pillar VII: External audit and scrutiny

Most government entities are audited annually, although audits are delayed, and over the most recent three years, audits had taken place only once, and there are no independent quality reviews. In addition, in the last three completed fiscal years, audit reports on were not submitted to the President within nine months of the completion of the fiscal year. There is no evidence of the executive responding to OCAG issues, and agencies appear to delay responding to audit queries. HoR show that some PAC directives and some CAG audit recommendations from previous years have not been implemented by auditees.

The CAG operates largely independently from the Executive (except for the budget approval process and determining how many and what type of staff to hire.) and enjoys constitutional protection from removal from office. The CAG enjoys unrestricted and timely access to requested records.

In each year reviewed, the PAC's report on the CAG audit report has been tabled to the HoR within 12 months of receiving it, and the HoR has been consistent in scrutinizing the report and the issues raised by CAG. Hearings involve accounting officers and reports are publicized via radio and HoR website. The PAC issues directives on actions to be taken, and those endorsed by HoR are formally issued to the executive for action, although not all are implemented. PAC reports are available to the public on the official HoR website, although its hearings are neither conducted in public nor are members of the press/ media invited.

4.2 Effectiveness of the internal control framework

Control environment

The PFMA provides the framework for the development of 'Financial Management and Control' (FMC), and applies to all public institutions, including extra-budgetary funds and commercial organizations owned by RGoZ. Implementation of FMC seeks to establish effective internal control by addressing issues such as the information systems needed, and the role of the various parties involved in the financial management control system (including the Minister of Finance, The Principal Authorizing Officer (i.e. the PS of the MoFP), the entity authorizing officer and subordinate authorizing officers, executing officers, and line managers.

Although the organizational structure has regulations and job descriptions, these do not always reflect the most recent organizational changes and hence the roles and responsibilities are not always relevant to the current structure.

In conclusion, although RGoZ is taking procedural steps towards developing accountability, full implementation of these requirements will take time to be fully and effectively implemented in public bodies.

Risk Assessment

The Accounting Officer of each institution is responsible for ensuring that risks to departmental activities are assessed, and some institutions are preparing risk registers, although few, if any are using these registers as a management tool to achieve their objectives.

Control Activities

Policies and business procedures manuals ensure uniformity in the performance of business processes, identifying the activities carried out, the responsibility for carrying out an activity, and the limits within which these activities should be carried out together with an overview of control activities identified within a process and ensuring the achievement of the process objectives.

Despite some recent improvements manual systems, expenditure commitment controls (PI-25) only provide partial coverage and effectiveness. However, as regards payroll, this is controlled through a human resources computerised database known as the Human Resources Management Information System (HRMIS), managed by President's Office Public Service Management (PO-PSM) in collaboration with MoFP payroll section. The HRMIS contains staff details such as names and associated relevant biodata, and has been developed in-house by PO-PSM staff since 2013 and was put into application in 2016. Hence the indicator relating to financial integrity processes (PI-27) scores well.

Information and communication

Quality of financial information is an issue as evidenced by the weaknesses identified in in-year budget reports (PI-28) and the annual financial reports (PI-29). Of particular concern is the use of revised rather than original budget figures; which limits their effectiveness as a management monitoring tool.

Monitoring

The Assessment highlighted a number of significant areas where monitoring activities could be improved:

- Monitoring of public corporations (PI-10.1): MoFP does not prepare consolidated financial statements for the eleven public corporations.

- Contingent liabilities and other fiscal risks (PI-10.3): The Consolidated Accounts do not include a statement of the amounts guaranteed by RGoZ in respect of contingent liabilities of other fiscal risks (as required by the Public Finance Act).
- Quality of central government financial asset monitoring (PI-12.1). The MoFP maintains records of all government investments (all investments are domestic). The Public Investments Department within MoFP maintains a separate folder containing the share certificates of all companies in which RGoZ has a financial interest, but the data is not published.

[Annex 2](#) provides details of the operation of the internal control framework.

4.3 PFM strengths and weaknesses

Aggregate fiscal discipline

As can immediately be seen from the first three indicators (PIs-1, 2 and 3) fiscal discipline is not good: the gaps between planning both revenues and expenditures and the actual outturns are significant, although it is recognised that a failure to realise planned revenues from own or external sources may lead to reductions in expenditures.

However, several elements in the overall PFM system that contribute to achieving fiscal discipline are not functioning beyond a basic level. For example, there appear to be significant unreported operations (PI-6, rated 'D' partly due to a lack of data), expenditure arrears are not monitored (PI-22.2, rated 'D'), and commitment controls are no more than basic (PI-25.2, rated 'C').

Furthermore, several risks to attaining fiscal discipline are apparent, such as a lack of monitoring fiscal risks from other Public Sector entities, including contingent liabilities and 'Public Private Partnerships' (PI-10), and RGoZ lacks a debt management strategy (PI-13.3, rated 'D').

On the other hand, a number of positive elements that contribute to the achievement of aggregate fiscal discipline, should be noted: these include predictability in the availability of resources (PI-21, rated 'B+') and the low level of expenditure arrears (PI-22.1). In addition, two of the new indicators that relate to this budgetary outcome are functioning reasonably well ('Macroeconomic and Fiscal Forecasting' – PI-14 rated 'B' – and 'Fiscal Strategy' PI-15, rated 'C').

Finally, several elements of the system concerned with budget execution – including internal controls and in-year monitoring – are no more than 'functional' and contribute little to the attainment of aggregate fiscal discipline.

Strategic allocation of resources

Four of the five indicators concerned with 'policy-based fiscal strategy and budgeting', (PIs 14 to 18) received satisfactory – or better – overall ratings, and demonstrate that the processes to allocate budgetary resources in accordance with RGoZ's declared strategic objectives are essentially sound. In particular, the budget preparation process works very well as do the oversight arrangements (PIs-17 and PI-18 are both rated 'B+'). The exception is PI-16, which suffers from a lack of ceilings in the BCC, and difficulties in aligning strategic plans with the budget (PI-16, rated 'D+').

Most of the other indicators that contribute to the strategic allocation of resources function well, notably the comprehensiveness of the budget documentation, and its classification in accordance with international norms (PIs 5 and 4, rated 'A' and 'C' respectively). However, the indicators related to the revenue collected specifically for RGoZ (PIs 19 and 20) are concentrated on a relatively small number of payers (and not on the revenue collected

by the (mainland) Tax Department, which is considered as revenue transferred from the URT budget), and here the management and accounting arrangements are weak.

There are two completely new indicators relevant to this budgetary outcome, the first of which 'Public Investment Management' (PI-11) is rated as basic ('C'), while the second relates to the way a government manages its assets, and the practice in RGoZ is undergoing a number of improvements, but at present, fails to meet "generally accepted good practices", and is rated 'D+' (PI-12).

The one negative point is that while resources may be allocated strategically, they are not always used in the manner intended, as can be seen in the weak ratings for PI-2, rated D+.

Efficient use of resources for service delivery

In terms of the efficient use of resources, PFM performance is mixed. On the positive side, Zanzibar's control over its own revenue functions is basic but satisfactory (PIs-19 and 20), and information about service delivery is sound (PI-8, 'C+'): this demonstrates that services to citizens are delivered with transparency, which should support efficiency. This is reinforced by the indicator related to the predictability of resource allocation in the year (PI-21, rated 'B+') which should mean that citizens can expect to receive the services they are promised (when the budget is approved): however, this will only be the case if revenues are realized as planned, and this is contradicted by the poor rating for PI-3 (rated 'D').

However, most of the mechanisms in place to reduce possible leakages in the system — such as internal controls, procurement, and controls over payroll (PIs 25, 24 and 23 respectively) — are weak, and it should also be noted that RGoZ has embarked on the 'D-by-D' process, and as this gets underway, it will take time for the financial relationships between the levels of government to evolve (PI-7, rated 'C+') which may well impact on the delivery of services.

When coupled with other weaknesses elsewhere in the system, such as the fact that the implementation of the modern concept of internal audit is just getting under way (revised structures have recently been established, PI-26, rated 'D+'); accounting control mechanisms are sound (PI-27, 'B'); there are weaknesses in budget execution (PIs-1, 2, and 3); and, limited fiscal data published (PI-9, rated 'D'), it is difficult to conclude that service delivery could not be improved.

Lastly, it must be noted that the oversight arrangements (addressed in PIs 30-31) are less than fully effective. While the CAG is independent with an extensive mandate (PI-30.4), the budget is controlled by the MoFP, and there are delays in completing annual audits. In addition, no independent review of OCAG has been carried out to provide assurance on whether international audit standards are generally applied. More positively, the HoR does scrutinize the audited financial reports that have been submitted, and hearings have taken place, though not in public sessions (PI-31, rated 'B').

In conclusion, the RGoZ's PFM system is evolving, and working through a number of very significant changes. The system currently operates at a satisfactory – though in places rather basic – level, with several areas for future improvement.

4.4 Performance changes since a previous assessment

This was the first assessment of the RGoZ using the Upgraded PEFA Framework, and in view of the passage of time, it was agreed that a comparison with the 2010 report would not be of value.

5. Government PFM reform process

5.1 Approach to PFM reforms

While officials have identified numerous areas where improvements could be made to different aspect of RGoZ's PFM systems, implementation tends to be slow, and is often dependent on support from the active development partners.

5.2 Recent and on-going reform actions

The recent *Fiduciary Risk Assessment* conducted by the Nordic Consulting Group in 2015 noted that the RGoZ has successfully implemented a number of reform actions to strengthen its public financial management systems, such as:

1. Revenue forecasts and management evidenced by significant growth in domestic revenue when also taking into account changes in tax policies i.e. domestic revenue grew as share of GDP from 15% to 22% from 2005/06 to 2014/15.
2. RGoZ has introduced Program Based Budget (PBB) from 2015/16 which links expenditure allocations to service delivery targets in a medium term (3 year) perspective).
3. Budget credibility as evidenced by aggregate expenditures more aligned to budget allocations i.e. in 2005/2006 actual budget execution was only 53% of total budget while in 2014/2015 raised to 89%. The low level of outturn in 2005/2006 was, among others, due to unrealistic fiscal forecast leading to a budget that could not be implemented because of significantly lower domestic revenue realized. In 2014/2015, although a significant reduction in the variance between approved budget and actual expenditure is first and foremost due external funding for development expenditure falling short of external partner commitments included in the budget and/or commitments are included in the budget but not captured in budget execution because the funds by-pass the RGoZ exchequer system.
4. Internal controls, accounting and internal audit which has resulted in reduced qualifications by the Controller and Auditor General (CAG) as reflected in consecutive audits reports.
5. CAG has been strengthened to an extent to which they cover all RGoZ spending agencies with a sample of 10% of transactions each year and have gradually started to include performance audit reporting on level of service delivery linked to spending (compliance with mandates and cost efficiency).
6. Establishing Zanzibar Anti-Corruption and Economic Crimes Authority (ZAECA) which was operationalized from 2012 and already built a portfolio of cases which in the medium to longer term may serve to strengthen financial discipline and through awareness/citizen education has uncovered management practices being addressed by other interventions, most notably in procurement.

In addition, there are a number of initiatives that MoFP intends to pursue to improve the PFM System for better use of Public resources. These include:

1. Reforming tax policy and institutional arrangements as well as in conducting tax assessment and revenue baseline studies.
2. Upgrading IFMIS and training in its operation.
3. Finalize installation of integrated payroll and HRMIS system including consolidation of information on civil servants contained in different databases.

4. Review the current Public Finance Regulations and Public Procurement Regulations to reflect new roles and responsibilities including among others internal audit and control functions.
5. Additional training and capacity building for improving the internal audit functions directed at the performance and functions of internal audit committees.
6. Improve systems for fiscal forecasting and budgeting among others by considering integration of new modules in existing forecasting tool.
7. Establish systems and procedures for debt management.
8. Completing asset registration and valuation, and in strengthening asset monitoring.
9. Strengthening legislative 'oversight' by providing support to the Finance (budget) and Accounts Committees of the House of Representatives.
10. Strengthening of OCAG by development of new audit tools and procedures and training in their application.

5.3 Institutional considerations

Government leadership and ownership

The RGoZ has demonstrated commitment to PFM reforms in the past, although these may have been directed by the support provided by its development partners. In addition to legal and regulatory enactments, 'change management' is always an important element in the success of any reform process. In many PFM areas, legislative progress does not appear to have been supported by capacity building (on-the-job training) initiatives: and in some cases, the recruitment of external expertise may be necessary to stimulate the reform process.

Coordination across government

Historically, PFM reform has been fragmented, and appears to have been donor-led. While there is no sequenced and prioritized reform framework, the involvement of heads of departments across ministries and agencies can contribute to reform success, as there will be the opportunity to realign and sequence reform priorities based on current and future needs. A focal point to coordinate donor support to PFM reforms has been established.

A sustainable reform process

The current 'shopping list' of reforms is ambitious and lacks a costing framework. While development partners may be willing to support reforms, there is no clear financial commitment to that effect. Another important element to sustainable reform process is the availability of qualified and committed public and civil servants and there is no lack of human resource across government, even though specific expertise may be in short supply

Transparency of the PFM programme

In most countries, citizens demand transparent and accountability in the management of public finances. One key aspect of building public confidence is ensuring access to key fiscal information, supported by oversight on the part of the House of Representatives, through engagement of relevant committees: this, however, remains to be fully addressed.

ANNEXES

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Annex 1: Performance indicator summary

Pillar	Indicator/Dimension	Score	Description of requirements met	
Budget Reliability	PI-1	Aggregate expenditure outturn	D	
		1.1 Aggregate expenditure outturn	D	In each of the last three FYs, expenditure outturn was less than the approved original budget: the variations were between 65.7% and 85.9%, i.e. beyond the range required for a 'C' rating (between 85% and 115%).
	PI-2	Expenditure composition outturn	D+	
		2.1 Expenditure composition outturn by function	D*	The Draft CFS do not have a breakdown of actual expenditures in the format required by the PEFA Framework.
		2.2 Expenditure composition outturn by economic type	D	Variances for 2015/16, 2016/17 and 2017/18 are 86%, 49% and 66% respectively.
		2.3 Expenditure from contingency reserves.	A	The budget does not include a separately identifiable contingency provision nor does the Accountant-General report any such provision in the Annual Report.
	PI-3	Revenue outturn	D	
		3.1 Aggregate revenue outturn	D	Revenue outturn vs. revenue planning for the most recent three years: - 2015/16: 68.1% - 2016/17: 90.4% - 2017/18: 83.8%
		3.2 Revenue composition outturn	D	Revenue outturn variance is more than 10% in two out of the most recent three years: - 2015/16: 82.8% - 2016/17: 68.1% - 2017/18: 25.1%
Transparency of Public Finances	PI-4	Budget Classification	C	
		4.1 Budget Classification	D	The RGoZ uses function, administrative and economic classifications in the budget, but not for reporting making the budget system less effective
	PI-5	Budget Documentation	A	
		5.1 Budget Documentation	A	Budget documentation fulfils 10 elements, including all the 'basic' elements.
	PI-6	Central government operations outside financial reports	D	
		6.1 Expenditure outside financial reports	D	Expenditure excluded from financial reports is unknown.
		6.2 Revenue outside financial reports	D	Revenue excluded from financial reports is unknown.
		6.3 Financial reports of extra-budgetary units	D*	No data is available to formulate a rating.
	PI-7	Transfers to subnational governments	C+	
		7.1 System for allocating transfers	D	There is insufficient information about sub-national transfers made in the past year 2017/2018.
		7.2 Timeliness of information on transfers	A	Subnational governments are sufficiently informed about transfers in July when the HoR approves expenditure estimates for subsequent year.
	PI-8	Performance information for service delivery	C+	
		8.1 Performance plans for service delivery	A	The budget estimate for each vote includes performance information for each sub-program/function: this details objectives, key performance indicators, outputs to be

Pillar	Indicator/Dimension	Score	Description of requirements met
			produced, and the outcomes planned for such votes, disaggregated by program or function.
	8.2 Performance achieved for service delivery	A	The budget Proposal and the Budget book both include information on service delivery, as does the Annual Reports of each Vote: information is published annually on the programs and/or functions performed for all votes.
	8.3 Resources received by service delivery units	D	No surveys of the resources received by service delivery units have been carried out in the last three years.
	8.4 Performance evaluation for service delivery	D	There was no enough evidence that service delivery evaluation are done as such reports could not be provided.
	PI-9 Public access to fiscal information	D	
	9.1 Public access to fiscal information	D	Only 2 of the 5 basic elements are made available to the public on a timely basis: 3 of the 4 'additional elements' were available to the public.
Management of assets and liabilities	PI-10 Fiscal risk reporting	D+	
	10.1 Monitoring of public corporations	B	The Public Investment Act (2002), requires public corporations to submit annual financial statements to the Commissioner for Stock Verification and Public Investments MoFP, and most of these are published within nine months of the year end.
	10.2 Monitoring of sub-national government (SNG)	D	The Ministry of Local Government publishes a consolidated report showing the overall financial position of the local governments, but more than 9 months after the end of the financial year.
	10.3 Contingent liabilities and other fiscal risks	D	The Consolidated Public Accounts do not include a statement of the amounts guaranteed by RGoZ in respect of contingent liabilities of other fiscal risks (as required by the Public Finance Act).
	PI-11 Public investment management	C	
	11.1 Economic analysis of investment proposals	C	Capital investment projects are submitted to the Planning Commission for economic appraisal before approval: while not all appraisal results are published, those for the largest projects are: in 2017/18, 47% were, i.e. some .
	11.2 Investment project selection	C	Some major investment projects are prioritized by the Planning Commission before they are included in the budget.
	11.3 Investment project costing	C	Only the projects total cost and current year's figures are included in budget documents.
	11.4 Investment project monitoring	C	Quarterly physical inspections of all approved projects are undertaken, and quarterly and annual progress and financial reports showing both physical progress and financial details are prepared for Cabinet, but these are not published.
	PI-12 Public asset management	D+	
	12.1 Financial asset monitoring	C	RGoZ maintains a record of its holdings of financial assets.
	12.2 Nonfinancial asset monitoring	D	Work to complete a computerised asset register will shortly be completed, but was not in place for the last completed FY.
	12.3 Transparency of asset disposal	C	If the PMG approves a request to dispose of an asset, details are incorporated in each units/MDA disposal plan' budget finalization report.
	PI-13 Debt management	C+	
	13.1 Recording and reporting of debt and guarantees	B	Domestic debts are reconciled monthly, and external debts quarterly: these included in the Accountant-General's annual reports.

Pillar	Indicator/Dimension		Score	Description of requirements met
		13.2 Approval of debt and guarantees	B	All external loans and guarantees must be approved, first, by the MoFP, then by a Technical Debt Management Committee which includes representation from the BoT. The debt limit is 1% of GDP, approved annually by the HoR: this figure has been in place for several years, is monitored, and has not been breached.
		13.3 Debt management strategy	D	A draft Debt Strategy and Policy has been prepared for approval by Revolutionary Council: but this draft lacks the parameters specified in the PEFA Framework.
Policy-based fiscal strategy and budgeting	PI-14	Macroeconomic and fiscal forecasting	B	
		14.1 Macroeconomic forecasts	B	Projections incorporating government policies; GDP; inflation; exchange rates; and inputs from BoT are incorporated in a framework produced by the Macro-fiscal Unit: this is included in the BFP presented to the HoR, then made public.
		14.2 Fiscal forecasts	A	The MTEF submitted to the HoR includes the forecast FY and the next two years on both revenue and expenditure.
		14.3 Macro-fiscal sensitivity analysis	C	The MFU models various scenarios, which are presented to Cabinet, but not to HoR.
	PI-15	Fiscal strategy	C	
		15.1 Fiscal impact of policy proposals	C	Estimates of the fiscal impact of proposed policy changes are included in budget documentation submitted to the HoR.
		15.2 Fiscal strategy adoption	C	A three-year medium-term fiscal strategy with quantitative targets was used during budget preparation in the last FY.
		15.3 Reporting on fiscal outcomes	C	The BFP contains data on the actual and planned fiscal balance, together with explanations of the reasons for variances.
	PI-16	Medium term perspective in expenditure budgeting	D+	
		16.1 Medium-term expenditure estimates	A	Estimates of expenditure for the budget year and the following two years are produced using administrative, economic and program classifications.
		16.2 Medium-term expenditure ceilings	D	Although the BCCs do not include ceilings, MoFP produced a separate document with ceilings for the 2017/2018 budget, but after the BCCs.
		16.3 Alignment of strategic plans and medium-term budgets	D	A medium-term expenditure framework for all sectors has been in place for several years: however, these are purely qualitative and are not reflected in the budget estimates, at least not in the same format.
		16.4 Consistency of budgets with previous year estimates	D	Links between the MTEF second year estimates and setting of the annual budget for the following FY are recognized although there is not enough information on the reasons for the difference nor an explanation of such changes.
	PI-17	Budget preparation process	B+	
		17.1 Budget calendar	A	A clear annual budget calendar is issued in mid-February and is generally adhered to: this allows budgetary units at least six weeks to complete their detailed estimates on time.
		17.2 Guidance on budget preparation	C	MoFP issues ceilings to all budgetary units in February each year, setting limits of expenditure for the next three years.
		17.3 Budget submission to the legislature	A	The annual budget proposal was submitted to the HoR at least two months before the start of the last three fiscal years.
	PI-18	Legislative scrutiny of budgets	B+	
	18.1 Scope of budget scrutiny	B	The HoR reviews the proposed budget for the upcoming fiscal year especially on fiscal policies and aggregates for the medium term as well as details by MDAs of revenue and	

Pillar	Indicator/Dimension	Score	Description of requirements met
			expenditure for the. Whoever, the medium-term projections for expenditure programmes and projects are not reviewed.
	18.2 Legislative procedures for budget scrutiny	A	The procedures for scrutiny of budget proposals for the HoR include specialised committees, public consultations and agreed negotiation processes, which also include MoF of the United Republic of Tanzania and the East African community. They are approved in advance and adhered to. The Budget Committee of the HoR coordinates the process with support from the House technical team.
	18.3 Timing of budget approval	A	The Legislature approved the annual budget in advance of the fiscal years in 2016/17 and 2017/18 and 2018/19.
	18.4 Rules for budget adjustments by the executive	A	Clear rules exist in-year budget amendments by the Executive.
Predictability and control in budget execution	PI-19 Revenue administration	C+	
	19.1 Rights and obligations for revenue measures	A	ZRB and TRA collect the majority of revenues and provide payers with access to comprehensive and up-to date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures.
	19.2 Revenue risk management	C	Entities collecting the majority of revenues use approaches that are partly structured and systematic for assessing and prioritizing compliance risks for some revenue streams
	19.3 Revenue audit and investigation	C	ZRB collects the revenue due to RGoZ, and undertakes audits and fraud investigations using a compliance improvement plan: the majority of planned audits are completed.
	19.4 Revenue arrears monitoring	D*	There is insufficient information on revenue arrears to assess this dimension.
	PI-20 Accounting for revenues	D+	
	20.1 Information on revenue collections	A	Both ZRB and TRA obtain revenue data at least monthly from entities collecting all central government revenue. This information is broken down by revenue type and is consolidated into a report.
	20.2 Transfer of revenue collections	A	Transfers are made every week on Monday for the ZRB and every week on Friday for TRA to the consolidated fund account controlled by the Treasury in MoFP.
	20.3 Revenue accounts reconciliation	D	There have not been any revenue reconciliation statements to demonstrate that ZRB and TRA undertake complete quarterly reconciliations of assessments, collections, arrears, and transfers at least within four weeks of the end of quarter.
	PI-21 Predictability of in-year resource allocation	B+	
	21.1 Consolidation of cash balances	A	Revenue collections are 'swept' into a single account controlled by the MoFP at the end of each working day: MoFP has on-line access to all amounts received.
	21.2 Cash forecasting and monitoring	A	Cash flow forecasts are prepared for the fiscal year, and are updated monthly based on actual cash inflows and outflows.
	21.3 Information on commitment ceilings	C	Spending agencies are provided reliable information for one month in advance.
	21.4 Significance of in-year budget adjustments	A	The executive can and does, authorize re-allocations within an Agency's vote, subject to a limit of 15%, but shifts from development to recurrent expenditure are not permitted.
	PI-22 Expenditure arrears	D+	
22.1 Stock of expenditure arrears	B	Reports obtained indicate arrears were not above 6% of total expenditure in more than two of the last three completed years.	

Pillar	Indicator/Dimension	Score	Description of requirements met
	22.2 Expenditure arrears monitoring	D	There is no systematic reporting of arrears within the financial reporting system i.e. data on the stock, age profile and composition of arrears is not generated annually.
PI-23	Payroll controls	D+	
	23.1 Integration of payroll and personnel records	A	Approved staff list, personnel database, and payroll are integrated in the HRMIS system to ensure budget control, data consistency and monthly monitoring.
	23.2 Management of payroll changes	C	Changes to the personnel and payroll system are updated monthly through the HCMIS system which leaves an audit trail. Retroactive adjustments when calculated showed corrections of 7% of salary payments, this is above the maximum required 3%. There is no data to show frequency of adjustments done to payroll.
	23.3 Internal control of payroll	A	Authority to change records and payroll is restricted, results in an audit trail and is adequate to ensure high integrity of data.
	23.4 Payroll audit	D	There is no evidence that partial or full payroll audits or staff surveys have been undertaken within the last three completed fiscal years. Although it was reported that OCAG have the responsibility to carry out payroll audits, no evidence was produced.
PI-24	Procurement	D+	
	24.1 Procurement monitoring	D	ZPPDPA does not compile data from source information provided by procuring entities throughout the government. ZPPDPA is one year old and therefore its capacity to provide procurement monitoring would still need development.
	24.2 Procurement methods	D	There is no any type of report from ZPPDPA which shows numbers of procurements by type and value for 2017/18, and therefore it has not been possible to provide a percentage government contracts awarded by competitive methods. However, the law provides various methods of procurement to follow, some competitive while others non-competitive.
	24.3 Public access to procurement information	D	Only two of the six key procurement information elements are complete and reliable for Government units representing most procurement operations and are made available to the public.
	24.4 Procurement complaints management	B	The procurement complaints system meets five of the six criteria for the effectiveness of an independent administrative complaint resolution mechanism.
PI-25	Internal controls on nonsalary expenditure	C	
	25.1 Segregation of duties	B	The Zanzibar public finance management law and regulations clearly establish segregation of duties for the main incompatible responsibilities.
	25.2 Effectiveness of expenditure commitment controls	C	Commitment control procedures do exist, which provide coverage and are effective. However, the existence of extensive expenditure arrears renders the system of commitment control not wholly effective.
	25.3 Compliance with payment rules and procedures	D	It appears payments are largely done according to established procedures. However, the AT failed to obtain evidence that the majority of the exceptions for compliance are properly authorised.
PI-26	Internal audit effectiveness	D+	
	26.1 Coverage of internal audit	B	Internal audit is operational for MDAs representing most total budgeted expenditures and entities collecting virtually all budgeted revenues.

Pillar	Indicator/Dimension	Score	Description of requirements met
	26.2 Nature of audits and standards applied	C	Internal audit activities are primarily focussed on compliance.
	26.3 Implementation of internal audits and reporting	D	There is no evidence of preparation of audit programmes and given the infancy of IAG, monitoring of internal audit units does not exist at present.
	26.4 Response to internal audits	D	Evidence from the 5 internal audit units in MDAs whose work was assessed indicates that the practice of preparing management responses to internal audit units is very weak and is not given appropriate attention.
Accounting and Reporting	PI-27 Financial data integrity	B	
	27.1 Bank account reconciliation	B	All government bank accounts are reconciled at least monthly, with revenue bank accounts reconciled on daily basis or weekly.
	27.2 Suspense accounts	NA	The Accountant-General does not keep suspense accounts and there is no alternative way to track of pending postings. Transactions pending which lack information and in need of investigation are therefore not posted in IFMIS. This is a risk as some receipts or expenditure may never get identified by the government.
	27.3 Advance accounts	NA	The Accountant-General stated that there are no advance accounts. This is yet another risk and a deviation from best practice for keeping track of government money. The Accountant-General confirmed that the government has banned use of travel advances or travel imprests.
	27.4 Financial data integrity processes	B	Access and changes to IFMIS records is restricted and provides audit trail of all the access and changes taking place in the system. Since the installation of the system, there has not being any assessment or audit of the system and therefore financial data integrity cannot be ascertained.
	PI-28 In-year budget reports	D	
	28.1 Coverage and comparability of reports	D	No in-year budget execution reports were published during 2017/18 – the most recently completed fiscal year but are available in the system. The coverage and classification of data of 2017/18 does not allow direct comparison to the original budget for the main administrative headings.
	28.2 Timing of in-year budget reports	D	There is no evidence that quarterly budget execution reports were produced during FY 2017/18.
	28.3 Accuracy of in-year budget reports	D	There is no evidence that quarterly budget execution reports or semi-annual reports were produced during the year 2017/18. However, the template allows such an analysis to be carried out had the in-year budget execution reports been prepared.
	PI-29 Annual financial reports	C+	
	29.1 Completeness of annual financial reports	C	The annual financial reports include much of the information required. However, items such as advances, loans recoverable and investments including capital are not disclosed.
	29.2 Submission of reports for external audit	B	In the two financial years of 2015/16 and 2016/17, the financial statements for budgetary central Government were received by the CAG within 6 months of the end of the fiscal year.
29.3 Accounting standards	C	Accounting standards are disclosed and are consistent with the legal framework in the PFMA (2016). However, there is lack of disclosure of contingent liabilities such as government guarantees, joint venture liabilities, government litigations, students' loans, issued share calls, which indicate that there	

Pillar	Indicator/Dimension	Score	Description of requirements met
			could be inadequate compliance to the requirements of IPSAS.
External scrutiny and audit	PI-30 External audit	D+	
	30.1 Audit coverage and standards	D	Most government entities are audited annually although the audits are delayed, over the recent three years, audit had taken place only for one year. Given the limited capacity in OCAg, some important audits are not carried out or are delayed, e.g. IFMIS, value for money, procurement audits. No independent quality assurance review has been carried out in OCAg to provide assurance that audit standards are generally adhered to.
	30.2 Submission of audit reports to the legislature	D	For the last three completed fiscal years, audit reports on Central Government were not submitted to the President within nine months of the completion of the fiscal year.
	30.3 External audit follow-up	D	The AT has not seen evidence of the executive responding to CAG issues. In addition, interviews with CAG indicated that MDAs delay in responding to audit queries and that this delay contributes to long time to complete annual audits. HoR show that some PAC directives and some CAG audit recommendations from previous years have not been implemented by auditees.
	30.4 Supreme Audit Institution (SAI) independence	C	The CAG operates largely independently from the Executive, enjoying life-time employment and significant constitutional protection from removal from office. The CAG has unrestricted legal and timely access to requested records. Although CAG enjoys operational control in the execution of her budget, the budget approval process limits OCAg freedom as there remains a degree of reliance on the Executive. The CAG also lacks adequate independence in determining how many and what type of staff to hire.
	PI-31 Legislative scrutiny of audit reports	B	
	31.1 Timing of audit report scrutiny	C	In each year, the PAC's report on the CAG audit report has been tabled to the HoR by 30 June, i.e. within 12 months of the receipt of the audit report.
	31.2 Hearings on audit findings	A	The HoR has been consistent in its scrutiny of audited public financial statements and issues raised by CAG. Hearings involve accounting officers and reports are publicized via radio and HoR website.
	31.3 Recommendations on audit by the legislature	B	PAC issues directives on actions to be taken, and those endorsed by Parliament are formally issued to the executive for action. The PAC conducts field visits to MDAs and public institutions to see implementation of their directives: nonetheless, not all directives are implemented by the executive.
	31.4 Transparency of legislative scrutiny of audit reports	C	PAC reports are provided to the full chamber of HoR and reports are made available to the public on the official HoR website. PAC hearings are neither conducted in public nor are members of the press/ media invited.
	Total Scored	31	

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	
1.1 <i>The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation</i>	No information from the PEFA assessment.
1.2 <i>Commitment to competence</i>	No information from the PEFA assessment.
1.3 <i>The "tone at the top" (i.e. management's philosophy and operating style)</i>	No information from the PEFA assessment.
1.4 <i>Organisational structure</i>	No information from the PEFA assessment.
1.5 <i>Human resource policies and practices</i>	No information from the PEFA assessment.
2. Risk assessment	
	<p>Several PIs are related to the extent to which risks are identified, and in most cases the ratings are weak. For example:</p> <ul style="list-style-type: none"> • Fiscal Risk reporting (PI-10) – is rated 'D+' overall; • Economic Analysis of Investment Proposals is rated 'C' in 11.1 – No review of the economic analysis of capital investment projects other than by the sponsoring entity; • Debt Management Strategy is rated 'D' in 13.3 – although a draft 'Debt Strategy and Policy' has been prepared for submission to the RC, it only covers domestic debt and lacks indicators of risk; • Macrofiscal sensitivity analysis is rated 'C' in 14.3 – The government prepares a range of fiscal forecast scenarios based on alternative macroeconomic assumptions, but these are not published; • Revenue Risk Management is rated 'C' in 19.2 – RGoZ has not fully implemented a structured and systematic risk assessment process for assessing, ranking and quantifying taxpayers' compliance risks. <p>More positively, Cash Flow Forecasting and Monitoring is rated 'A' in 20.2 – detailed cash forecasts are prepared and regularly updated.</p>
2.1 <i>Risk identification</i>	
2.2 <i>Risk assessment (significance and likelihood)</i>	See above.
	<p>Implementation of internal audits and reporting 26.3 rated 'D'. There is no evidence of preparation of audit programmes and given the infancy of IAG, monitoring of internal audit units does not exist at present.</p> <p>Nature of internal audits and standards applied – 26.2 rated 'C'. Internal audit activities are primarily focused on compliance.</p>
2.3 <i>Risk evaluation</i>	
2.4 <i>Risk appetite assessment</i>	No information from the PEFA assessment.
2.5 <i>Responses to risk (transfer, tolerance, treatment or termination)</i>	No information from the PEFA assessment.
3. Control activities	

Internal control components and elements	Summary of observations
3.1 <i>Authorization and approval procedure</i>	<p>Financial data integrity processes are rated 'B' in 27.4. Access and changes to records is restricted and recorded, and results in audit trail.</p> <p>Recording and reporting of debt and guarantees are rated 'B' in 13.1. Domestic and guaranteed debt records are complete, accurate, and updated quarterly (and there is no foreign debt). Most information is reconciled quarterly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least annually.</p> <p>Approval of debt and guarantees are rated 'B' in 13.2. Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity. Annual borrowing must be approved by the government or legislature.</p> <p>Effectiveness of expenditure commitment controls is rated 'C' in 25.2. Commitment control procedures do exist, which provide coverage, but the existence of extensive expenditure arrears suggests they are not wholly effective.</p> <p>Integration of payroll and personal records is rated 'A' in 23.1. The payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data. Staff hiring and promotion is controlled by a list of approved staff positions.</p> <p>Compliance with payroll payment rules and procedures is rated 'A' in 23.3. Controls exist to ensure full integrity of payroll data.</p>
3.2 <i>Segregation of duties (authorizing, processing, recording, reviewing)</i>	<p>Segregation of duties is rated 'B' in 25.1. Segregation of duties are prescribed throughout the expenditure process.</p>
3.3 <i>Controls over access to resources and records</i>	<p>Compliance with payment rules and procedures is rated 'D' in 25.3. While it appears payments are largely done according to established procedures, evidence to demonstrate that the majority of the exceptions for compliance are properly authorised could not be found.</p> <p>Financial data integrity processes are rated 'B' in 27.4. Access and changes to records is restricted and recorded, and results in audit trail.</p>
3.4 <i>Verifications</i>	<p>Accuracy of in-year budget reports is rated 'D' in 28.3. There is no evidence that quarterly budget execution reports or semi-annual reports were produced during the year although, the template allows such an analysis to be carried out had the in-year budget execution reports been prepared.</p>

Internal control components and elements	Summary of observations
3.5 <i>Reconciliations</i>	<p>Banks account reconciliations are rated 'B' in 27.1. Bank reconciliations for all active central government bank accounts take place at least monthly, and usually within one month from the end of the month.</p> <p>Suspense accounts are not kept in the system (and hence 27.2 is not rated) Transactions which lack information and in need of investigation are not posted in IFMIS, and hence this is a risk as some receipts or expenditure may never be identified.</p>
3.6 <i>Reviews of operating performance</i>	<p>Revenue audit and investigations are rated 'C' in 19.3. Although audits and fraud investigations are undertaken for domestic revenue collection, there is no compliance improvement plan.</p>
3.7 <i>Reviews of operations, processes and activities</i>	<p>Procurement monitoring is rated 'D' in 24.1. ZPPDPA does not compile data from source information provided by procuring entities throughout the government. ZPPDPA is one year old and therefore its capacity to provide procurement monitoring would still need development.</p>
3.8 <i>Supervision (assigning, reviewing and approving, guidance and training)</i>	No information available from the PEFA assessment.
4. Information and communication	
No information available from the PEFA assessment.	
5. Monitoring	
5.1 <i>Ongoing monitoring</i>	<p>Resources received by service delivery units is rated 'D' in 8.3. No surveys of the resources received by service delivery units have been carried out in the last three years.</p> <p>Monitoring of public corporations is rated 'B' in 10.1. RGoZ receives financial reports from most public corporations within nine months of the end of the fiscal year.</p> <p>Monitoring of subnational governments is rated 'D' in 10.2. The Ministry of Local Government does publish a consolidated report of the overall financial position of local governments, but this is more than 9 months after the end of the financial year.</p> <p>Investment project monitoring is rated 'C' in 11.4. The total cost and physical progress of major investment projects are monitored by the implementing government unit. Standard procedures and rules for project implementation are in place, and information on implementation of major investment projects is published annually.</p> <p>Quality of central government financial asset monitoring is rated 'C' in 12.1. While RGoZ maintains a record of its holdings in major categories of financial assets, this is not published.</p> <p>Quality of central government non-financial asset monitoring is rated 'D' in 12.2. There is no complete and current register of non-financial assets.</p>

Internal control components and elements	Summary of observations
	<p>Expenditure arrears monitoring is rated 'D' in 22.2. There is no systematic reporting of arrears within the financial reporting system i.e. data on the stock, age profile and composition of arrears is not generated annually.</p> <p>Procurement monitoring is rated 'D' in 24.1. ZPPDPA does not compile data from source information provided by procuring entities throughout the government.</p> <p>Implementation of internal audits and reporting is rated 'D' in 26.4. Evidence from the MDAs internal audit units whose work was assessed indicates that the practice of preparing management responses to internal audit units is very weak and is not given appropriate attention.</p>
5.2 <i>Evaluations</i>	<p>Performance evaluation for service delivery is rated 'A' in 8.4, although Investment project selection is rated 'C' in 11.2, as only some major investment projects are prioritized before their inclusion in the budget.</p>
5.3 <i>Management responses</i>	<p>Response to internal audits is rated 'D' in 26.4, as management responses to internal audit units is weak and is not given appropriate attention.</p> <p>External audit follow-up is rated 'D' in 30.3, as no evidence of the executive responding to CAG issues. In addition, interviews with CAG indicated that MDAs delay in responding to audit queries and that this delay contributes to long time to complete annual audits. HoR show that some PAC directives and some CAG audit recommendations from previous years have not been implemented by auditees.</p>

Annex 3: Sources of information by indicator

Details of the data requirements and data sources for each indicator and dimension are included in Volume II of the PEFA Handbook – *PEFA Assessment Fieldguide*. Table below compiles the suggested list of data sources for each indicator/dimension as set out in the *PEFA Assessment Fieldguide*.

Indicator/dimension	Data Sources
I. Budget reliability	
PI-1. Aggregate expenditure outturn 1.1 Aggregate expenditure outturn	<ul style="list-style-type: none"> Annual budget law/documentation/ estimates approved by the legislature; Annual budget execution report or Comparative Statement of Budget and Actual Results.
PI-2. Expenditure composition outturn 2.1. Expenditure composition outturn by function	<ul style="list-style-type: none"> Annual budget law/documentation/estimates approved by the legislature; Annual budget execution report or annual financial statements (The above information should be available from the MoF.) Annual budget law/documentation /estimates approved by the legislature
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
PI-3. Revenue outturn 3.1 Aggregate revenue outturn 3.2 Revenue composition outturn	<ul style="list-style-type: none"> Annual budget law/documentation/estimates approved by the legislature Annual budget execution report or audited annual financial statements Information on revenue outturn for the most recent completed fiscal year may also be presented in the budget estimates document
II. Transparency of public finances	
PI-4. Budget classification 4.1 Budget classification	<ul style="list-style-type: none"> Relevant legislation and regulations identifying the application of the classification Annual budget document provided by the MoF for the last completed fiscal year Copy of the chart of accounts used for the last completed fiscal year
PI-5. Budget documentation 5.1 Budget documentation	<ul style="list-style-type: none"> Last annual budget proposal submitted to the legislature. Supporting documentation for the budget Additional documentation relating to the budget submitted to the legislature prior to the budget proposal
PI-6. Central government operations outside financial reports 6.1 Expenditure outside financial reports 6.2 Revenue outside financial reports 6.3 Financial reports of extra-budgetary units	<ul style="list-style-type: none"> Information from the MoF, central bank, SAI, and others about government bank accounts that are not managed by the Treasury Financial records of ministries and extrabudgetary units not reported in central government financial reports (e.g., bookkeeping and/or petty cash records, invoices, bank statements, etc.) Annual financial reports of extrabudgetary units Correspondence with central agency regarding financial reports
PI-7. Transfers to subnational governments 7.1 System for allocating transfers 7.2 Timeliness of information on transfers	<ul style="list-style-type: none"> Legislation or rules governing transfers from CG to SNG. Annual budget documents MoF, or specific entity in charge of matters such as Minister of Local Government or Decentralization; Triangulation with representatives of SNG, either at selected subnational entities or subnational associations subnational
PI-8. Performance information for service delivery	<ul style="list-style-type: none"> Annual budget document and/or supporting budget

Indicator/dimension	Data Sources
8.1 Performance plans for service delivery	documentation. <ul style="list-style-type: none"> Ministry budget statements and/or performance plans. Other documents on ministry service delivery plans containing performance information; Annual financial statements; In-year budget execution reports Financial reports or statements of donor organizations Budget management system or accounting system SAI Internal audit department MoF
8.2 Performance achieved for service delivery	
8.3 Resources received by service delivery units	
8.4 Performance evaluation for service delivery	
PI- 9 Public access to fiscal information	<ul style="list-style-type: none"> Listed documents may be accessible from the MoF, State Audit Institution, and procurement authority. Access should be, corroborated through availability at government bookshops, websites, public library, notice boards, and public interest groups as governance NGOs, chamber of commerce, development partner's country offices.
9.1 Public access to fiscal information	
III. Management of assets and liabilities	
PI- 10 Fiscal risk reporting	<ul style="list-style-type: none"> A list of public corporations, and data on dates of submission, publication and audit from MoF or SAI MoF Ministry of Local Government Triangulation with information from selected SNGs Annual financial statements Financial or other reports of budgetary units
10.1 Monitoring of public corporations	
10.2 Monitoring of sub-national government (SNG)	
10.3 Contingent liabilities and other fiscal risks	
PI- 11: Public investment management	<ul style="list-style-type: none"> Ministry of finance/planning Line ministries and agencies Agency in charge of public investments, if any National guidelines to conduct economic analysis Economic analysis of investment projects Legislation on public investment Annual budget documentation Medium-term expenditure framework, if available Guidelines on monitoring public investments Databases Project monitoring reports
11.1 Economic analysis of investment proposals	
11.2 Investment project selection	
11.3 Investment project costing	
11.4 Investment project monitoring	
PI-12: Public asset management	<ul style="list-style-type: none"> Consolidated financial statements, including notes relating to the holdings of financial assets. Asset management agency, if any. Budget and extrabudgetary units holding financial and non-financial assets MoF, Treasury Internal audit units SAI Asset management agency Budget and extrabudgetary units SAI
12.1 Financial asset monitoring	
12.2 Nonfinancial asset monitoring	
12.3 Transparency of asset disposal.	
PI-13: Debt management	<ul style="list-style-type: none"> MoF Treasury Debt Management office Debt Management entities Central Bank Line ministries when necessary.
13.1 Recording and reporting of debt and guarantees	
13.2 Approval of debt and guarantees	
13.3 Debt management strategy	
IV. Policy-based fiscal strategy and budgeting	

Indicator/dimension	Data Sources
PI-14: Macroeconomic and fiscal forecasting	<ul style="list-style-type: none"> Annual budget documents Annual budget circular Policy and analytical advice to government MoF working papers The reviewing entity The unit preparing the initial forecasts Records of legislative proceedings
14.1 Macroeconomic forecasts	
14.2 Fiscal forecasts	
14.3 Macro-fiscal sensitivity analysis	
PI-15 Fiscal strategy	<ul style="list-style-type: none"> MoF Office of the Prime Minister/President
15.1 Fiscal impact of policy proposals	
15.2 Fiscal strategy adoption	
15.3 Reporting on fiscal outcomes	
PI-16 Medium-term perspective in expenditure budgeting	<ul style="list-style-type: none"> Annual budget estimates Formal directions or instructions on ceilings to ministries Budget circular Ministry of Finance/ Planning (or equivalent entity) Large sector ministries MoF Annual budget documents Large sector ministries
16.1 Medium-term expenditure estimates	
16.2 Medium-term expenditure ceilings	
16.3 Alignment of strategic plans and medium-term budgets	
16.4 Consistency of budgets with previous year's estimates	
PI-17: Budget preparation process	<ul style="list-style-type: none"> MoF (budget department), corroborated by finance officers of large spending budgetary units; MoF (budget department), corroborated by the legislature (budget/finance commission)
17.1 Budget calendar.	
17.2 Guidance on budget preparation	
17.3 Budget submission to the legislature	
PI-18: Legislative scrutiny of budgets	<ul style="list-style-type: none"> Budget director, secretary or chair of budget committee(s) of legislature, corroborated by advocacy, civil society, and interest groups Legislature committees, corroborated by advocacy, civil society, and interest groups; MoF (budget department), corroborated by the legislature (budget/finance commissions) Internal and/or external audit reports
18.1 Scope of budget scrutiny.	
18.2 Legislative procedures for budget scrutiny.	
18.3 Timing of budget approval.	
18.4 Rules for budget adjustments by the executive.	
V. Predictability and control in budget execution	
PI-19 Revenue administration	<ul style="list-style-type: none"> Tax code and other revenue legislation. In resource-rich countries, additional legislation may include relevant information as part of natural resource management arrangements Revenue agency websites and publications with information on key obligations and rights Customized information products tailored to the needs of key payer segments Documented procedures (of the entities collecting most or majority of the central government revenue) Some countries have one-stop shops, government service centres, or e-government portals that perform some or all of the client service involved in revenue administration.) Documented risk management approach used by revenue authorities to assess and prioritize compliance risks A register of identified compliance risks for each payer segment (and for large- and medium-sized payers at a minimum) Documented compliance improvement plan Status reports on progress in the implementation of planned risk-mitigation activities and audit and fraud investigations Revenue collection authority records such as a documented report on (i) the stock of revenue arrears; and (ii) revenue arrears older than 12 months
19.1 Rights and obligations for revenue measures	
19.2 Revenue risk management	
19.3 Revenue audit and investigation	
19.4 Revenue arrears monitoring	
PI-20 Accounting for Revenues	

Indicator/dimension	Data Sources
20.1 Information on revenue collections	<ul style="list-style-type: none"> • Entities/revenue authorities collecting CG revenue • Treasury or other designated revenue recipients • Central Bank
20.2 Transfer of revenue collections	
20.3 Revenue accounts reconciliation.	
PI-21 Predictability of in-year resource allocation	<ul style="list-style-type: none"> • MoF and/or Treasury • Budgetary units • Central Bank
21.1 Consolidation of cash balances.	
21.2 Cash forecasting and monitoring.	
21.3 Information on commitment ceilings.	
21.4 Significance of in-year budget adjustments.	
PI-22 Expenditure arrears	<ul style="list-style-type: none"> • Treasury; • Budget directorate; • Government accounting office; • Budgetary units; • Debt Management Office • Chamber of Commerce/Industry and other private sector representatives for triangulation;
22.1 Stock of expenditure arrears.	
22.2 Expenditure arrears monitoring	
PI-23 Payroll controls	<ul style="list-style-type: none"> • Public service commission • Personnel management directorate or department. • Accountant General • Finance officers of budgetary units and agencies • SAI to triangulate information • Staff union to triangulate information • Audit units to triangulate information
23.1 Integration of payroll and personnel records.	
23.2 Management of payroll changes.	
23.3 Internal control of payroll.	
23.4 Payroll audit.	
PI-24 Procurement	<ul style="list-style-type: none"> • MoF or entities where procurement monitoring has been centralized. In decentralized systems, see the five CG units with the highest value of procurement; • As in dimension 24.1, plus procurement data publicly available in official websites • Corroborations from civil society or business associations (e.g., chambers of commerce) • Procurement complaints body, SAI, civil society or business associations (e.g., chamber of commerce) • Internal and external audit reports • Meetings with civil society and private sector
24.1 Procurement monitoring.	
24.2 Procurement methods.	
24.3 Public access to procurement information.	
24.4 Procurement complaints management.	
PI-25 Internal controls on non-salary expenditure	<ul style="list-style-type: none"> • Budget directorate • Accounting directorate • Treasury • Oversight body • Internal audit • Regulations and guidance on accounting and payment processing • MoF (Internal audit) • Accountant General • Heads and finance officers of major budgetary units • SAI • Information system
25.1 Segregation of duties.	
25.2 Effectiveness of expenditure commitment controls.	
25.3 Compliance with payment rules and procedures.	
PI-26 Internal audit	<ul style="list-style-type: none"> • MoF (Internal audit) • Accountant General • Heads and finance officers of major budgetary units • SAI for triangulation of information
26.1 Coverage of internal audit.	
26.2 Nature of audits and standards applied	
26.3 Implementation of internal audits and reporting.	
26.4 Response to internal audits.	

Indicator/dimension	Data Sources
VI. Accounting and reporting	
PI-27 Financial data integrity	<ul style="list-style-type: none"> • Treasury • Accountant General • SAI • Central bank • Budget directorate • Accounting directorate • Oversight body • Internal audit
27.1 Bank account reconciliation.	
27.2 Suspense accounts.	
27.3 Advance accounts.	
27.4 Financial data integrity processes	
PI-28 In-year budget reports	<ul style="list-style-type: none"> • Accountant General corroborated by SAI or internal audit • Treasury or MoF
28.1 Coverage and comparability of reports.	
28.2 Timing of in-year budget reports.	
28.3 Accuracy of in-year budget reports	
PI-29 Annual financial reports	<ul style="list-style-type: none"> • Accountant General corroborated by SAI
29.1 Completeness of annual financial reports.	
29.2 Submission of the reports for external audit.	
29.3 Accounting standards.	
VII. External scrutiny and audit	
PI-30 External audit	<ul style="list-style-type: none"> • SAI, corroborated by the parliamentary public accounts committee and civic interest groups; • Information on submission of reports for audit can also be corroborated with the MoF or the Treasury ministries. • SAI and internal auditors of major budgetary units, corroborated by Parliamentary Public Accounts committee, government ministers, the MoF, audited entities and civic interest groups • Legislation • External reports on SAI independence and financial governance
30.1 Audit coverage and standards.	
30.2 Submission of audit reports to the legislature	
30.3 External audit follow up.	
30.4 Supreme Audit Institution independence.	
PI-31 Legislative scrutiny of audit reports	<ul style="list-style-type: none"> • SAI, MoF, legislature, and Budget Committee of the parliament, corroborated by civic interest groups; • Respective legislative committees, the Budget Committee of the parliament, SAI, and the MoF, corroborated by civic interest groups • Legislature corroborated by SAI and civic interest groups.
31.1 Timing of audit report scrutiny	
31.2 Hearings on audit findings.	
31.3 Recommendations on audit by the legislature.	
31.4 Transparency of legislative scrutiny of audit reports.	

Annex 4: Tracking change in performance based on previous versions of PEFA

This was the first assessment of the RGoZ using the Upgraded PEFA Framework, and in view of the passage of time, it was agreed that a comparison with the 2010 report would not be of value.

Annex 5A: Public Sector Institutional Table

PUBLIC SECTOR INSTITUTIONAL TABLE (PSIT) 2018/2019**		
1. Budgetary central government (BCG)		
1	President's Office & Chairman of Revolutionary Council	
2	President Office Revolutionary Council	
3	The Second Vice President's Office	
4	House of Representatives	
5	Zanzibar Electoral Commission	
6	Commission for National Coordination and Drugs Control	
7	Zanzibar AIDS Commission	
8	President's Office Regional Admin. Local Govt & Special Department	
9	Economic Brigade	
10	Office of Director of Public Prosecution	
11	Zanzibar Training Centre for Offenders	
12	Anti-Smuggling Unit	
13	Fire and Rescue Force	
14	People's Volunteer Unit	
15	Urban West Region	
16	South Region Unguja	
17	North Region Unguja	
18	South Region Pemba	
19	North Region Pemba	
20	Zanzibar Civil Status Registration Agency (ZCSRA)	
21	President Office Constitution, Legal Affairs, Public Services & Good Governance	
22	Ministry of Finance and Planning	
23	Consolidated Fund Services	
24	Zanzibar Planning Commission	
25	High Court Zanzibar	
26	Attorney General's Chamber	
27	Law Review Commission	
28	Office of the Controller and Auditor General	
29	Zanzibar Anti-Corruption & Economic Crimes Authority	
30	Public Service Commission	
31	Civil Service Commission	
32	Ministry of Health	
33	Mnazi Mmoja Hospital	
34	Ministry of Information, Tourism and Antiquity	
35	Commission for Tourism	

36	Ministry of Education and Vocational Training	
37	Ministry of Agriculture, Natural Resource, Livestock & Fisheries	
38	Ministry of Lands, Housing, Water and Energy	
39	Ministry of Construction, Communication & Transport	
40	Ministry of Labour, Empowerment, Elders, Women & Children	
41	Ministry of Trade and Industries	
42	Ministry of Youth, Culture, Arts and Sports	
2. Extra Budgetary Units (Subvention Institution)		
1	Zanzibar Government Printing Press Agency – ZAGPA	
2	Zanzibar Commission for disasters control/response	
3	Protection Agency – JKU	
4	Zanzibar Revenue Board	
5	Zanzibar Investment Promotion Authority [ZIPA]	
6	Zanzibar Roads Fund	
7	Office of Chief Government Statistician of Zanzibar	
8	Institute of Public Administration	
9	Wakfu Commission	
10	Zanzibar Public Leaders Ethics Commission	
11	Zanzibar Food and Drugs Agency	
12	Office of Government Chemist	
13	Zanzibar Journalism and Mass Media College (ZJMMC)	
14	Zanzibar Examination Council	
15	Zanzibar Higher Education Loan Board	
16	Zanzibar Muslim Academy	
17	State University of Zanzibar(Benjamin, Health, ZITOD and ZIFA)	
18	Vocational Training Authority	
19	Zanzibar Institute of Education	
20	Karume Institute of Science and Technology	
21	Tractors and Farms Employment Agency	
22	Kizimbani Institute of Agriculture	
23	Zanzibar Agriculture and Livestock Research Institute	
24	Zanzibar Water Authority (ZAWA)	
25	Zanzibar Petroleum Regulatory Authority	
26	Land Commission	
27	Zanzibar Utility Regulatory Authority (ZURA)	
28	Zanzibar Maritime Authority (ZMA)	
29	Stone Town Conservation and Development Authority	
30	Zanzibar Contractors and Registration Board	
31	Board of architectural buildings	

32	The Zanzibar Youth Council	
33	Labour Commission	
34	Zanzibar Bureau of Standard	
35	Zanzibar Property and Business Registration Agency	
36	Small and Medium Industrial Development Authority	
37	Zanzibar Public Procurement and Disposal Authority	
3. Local Government		
1	Zanzibar Municipal Council	
2	West A Municipal Council	
3	West B Municipal Council	
4	Central District Council	
5	South District Council	
6	North A District Council	
7	North B District Council	
8	Mkoani Town Council	
9	Chake Chake Town Council	
10	Wete Town Council	
11	Micheweni District Council	
4. Social Security Fund		
1	Zanzibar Social Security Fund	
5. PUBLIC CORPORATION		
5.1 Public Financial Corporations		
1	People's Bank of Zanzibar	
2	Zanzibar Insurance Corporation	
5.2 Public Nonfinancial Corporations		
1	Zanzibar Shipping Corporation	100% shares
2	Zanzibar State Trading Corporation	100% shares
3	The Corporation of Zanzibar Newspaper	100% shares
4	Zanzibar Port Corporation	100% shares & subvention
5	Zanzibar Library Services Corporation	100% and Subvention
6	Zanzibar Broadcasting Corporation	100% and Subvention
7	Zanzibar Electricity Corporation	100% and Subvention
8	Zanzibar Multiplex Company Ltd	
9	Zanzibar Petroleum Development Company	Subvention (Tzs 1.0bil)
Joint Ventures-JVs		
	Zantel	15% shares
	Tanzania Postal Bank	5% shares
	Deep Sea Fishing Authority	20% on surplus

Annex 5B: People Interviewed

Name	Title	INSTITUTION/ DEPARTMENT
Kayombo T. Kadenge	Senior Researcher	Zanzibar Revenue Board (ZRB)
Hassanet Jabir	Chief Accountant	Zanzibar Revenue Board
Khamis F. Thawi	CSM	Zanzibar Social Security Fund (ZSSF)
Hamad S. Hamad	Finance Manager	Zanzibar Social Security Fund (ZSSF)
Khalifa M. Hilal	CPI	Ministry of Finance and Planning (MOFP)
Khamis Bilal Denge	Accountant	MOFP
Abdurahman Hassan	Investment Manager	Zanzibar Insurance Cooperation (ZIC)
Salum Mohamed Sheik	Accountant	ZIC
Aziza J. Ali	Accountant	MOFP
Khamis S. Mwalimu	Director	MOFP
Mohamed M. Mohamed	M& E Office	MOFP
Saumu Khatib	Director	Ministry of Finance and Planning (MOFP)
Abdallah M.Khatib		Ministry Of Infrastructure
Abdulrahim M. Mohamed		Ministry of Trade
Ali Mustafa Khamis		Ministry of Trade
Mohamed K. Basha		Ministry of Education
Fredy M. Kasambala		Ministry of Agriculture
Mtumwa A. Abdallah		Zanzibar Public Procurement and Disposal of Public Assets Authority (ZPPDPA)
Mohammed O. Mmoka		ZPPDPA
Bihindi N. Khatib		MOFP
Marium M. Othman		MOFP
Khalifan Ali Said	P/ Coordinator	MOFP
Suleiman Hamad	Driver	MOFP
Ali Mwalim Ali		MOFP
Janah Maguk Sail		MOFP
Umno-Ayman M. Machano		MOFP
Suleiman A. Suleiman	Chief Accountant	Zanzibar Anti-Corruption and Economic Crimes Authority (ZAECA)
Khatibu M. Mussa	Planning Officer	ZAECA
Asha Y. Mussa	Chief Accountant	Zanzibar Investment Promotion Authority (ZIPA)
Makame Kitwana	Planning Officer	KILIMO
Hafsa Suleiman Ali	Accountant	MOFP
Sauda O. Khamis	Accountant	MOFP
Mwantum O. Ramadhani	Revenue	MOFP
Abel E. Kibona	Accountant	MOFP
Saleh A. Makame	Accountant	Ministry of Information, Culture, Tourism and Sports
Ali J. Ali	Accountant	Ministry of Health
Makame I. Omar	Accountant	Ministry of Education
Salum K. Nassor		ZIPA
Ahsante Gharib Bilal	Chief Accountant	Ministry of Water
Mohamed Musa	Chief Accountant	Ministry of Health
Juma S. Makame	Financial Management Unit	MOFP

Name	Title	INSTITUTION/ DEPARTMENT
Rashid M. Kassim		MOFP
Bimkubwa O. Said	Chief Internal Audit	MOFP
Husna M. Othman		MOFP
Rukia A. Salmin	CFS	MOFP
Khadija H. Ali	Tax Officer	Tanzania Revenue Authority Zanzibar branch
Abdulshakur H. Dau	Tax Officer	TRA
Hamad B. Said	PEFA TWG	MOFP
Seif Shaban Seif		MOFP
Sahiya S. Juma	Accountant ISPGGIII	MOFP
Salum B. Khamis	PEFA TWG	MOFP
Said Abduwa Said	Accountant	Zanzibar State Trading Corporation (ZSTC)
Ismail O. Bai		ZSTC
Rajab Omar	Administration Officer	Zanzibar Road Fund (ZRF)
Ali T. Mohamed	Accountant	Ministry of Finance and Planning (MOFP)
Mohammed R. Mako	Ms. Accountant	Ministry of Information, Culture, Tourism and Sports
Iddi Said Haji	Accountant	Ministry of Infrastructures Communication and Transportation (MOICT)
Malik Ali Suleiman	SPA	Bank of Tanzania – Zanzibar Branch (BOT)
Daudi M. Khamis	Driver	MOFP
Ali Suleiman Ali	Driver	MOFP
Mohamed Issa Ferusi	Driver	MOFP
Rabia Juma Abdalla	Internal Auditor	Ministry of Infrastructures Communication and Transportation (MOICT)
Arafa Ameir Hassan	Internal Auditor	MOICT
Haji A. Haji	HNRFB	MOFP
Joseph A. Meza	Commissioner	Zanzibar Revenue Board (ZRB)
Mohammed Amour	DHRA	ZRB
Ame Pandu Khamis	Procurement Officer	ZRB
Hashim K. Haji	Director- TRA	ZRB
Ahmad H. Saadat	Director - R& P	ZRB
Salum Juma Wahabi	DDRPC- LTN	ZRB
Kassimu Idrissa Mussa	Manager Revenue Collection	ZRB
Shabani J. Jumanne	Chief Revenue DSS	ZRB
Simon A. Simon	Accountant	Ministry of Finance and Planning (MOFP)
Issa A. Mussa	Chairperson – Audit Committee	Ministry of Health (MOH)
Fredy M. Kasambala	Member - Audit Committee	MOH
Nawal Seif Kassim	Member - Audit Committee	MOH
Ramadhan Khamis Juma	Member - Audit Committee	MOH
Khadija Said	Secretary - Audit Committee	MOH
Hissan M. Abass	Secretary - Audit Committee	MOH
Abdulatif Haji	Chairperson – Audit Committee	MOH
Haroub Khalifa Hamad	Member - Audit Committee	MOH
Ali R. Salum	Internal Auditor	MOH
Ahmed Ali Rajab	Chief Internal Audit	IAD
Safia Zubeir Abdulhamad	Chief Internal Audit	ZAA

Name	Title	INSTITUTION/ DEPARTMENT
Mwanahija A. Ali	Accountant-General	MOFP – Accountant General (ACGEN)
Haji Thuwein	ICTP	ACGEN
Tahira Mohamed Ali	Revenue Accountant	ACGEN
Nassor Mmanga Ali	Revenue Accountant	ACGEN
Asha Yahaya Hamad	Application	ACGEN
Mwanabibi A. Hassan	Assistant	MOFP – Public Debt
Ali T. Mohamed	Assistant PD Officer	Public Debt
Halima M. Salum	Deputy	MOH – Internal Audit (IA)
Ali H. Ali	I/ Auditor	MOH – Internal Audit (IA)
Omar A. Omar	I/ Auditor	MOH – Internal Audit (IA)
Zainab H. Abdulla	Procurement	MOH – PMU
Aisha A. Mohamed		MOH – DPPR
Amour Hemed	Com. Salary	MOH – Accounts
Salma Mohammed Said	Ass. C/A	MOH – Accounts
Ali Juma Ali	Assistant Accountant	MOH - Accounts
Khadija Shaban		MOH - DPPR
Fatuma M. Said	CAG	Office of Controller and Auditor General- Zanzibar – CAG Office
Saleh Haji	Director	CAG Office
Mwantumu Bweni Zuberi	Director of Adult	CAG Office
Kombo Juma Rashid		CAG Office
Mohamed J. Khalid	Audit Supervisor	CAG Office
Shaban J. Shaban	Audit Supervisor	CAG Office
Dr Othman A. Ali	Audit Supervisor	CAG Office
Subira Muumin Ali	Public Relation Officer	CAG Office
Hamad Akida Hamad	Chief Resident Auditor	CAG Office
Salum Suleiman Ali	Chief Resident Auditor	CAG Office
Emmanuel Mashimba	Finance Officer	MOFP – Public Investment
Hamad Bakar Said	Planning Officer	MOFP - DPPR
Simon Abdul Simon	Accountant	MOFP – Accountant General's Office
Haji .U. Haji		MOFP – Fiscal Policy
Salum Bakar		MOFP – External Finance
Maryam Mohamed Othuman		MOFP - Budget
Ame .B. Shadhil	Chief Accountant	President Office – Regional Administration, Local Government and Special Departments
Khalid .A. Omar	Director RALG	PO-RALGSDS
Kan .B. Mbaruk	DPS	PO-RALGSDS
Maryam Keis Khamis	Coordinator Officer	PO-RALGSDS
Zuhura .S. Rashid	Coordinator Officer	PO-RALGSDS
Suleiman .M. Otham	Officer	MOFP – Financial Mangt Division (Exchequer)
Juma Makame	Head OF FM	Exchequer
Ally .T. Mohamed	PD - Officer	MOFP - Public Debt (PD)
Said .A. Makame	PD - Officer	PD
Mohamed Said Mohamed	Chair Person – Budget Committee	House of Representatives - Zanzibar

Name	Title	INSTITUTION/ DEPARTMENT
Rashid Makame	Member Budget Committee	House of Representatives - Zanzibar
Sheif Said Ally	PAC Member	House of Representatives - Zanzibar
Hassan Ali	Planning and Finance Officer	House of Representatives - Zanzibar
Abdalla Shauri	Planning Officer	House of Representatives - Zanzibar
Kassim	Clerk Budget	House of Representatives - Zanzibar
Haji Khatib Haji	Clerk PAC	House of Representatives - Zanzibar
Halimi Ali Omar	Procurement Officer	House of Representatives - Zanzibar
Rashid Makame Shamsi	Member PAC	House of Representatives - Zanzibar
Shabib Said Ali	Vice Chairperson - PAC	House of Representatives - Zanzibar
Hussein Ali Ame	Chief Accountant	House of Representatives - Zanzibar
Raya Issa Mseliem	Clerk of the House	House of Representatives - Zanzibar
Hassan Ali Hassan	Planning And Finance	House of Representatives - Zanzibar
Abdalla Ali Shauri	Planning Officer	House of Representatives - Zanzibar
Kassim Tafana Kassim	Committee Clerk	House of Representatives - Zanzibar
Salha Mohamed Mwin	Budget Committee	House of Representatives - Zanzibar
Simon .A. Simon	Head of Division Accounting	MOFP - Internal Audit General (IAG)
Bihindi .N. Khatib	Commissioner of External Finance	MOFP
Rashid .M.Kassim	Internal Auditor General	MOFP - Internal Audit General (IAG)
Emmanuel Mashimba	Finance Officer	MOFP – Public Investment
Hamad .B. Said	Planning Officer	MOFP
Said .M. Omar	Planning Officer	MOFP
Suleiman .H. Haji	Budget Officer	MOFP
Achiwa .S. Achiwa	Budget Officer	MOFP
Seif Shaaban Mwinyi	Deputy PS	Ministry of Public Service
Dalima .M. Mkalimto	Budget Officer	Ministry of Public Service
Aziza ,B, Mahmoud	Chief Accountant	Ministry of Public Service
Iddi Hassan Hamad	Assist. Chief Accountant	Ministry of Public Service
Abdalla Khamis Kheir	Assist. Internal Auditor	Ministry of Public Service
Bakar .Kh. Muhidin	Director HMD & HR	Ministry of Public Service
Khalid .M. Abdulla	ICT Officer	Ministry of Public Service
Othman .S. Makame	Management Analyst	Ministry of Public Service
Shaibu .A. Mwazema	Director	Ministry of Public Service
Othman Juma Othman	Executive Director	Zanzibar Public Procurement and Disposal of Public Assets Authority (ZPPDPA)
Mohamed Omar Mmoka		ZPPDPA
Fatma Sungura Makame	Assistant Accountant	ZPPDPA
Foum Molta Foum		ZPPDPA
Ali Mohamed		ZPPDPA
Saleh H Ali		ZPPDPA
Omar .S. Omar		ZPPDPA
Nhumwa .A. Abdalla		ZPPDPA
Ali .B. Ame	MCO	Tanzania Revenue Authority Zanzibar branch
Mbarouk K. Ussi	A/Manager	TRA

Name	Title	INSTITUTION/ DEPARTMENT
Khadija H Ali	Officer	TRA
Saleh H Paisdu	Manager DRD	TRA
Mcha Hassan	DC	TRA
Abdulshakur H Pau	AG H.F	TRA
Dadi R Dadi	SSO	TRA
Shuwena Mohamed	Accountant	TRA -FINANCE
Shomari .O. Shomari	Deputy PS	Ministry of Infrastructures Communication and Transportation (MOICT)
Haji .M. Msheba	Procurement Officer	MOICT
Haji .M. Makame	Procurement Officer	MOICT
Abdalla .M. Khatib	Chief Internal Auditor	MOICT
Rashida H Abdallah	Ass Internal Auditor	MOICT
Idd Said Haji	Chief Accountant	MOICT
Safia J Ameir	Civil Engineer	MOICT
Sleyum M Yussuf	Statistical Officer	MOICT
Yussuf Mohamed Ally	Legal Officer	Ministry of Finance and Planning (MOFP)
Ahmed R Ali	Assistant Procurement	MOFP
Mary J Victor	Assistant Procurement	MOFP
Hani H Hani	Head of PMU - Administration	MOFP
Juma Moud Haji	Senior Internal Audit	MOFP
Ally Said Ally	Internal Audit Staff	MOFP
Idrissa Hassan Shaame	Internal Auditor	MOFP
Aisha Ramadhani	Internal Auditor	MOFP
Faki M Faki	Finance Manager	Zanzibar National Chamber of Commerce Industry and Agriculture (ZNCCIA)
Richard Ryaganda	Communication and Membership Services	ZNCCIA
Shifaa Ibuni	Policy & Advocacy	ZNCCIA
Faki M Faki	Member	Zanzibar Association of Accountants and Auditors (ZAAA)
Mr Ali Sultan	Member	ZAAA
Mr Said A Nahu	Member	ZAAA
Mr Habib	Member	ZAAA
Mr K.H Fom	Member	ZAAA
Suleiman .S. Masmud	AC BD	Bank of Tanzania – Zanzibar Branch (BOT)
Mansour .A. Abdalla	MFA	BOT
Malik Ali Suleiman	Accountant	BOT
Billy Ally Hussein	Bank Officer	BOT
Seif Shaban	Commissioner Public Investment	Ministry of Finance and Planning (MOFP)
Othman Twaha Hamad	Fiscal Policy Officer	Ministry of Finance and Planning (MOFP)
Nassor Mwazini Haji	Economist	Department of Economic Management (DEM)
Said Haji Mrisho	Economist	DEM
Said Faraji Abdalla	Economist	Department of National Planning Sectorial Development and Poverty Reduction (DNPSPR)
Makame Salum Ali	Economist	DNPSPR

Name	Title	INSTITUTION/ DEPARTMENT
Khalifa Muumini	Head Government Asset Management	Public Investments Department
Tatu Madai Mzee	P.I Officer	Public Investments Department
Saida Mmanga Omar	P.I Officer	Public Investments Department
Arafa .A. Hassan	Assistant Internal Auditor	Ministry of Agriculture, Natural Resources, Livestock and Fisheries (MANRLF)
Rabia J Abdalla	Assistant. Internal Auditor	MANRLF
Jina .H. Msellem	Assistant Procurement	MANRLF
Hellen M Said	Assistant Procurement Officer	MANRLF
Zainabu A Masoud	Assistant Accountant	MANRLF
Khamis Idd Omar	Internal Auditor	MANRLF
Zainabu .A. Khamisi	Internal Auditor	MANRLF
Moud Ali Makame	Assistant Accountant	MANRLF
Aden Khatib	Senior Tax Officer	TRA
Ahmada Abdul	Senior Tax Officer	TRA
Khalid Abdulla Omar	Deputy Secretary	PO-RALG
Hashim Kombo Haji	Director of Registration, Audit and Investigation	ZRB
Mtega Othman Mohid	Manager Tax Investigation	ZRB
Raha Juma Abdalla	Senior Tax Officer	ZRB
Suleiman Khamis	Manager Audit	ZRB

Annex 5C: Documents Reviewed

a) The assessment team reviewed the following RGoZ reports:

- i) 2010 PEFA assessment report; [REDACTED]
- ii) 2015 Fiduciary Risk Assessment; [REDACTED]
- iii) Audit Reports from the Office of the Auditor General;
- iv) Any other relevant report.

b) The following laws and regulations also required review.

- (i) The Constitution of the Republic of Tanzania
- (ii) Law N°37/2006/OL of 12/09/2006 on State finances and property and the associated Financial Regulations and Manuals
- (iii) Law N°12/2013/OL of 12/09/2013 on State finances and property and forthcoming associated Financial Regulations and Manuals
- (iv) Other relevant legislation.

c) PEFA Assessment Guidelines

- Guidance on implementing repeat assessments
- Calculation spreadsheets for revenue and expenditure outturns [REDACTED]
- Template to report feedback on the testing exercise [REDACTED]
- Summary of the main changes introduced in the upgraded framework. [REDACTED]

Annex 6A: Calculation Sheet for PFM Performance Indicators PI-1, PI-2.1 and PI-2.3

Table 1 - Fiscal years for assessment

Year 1 =	2015/2016
Year 2 =	2016/2017
Year 3 =	2017/2018

Table 2

Data for year = 2015/2016						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
1. General public services	207,348,058,000	-	133,497,573,659	(133,497,573,659)	133,497,573,659	100.0%
2. Defense	18,572,439,000	-	11,957,553,726	(11,957,553,726)	11,957,553,726	100.0%
3. Public order and safety	23,143,003,000	-	14,900,234,791	(14,900,234,791)	14,900,234,791	100.0%
4. Economic affairs	310,794,413,000	-	200,099,776,397	(200,099,776,397)	200,099,776,397	100.0%
5. Environmental protection	4,002,423,000	-	2,576,893,000	(2,576,893,000)	2,576,893,000	100.0%
6. Housing and community amenities	28,970,746,000	-	18,652,329,496	(18,652,329,496)	18,652,329,496	100.0%
7. Health	92,927,081,000	-	59,829,544,392	(59,829,544,392)	59,829,544,392	100.0%
8. Recreation, culture, and religion	9,730,147,000	-	6,264,592,147	(6,264,592,147)	6,264,592,147	100.0%
9. Education	130,318,547,000	-	83,903,413,396	(83,903,413,396)	83,903,413,396	100.0%
10. Social protection	4,553,443,000	-	2,931,657,996	(2,931,657,996)	2,931,657,996	100.0%
21 (= sum of rest)						
allocated expenditure	830,360,300,000	534,613,569,000	534,613,569,000	-534,613,569,000	534,613,569,000	
interests	-	10,537,799,000				
contingency	-	-				
total expenditure	830,360,300,000	545,151,368,000				
aggregate outturn (PI-1)						65.7%
composition (PI-2) variance						
contingency share of budget						0.0%

Table 3

Data for year = 2016/2017						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent

1. General public services	474,648,047,000		322,349,991,991.9	-322,349,991,991.9	322,349,991,991.9	100.00%
2. Defense	32,390,601,000		21,997,583,344.0	-21,997,583,344.0	21,997,583,344.0	100.00%
3. Public order and safety	1,826,562,000		1,240,481,762.8	-1,240,481,762.8	1,240,481,762.8	100.00%
4. Economic affairs	60,625,119,000		41,172,626,217.8	-41,172,626,217.8	41,172,626,217.8	100.00%
5. Environmental protection	13,759,616,000		9,344,633,640.5	-9,344,633,640.5	9,344,633,640.5	100.00%
6. Housing and community amenities	40,064,674,000		27,209,313,142.0	-27,209,313,142.0	27,209,313,142.0	100.00%
7. Health	68,131,855,000		46,270,711,640.9	-46,270,711,640.9	46,270,711,640.9	100.00%
8. Recreation, culture, and religion	7,754,443,000		5,266,311,859.4	-5,266,311,859.4	5,266,311,859.4	100.00%
9. Education	141,485,932,000		96,088,015,816.0	-96,088,015,816.0	96,088,015,816.0	100.00%
10. Social protection	790,651,000		536,958,584.6	-536,958,584.6	536,958,584.6	100.00%
21 (= sum of rest)			0.0	0.0	0.0	#DIV/0!
allocated expenditure	841,477,500,000	571,476,628,000	571,476,628,000	-571,476,628,000	571,476,628,000	
interests		(9,331,647,000)				
contingency						
total expenditure	841,477,500,000	562,144,981,000				
aggregate outturn (PI-1)						66.8%
composition (PI-2) variance						
contingency share of budget						0.0%

Table 4

Data for year = 2017/2018						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
1. General public services	415,385,773,000		352,518,528,003.6	-352,518,528,003.6	352,518,528,003.6	100.00%
2. Defense	42,748,941,000		36,279,032,009.7	-36,279,032,009.7	36,279,032,009.7	100.00%
3. Public order and safety	6,893,722,000		5,850,380,272.7	-5,850,380,272.7	5,850,380,272.7	100.00%
4. Economic affairs	298,387,792,000		253,227,799,427.0	-253,227,799,427.0	253,227,799,427.0	100.00%
5. Environmental protection	8,395,575,000		7,124,932,853.1	-7,124,932,853.1	7,124,932,853.1	100.00%
6. Housing and community amenities	33,678,559,000		28,581,421,935.1	-28,581,421,935.1	28,581,421,935.1	100.00%
7. Health	78,803,500,000		66,876,854,305.6	-66,876,854,305.6	66,876,854,305.6	100.00%
8. Recreation, culture, and religion	2,733,006,000		2,319,374,698.8	-2,319,374,698.8	2,319,374,698.8	100.00%
9. Education	199,709,440,000		169,484,085,381.1	-169,484,085,381.1	169,484,085,381.1	100.00%
10. Social protection	623,092,000		528,789,113.5	-528,789,113.5	528,789,113.5	100.00%
21 (= sum of rest)			0.0	0.0	0.0	#DIV/0!
allocated expenditure	1,087,359,400,000	922,791,198,000	922,791,198,000	-922,791,198,000	922,791,198,000	

interests	0	11,166,361,000	
contingency	0	0	
total expenditure	1,087,359,400,000	933,957,559,000	
aggregate outturn (PI-1)			85.9%
composition (PI-2) variance			
contingency share of budget			0.0%

Table 5 - Results Matrix

year	for PI-1	for PI-2.1	for PI-2.3
	total exp. Outturn	composition variance	contingency share
2015/2016	65.7%	-	
2016/2017	66.8%	-	0.0%
2017/2018	85.9%	-	

Annex 6B: Calculation Sheet for PFM Performance Indicator PI-2.2

Table 1 - Fiscal years for assessment

Year 1 =	2015/2016
Year 2 =	2016/2017
Year 3 =	2017/2018

Table 2

Data for year = 2015/2016						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	238,313,395,000	196,041,168,000	156,467,045,328.2	39,574,122,671.8	39,574,122,671.8	25.3%
Use of goods and services	134,771,768,000	69,896,874,000	88,485,753,528.9	-18,588,879,528.9	18,588,879,528.9	21.0%
Consumption of fixed capital	333,002,565,000	3,984,874,000	218,636,167,859.0	-214,651,293,859.0	214,651,293,859.0	98.2%
Interest	12,451,000,000	10,537,797,000	8,174,828,701.4	2,362,968,298.6	2,362,968,298.6	28.9%
Subsidies	45,715,399,000	88,328,771,000	30,014,902,886.7	58,313,868,113.3	58,313,868,113.3	194.3%
Grants	-	104,911,918,000	0.0	104,911,918,000.0	104,911,918,000.0	#DIV/0!
Social benefits	37,179,798,000	42,456,988,000	24,410,768,597.2	18,046,219,402.8	18,046,219,402.8	73.9%
Other expenses	28,926,375,000	29,022,978,000	18,991,901,098.6	10,031,076,901.4	10,031,076,901.4	52.8%
Total expenditure	830,360,300,000	545,181,368,000	545,181,368,000.0	0.0	466,480,346,775.8	
composition variance						85.6%

Table 3

Data for year = 2016/2017						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	246,856,134,000	219,194,200,000	164,911,048,725.6	54,283,151,274.4	54,283,151,274.4	32.9%
Use of goods and services	138,703,048,000	136,703,123,000	92,659,901,686.4	44,043,221,313.6	44,043,221,313.6	47.5%
Consumption of fixed capital	286,773,244,000	63,609,412,000	191,577,481,378.2	-127,968,069,378.2	127,968,069,378.2	66.8%
Interest	1,529,484,000	(9,331,647,000)	1,021,764,403.3	-10,353,411,403.3	10,353,411,403.3	1013.3%
Subsidies	58,907,033,000	54,655,664,000	39,352,559,047.0	15,303,104,953.0	15,303,104,953.0	38.9%
Grants	-	-	0.0	0.0	0.0	#DIV/0!
Social benefits	62,624,367,000	43,935,510,000	41,835,906,081.8	2,099,603,918.2	2,099,603,918.2	5.0%
Other expenses	46,084,190,000	53,378,720,000	30,786,320,677.7	22,592,399,322.3	22,592,399,322.3	73.4%

Total expenditure	841,477,500,000	562,144,982,000	562,144,982,000.0	0.0	276,642,961,563.0	
composition variance						49.2%
Table 4						
Data for year = 2017/2018						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	324,224,113,000	283,343,443,000	278,483,416,933.2	4,860,026,066.8	4,860,026,066.8	1.7%
Use of goods and services	196,111,579,000	143,941,494,000	168,444,666,606.5	-24,503,172,606.5	24,503,172,606.5	14.5%
Consumption of fixed capital	11,629,428,000	275,047,087,000	9,988,778,491.7	265,058,308,508.3	265,058,308,508.3	2653.6%
Interest	93,748,100,000	11,166,361,000	80,522,361,453.7	-69,356,000,453.7	69,356,000,453.7	86.1%
Subsidies	61,586,290,000	91,709,216,000	52,897,856,105.6	38,811,359,894.4	38,811,359,894.4	73.4%
Grants	-	-	0.0	0.0	0.0	#DIV/0!
Social benefits	64,180,839,000	48,627,036,000	55,126,372,869.0	-6,499,336,869.0	6,499,336,869.0	11.8%
Other expenses	335,879,051,000	80,122,922,000	288,494,106,540.3	-208,371,184,540.3	208,371,184,540.3	72.2%
Total expenditure	1,087,359,400,000	933,957,559,000	933,957,559,000.0	0.0	617,459,388,939.1	
composition variance						66.1%

Table 5 - Results Matrix

year	composition variance
2015/2016	85.6%
2016/2017	49.2%
2017/2018	66.1%

Annex 6C: Calculation Sheet for PFM Performance Indicator PI-3

Table 1 - Fiscal years for assessment

Year 1 =	2015/2016
Year 2 =	2016/2017
Year 3 =	2017/2018

Table 2

Data for year = 2015/2016						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax Revenues						
Taxes on income, profit and capital gains	25,150,187,000	137,764,736,000	16,995,502,654.2	120,769,233,345.8	120,769,233,345.8	710.6%
Taxes on payroll and workforce	53,477,523,000	21,000,000,000	36,137,997,068.9	-15,137,997,068.9	15,137,997,068.9	41.9%
Taxes on property	0		0.0	0.0	0.0	#DIV/0!
Taxes on goods and services	225,943,922,000	69,896,874,000	152,683,975,115.5	-82,787,101,115.5	82,787,101,115.5	54.2%
Taxes on international trade and transactions	113,822,086,000	170,870,795,000	76,916,468,443.1	93,954,326,556.9	93,954,326,556.9	122.2%
Other taxes	7,166,582,000	0	4,842,892,953.5	-4,842,892,953.5	4,842,892,953.5	100.0%
Social contributions						
Social security contributions	0	0	0.0	0.0	0.0	#DIV/0!
Other social contributions	0	0	0.0	0.0	0.0	#DIV/0!
Grants						
Grants from foreign governments and international organizations	347,100,000,000	104,911,918,000	234,556,465,575.5	-129,644,547,575.5	129,644,547,575.5	55.3%
Government Budget Support (GBS 4.5%)	0	7,674,000,000	0.0	7,674,000,000.0	7,674,000,000.0	#DIV/0!
Grants from other government units	30,000,000,000	20,857,428,000	20,272,814,656.5	584,613,343.5	584,613,343.5	2.9%
Other revenue						
Property income	0	0	0.0	0.0	0.0	#DIV/0!
Sales of goods and services	0	0	0.0	0.0	0.0	#DIV/0!
Fines, penalties and forfeits	22,400,000,000	22,848,931,000	15,137,034,943.5	7,711,896,056.5	7,711,896,056.5	50.9%
Transfers not elsewhere classified	0	0	0.0	0.0	0.0	#DIV/0!

Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	0	0	0.0	0.0	0.0	#DIV/0!
Dividends from BoT and Other State Owned Entities	5,300,000,000	5,300,000,000	3,581,530,589.3	1,718,469,410.7	1,718,469,410.7	48.0%
Total revenue	830,360,300,000	561,124,682,000	561,124,682,000.0	0.0	464,825,077,426.8	
overall variance						67.6%
composition variance						82.8%

Table 3

Data for year = 2016/2017

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	28,669,697,000		25,927,311,179.5	-25,927,311,179.5	25,927,311,179.5	100.0%
Taxes on payroll and workforce	58,149,606,000		52,587,333,927.1	-52,587,333,927.1	52,587,333,927.1	100.0%
Taxes on property	0		0.0	0.0	0.0	#DIV/0!
Taxes on goods and services	249,325,904,000		225,476,756,804.4	-225,476,756,804.4	225,476,756,804.4	100.0%
Taxes on international trade and transactions	98,122,961,000		88,737,057,238.6	-88,737,057,238.6	88,737,057,238.6	100.0%
Other taxes	8,131,914,000		7,354,059,750.4	-7,354,059,750.4	7,354,059,750.4	100.0%
Total Tax Revenue	442,400,082,000	575,393,243,000	400,082,518,900.0	175,310,724,100.0	175,310,724,100.0	43.8%
Social contributions						
Social security contributions	0	0	0.0	0.0	0.0	#DIV/0!
Other social contributions	0	0	0.0	0.0	0.0	#DIV/0!
Grants						
Grants from foreign governments and international organizations	326,100,000,000	113,695,479,000	294,907,064,265.2	-181,211,585,265.2	181,211,585,265.2	61.4%
Government Budget Support (GBS 4.5%)	0	0	0.0	0.0	0.0	#DIV/0!
Grants from other government units	33,000,000,000	37,319,833,000	29,843,401,167.6	7,476,431,832.4	7,476,431,832.4	25.1%
Other revenue						
Property income	0	5,278,903,000	0.0	5,278,903,000.0	5,278,903,000.0	#DIV/0!
Sales of goods and services	0		0.0	0.0	0.0	#DIV/0!
Fines, penalties and forfeits	0		0.0	0.0	0.0	#DIV/0!
Transfers not elsewhere classified	7,894,544,000		7,139,395,261.4	-7,139,395,261.4	7,139,395,261.4	100.0%

Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	23,282,874,000	28,027,930,000	21,055,762,094.4	6,972,167,905.6	6,972,167,905.6	33.1%
Dividends from BoT and Other State Owned Entities	8,800,000,000	1,270,994,000	7,958,240,311.4	-6,687,246,311.4	6,687,246,311.4	84.0%
Total revenue	841,477,500,000	760,986,382,000	1,161,068,900,900.0	-400,082,518,900.0	790,158,972,575.9	
overall variance						90.4%
composition variance						68.1%

Table 4

Data for year = 2017/2018						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	47,369,502,000	50,260,831,000	39,696,668,986.7	10,564,162,013.3	10,564,162,013.3	26.6%
Taxes on payroll and workforce	67,750,151,000	72,256,480,000	56,776,094,417.2	15,480,385,582.8	15,480,385,582.8	27.3%
Taxes on property	0	0	0.0	0.0	0.0	#DIV/0!
Taxes on goods and services	367,176,077,000	348,221,913,000	307,701,507,786.9	40,520,405,213.1	40,520,405,213.1	13.2%
Taxes on international trade and transactions	129,976,555,000	142,797,509,000	108,923,169,170.6	33,874,339,829.4	33,874,339,829.4	31.1%
Other taxes	11,037,996,000	13,548,231,000	9,250,079,797.9	4,298,151,202.1	4,298,151,202.1	46.5%
Total Taxation Revenue	623,310,281,000	627,084,964,000	522,347,520,159.4	104,737,443,840.6	104,737,443,840.6	20.1%
Social contributions						
Social security contributions	0	0	0.0	0.0	0.0	#DIV/0!
Other social contributions	0	0	0.0	0.0	0.0	#DIV/0!
Grants						
Grants from foreign governments and international organizations	381,489,000,000	194,410,000,000	319,696,047,365.7	-125,286,047,365.7	125,286,047,365.7	39.2%
Government Budget Support (GBS 4.5%)	0	3,153,320,000	0.0	3,153,320,000.0	3,153,320,000.0	#DIV/0!
Grants from other government units	30,000,000,000	22,582,000,000	25,140,649,982.0	-2,558,649,982.0	2,558,649,982.0	10.2%
Other revenue						
Property income	0	0	0.0	0.0	0.0	#DIV/0!
Sales of goods and services	0	0	0.0	0.0	0.0	#DIV/0!
Fines, penalties and forfeits	46,560,119,000	48,955,585,000	39,018,388,496.6	9,937,196,503.4	9,937,196,503.4	25.5%
Transfers not elsewhere classified	0	0	0.0	0.0	0.0	#DIV/0!

Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes		0	0.0	0.0	0.0	#DIV/0!
Dividends from BoT and Other State Owned Entities	6,000,000,000	15,044,867,000	5,028,129,996.4	10,016,737,003.6	10,016,737,003.6	199.2%
Total revenue	<u>1,087,359,400,000</u>	<u>911,230,736,000</u>	1,433,578,256,159.4	104,737,443,840.6	360,426,838,535.9	
overall variance						83.8%
composition variance						25.1%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2015/2016	67.6%	82.8%
2016/2017	90.4%	68.1%
2017/2018	83.8%	25.1%