Fostering Accountability

Sub-National (Local Government) PEFA Assessment in Tanzania

Longido District Council –Final Report

July 2016

pwc

Contents

Acronyms

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

Acronym	Definition	Acronym	Definition
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	PFA	Public Finance Act
GOT	Government of Tanzania	PFM	Public Financial Management
GPG	General Purpose Grant	PFMRP	Public Financial Management Reform Programme
HCMIS	Human Capital Management Information System	PMG	Paymaster General
HIV	Human Immunodeficiency Virus	PMO	Prime Minister Office
HLG	Higher Level of Government	PMORALG	Prime Minister Office- Regional Administration and Local Government
HRO	Human Resource Officer	POPSM	President Office-Public Sector Management
HSBF	Health Sector Basket Fund	PPA	Public Procurement Act
IAF	Internal Auditor's Office	PPAA	Public Procurement Appeals Authority
IAG	Internal Auditor General	PPP	Public Private Partnership
IASB	International Accounting Standards Board	PPR	Public Procurement Regulations
IAU	Internal Audit Unit	PPRA	Public Procurement Regulatory Authority
ICT	Information and Communication Technology	PSM	Public Sector Management
IFA	International Federation of Accountants	PwC	PricewaterhouseCoopers Limited
IFMS	Integrated Financial Management System	RAM	Regularity Audit Manual
IIA	Institute of Internal Auditors	RAS	Regional Administrative Secretariat
IMF	International Monetary Fund	RCMIS	Revenue Computerised Management Information System
INTOSAI	International Association of Supreme Audit Institutions	RWSSP	Rural Water Supply and Sanitation Project
IPSAS	International Public Sector Accounting Standards	SAI	Supreme Audit Institution
ISA	International Standards on Auditing	SDU	Service Delivery Unit
ISSAI	International Standards of Supreme Audit Institutions	SEDP	Secondary Education Development Programme
KRA	Key Result Areas	SWOT	Strengths, Weaknesses Opportunities And Threats
LAAC	Local Authorities Accounts Committee	TACAIDS	Tanzania Commission for AIDS
LAAM	Local Authorities Accounting Manual	TASAF	Tanzania Social Action Fund
LGA	Local Government Authority	TB	Tender Board

Acronym	Definition	Acronym	Definition
LGAM	Local Government Accounting Manual	TCI	Confederation of Tanzania Industries
LGCDG	Local Government Capital Development Grant	TIN	Tax Identification Number
LGDA	Local Government District Authorities Act	TRA	Tanzania Revenue Authority
		TZS	Tanzania Shilling
LGFA	Local Government Finance Act	USD	United States Dollar
		VAT	Value Added Tax

Fiscal Year	**1 July to 30 June**
Exchange rate	**1 USD= 2019 Tanzanian Shilling (4th of June, 2015)** **Symbol "TZS" indicates Tanzania Shillings and "USD" indicates United States Dollar**
Financial Period Assessed	**2011-12 to 2013-14**

1. Summary Assessment

1.1. Overview of Ratings

Table 1: Overall ratings

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

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

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

1.2. Context of the Assessment- Data Issues

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

Summarized details of the data issues and the solution adopted for this report appear in Annexure.1, which are within the stipulations of the PEFA framework and the related instructions in the PEFA Field Guide. It may be mentioned that the PEFA assessment of seven LGAs in 2006 had also referred to enormous variability in numbers between certain key financial documents.

1.3. Integrated Assessment of PFM performance

Longido DC has been able to take advantage of the existing institutional structures for public financial management (PFM) in Tanzania to operate in a challenging environment. These structures include a defined legal and regulatory environment for PFM; well understood planning and budgeting framework; operations through EPICOR - the Integrated Financial Management System; accounting statements drawn up in line with IPSAS and the national requirements and audited by the Controller and Auditor General (CAG), an independent oversight authority. The Council officials, in general, are aware of policies and procedures as well as expectations. Our assessment has also shown that Longido DC has also performed reasonably well in difficult areas such as utilisation of fund transfers by restricting the deviation of actual expenditure from budgeted estimates to less than 10% in all the 3 previous financial years. However, many critical challenges remain which in their entirety may not necessarily be within the control of the LGA.

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

Predictability of Central Fund Transfers

The dependency of Longido DC on funds transferred by the Central Government was more than 94% of its total inflows during the last 3 completed financial years. In spite of the overall moderate deviation in these transfers in the last 3 years, the uncertainties in their timing and actual availability is a serious impediment to the overall planning and budget execution process at the LGA level. The problems are further aggravated due to the relative non transparency of rule based transfers which do not always work effectively in practice in a situation of cash rationing and resource crunch. Such uncertainties in cash flows also impact commitment controls which are further constrained by the lack of any reliable information on payment arrears.

Quality of Budgeting

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

Controls over Budget Execution

The commitment controls systems are in disarray in spite of availability of EPICOR, the accounting system that can accommodate ceilings to pre-empt expenditures beyond budgets. This is because of purchase orders that are raised outside the system. The comments on incorrect booking of liabilities by the CAG as a part of his qualifications on the accounts and serious internal control weaknesses in transaction processing and authorisation processes discussed in this report does not give the required degree of confidence on overall systems of execution control.

Accountability Structures and Internal Controls

Though overall accountability structures are well established for LGAs in general, there are several areas of concern in Longido DC referred to by both the internal auditors as well as the CAG. These relate to compromise of basic financial controls in critical areas such as unsupported payments, unauthorised expenditure, improper cash payments, disbursements to employees not on the payroll and others. The lack of a complete tax registration system, failure to account for all receivables, and weaknesses in control over receipt books related to tax collections show the need for strengthening internal systems in these areas. The weaknesses in the functioning of the Audit Committee, as identified by the CAG, in this context is an area of key concern. Absence of a structured system of follow-up of audit observations reflects the general weaknesses in overall accountability structures related to PFM functions.

1.3.1. Summarised Assessment by Indicators

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

Credibility of budget is impaired mainly due to (i) low predictability of higher level of government (HLG) transfers, and (ii) lack of data on stock of payment arrears which is understood to be generally high across the country (including local governments). Partial estimates of payment arrears from disclosed trade payables in the financial statements showed that they amounted to 4.3% of total expenditure in 2013-14.

Comprehensiveness and Transparency (PI 5-10)

Longido DC has moved towards Government Finance Statistics (GFS) 2001 based classification of the Budget. However there is no clear evidence of functional classification in line with Classification of the Functions of the Government (COFOG). Though budget documents broadly follow the guidelines mentioned under the Central Government directives, they do not provide all the good practices information expectations mentioned in the PEFA framework such as assumptions used for annual as well as medium term forecasts, forecasts of current year budgetary outturn for the unexpired tenure, and budgetary implications of new initiatives undertaken. However, these are matters at present determined by central directives and hence not within the full control of the LGA.

There are in general no fiscal risks from autonomous agencies. Overall transparency norms are well followed and the majority of the fiscal information is available for the general public. A dedicated website for the LGA would have certainly helped in greater public dissemination of information. A substantial part of transfers made to lower levels of governments are not rule based arising out of the uncertainties in fund availability from the Central Government. Therefore, in spite of a system of formula based transfers of funds, it cannot be fully implemented in a transparent manner.

Policy based budgeting (PI 11-12)

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

Linkages between grass root planning processes, budgeting and medium term expenditure forecasts are unstructured and weak. Though there are clear guidelines for MTEF preparations, based on available feedback during our discussions at Longido DC, we understand this has often become an academic activity of extrapolation of figures. As a consequence, in spite of overlap in the years of coverage in an MTEF, forward year forecasts are not taken as the basis for budgeting but rather the approved budget of the preceding year. It is therefore, also not surprising that linkage between investment budgets and forward expenditure estimates are fragile.

Though there is a five years Strategic plan for Longido DC showing areas for interventions, activities were not fully costed by each sector showing investments and recurrent expenditure. However, we were informed that at present, there were no legal/administrative requirements specified in Tanzania for such detailed costing of sector strategies by the LGAs.

Predictability and control in budget execution

Revenue Administration Systems (PI 13-15)

The relevant sources of revenue which can be classified as taxes for Longido DC are (i) Produce cess, and (ii) service levy. Though full council meetings as well as Ward Executive Officers endeavour to inform taxpayers on the nature of taxes on the whole, awareness levels of the nature and nuances of each tax and their methods of collection are low. Weaknesses in the revenue related internal controls referred to by the CAG in collections through third party agents and the observed absence of any information desks at the LGA for the taxpayers do not help to improve communication with taxpayers.

The lack of a comprehensive database of potential taxpayers for certain key taxes such as produce cess is a serious constraint for a rational assessment of revenue. Even for those levies where such a manual database exists such as in case of service levy, clarity on its completeness is an issue especially for small businesses that do not have tax identification numbers linked to the national system. Though the existing legal framework does not allow any discretionary powers to the tax collectors, the general weakness in the capacity to assess expected tax revenues is a deterrent to computation of tax collectible and thereby reduces efficiency in collections. Moreover, the absence of an independent appeal mechanism for taxes at the local level makes it difficult for assesses to raise complaints. A quick comparison of actual against budgeted tax collections indicates that there has been a general increasing trend of tax collections over the last 3 years. On an aggregate basis, collections against budget were 51%, 55% and 67% for years from 2011-12 to 2012-13 and 2013-14 respectively.

Cash and debt management (PI 16-17)

The general uncertainty in the availability and timing of cash flows from the central government makes any credible cash forecasting a difficult task. The District Council is also not in a position to provide in-year information on ceilings to departments for expenditure commitments.

The District Council did not have any outstanding debt at the end of the last financial year, i.e. 2013-14. Consolidation of the large number of bank accounts used previously has led to only seven active accounts for the District Council. End year balances for each these accounts were available in the AFS. However, CAGs Audit report for the year 2013-14 had referred to incidences of revenue being collected but not banked thereby reflecting weaknesses in cash bank controls in such areas.

Payroll Controls (PI-18): With the implementation of Human Capital Management Information System (HCMIS) payroll systems have improved. The Central Government has conducted a major payroll cleansing exercise through which substantial leakages have been corrected. However, there are some areas which still need to be strengthened. The internal controls over the payroll are still weak. There are cases of pending arrears related to promotion or new hires. The absence of documented verification/audit trails at LGA level on changes made to the personnel database and the absence of focused periodic payroll audits reflect the absence of suitable oversight mechanisms in this important functional area. Recent audit reports have also referred to substantial payments to non-existing employees which further endorse the general weaknesses in payroll systems.

Procurement (PI-19): Majority of the procurement at the district is done through open competitive bidding. In the cases where alternative methods of procurement are adopted, required justification is provided. However, internal audit reports have repeatedly pointed out minor value procurement being carried out without local purchase orders/ through local purchase orders raised outside the System and for which payment is made in cash. With the implementation of the Public Procurement Act 2011 , Public Procurement Regulation 2014, and Local Government Authorities' Tender Boards (Establishment And Proceedings) Regulations, 2014 (LGA TB), the legislative framework has significantly strengthened. Transparency in public procurement at the LGA level appears to be broadly in line with the requirements of the Regulation. Procurement notices are published on the Council's notice boards as well on the Public Procurement Regulatory Authority's (PPRA's) website. However, the appeal mechanism needs to be improved.

At the LGA level, the Accounting Officer is the nodal person for resolving procurement related complaints and is also involved in execution of the procurement process. A non-refundable fee amounting to TZS 100,000 is also charged which may negatively affect the decision of the vendor to file the complaint. In case, the complainer is not satisfied with the decision at the LGA level, s/he can approach the PPRA. In case of dissatisfaction with the decision of PPRA, the Public Procurement Appeals Authority can be approached whose decision will be final. The existing legislative framework allows the Authority to collect revenues for the services rendered. Though this is not a matter affecting Longido DC alone, the present stipulations may compromise the independence of such authority.

Other Internal Controls (PI-20): Effective commitment control through budgetary ceilings cannot be implemented due to cash rationing with cash limits being fed into the EPICOR system until notification of actual fund releases is obtained from the Central Government. Though this helps expenditures to be booked in line with available cash, there are distortions in practice due to local purchase orders for certain activities being raised manually outside the system. The activities of checking on available cash balances and allocation for payments therefore takes place outside the system leading to inappropriate controls. Internal as well as CAG audit reports have referred to weaknesses resulting in excess payments, inadequacy of documentation and records, and improper authorization of expenditure. CAG in his 2013-14 audit report has cited weaknesses in internal control systems as one of the basis for his qualification of the report. Overall operational controls therefore, appear to be requiring appreciable improvements considering the nature of deficiencies observed by the auditors.

Internal Audit (PI-21): The quality of internal audit has been strengthened through ongoing capacity building initiatives by the Local Government Audit Section at the Internal Auditor General

Office. Internal Audit in Longido DC is conducted as per the annual risk based audit plan. The Internal auditor prepares quarterly audit reports and submits these to the auditees, the CAG and Internal Auditor General. Audit reports showed that 46% of the audit issues related to systemic weaknesses while the balance related to transactions. However, it was difficult to assess the age of past pending issues as all the internal audit reports gave no indications on number of implemented recommendations from the previous periods. Additionally, management responses to the issues identified remains a challenge as referred to by the CAG in his Management Letter. The Management Letter also refers to the need to improve quality of audit papers, adherence to plans, verification of actions taken in relation to the audit comments, enhancing knowledge in auditing the IFMS-EPICOR system and adequate focus on risk areas.

Accounting, Recording and Reporting (PI 22-25)

Longido DC has seven active bank accounts. Bank reconciliations are performed for all bank accounts. There are no unresolved differences between the Council's cash account and the bank statements for all seven accounts.

There appears to be adequate control information over imprest/staff balances. As per the audited financial statements for the District Council for 2013-14, staff dues/imprests have been outstanding for a period of three to twelve months as on 30th June 2014.

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

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

Longido DC is preparing its AFS, as confirmed by the CAG, based on the International Public Sector Accounting Standards (IPSAS) and the provisions of the LGFA. Para 31(3) of the Local Authority Financial Memorandum (LGFM) prescribes the composition of the AFS. However, as noted by the CAG, the initially prepared financial statements have to be revised and resubmitted due to errors arising out of lack of familiarity with the IPSAS requirements. We have noted that the Central Government is presently following IPSAS (cash) but is planning to move over to accrual basis in the near future while the LGAs like Longido are already on accrual basis. However, considering the quality issues referred to by the CAG as mentioned above, ensuring full compliance with accrual based IPSAS appears to present a challenge. This highlights the imminent need for training of personnel and may result in more time taken by LGAs to stabilize accrual based IPSAS.

External scrutiny and audit (PI-26 to PI-28)

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

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

Legislative review of the Budget and Audited Financial Statements (PI-27 & 28)

Available evidence points to consideration of budgets and audited financial statements by the Finance Committee and the Full Council of the LGA. However, the time available for approval of the budget to the Finance Committee appeared to be very short and it was not clear whether informal deliberations preceded such formal approval.

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

1.4. Assessment of the Impact of PFM weaknesses

Fiscal discipline

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

Strategic allocation of resources

In spite of the existence of comprehensive budgeting guidelines, a policy based system of formula based fund transfers and an IFMS to record and report on resource flows, strategic allocation is undermined due to: (i) lack of a medium term perspective in planning and budgeting, (ii) absence of annually updated, well defined and costed sector strategies, (iii) weak integration of recurrent and investment costs for capital projects, and (iv) uncertainties related to the implementation of rule based transfers of resources on which the LGAs are substantially dependent

Service delivery and value for money

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

1.5. Prospects for Reform Planning and Implementation

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

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

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

2. Introduction

2.1. Objectives

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

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

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

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

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

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

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

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

1. Provide a quantitative and qualitative analysis of the PFM performance of twelve (12) LGAs in Tanzania in accordance with the PEFA Performance Measurement Framework and associated Sub-National (SN) guidelines identifying the following:

   a. Any specific strengths and weaknesses at each of the individual LGAs;
   b. Any clear patterns or trends which are common across the selected LGAs.

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

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

2.2. Process of Preparing the Report

The coordination of this assessment is done by the GoT through the Ministry of Finance (MoF) as it did for the national level assessment in 2013. The overall assessment is being managed by the PEFA Task Force Committee who acts as an oversight team of the assessment in the 12 LGAs. The Committee composed of members from the MoF, PMO-RALG and the PFM Development Partners Group (DPG). The PFM DPG is a subgroup under Cluster working group 4 of the DPG main. The Group's role is to coordinate harmonization and alignment of Development Partner's efforts for effective dialogue with the GoT in the area of Public Financial Management (PFM). PFM DPG is currently co - chaired by DFID and Denmark. The Group comprises of DFID, KfW (German Development Bank) and the World Bank and includes other donors providing technical or financial assistance to PFM reforms in Tanzania. DFID, World Bank and KfW are the three independent reviewers of the PEFA reports besides the government and the PEFA Secretariat.

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

The MoF has established two counterpart teams comprising in total of six members[2]. Out of these six members, two are from PMO-RALG, two from Regional Administrative Secretariat (RAS), and the remaining two are from LGAs (exclusive of the LGAs assessed under this project).

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

In compliance with the PEFA Secretariat's requirements of a balanced PEFA exercise and as required by the terms of reference, the consultants have also held discussions with the Association of Local Authorities of Tanzania[3] (ALAT) which is a registered civil society organization, Twaweza and Sikika (non-government organizations operating in the health and education sectors respectively in the Country) and Confederation of Tanzania Industries (TCI) to corroborate and supplement findings from field visits with information from non-state actors.

Field visit to the Longido DC was carried out on the 17th and 18th March 2015. Subsequently, an individual draft LGA report was prepared and submitted to the following stakeholders for review and comments on 7 August 2015: (i) PEFA Task Force Committee; (ii) PEFA Secretariat; and (iii) three independent reviewers from the PFM Development Partner Group: KfW; DFID; and the World Bank.

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

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

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

Based on a study of the comments received from stakeholders on the draft report for Longido DC and consideration of further information and explanations received, a Draft Consolidated Report (DCR) was prepared and submitted on 11 November 2015 containing on our findings relating to all the 12 LGAs under this assignment, including our consolidated observations on Longido DC. This DCR was presented and discussed with the stakeholders at the Verification/Validation workshop held in Morogoro on 17 November 2015 and feedback was obtained at the workshop as well as subsequently. The final draft report for Longido DC was submitted on 02nd March, 2016 taking into account all relevant comments of the LGA, the GoT, independent reviewers and other stakeholders and incorporated the impact of all such comments as appropriate. No follow-up comments on the final draft reports require assessment team's action.

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

2.2.1. Methodology

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

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

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

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

2.3. Scope of the Assignment and Rationale for Sample

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

This report records the results of our findings of a PEFA assessment of Longido DC. It does not cover the PFM performance of entities under the Central Government including the ministries, departments and agencies as well as the Regional Secretariat. Any autonomous or semi-autonomous Public Authorities and Other Bodies owned by the GoT or the LGA are also excluded from this assessment, as it reflects the performance of the Local Government Authority only.

2.4. Dependency of Longido DC on the Central Government

The intergovernmental transfers are the largest source of financing for Longido DC (accounting more than 95% of LGA financing) as shown in Table 2. This reflects high dependency of the LGA on the Central Government funding.

Table 2: Longido DC dependency on Central Government, 2011-2013, TZS million

Item	2011-12	2012-13	2013-14
Total revenue	11312	14891	15556
Recurrent grant	8662	11214	11965
Development grant	2046	3025	2655
Total grants	10709	14239	14620
Grants as % of Total Revenues	**94.66%**	**95.62%**	**93.98%**

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

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

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

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

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

3. Country Background

3.1. Country Economic Situation

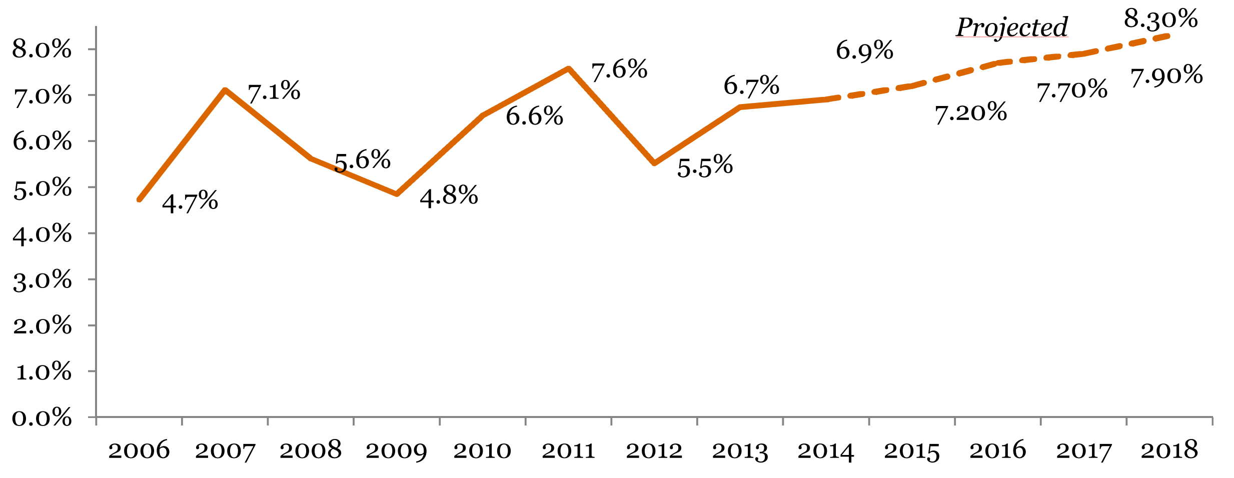
3.1.1. Country Context

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

Gross value added

Tanzania has made impressive economic growth in the last decade and is expected to transit from "low income" category[4] to "lower middle income" category in 2015. Figure 1 shows growth rate of Tanzania's Gross Value Added (GVA). The economy has been growing at an average annual growth of 6.2% since 2006 as compared with growth rate of 4.7% for developing countries in Sub-Saharan Africa as a group. As per the Government of Tanzania's projections, the economy is expected to achieve 8.3% growth by 2018. In comparison with its eight bordering countries, Tanzania's performance has been better than Kenya, Burundi, and Malawi. Though economies such as Rwanda, Uganda, Mozambique and Democratic Republic of Congo are growing at a higher rate relative to Tanzania, it should be noted that these economies are at earlier stages of economic development and are therefore, at a smaller base of GVA in comparison with Tanzania

Figure 1: Gross Value Added Growth, 2006-2018



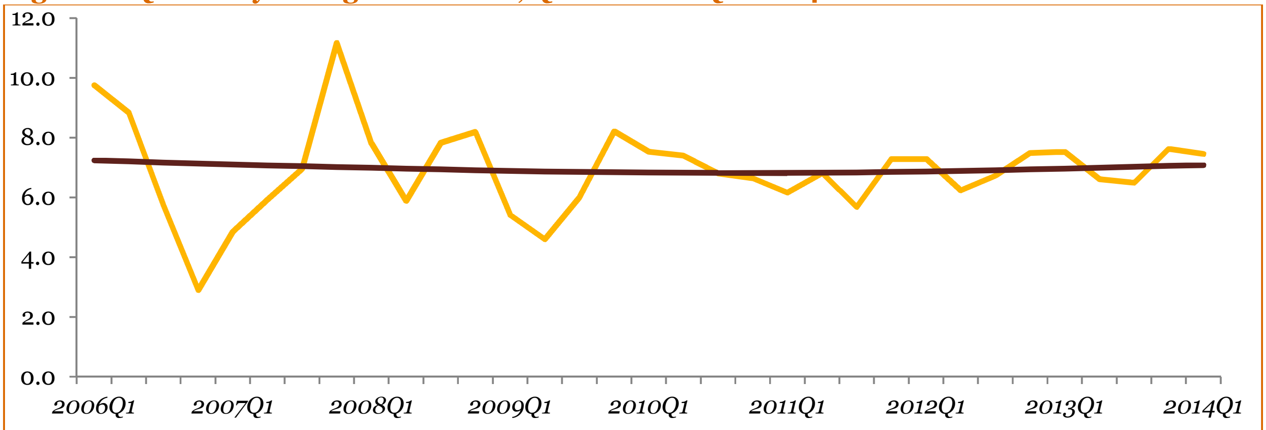
Source: Bank of Tanzania (figures till 2014), Government of Tanzania Budget Books, 2015-16 (Projected figures post 2015)

Apart from high growth, Tanzania has also achieved greater economic stability within the year, i.e. quarterly growth rates closely revolve around "trend growth rates (or average sustainable growth rate)[5]". Figure 2 shows quarterly growth rates for the Country since 2006. It can be inferred that post third quarter of 2009, volatility in quarterly growth declined sharply and it closely revolved around

[4] With per capita income of $1,045 or less, (World Bank)
[5] The average sustainable rate of economic growth over a period of time estimated through Hodrick-Prescott filter method.

the "trend growth rate". Lower volatility in economic growth improves predictability in government revenues and strengthens the ability of government to implement policy reforms.

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



Source: Bank of Tanzania (Quarterly Growth rates)

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

Growth inclusiveness

While the Country has managed to sustain economic growth over the years, this trend has not translated into accelerated poverty reduction[6]. The spatial inequalities are high, reflected by significant disparities between rural and urban areas, and between geographical advantaged and disadvantaged regions. Nearly 70% of the population lives in rural areas with rest 30% living in urban areas. Growth has been concentrated in sectors such as telecommunications, financial services, retail trade, mining, tourism, construction and manufacturing. Except for mining, activities in these sectors are largely concentrated in urban areas and are relatively capital intensive (other than construction). The labour intensive agriculture sector has achieved dismal growth in the last ten years. Average growth recorded in agriculture sector during 2005-14 was only 3.8% as compared to 8% and 7% in industrial and services sectors respectively.

Social-economic profile

Fertility rate in rural areas (6.1) is nearly double that of the urban areas (3.7). With lack of economic opportunities in rural areas, mainly due to stagnation of the agriculture sector, the population pressure in the rural areas has thus fueled rural-urban migration. The percentage of population living in urban areas has gone up from 22% in 2002 to 29% in 2012. While quality as well as access to infrastructure is impressive in urban areas (specifically Dar es salaam), the population in rural areas is severely deprived of similar services. For example, in 2012, nearly 64% of households in Dar es salaam had access to electricity while rural regions such as Kigoma, Geita and Mtwara had less than

[6] In 2012, nearly 28.2% of population was below basic needs poverty line.

10% coverage. The percentage of households using piped water in urban areas was 59%, nearly double than the 26% in rural areas. With respect to education, the 2012 population and housing census notes that education levels have improved over the last 10 years but gender and geographical gaps in literacy and enrollment need to be checked.

Price movements

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

Savings and external sector

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

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

Worsening of current account has impacted the foreign exchange reserves but ability to meet foreign obligations remains high. This is majorly due to accumulation of foreign exchange reserves in the first decade of 21st century. Import adequacy of reserves (measured by months of imports of goods and services that foreign exchange reserves can serve) was 4.2 months in 2013-14, higher than the target set by Bank of Tanzania[7]. Ability of foreign exchange reserves to meet short term external debt obligations has improved. Short term debt as percentage of foreign exchange reserves has gone down from 50% in 2005 to 35% in 2013.

Financial sector

The Bank of Tanzania has been successful in meeting its principal objective as set out in Bank of Tanzania Act, 2006, i.e. the primary objective of the Bank shall be to formulate, define and implement monetary policy directed to the economic objective of maintaining domestic price stability conducive to a balanced and sustainable growth of the national economy". While inflation has been at

[7] June 2005, Monetary Policy Statement, Bank of Tanzania

a mid-single digit level, economic growth was nearly 7% in 2014. This has been achieved through

injecting liquidity in the system, foreign exchange operations, repurchase agreements and stand-by facilities.

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

3.2. Budgetary Outcomes

On fiscal side, the fiscal deficit increased from 6.2% in 2011-12 to 7.8% in 2012-13 only to decline to 5.1% in 2013-14. Nearly 90% of the debt is financed from external sources of which large portion are on concessional terms. This is reflected in low share of interest payments in total expenditure.
Dependence on grants has declined from 20% in 2011-12 to 13.5%. Tax to GDP ratio in Tanzania in comparison with its border countries is one of the lowest. While tax to GDP ratio in Tanzania was 11.2% in 2012, the average for developing countries in Sub-Saharan Africa was 13.8%. Government of Tanzania is implementing various measures to improve revenue mobilization by widening the revenue base, strengthening the tax administration and efficient management of tax exemptions. This includes signing of performance contracts with Tanzania Revenue Authority senior staff to incentivize meeting of revenue collection targets. Other interventions include enforcement of EFD machines for business transactions, introduction of Tanzania Customs Integrated System and Centralized Price Based Valuation System.

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

In TZS million	2011/12	2012/13	2013/14
Total Revenue	16.0%	15.5%	15.8%
Own Revenue	12.7%	12.9%	13.6%
Grants	3.3%	2.6%	2.1%
Total Expenditure	18.9%	20.6%	24.0%
Non-interest expenditure	18.2%	19.5%	22.7%
Interest expenditure	0.8%	1.2%	1.3%
Aggregate deficit	**-6.2%**	**-7.8%**	**-5.1%**
Expenditure float	-0.3%	-0.5%	-0.8%
Adjustment to cash	-0.3%	0.7%	0.4%
Primary deficit	**-3.6%**	**-5.0%**	**-3.3%**
Net financing	3.6%	5.0%	3.3%
external	3.1%	3.4%	3.0%
domestic	0.6%	1.6%	0.3%

Source: Ministry of Finance, Government of Tanzania

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

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

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

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

Source: Ministry of Finance, Government of Tanzania

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

3.3. Legal and Institutional Framework for Public Financial Management

3.3.1. Legal Framework

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

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

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

- Para 137 – covers the preparation and submission of the annual estimates for the revenue and expenditure that are included in the annual budget;
- Article 138-prescribes no imposition of taxes unless approved by law;
- Article 139-deals with authorisation of expenditures from the Consolidated Fund in case the Appropriations Act has not yet come into operation;
- Article 141-mentions securing of all public debt on the Consolidated Fund;

- Para 143 – describes the role of the CAG and related responsibilities to ensure proper use of public funds and to give an audit report.

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

Table 5: Overview of laws and regulations

Name	Functional area
Local Government (Urban Authorities Act) 2002	Establishment of Urban Councils, composition, functioning of Wards, rules for meetings, committees, powers, legal proceedings etc.
Local Government (District Authorities) Act 2002	Establishment of District Councils, Township and Village authorities, composition, rules for meetings, functions, duties and powers
Regional Administration Act (1997)	Functions and organization structure of the Regional Secretariats – issued by the President's office, Public Service Management in June 2011 reflects the updated position on this subject.
Local Government Finance Act, 1983	Funds and resources of LGAs, power to levy rates, financial management, accounting and audit and provisions related to the Local Government Loans Board
Urban Authorities (Rating) Act, 1983	To enable Urban and Township Authorities to levy and collect rates
Local Authority Financial Memorandum, 2009	Responsibilities for financial administration, Processes of budgeting, accounting, borrowings, investments, inventories, tendering and contracting, personal emoluments etc.
Local Authority Accounting Manual, 2010	Framework of Accounting including basic concepts, documents, primary and secondary books and details of accounting for items including payroll, capex, inventories, fund accounting and also budgeting
Public Procurement Act (2011)	Establishment and functions of Public procurement policy division, Public Procurement Regulatory Authority, procurement principles, institutional arrangements for procurement, methods and processes of procurement, dispute settlements etc.
Local Government Authorities Tender Board (Establishment & Proceedings) Regulations (2014)	General principles of procurement, establishment and proceedings of the Tender Board, functions of various authorities related to procurement and asset disposals, authority limits, investigations, review of procurement decisions and dispute resolution mechanism
Public Procurement Regulations (2013)	Detailed regulations on the entire procurement cycle from principles to detailed procedures.
Government Loans, Grants and Guarantees Act (1974)	Elaborates on the authority and modalities relating to foreign and local loans, grants and guarantees.
Public Audit Act (2008)	Defines the office of the Controller and Auditor General and his mandate, responsibilities, functions, powers, status and also the functions of the National Audit office, types of audit, reporting etc.
Public Finance Act (2001)	Provisions for control and management of public finances including the Consolidated fund and other Public funds, revenue and expenditure, accounts and audit
Public Private Partnership Act 2010	The institutional framework for PPP transactions.
Standing Orders of the National Assembly	Such as the Standing Orders for Public Service 2009 containing instructions for all public servants that include also those for LGAs

Though the institutional structures of PFM are in general well understood, the legislative framework is characterized by a multiplicity of laws at central, sectoral and LGA levels as also related policies that require to be harmonized. This is a necessity keeping in mind the government policy on Decentralization by Devolution (D by D). The Legal Sector Reform Programme (LSRP) in two phases between 2000 and 2013 focussed on developing tools, systems and process and capacity *enhancements. Though initiatives have already been taken under the LGRP and LGRP II through a Legal Harmonization Task Force and supporting Ministerial Task forces much work still remains undone. Some of the areas of relevance include unifying a comprehensive local governance legislative framework, alignment of various sector legislation/guidelines in areas such as education, water, land etc., embedding the D by D in the Constitution itself, and clear provision in the law of the principle of legal autonomy of the LGAs by stipulating the principles of accountability of the LGAs to the Central Government as well as to the people. None of these are achievable on their own and the whole process is of continuous consultation and perseverance. This assessment report in relevant parts have also referred to some of the triggers that point to the need to rationalise statutes/guidelines in certain areas such as (i) LGA reporting timelines which are impacted and need to be aligned to the new budget schedules for the central government; (ii)allocation of LCDG grants which are meant to be determined based on the availability of past years annual audited statements but whose availability is at present not synchronised to this requirement; (iii) revised processes for consideration of audit reports by the national assembly arising out of recent amendments to the Public Audit Act which call for consideration of such reports only after comments by the auditees and the need to ensure changes to the underlying schedules to enable this to happen.*

3.3.2. Institutional Framework

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

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

The Ministry of Finance (MoF)[8] provides an oversight at the apex level of the Public Financial Management in the country, including that for the LGAs. Its roles include issue of Annual Planning and Budgeting Guidelines, scrutiny of the LGA budgets through inter-ministerial committees, making transfers to the LGAs through its Treasury, ensuring appropriate recording of transactions through its Accountant General (ACGEN)'s division and monitoring of funds utilization through its Internal Auditor General (IAG)'s division. The MoF also supports integration of the LGA's financial affairs through the Integrated Financial Management Information System. At the District level, there is a sub-treasury. However, the sub-treasury deals mainly with the Central Government matters and only occasionally is used to disburse funds to the LGA for emergency expenditure that were originally not budgeted for and subsequently released from the Consolidation fund. This is a rare occurrence, which is not within the LGA operational and financing arrangements.

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

The Prime Minister's Office (Regional Administration and Local Government Authority)[9] set up in December 2010 by a Presidential instrument is mandated to formulate, monitor and evaluate decentralisation by devolution, rural and urban development policies and its functions include supervision and administrative monitoring and control over the operations of Regional Secretariats

[8] Organizational Structure for MoF has been given in Annexure.5.
[9] Organizational Structure forPMO-RALG has been given in Annexure.5,

and LGAs to enable them to provide quality services to the community. The Local Government Division headed by a Director handles the functions of (i) governance (ii) human resources (iii) finance (iv) inspections and (v) service delivery.

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

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

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

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

Lower level of LGAs consists of Village and Ward organs. Governance at the village level is executed through Village Assembly (VA) composed of all adults resident in a particular village; and Village

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

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

The Judiciary exercising jurisdiction over the LGAs is represented by District Courts that hold public hearings for all cases including those for violation of the bye-laws or non-payment of the respective council charges or taxes. However, the law in Tanzania does not provide for specific hearing against the LGA in the event of injuries caused to the public[10].

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

Functional responsibilities

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

At the apex of the LGA's organization structure are the people of the District/ City/ Municipality (citizens) who are represented by the Councillors (Full Council). The Councillors essentially work as an intermediary between the citizens and the Council relaying the messages both from the citizens to the council and from the Council to the citizens. Administratively, a typical LGA has nine

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

departments, each headed by a Departmental Head. Council staff are recruited by the council with approval from PO-PSM and paid by the central government.

3.3.3. Key Features of the PFM System

All LGAs in Tanzania follow the country-wide PFM cycle although with varying strengths and weaknesses in the respective PFM elements as illustrated in the respective individual LGA reports. The PFM cycle includes the following features: (i) planning and budgeting; (ii) funds flow; (iii) procurement; (iv) accounting and financial reporting; (v) internal controls; and (vi) external audit and follow-up.

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

3.3.3.1. Planning and Budgeting

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

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

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

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

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

3.3.3.2. Funds Flow

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

Central government transfer forms the largest proportion of the LGAs' financial support, followed by the own source revenue. Donor direct funding is not widely practiced, though during the assessment there were few instances of funds flowing directly to the LGA from the Elizabeth Glaser Pediatric

AIDS Foundation (EGPAF), but these formed an insignificant proportion of the overall respective LGAs' funding. The assessment noted that funds from central level are transferred on availability rather than need basis. All LGAs did not maintain cash forecasts to inform timely disbursements due to their experience that disbursements are never determined by their needs but are made when the central government has funds, and when they are made, they are normally insufficient to meet all the required needs.

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

3.3.3.3. Procurement

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

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

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

3.3.3.4. Accounting and Financial Reporting

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

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

1. *Monthly reports*: LGAs prepare monthly reports indicating their income and expenditure for each month. These reports are submitted to the Council Director and later to the Finance Committee by 10th of the following month. The monthly reports are designed to include the necessary reconciliations for bank balances, imprest and staff advances, etc.;
2. *In-year budget reports: these are prepared on quarterly basis:* Councils prepare Council Financial Reports (CFR) and Council Development Reports (CDRs). The source for these reports is information recorded in the EPICOR system. CFRs summarize the financial performance of the

council for the quarter and on cumulative basis comparing the actual revenue and expenditure up to the end of the reporting quarter against the respective annual budget. No comparison is made by all LGAs on actual and budgeted revenue and expenditure for the same reporting period because the budget for the year is not split into smaller period, i.e. months and quarters. CDRs present the councils achievement of its planned physical activities over and to the end of the reporting period.

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

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

3.3.3.5. Internal Controls

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

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

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

3.3.3.6. External Auditing and Follow up of Audit Recommendations

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

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

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

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

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

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

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

4. LGA Background Information

4.1. Economic Situation

Longido is a rural district which is situated in the northern part of Arusha region and is administratively divided into 4 divisions[11], which are further sub-divided into 16 wards, and 41 villages and 136 hamlets.

With the population of 123,153 (in 2012), the main economic activity in the district is livestock keeping. Out of the total area of 7,792 square kilometres, 95% of the area is grazing land and 5% is arable land. Nearly 95% of land is used for livestock keeping and rest 5% is used for agricultural activities.

Longido is the one of the 20 poorest districts in Tanzania. Many parts of district also face food shortage during prolonged dry seasons due to shortage of water and low exchange value of cattle for cereals. Only 42% of total district population is served with clean drinking water. Moreover in Longido town, only 10% of total population is served with clean water.

Natural resources comprising of forestry, beekeeping, and wildlife and land development are important for social and economic development as they generate employment and revenue. Health services in Longido region are generally poor with shortage of dispensaries and health centres. There is also shortage of teachers in primary and secondary schools.

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

Table 6: Factsheet-Longido District

Item	Values
Area	7792 sq. km (95% grazing, 5% arable)
Share in Region's Area	22.5%
Altitude	600-2900 from the sea level
Average rainfall	500MM to 900MM per annum
Temperature range	20 – 35 °C
Population (2012 estimated)	123,153 (60,119 male and 62,544 female)
Population growth rate	3.8%
Population density	15.82 persons per sq. km
Per Capita Income	TZS 199,630/-[12]
Leading sector	Livestock keeping
HIV/AIDS prevalence	8.9%
Population/Doctor	32,318
Population/Hospital bed	6,149

[11] Longido, Ketumbeine, Engarenaibior and Enduimet
[12] According to year 2002 census

Illiteracy rate	75%
Road network	769 km

Source: Longido Strategic Plan 2014-15 to 2018-19

Table 7: Broad Development Indicators (region wise)

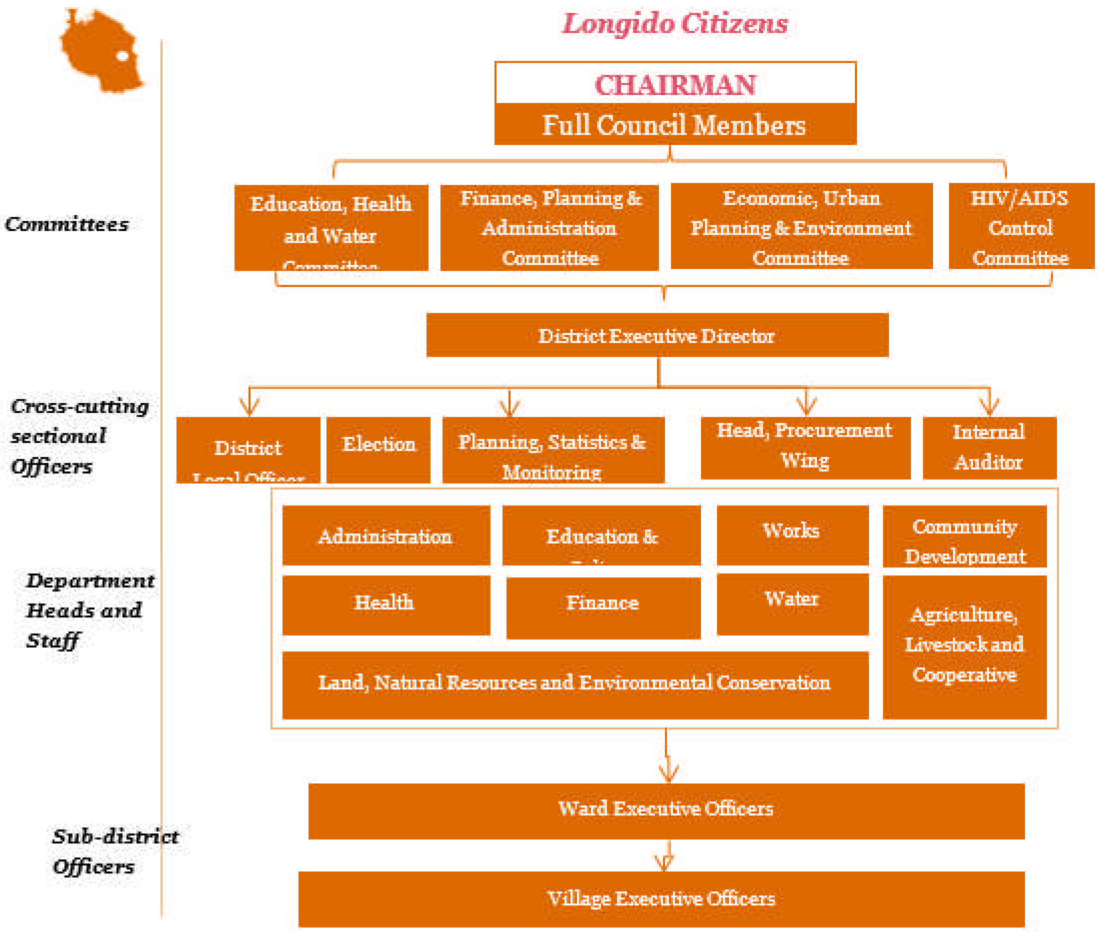
Category	Indicator	Total	Arusha	Kilimanjaro	Tanga	Morogoro	Lindi	Mtwara	Kigoma	Mwanza	Mara
Economy	Share in GDP (Market prices)-2013	39.1%	4.7%	4.5%	4.7%	4.8%	1.8%	2.5%	2.9%	9.4%	3.7%
Land Share	Land Area (Sq. km)	885803	37576	13250	26677	70624	66040	16710	37040	9467	21760
	Share in total land	33.8	4.2	1.5	3.0	8.0	7.5	1.9	4.2	1.1	2.5
Size of serving population	Population (2012) in "000"	43625	1694	1640	2045	2218	1377	941	2458	1425	702
	Share in National Population (2012)	33.2%	3.9%	3.8%	4.7%	5.1%	3.2%	2.2%	5.6%	3.3%	1.6%
Public awareness	Median years of schooling completed (Male-2010)	4.6	4.7	6.2	4.7	4.9	3.4	4.6	3.5	4	4.7
	Median years of schooling completed (Female-2010)	3.6	4.7	6.1	4	3.9	2.2	3.5	3.2	3	3.8
	% of women (15-49 yrs, 2010) reads newspaper at least once a week	18.8	21.4	17.8	11.8	27.8	15.9	20.3	17	13.7	9.6
	% of men (15-49 yrs, 2010) reads newspaper at least once a week	29.9	15.5	43.5	40.9	38.6	21.3	24.4	40.4	10.5	7.8
Employment	Top occupation for men (2010)		Agri	Agri	Agri	Agri	Agri	Agri	Agri	Agri	Agri
	Share of men (15-49 yrs.) in top occupation (2010)		40.7	46.7	58.8	61.7	81.8	77.3	57.1	68.7	69.4
	Top occupation for women (2010)		Unskilled manual	Agri	Agri	Agri	Agri	Agri	Agri	Agri	Agri
	Share of women (15-49 yrs) in top occupation (2010)		44.2	40.2	47.8	69.2	92.9	92	71	75.7	86

Source: National Bureau of Statistics, Tanzania

4.2. Institutional Structure of LGA

This section will discuss only the institutional structures relevant for Longido DC. Figure 3 shows the organisational structure of the Longido DC. At the highest level of Longido DC's organization structure are the people of Longido Council (citizens) who are represented by the Councillors (Full Council).

Figure 3: Organizational Structure



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

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

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

Functional responsibilities

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

4.3. Fiscal performance of LGA

As shown in Table 2, the Central Government grants constitutes significant portion of LGA's total revenues (on an average 95%). Table 8 shows trend of revenues of the Longido DC for the last three years. The LGA's own source revenue has been highly volatile. In 2012-13, the own source revenue increased by 8% while in 2013-14 it increased by 52% mainly due to sale of plots (reflected in revenue from exchange transactions). Such sudden increase in own source revenue led to increase in share of LGA's own revenues in total revenues from 4.4% in 2012-13 to 6.3% in 2013-14.

Table 8: Revenue performance, 2011-12 to 2013-14, TZS million

Item	2011-12	2012-13	2013-14
Local Taxes	98	112	90
Fee, fines, penalties and licenses	319	227	214
Revenue from exchange transactions	1	0	174
Other own revenue	186	313	457
Total Own Revenue	**604**	**652**	**935**
Recurrent grant	8662	11214	11965
Development grant	2046	3025	2655
Total Revenues	**11312**	**14891**	**15556**

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

Table 9 shows department wise expenditure for the last three years. Departments such as education and culture, administration, and health are the top three spending departments with average share of 45%, 16% and 10% respectively.

Table 9: Department wise expenditure, 2011-12, 2012-13 and 2013-14, TZS million

Department Name	2011-12	2012-13	2013-14	Average Share
Administration	2100	2545	1791	16.3%
Human resource management and development	102	99	0	0.6%
Finance and Trade	655	947	2524	9.4%
Agriculture, Livestock, Co-operative, Fisheries and Forestry	579	386	230	3.1%
Education & Culture	5275	6189	6916	45.1%
Health Department	1191	1461	1612	10.4%
Works and Water	1394	1182	1320	9.7%
Urban Planning, Tourism and Environment	69	82	0	0.4%

Department Name	2011-12	2012-13	2013-14	Average Share
Community development, gender and children	20	59	2406	5.0%
Total Expenditure	**11385**	**12949**	**16800**	**100%**

Source: Audited Financial Statements, 2011-12, 2012-13, 2013-14

Table 10 shows total expenditure of Longido DC for the last three years by economic categories. The component, "Wages, salaries and employees benefits", similar to the other LGAs, remains leading component of total public spending of Longido DC. The total expenditure of the LGA increased by 30% in 2013-14 mainly due to spike in capital expenditure and maintenance expenses.

Table 10: Total expenditure 2011-12 to 2013-14, TZS million

Item	2011-12	2012-13	2013-14	Average share
Wages, salaries and employee benefits	5043	6274	7601	46%
Supplies and consumables used	3938	2819	3198	25%
Maintenance expenses	1135	1397	2839	13%
Grants and other transfer payments	0	1236	40	3%
Capital Expenditure	1269	1223	3121	13%
Total Expenditure	**11385**	**12949**	**16800**	**100%**

Source: Audited Financial Statement, 2011-12, 2012-13 and 2013-14

Table 11 shows deficit/surplus for Longido DC. In two of the last three years, Longido DC has been having deficit. In 2012-13, Longido DC had a surplus of nearly TZS 1942 million.

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

Item	2011-12	2012-13	2013-14
Total Revenue	11312	14891	15556
Total Expenditure	11385	12949	16800
Surplus	**-72**	**1942**	**-1244**

Source: Audited Financial Statement, 2011-12, 2012-13 and 2013-14

5. Assessment of the PFM Systems, Processes and Institutions

5.1. Predictability of Central Transfers

HLG-1 Predictability of transfers from higher level of Government

Transfers from the higher level of Government (i.e. GoT)) constitute a significant source of revenue for the Longido DC. As given in Table 2, on an average in the last three completed financial years (i.e., 2011-12, 2012-13, and 2013-14), Central Government transfers were 95% of total revenue of the Longido DC.

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

Table 12 shows transfers from the higher level of government to the local government for the period 2011-12 to 2013-14. In one of the last three completed years, actual Central Government transfers were lower than budgeted. In 2011-12, actual transfers were 2% lower than budgeted transfers. In other two years, actual total transfers were higher than the planned transfers at the beginning of the financial year. The predictability of amount of transfers was lower in case of development grants. In 2011-12, actual development transfer was 36% lower than budgeted transfers. In the remaining two financial years, actual development transfers were higher than planned transfers. Our discussion with the District Council officials indicates that such low predictability in quantum of transfers is impacting efficiency in project implementation.

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

Year		Recurrent Grants	Development Grants	Total Grants
2011-12	Budget	7785	3175	10961
	Actual	8662	2046	10709
	Deviation	**11%**	**-36%**	**-2%**
2012-13	Budget	9280	2473	11753
	Actual	11214	3025	14239
	Deviation	**21%**	**22%**	**21%**
2013-14	Budget	12369	2054	14423
	Actual	11965	2655	14620
	Deviation	**-3%**	**29%**	**1%**

Source: Audited Financial Statement, 2011-12, 2012-13 and 2013-14

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

In case of Tanzania, all transfers are earmarked in nature. Under this dimension, the variance between estimated and actual figures for different categories of transfers needs to be assessed. There are only three kinds of grants i.e. recurrent block grants, subventions, and development grants. Table 13 shows variance by in central government transfers during the period 2011-14.

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

Year	*Longido DC*
2011-12	23%
2012-13	15%
2013-14	21%

Source: Actuals – Audited Annual Financial Statements for 2011-12, 2012-13 and 2013-14, and Budget Estimates of various central government transfers - Data provided by LGA

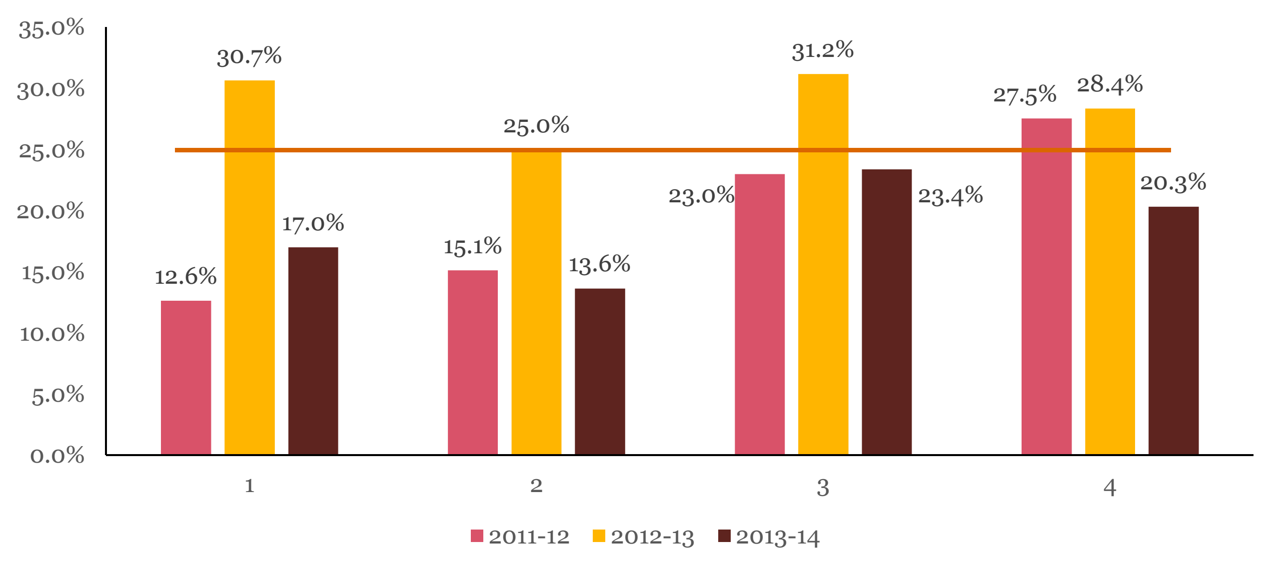
(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of the start of the SN fiscal year)

We understand that quarterly cash forecasts are prepared by the Central Government. But these are yet to be made available to the assessment team. Therefore, we have taken the approved LGA Budget as the basis for estimation of planned fund transfers for each year. As per the subnational guidelines (page 10, footnote 4), in the absence of any disbursement timetable, a default of quarterly equal distribution is to be used.

Figure 4 shows distribution of actual disbursements in 2011-12, 2012-13 and 2013-14. The figures are as percentages of total budgeted transfers for the entire financial year. Horizontal line shows assumed disbursement timetable (i.e., equal distribution across quarters). Over the last three years, Quarter 3 and Quarter 4, broadly, experienced higher disbursements in comparison with other quarters. Annexure.7 provides the process through which weighted average timing of transfers during 2011-12, 2012-13 and 2013-14. The average timing of transfers to the LGA (weighted by the amounts transferred) was 7.17 months in 2011-12, 6.08 months in 2012-13, 6.56 months in 2013-14. In line with definition of “frontloading” in the sub-national guidelines (less than 6 months of average transfer time), it can be inferred that in none of the last three financial years, actual transfers were distributed evenly or with some frontloading.[13]

[13] Please note that total transfers under dimension (iii) are calculated through standalone data given by the Longido District Council since these are not provided in the annual financial statements. On the other hand, under HLG-1 dimension (i), transfers are calculated using annual financial statements. There is difference of total actual transfers between these two sources. The variation was 24%, 9% and 37% in 2011-12, 2012-13 and 2013-14 respectively. The reason for variation could not be explained by the LGA.

Figure 4: Actual disbursement as percentage of total annual budgeted transfers, 2011-12, 2012-13, and 2013-14[14]



Source: Data provided by the LGA

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

Table 14: Summary rating for HLG-1

Indicator	Rating	Brief explanation
HLG-1: Predictability of Transfers from a Higher Level of Government	**D+**	
(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget	A	In none of the last three years have HLG transfers fallen short of the estimate by more than 5%.
(ii) Annual variance between actual and estimated transfers of earmarked grants	D	Variance in provision of earmarked grants exceeded 10 percentage points in all three years assessed.
(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of the start of the SN fiscal year)	D	In none of the last three financial years, actual disbursements was evenly distributed (or with some front loading) within the year.

[14] The computation of these figures is provided in Table 79.

5.2. PFM-out-turns: Budget credibility

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

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

Subject to our comments on data issues, the comparison of aggregate actual total expenditure with the original budget shows negative deviation of 6.3% in 2011-12, and positive deviation of 4.2% in 2012-13 and 1.4% in 2013-14. This deviation can be traced to variations in transfers of resources from the higher level government (HLG-1), particularly those related to development projects.

Table 15: Aggregate primary expenditure outturn as compared with budget 2011-12 to 2013-14, TZS million[15]

Item	*2011-12*		*2012-13*		*2013-14*		*Deviation*		
	Budget	Actual	Budget	Actual	Budget	Actual	2011-12	2012-13	2013-14
Total Expenditure	12145	11385	12424	12949	16223	16800	-6.3%	4.2%	3.6%

Source: Audited Annual Financial Statement, 2011-12, 2012-13 and 2013-14

Table 16: Summary rating for PI-1

Indicator	Rating	Brief explanation
PI-1 Aggregate expenditure out-turn compared to original approved budget (i) The difference between actual primary expenditure and the originally budgeted primary expenditure.	**A**	In no more than one (2011-12) of the last 3 years did actual expenditure deviated from that budgeted by more than 5%.

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

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

Variation in the aggregate expenditure may not be able to analyse the quality of budgetary performance which is only possible by examining the variations in each component of expenditure.

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

The objective of this indicator is to analyze the variation in the composition of the total expenditure after controlling for variation in the aggregate expenditure.

The PEFA framework recommends analysis of expenditure outturn by each of the main functional classifications. In Longido, expenditure is classified by 9 functions: (1) administration, (2) human resource management and development, (3) finance and trade, (4) agriculture, livestock, co-operative, fisheries and forestry (5) education and culture, (6) health, (7) works and water, (8) urban planning, tourism and environment, and (9) community development, gender and children.

Table 17: Variation in the composition of aggregate expenditure, 2011-12 to 2013-14

Year	for PI-2 (i) composition variance
2011-12	27.1%
2012-13	23.9%
2013-14	31.2%

Source: Audited Annual Financial Statement, 2011-12, 2012-13 and 2013-14

Analysis of the composition of total expenditure on a functional basis reveals variation of 27.1% in 2011-12, 23.9% in 2012-13, and 31.2% in 2013-14. Table 18 shows function wise deviations in actual expenditure from the budget. Key functions of the LGA are education & culture, health, works and water and administration together contribute on average more than 81% of the total actual expenditure in the last three financial years. Deviations in these functions across the years have been reflected in overall expenditure composition as shown in Table 17.

Table 18: Function wise deviation in actual expenditure from budget, 2011-12, 2012-13, and 2013-14

Function	Average Share	2011-12	2012-13	2013-14
Administration	16.3%	52.7%	103.2%	-14.3%
Human resource management and development	0.6%	-24.3%	14.5%	-
Finance & Trade	9.4%	-44.9%	-41.0%	-31.6%
Agriculture, Livestock, Co-operative, Fisheries & Forestry	3.1%	19.2%	-19.2%	45.9%
Education & Culture	45.1%	0.4%	-5.3%	-3.4%
Health	10.4%	13.7%	2.5%	-19.1%
Works & Water	9.7%	-46.4%	32.2%	187.5%
Urban Planning, Tourism & Environment	0.4%	178.0%	-38.0%	-
Community development, gender and children	5.0%	-44.4%	389.1%	257.1%

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

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

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

Table 19: Summary rating for PI-2

Indicator	Rating	Brief explanation
PI-2 Composition of expenditure outturn compared to original approved budget.	**D+**	
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	D	Variance in expenditure composition exceeded 15% across all of the last three financial years.
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years	A	LGAs do not have any contingency fund in their budgets and prima facie there is no direct evidence of contingency accounting of any kind. Hence, the dimension has been rated in line with clarification 2-l of the PEFA Field Guide.

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

The revenue data in the financial statements of the LGA is sufficiently disaggregated by major revenue heads. Revenue for the Council can be clubbed into the following categories (i) local taxes (12%) (ii) fee, fines, penalties and licenses (39%) (iii) revenue from exchange transactions[16] (8.9%), and (iv) other own revenues (41%)[17].

Administration of certain levies such as produce cess is outsourced to revenue collection agents who are assigned collection targets based on the revenue potential estimates prepared by the Agriculture Department of the Council. These estimates, in turn, are based on the forecasts of crop production in the District. Other revenues such as land rent and service levy are collected by revenue/ trade officers of the LGA. For preparing estimates for service levy collection, information is occasionally sought from the Tanzania Revenue Authority (TRA) on the turnover of businesses in the District. In case of land rent[18], regulations require the entire amount collected to be surrendered to the Central Government. In return, the Government transfers 30% of the amount collected as commission to the District Council.

Table 20 shows revenue performance of Longido DC in the last three completed financial years.

Table 20: Summary of Longido DC domestic revenue, 2011-12 to 2013-14 (in TZS million)

Revenue sources	2011-12		2012-13		2013-14		Actual as % of budgeted		
	Budget	Actual	Budget	Actual	Budget	Actual			
Local Taxes	798	98	339	54	234	95	12.3%	33.0%	38.5%
Fee, fines, penalties and licenses	386	319	563	227	492	265	82.6%	40.4%	43.4%
Revenue from exchange transactions	0	1	0	58	323	174	-	-	54.0%

[16] Revenue from exchange transactions broadly includes receipts from sale of plots.
[17] Figures in parenthesis are average share in 2011-12, 2012-13 and 2013-14.
[18] This is in the nature of a transfer from the Central Government and is thus, not strictly an own source of the LGA as per the PEFA methodology.

Revenue sources	2011-12		2012-13		2013-14		Actual as % of budgeted		
	Budget	Actual	Budget	Actual	Budget	Actual			
Other own revenue	0	186	288	313	349	457	-	108.8%	130.9%
Total Own Source Revenue	**1184**	**604**	**1189**	**652**	**1398**	**991**	**51.0%**	**54.8%**	**66.9%**

Source: Audited Annual Financial Statement, 2011-12, 2012-13 and 2013-14

Overall 51%, 55% and 67% of the budgeted LGA's actual domestic revenue (or own source revenue) was collected in 2011-12, 2012-13, and 2013-14 respectively.

As also supported by the findings of CAG's Management Letters on the Financial Statements of the LGA for 2013-14, the key reasons for variation in revenue collected when compared to budget estimates are:

1. **Unrealistic revenue estimates:** Revenue estimates prepared do not reflect the ground realities/targets set under the contracts of the collection agents. Despite lower actual revenue collections, estimates for the ensuing financial year are not rationalized and exhibit significant increases. Table 21 shows the growth in budgeted revenue in the ensuing financial year when compared to the revenue outturn in a given year.

Table 21: Comparison of revenue outturn and budget estimates, 2011-12 and 2012-13

Total Own Source Revenue	Longido DC
2011-12 Actuals (as % of 2011-12 Budget Estimates)	51.0%
Budget Estimates for 2012-13 (as % of 2011-12 Actuals)	196.9%
2012-13 Actuals (as % of 2012-13 Budget Estimates)	54.8%
Budget Estimates for 2013-14 (as % of 2012-13 Actuals)	214.4%

2. **Internal control weaknesses in revenue management:** Lack of monitoring of the collection agents' activities and insufficient accountability mechanism in the contracts with the collection agents has also contributed to lower than budgeted revenue collections.
3. **Upward revisions to the revenue targets:** The own source revenue estimates of each LGA are reviewed by PMO-RALG. Based on our discussion with the LGA, we understand that revenue targets submitted by the LGA are often upwardly revised by the Central Government, which is in some cases beyond the collection capacity of the concerned LGAs.

Table 22: Summary rating for PI-3

Indicator	Rating	Brief explanation
PI-3 Aggregate revenue out-turn compared to original approved budget	D	Actual domestic revenue was 51%, 55% and 70.8% of the budget revenue in 2011-12, 2012-13, and 2013-14 respectively.
Dimension (i) Actual domestic revenue collection compared to domestic revenue estimates in the original, approved budget		

PI-4 Stock and monitoring of expenditure payment arrears

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

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

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

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

Longido DC presents an aging analysis of the aggregate payables in its annual financial statements. This has been presented in Table 23. It should be noted (i) all payables overdue for more than a month (i.e. more than 30 days) have been considered as payment arrears for rating under this dimension, (ii) the DC did not provide an aging analysis of the detailed breakup of the total payables in the AFS.

Table 23: Stock of payables, 2011-12, 2012-13, and 2013-14 (TZS million)

Outstanding for	2011-12	2012-13	2013-14
1-3 months			
3 to 12 months	685	727	708
Over 1 year			
As % of Total Expenditure	**6.0%**	**5.6%**	**4.3%**

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

The CAG in its management letter for 2013-14 noted that a sum of TZS 14.51 million incurred from the other charges (OC) account was chargeable in the financial year 2012-13 but was instead charged in the financial year 2013-14. There was no evidence that this payment forming a part of 2012-13 creditors. This clearly undermines the credibility of estimates of payables for 2012-13.

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

Government of Tanzania monitors accumulation of payment arrears through quarterly reports compiled by the Accountant General on outstanding payment liabilities submitted by MDAs and Regions (RAS). However, local government authorities are presently outside the scope of this process. Hence, there is no reliable data at the Central Government level on payment arrears of the LGAs.

In February, 2014, the Ministry of Finance and Economic Affairs initiated "Public Expenditure Review (PER) Study on the Prevention and Management of Payment Arrears" to identify the causes of and recommend measures to prevent future arrears. The Study covered six RAS and seventeen LGAs[19]. With respect to recording of arrears, the key findings for LGAs were[20]:

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

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

Table 24: Summary rating for PI-4

Indicator		Rating	Brief explanation
PI-4 Stock and monitoring of expenditure payment arrears		**D+**	
(i)	Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock	C	Arrears contributed to 4.3% of the total expenditure in 2013-14. When compared to 2011-12, arrears decreased by 1.7% as a proportion of total expenditure but increased by TZS 23 million in absolute terms.
(ii)	Availability of data for monitoring the stock of expenditure payment arrears	D	In view of the findings of the PER study on arrears and given that reforms to reduce payment arrears have only recently been introduced at the LGA level such as defining what constitutes payment arrears and establishing formal mechanisms for reporting of arrears, the data on stock of arrears currently maintained by the LGA cannot be considered to be reliable.

5.3. Key Cross-Cutting Issues: Comprehensiveness and Transparency

PI-5 Classification of the budget

[19]Three common LGAs were covered by the PER Study and the current assessment relating to assessment of 12 LGAs, namely Kasulu DC, Sengerema DC and Mwanza CC

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

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

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

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

As per the PMO-RALG, two kinds of chart of accounts are prepared, (i) main chart of account (ii) warrant to Cost Centre. The main chart of account consists of eight segments complying fully with classification in GFS manual 2001 as given in Table 25.

The main chart of accounts extends to 28 digits. The linkages flow from region (vote) to council (sub-vote) to objectives to targets to activities and to costs of these activities on a detailed line item basis. The chart of accounts coding structure is provided in Table 25. The warrant to cost centres has four segments - (i) GFS account code, (ii) vote (iii) council codes, and (iv) cost centres.

Table 25: Chart of accounts

S. No.	Code	No. of digits	Type	Example
1	Vote	2	Vote	Represents the region. For example Vote No. 77 stands for Mara region
2	Council	4	Council	Each council has its own code. e.g. 3104-Longido DC
3	Cost center	4	Cost center	Represents sector/department, for example 507B stands for Primary Education
4	Fund Type	1	Fund Type	Denotes nature of grants/ expenditure, e.g. 1 stands for recurrent and 2 for development
5	Fund Source	1	Fund Source	Classifies the source of funding, e.g. block grants, LGCDG, RWSSP
6	Project	4	Project	Stands for national projects, e.g. road rehabilitation, construction of irrigation schemes

S. No.	Code	No. of digits	Type	Example
7	Activity	6	Activity	Generated for each target in MTEF for which inputs are identified. Depicted as a combination of objective, target, target type and activity, e.g. B01S03
8	GFS	6	GFS Codes	Represents Government Finance Statistic (GFS) Codes, e.g. 210101-salaries/civil servant

Source: PMO-RALG

Current and planned activities

With assistance from IMF, GoT has prepared a road map for the introduction of formal programme based budgeting within the medium term framework. This will require significant simplifications of the budget classification system so that programme managers have the flexibility to manage their inputs effectively to meet the programme objectives.[21]

Table 26: Summary rating for PI-5

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

PI-6 Comprehensiveness of information included in budget documentation

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

The assessment of Longido DC is based on the budget presented to the Full Council for the financial year 2014-15.

Guidelines for preparation of budget estimates were issued by the Ministry of Finance, Government of Tanzania were received by Longido DC on 11th October 2013. Based on these instructions, the DC

[21] PEFA (National) 2013

submitted a consolidated budget book named "Medium Term Plan and Expenditure Framework for the Financial Year 2014-15 in the implementation of the Five Year Development Plan 2011-12- 2015-16" to the Full Council on 11th January 2014. The document can be divided into three sections (i) Introduction (Environmental Scan), (ii) Budget performance review for FY 2012-13 and Mid-Year Review for 2013-14, (iii) Estimates for MTEF (2014-15 to 2016-17).

The first section "Introduction" provides an overview of the council and policy statements by the Honourable Mayor and Council Director. The section also provides a brief profile of the Longido CC.

The second section, "Environmental Scan" provides an analysis of needs and expectations of various stakeholders from the budget. The stakeholders include Longido DC employees, residents of Longido district, lower level government authorities of Longido DC, Arusha Regional Secretariat, PMO-RALG, sector ministries of United Republic of Tanzania, development partners, political parties, and NGOs/CBOs. The council also conducts a SWOC analysis (Strength, Weaknesses, Opportunities and Challenges) analysis related to the general environment of the district. The section also explains the key issues faced by the district. This is followed by an analysis of Opportunities and Obstacles to Development (O&OD) dealing with poverty and socio-economic status.

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

The fourth section "Estimates for MTEF" provides the projected revenues and expenditure for three years 2014-15, 2015-16, and 2016-17 at a detailed level. In 2014-15, MTEF document there are 17 forms outlining different information on revenue and expenditure. Table 27 provides assessment on each of the required information benchmarks.

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

Table 27: Information provided in budget documentation

S. No.	Dimension	Availability	Notes
1.	**Macroeconomic assumptions:** including at least estimates of aggregate growth, inflation and exchange rate;	NA	Macroeconomic assumptions, economic growth, exchange rate and inflation are included in the Central Government budget documentation and are hence, not applicable at the LGA level.
2.	**Fiscal deficit:** defined according to GFS or other internationally recognized standard;	NA	Given the high dependence of LGAs on transfers from the Central Government and in the absence of reliable information from MoF/ PMO-RALG on expected transfers during the year, LGAs are not in a position to accurately estimate financing gaps and the

S. No.	Dimension	Availability	Notes
			consequent need for raising borrowings for the ensuing/ current financial year. Consequently, this dimension is not applicable to LGAs.
3.	**Deficit financing:** describing anticipated composition;	NA	Given the non-applicability of the previous dimension on fiscal deficit, this dimension is also not applicable.
4.	**Debt stock:** including details at least for beginning of the current year	NA	The District Council did not have an outstanding debt at the beginning of the financial year 2013-14
5.	**Financial assets:** including details at least for the beginning of the current year;	No	Information on the stock of LGA's financial assets (such as bank balances) is not provided in the budget for 2014-15.
6.	**Prior year's budget out-turn:** presented in the same format as the budget proposal;	Yes	Prior year's budget outturn is provided at an aggregate level and for specific items of expenditure in the consolidated budget book. These include items such as recurrent expenditure on local government block grant, HSBF, and recurrent revenue collections.
7.	**Current year's budget out-turn:** presented in the same format as the budget proposal;	Partially complied	Budget guidelines require LGAs to present actual performance for first half of current year's budget and likely outturn for remaining part. In case of Longido District Council, performance up to December of the current financial year is provided with no forecasts for the remaining year.
8.	**Summarised budget data:** for both revenue and expenditure according to the main headings, including data for the current and previous year;	Partially complied	Summarized budget data for both revenue and expenditure as per the main headings is provided for the prior year. But in case of current year, information is provided only till December.
9.	**Explanation of budget implication of new initiatives:** with	No	The budget document does not provide any statement/section listing down new policy initiatives in ensuing financial year

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

Table 28: Summary of rating under PI-6

Indicator		Rating	Brief explanation
Comprehensiveness of information included in budget documentation			
(i)	Share of the above listed information in the budget documentation most recently used by the local government	**C**	Of the five benchmarks applicable to Longido DC, one is provided in the budget documentation.

PI-7 Extent of unreported government operations

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

The assessment team ascertained that certain equipment such as specific drugs which are supplied directly to hospitals/health centers from the central medical store are not included in the LGA's budget, though these expenses are budgeted in the Central Government's budget. These are however, accounted for in the LGA's annual financial statements as 'receipt in kind'. In 2013-14, the value of these receipts constituted 0.5% of the expenditure of the District Council.

Table 29: Extra-budgetary expenditure of the LGA in 2013-14

Category	Reported in			Meets eligibility for extra-budgetary expenditure
	MTEF 2013-14	AFS 2013-14	Quarterly Financial Report, 2013-14	
Drugs/ Equipment from MSD	No	Yes	No	Yes

It is understood from discussions with DC officials that in some years a small proportion of development expenditure is also financed through community contributions under their respective community benefiting projects. The financial value of these contributions is usually included in the

MTEF documentation though not in the fiscal reports. However, there were no such community contributions in 2013-14 and have hence, not been included in the analysis for this indicator.

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

As per discussions with Council officers, for 2013-14, practically all donor funded project expenditure was routed through the central government budget and included in the District Council's MTEF and annual financial statements. There was a single exception for funding by the Elizabeth Glaser Pediatric AIDS Foundation (EGPAF). However, since funds from EGPAF contribute to only 0.91% of the total expenditure of the District Council in 2013-14 and are hence, insignificant, they have not been included in the assessment for this dimension

Table 30: Summary of rating under PI-7

Indicator		Rating	Brief explanation
PI-7 Extent of unreported government operations		**A**	
(i)	Level of extra-budgetary expenditure (other than donor-funded project), which is unreported, i.e. not included in fiscal reports	A	Supplies from the central medical store contributing to 0.5% of the total expenditure of the LGA in 2013-14 were the only identifiable extra – budgetary operations of the District Council.
(ii)	Income/expenditure information on donor-funded projects included in the fiscal reports	NA	All donor funds are routed through the central budget and direct donor funding to the LGA is minimal comprising 0.9% of total Council expenditure in 2013-14.

PI-8 Transparency of inter-governmental fiscal relations

This indicator assesses the transparency of transfers from local governments to lower levels of government (i.e., wards) during the last completed financial year 2013-14. As per MTEF 2014-15, Longido DC comprises of four divisions, sixteen wards and forty one villages and one hundred and thirty eight hamlets.

As per discussions with Council officials, lower level governments do not have their own sources of revenues, but are permitted to collect revenue on behalf of the LGA. All expenditure is financed by transfers from the local government authority (i.e. Longido DC) or some in-kind transfers (such as drug supplies) from the Central Government.

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

Table 31 shows projects under which transfers were made to LLG in 2013-14 and corresponding criteria:

Table 31: Funds transfer to lower levels of governments and criteria, TZS million

S. No.	Transfer item	Purpose	Rationale for transfer
1.	Tanzania Commission on AIDS (TACAIDS)	Support in terms of procuring medicines and syndromes for cure of HIV-AIDS	- Part of TACAIDS money is distributed to community based organizations by the coordinator and rest is used at the district level - Allocation of money to be spent at the council level and to be distributed among CBOs based on the budget proposal submitted by CBOs
2.	Local Government Capital Development Grants		50% of the Central Government transfers under the programme is to be spent at the council level and 50% is to be transferred to lower levels of government. Distribution across LLGs is through local participatory planning and budgetary processes.
3.	District Agricultural Development Plan (DADP)	For Agriculture development	Funds are transferred only to communities. And these transfers are based on the budget/plan submitted by these communities. At the council, expenses include supervision cost, and in some cases procurement of goods.
4.	Tanzania Social Action Fund (TASAF)	Implementing Productive Social Safety Net Program	A proportion of funds are spent at the council level while the remaining is given to communities directly based on the budget/plan submitted.
5.	Other charges	Operational cost	1. General Purpose Grants: 20% of funds received are transferred in equal proportion to all LLGs 2. LGA's own source money for OC is transferred based on budget submitted by wards.
6.	Constituency Development Catalyst Fund (CDCF)	Community driven development	Allocated to members of parliaments (MPs) for spending in their respective constituencies

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

Moreover, as Table 12 shows, there is a variation of 29% in the budgeted and actual development grants received by the LGA during 2013-14. Discussions with PMO-RALG reveal that there is no guidance for revising allocations across LLGs in case of shortfall in grants received from the Central Government. Consequently, re-allocation of programme grants across LLGs when actual funds received from the Central Government are less than budgeted estimates is not transparent.

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

With respect to distribution of GPG to village councils, the Management Letter on the Financial Statements of the Longido DC for 2013-14 pointed out that the due amounts were not given to the village councils which possibly constrained the councils in financing their planned development programs and administration activities.

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

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

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

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

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

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

In addition to these financial reports, village councils are also required to report on bank balances at the end of the financial year which are consolidated into the LGA accounts as cash and cash equivalents.

Table 32: Summary of rating under PI-8

Indicator	Rating	Brief explanation
PI-8 Transparency of inter-governmental fiscal relations	**D**	
(i)	D	Though there are / rule based principles for allocation of grants in theory, in the absence of a firm evidence for actual basis of allocations in the context of the funding uncertainties and non or partial availability of details of

Indicator	Rating	Brief explanation
		budgeted and actual transfer of funds to the LLGs, hardly any transfer appears to be determined based on transparent and rule based systems (with the exception of GPG and capitation grants).
(ii)	D	No ceilings/reliable estimates on allocations are provided ahead of finalization of budget proposal. At the budget execution stage as well, no advance information is provided to lower levels of governments on expected transfer of funds.
(iii)	D	Fiscal information that is consistent with LGA fiscal reporting is not collected from LLGs

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

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

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

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

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

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

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

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

Table 33: Summary of rating under PI-9

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

PI-10 Public access to key fiscal information

(i) Number of the above listed elements of public access to information that is fulfilled (in order to count in the assessment, the full specification of the information benchmark must be met).

The indicator assesses the extent to which relevant information on local government's financial health, its operations are available to the public. This is critical since LGA utilizes public money to spend on specific activities and the general public should be informed on where the money is being spent and its efficiency in this process.

It should be noted that the key objective of the indicator is to assess whether **"quality"** fiscal information is available to relevant interest groups through **"appropriate"** means. "Quality" implies that the language, structure, layout, should be user friendly and summary should be provided in case of large documents. On the other hand, **"appropriate means"** implies depending on the nature of document and characteristic of the relevant interest or user group, suitable mode of communication should be adopted.

Longido DC does not have its own website. In Table 34 we assess performance of Longido DC as regards information dissemination.

Table 34: Public access to key fiscal information

S. No.	Item	Available	Notes
1.	Annual budget documentation submitted to council	Yes	Summary of the budget by village and ward is put up on the notice board of the district council.
2.	In-year budget execution reports within one month of completion	No	Quarterly revenue and expenditure information are prepared and discussed in council meeting which include community members. However, these reports are not put up on the notice board.
3.	Year-end financial statements within six months of completed audit	No	As per discussions with DC officials, summary of the audited financial statements are put up on the notice board and published in the newspaper. However, the advertisement of the last audited financial statement (2012-13) was not made available to the assessment team.
4.	External audit reports within six months of completed audit	No	Summary of CAG reports are not published within six months of the completed audit.
5.	Contract awards with value above approx. TZS 50 million at least quarterly	Yes	As per discussion, it is understood that summary of all contract awards are published in weekly journal on Public Procurement Regulatory Authority Website.
6.	Resources available to primary service units	No	The team was informed that the summary of transfers to facilities is displayed outside the facility and the district council office. However, on inspection by the team, these notices could not be found.
7.	Fees, charges and taxes	No	We were informed that council bye-laws are available with the district treasurer which can be accessed by general public but are not explicitly published on the notice board.
8.	Service provided to communities	No	Information on services provided to communities could not be found on the District Council's notice board.

Table 35: Summary of rating under PI-10

Indicator	Rating	Brief explanation
PI-10 Public access to key fiscal information	**D**	

(i)	Number of the above listed elements of public access to information that is fulfilled (in order to count in the assessment, the full specification of the information benchmark must be met)	D	Out of eight applicable items, two items are available for public access.

5.4. Budget Cycle

5.4.1. Policy-Based Budgeting

PI-11 Orderliness and participation in the annual budget process

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

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

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

Table 36: Relevant sections of the budget calendar as per budget guidelines 2014-15

Date as per the calendar	Main Activity	Key Actors	Actual date applicable for Longido DC
August-October, 2013	Preparation of plan and budget guidelines	Ministry of Finance (MOF), PO-PC	-
November-December, 2013	Circulation of guideline to ministries, regional and local government authorities (LGAs)	MoF, President's Office – Planning Commission (PO-PC)	Received on 11 Oct 2013
07th of January, 2014	MDAs, RS and LGAs to get budget ceilings for the fiscal year 2014-15	MoF	Budget Ceilings for other charges (OC) only received on 30th January 2014
08th -28th of January, 2014	MDAs, RS and LGAs preparing and submitting to the Ministry of Finance and Planning Commission (non-tax revenue, recurrent and development expenditure) for fiscal year 2014/15	LGAs, MDAs, RS	Budget estimates submitted to PMO-RALG on 19 February 2014 and to MoF on 4 March 2014
29th of January-11th of February, 2014	Analysis of the budget of the MDAs, RS, LGAs and incorporate budgetary figures in the IFMS (computerized system)	MoF, PO-PC, RS, LGAs MDAs	Revised estimates submitted to MoF on 14th March 2014

Though the budget calendar for 2014-15 was received by the District Council on 11 October 2013, instructions to LLGs for initiation of preparation of budget proposals were issued in mid- December by the Longido DC. Similar guidelines to line departments and programme coordinators were issued on 31st November 2013. These instructions did not include a separate budget calendar containing specific dates for submission, negotiation and finalization of budget estimates by the LLGs and Departments.

(ii) Guidance on the preparation of budget submissions

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

Given that Longido DC relied on transfers from the Central Government for more than 94% of its total revenue during 2011-14, its ability to issue budgetary ceilings to spending units without prior notification from MoF is highly constrained. Having that said, even for projects/ expenses to be funded by own sources of revenue, there were no ceilings prepared or shared with spending units during budget preparation.

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

(iii) Timely budget approval by the legislature

As discussed above, the annual budget is approved first by the Full Council for submission to PMO-RALG. Once discussed and reviewed by PMO-RALG and MoF, it is presented to the Parliament for final approval. Table 37 shows relevant dates for approval of the budget.

Table 37: Final budget approval dates

Year	Date of approval by council	Date of approval of budget by the national assembly
2012-13	7th April 2012	14th June 2012
2013-14	24th January 2013	12th June 2013
2014-15	11th January 2014	13th June 2014

Table 38: Summary of rating under PI-11

Indicator	Rating	Brief explanation

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

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

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

Transfers from the Central Government to Longido DC constituted a significant portion of total expenditure. The credibility of fiscal forecasts and functional allocations is crucially dependent on the forecasts of resources shared by the Central Government.

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

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

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

(ii) Scope and frequency of debt sustainability analysis

In the last three years of assessment, Longido DC did not have any short or long term borrowing. This dimension is thus, not applicable to the District Council.

(iii) Existence of costed sector strategies

The District Council has a strategic plan for 2014-15 to 2018-19 which reflects the development priorities of the Council. There are no sector specific strategies. The Plan provides the fifteen key result areas (KRAs) for the District Council across various sectors. The Strategic Plan provides the baseline assessment of development challenges faced by the District and outlines the nine corporate objectives of the Council covering governance, environmental conservation, health, education, gender empowerment, and disaster management. The Strategic Plan also includes a performance indicator matrix detailing the strategy, quantifiable target and corresponding indicators. Clear allocation of responsibilities is, however, missing in the Plan. Also, strategies have not been costed for investments and recurrent expenditure.

(iv) Linkages between investment budgets and forward expenditure estimates

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

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

Table 39: Summary of rating under PI-12

Indicator		Rating	Brief explanation
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting		**D+**	
(i)	Preparation of multi - year fiscal forecasts and functional allocations	C	Forecasts of all line items are prepared as per the classification prescribed under GFS Manual 2001 on a rolling basis for three years. However, there are no links between multi-year estimates and subsequent setting of annual budget ceilings.

Indicator		Rating	Brief explanation
(ii)	Scope and frequency of debt sustainability analysis	NA	Longido DC did not have outstanding debt in the last three completed financial years.
(iii)	Existence of costed sector strategies	D	There is strategic plan reflecting the development priorities of the LGA. However, there is no costing of interventions in the strategy.
(iv)	Linkages between investment budgets and forward expenditure estimates	D	Forward budget estimates are not prepared through any scientific analysis. There are no linkages between investment budgets and forward budget estimates.

5.4.2. Predictability and Control in Budget Execution

As per the sub-national guidelines for PEFA assessment, performance indicators (13-15) are applicable to entities which raise revenue through taxes or other forms of revenue similar to taxes as per IMF GFS (2001) manual. As per para 5.2 of the GFS manual, tax revenue is composed of compulsory transfers to the general government sector. Certain compulsory transfers, such as fines, penalties, and most social security contributions, are excluded from tax revenue. Table 40 below shows broad structure of own revenue sources of Longido District Council. We have also identified revenue sources which meet the condition for inclusion as “taxes” as provided in GFS manual based on our understanding of the nature of these sources according to the available information and explanations given to us in course of this assessment.

Table 40: Rationale for identification of Tax revenues

S. No.	Revenue item	Included/excluded as “Tax Revenue”	Rationale
1.	Forest produce levy	Not included	This levy is collected by the Central Government and later shared with the LGAs. As per the sub-national guidelines for PEFA, revenues collected by the Central Government and shared with sub-national government, is not to be included in analysis. As per the article 77 of the Forest Act 2002, the minister responsible for forest is authorized to determine and thereafter prescribe the services and permits for which fees shall be charged by forest managers and their corresponding charge rates. As per the article 7 (1) r of the Local Government Finance Act, revenue of the district council includes , inter alia, all moneys derived from fees for forest produce and licenses accruing to the district council under section 10 of the Forest Act.

S. No.	Revenue item	Included/excluded as "Tax Revenue"	Rationale
			Therefore, the forest produce levy is part of council's revenue but is collected by the Central Government. The rate, structure is decided by the Central Government. Although GFS manual does not outline this situation, but using the spirit it can be inferred that the forest produce levy is not a tax levied by the LGA but by a central law and therefore not to be considered as tax revenue.
2.	Fines and penalties	Not included	As per para 5.103 the GFS 2001, fines, penalties are part of the other revenues and should not be included in tax revenue.
3.	Produce cess	Included	As per para 5.48 of the GFS manual, tax revenue includes taxes charged on *production,* leasing, delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services. Produce cess is a levy on agriculture produce. There are various kinds of produce cesses. These include cess for (i) Beans, (ii) Tobacco (iii) Maize (iv) Coffee, (v) ocean produce and (vi) other produce.
4.	Land rent	Not included	Based on our discussion, the council is entitled for 30% of the collected amount as commission for collecting the rent. Hence, it is a current grant for the council and not in the nature of tax revenue.
5.	Business licenses, Permit fees for billboards, posters or hoarding, environmental protection charges, Market Fees, Tender fees, building permit fees, parking fees, plot application fees, sale of bid documents, Livestock market fees, slaughter house charges, rent of council houses, communication towers fees	Not Included	As per para 5.99, GFS manual 2001, if the license fees are such that license is granted automatically after payments then the receipts shall be termed as administration fees only.

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

As specified in Table 40, we have considered following sources of revenues as taxes (i) produce cess and (ii) service levy.

PI-13 Transparency of taxpayer obligations and liabilities

(i) Clarity and comprehensiveness of tax liabilities

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

Part IV of the LGDA act, gives power to district councils to make their own by-laws. Service levy, which constituted 4% of local taxes collected by the Council in 2013-14, is governed by LGFA, 2002 and local by-law called "Byelaws of Service Levy for the Longido District Council, 2010". The produce cess collection is governed by Section 7 (1) (g) of the LGFA which empowers LGA to collect any cess payable at source on any agricultural or other produce, produced in the area of the District Council.

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

The actual amount of service levy to be paid is based on the financial returns shared by the payees. The Longido Byelaw empowers DED with the authority to officially request businesses operating in the District to submit financial returns to the Council. Failure to submit these financial returns in the time frame set by the Council allows the council revenue officers to charge penalty. The penalty, as per the Byelaw, is TZS 50,000 or an interest of 1.5% per month, whichever is higher. As per the discussion with Council officials as well, it is informed that there are cases where taxpayers enter into a compromising agreement with the tax collector on the tax payments.

There are situations where tax as assessed by the LGA varies from tax payer's assessment. These differences mainly emerge from the differences in the value of turnover. In these cases, the representative LGA enters into a mutual settlement with the tax payer. This practice introduces a discretionary element which has to potential to lead to loss of revenue for the Council.

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

At the stage of drafting of the by-laws, taxpayers are informed on the types of local taxes, rates and their expected liabilities through the by-laws. The assessment team was informed that the Council strives to inform taxpayers on tax liabilities and administrative procedures through:

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

However, there are no special information desks in the district council dealing with briefing on taxes and other select sources of revenues. Any queries related to taxes/fees/levies are to be made to the District Treasurer.

As per recent studies made on key issues in revenue mobilization[22] , one of the challenges faced in local government taxation in Tanzania is low awareness of local tax payers. The study was conducted across Tanzania and does not refer to Longido specifically. However, keeping in mind the absence of a computerized tax information system, the lack of adequate resources to disseminate knowledge of the various taxes and their procedural and administrative requirements, it can be concluded that the existing operating environment may not encourage accessibility of taxpayers to the nuances of the taxes as regards their nature, conditions and their administrative requirements for collections.

(iii) Existence and functioning of a tax appeals mechanism

At the district level, if the taxpayers are not satisfied with any element of local taxes, there is a council's grievances desk. But this desk deals with all kinds of public queries including tax. As per the feedback from our discussions, first level of tax related complaints are handled by District Executive Director. In case the applicant is not convinced with the response, the applicant can appeal to the Prevention and Combating of Corruption Bureau (PCCB) in cases where corruption is suspected. DED is the administrative head of the council and is involved in tax assessment indirectly. The procedures for tax appeal are not documented and no timelines are provided for Council's response to the appeal.

Table 41: Summary of rating under PI-13

Indicator		Rating	Brief explanation
PI-13 Transparency of taxpayer obligations and liabilities		**D+**	
(i)	Clarity and comprehensiveness of tax liabilities	D	In case of service levy collection, there appear to elements of administrative discretion provided in existing bye laws in assessing tax liabilities. Service levy collection officers often enter into mutual agreement with the taxpayers where differences in tax liabilities are noticed

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

(ii)	Taxpayer access to information on tax liabilities and administrative procedures	C	Some organised access by taxpayers to the nature and requirements of taxes exists through council meetings/education by ward officers but this appears to be inadequate as revealed by the end results of tax collections from own sources
(iii)	Existence and functioning of a tax appeals mechanism	D	We were informed that currently the first point of contact for tax related complaints was the DED who is indirectly involved in tax assessments. We did not come across any evidence of a functioning tax appeals mechanism at the LGA level in Longido DC.

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

(i) Controls in the taxpayer registration system

For service levy, the trade officer of the District Council has a rudimentary service levy register containing information on taxpayers. CAG's Management Letter on the Financial Statement of Longido DC for 2013-14 included the following observations for the service levy collection:

- Despite the presence of several active companies in the district, the Council did not build a database for service levy collection
- The manual register for service levy did not record information such as type of business conducted by the concerned company, location, address, amount payable and amount due. This was in violation of Order 23 (3) of LAGFM, 2009, together with Section 5.13(g) of LAAM, 2009 which requires the treasurer to ensure the revenue registers are properly maintained for cash and debtor income.
- There did not exist any declaration forms for assessed returns of the service levy payers for 2013-14

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

At Longido DC, no penalties are imposed in case the taxpayers do not register themselves with the Council. However, the by-laws clauses 13, 14, 15, 16, 17 and 18 provide for penalties in case of breach of any provisions of the Law or non-payment of the required taxes.

The Bylaws of Service Levy for the Longido District Council, 2010 provides for imposition of service levy amounting 0.3% of the revenues. In case the business entity fails to make the payment, the entity is considered as Tax Non-Payer and is liable to pay interest of 1.5% per month or TZS 50,000 whichever is higher. The Byelaw also imposes penalty in case the tax payer submits any false information. A tax payer is considered to have breached the law if:

a) Fail to submit a full and true return in accordance with these by-laws;
b) Fail to submit all supporting documents, description or information that is required to be submitted within the timelines prescribed by the by-laws;
c) Fail to have a proper book keeping of records, information and accounts; and

d) Fail to provide any supporting documents required or any information for needed for evaluation;

e) Provide false assumptions by reducing or removing figures on the statements submitted to the council;
f) Provide wrong information on any aspect that might affect in preparing the tax rate to be paid;
g) Forging or preparing false financial statements as well as any supporting document;
h) Interfere or stop the revenue officer from doing his duty as stated in this Byelaw.

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

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

Table 42: Summary of rating under PI-14

Indicator		Rating	Brief explanation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment		**D**	
(i)	Controls in the taxpayer registration system	D	The Council does not have a database of service levy payers. The manual register maintained for service levy does not contain essential details of assesses. Consequently, tax payer registration is not subject to any effective controls as regards comprehensiveness and completeness
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	D	Currently, the legislative framework does not provide for any penalty for non-registration with the district council, but there are penalties for declaration obligations. However, other control weaknesses in tax collection along with CAG observations on lack of effort by the DC raise doubts over effectiveness of these measures.
(iii)	Planning and monitoring of tax audit and fraud investigation programs	D	No special tax audits are conducted.

PI-15 Effectiveness in collection of tax payments

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

For levies/ taxes that are outsourced to collection agents, the Council maintains collection registers that record payments made by agents against the payment schedule agreed in the respective contracts. Apart from these registers, for other levies/ taxes collected by the Council itself, there is no monitoring of receivables.

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

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

Table 43: Broad details on cess

Cess	Who collects	Who evaluates	Frequency
Service levy	In case of services provided to the Council, levy is deducted from payment to businesses; In other cases, businesses are required to pay voluntarily Revenue accountant and Trade officer chase those who have not paid	Revenue and trade accountant officer (Information on business man in the district is provided by TRA.) In addition to this, they also use their own information sources.	Not fixed, as when the transaction is processed and chasing is ad-hoc.
Produce cess	Outsourced to collection agents	Agriculture officer at the beginning of the year and prior to contracting	As specified in the contract – usually on a quarterly basis.

Due to accessibility of the bank branch for depositing revenue collected, it is understood from discussions with DC officials that funds are usually deposited within three days of collection into the own source revenue account of the Council. From the financial year 2014-15, revenue collection agents have been instructed to deposit advances directly to the bank account and submit the deposit slip to the Council.

CAG's Management Letter on the Financial Statements of Longido DC for 2013-14, however, highlighted that there was a delay of banking revenue collection at an average of 3 days to more than two month. This was in violation of Order 37 (3) of the LGFM, 2009 which requires the cashier to ensure prompt banking of amount deposited.

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

Our discussions on the nature of taxes levied and present systems of collection deployed show that at the LGA level, at present, there are no formal assessment and billing systems as prevalent generally for direct taxes (e.g. income tax, VAT).

In case of produce cess, the collection agents submit to the Council their purchase records indicating amounts deducted for cess from the producers based on tonnage supplied. The collection agents pay the amount due directly to the Council's bank account and submit the pay-in-slip together with the purchase record to support the amounts deducted and subsequently deposited. The Council only acknowledges receipt of payments but does not issue corresponding invoices. Service levies are also collected based on the paying organisations' self-assessment backed up with the TRA turnover records. Hence no reconciliations are conducted between assessed, collected and received amounts. However, reconciliation between tax collected and amount transferred to treasury is done on monthly basis.

Table 44: Summary of rating under PI-15

Indicator		Rating	Brief explanation
PI-15 Effectiveness in collection of tax payments		**NR**	
(i)	Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)	NR	There is no reliable data maintained on the total tax arrears of the Council. This does not permit computation of the debt collection ratio.
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	D	As per discussions with DC officials, revenue collections are deposited in the own source revenue account of the Council within a week. However, CAG's Management Letter, 2013-14 highlights significant delays of more than two months in banking of revenue collection.
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	D	Tax arrears information is not available for all sources of revenues. Therefore, complete reconciliation between tax assessments, collections, arrears records, and receipts is not done. However, reconciliation between tax collected and amount transferred to treasury is done on monthly basis.

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

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

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

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

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

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

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

Once the Parliament approves the annual budget for the LGA, an action plan is prepared by the District Council which lists budget allocations against various activities finalised for the financial year. This action plan is shared with all departments of the LGA as well as with LLGs to give them an indication of the resources budgeted for commitments. The DC, however, is largely dependent on the funds from the Central Government (93.65% of the total revenue of the District Council was in the form of grants from the Central Government in 2013-14) and hence, on the communication from MoF on the expected transfers during the financial year. As per discussions with MoF, it is understood that while a ministry level Ceilings Committee reviews the cash flow position of the Central Government on a monthly basis, there is no advance notification made to LGAs on expected fund releases. This, in turn, limits the ability of the District Council to provide reliable information to the spending units on actual resources available for commitment under the Central Government funded projects during the course of the financial year.

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

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

Para 18 of the Local Government Financial Memorandum specifies the modalities for virements and supplementary budget. It is understood from discussions with Council officials that intra-year adjustments to budget allocations are only made once in the financial year during the mid-year review of the Council accounts. Once discussed and approved by the Full Council, requests for virements are submitted to the Regional Administration Officer for approval and onward submission to PMO-RALG. Approval from the PMO-RALG is usually received in a couple of weeks which is followed by an updation of necessary figures in EPICOR.

In 2013-14, virements totalling to TSH 184 million (constituting 5.9% of the total expenditure of the District Council in 2013-14) were carried out across multiple account heads.

Table 45: Summary of rating under PI-16

Indicator	Rating	Brief explanation
PI-16 Predictability in the availability of funds for commitment of expenditures	**D+**	

Indicator		Rating	Brief explanation
(i)	Extent to which cash flows are forecast and monitored	D	In the beginning of the financial year, the LGA prepares a quarterly cash flow forecast for capital expenditure based on payment schedules. However, these forecasts do not include non-development expenditure as well as expenditure from own source revenue. There was no evidence provided to show that these forecasts were updated during the fiscal year.
(ii)	Reliability and horizon of periodic in-year information to departments on ceilings for expenditure commitment	D	No advance intimation is provided to LLGs/ departments to make commitments both related to Central Government transfers and own source revenue transfers.
(iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of departments	B	In 2013-14, in year adjustments decided above the level of spending units were carried out only once during the financial year. The procedure for carrying out these adjustments is well-defined requiring approval of the Full Council, RAO and finally PMO-RALG. However, predictability in virements is hampered by the dependence of the LGA on transfers from the Central Government and the lack of regular communication from the MoF on the expected transfers during the financial year.

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

(i) Quality of debt data recording and reporting

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

At the time of assessment, Longido DC dis not have any debt outstanding. Therefore this indicator is not applicable.

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

Longido DC has seven bank accounts following government's order to rationalize the number of bank accounts kept by the Local Government Authorities. All accounts are required to be kept with National Microfinance Bank which has nation-wide coverage. These include (a) own source collection account, (b) miscellaneous deposit cash account, (c) other charges account, (d) development account, (e) road fund cash account, (f) personnel emoluments account, and (g) National Water Sector Development Programme. Balances as on 30th June 2014 are available in the audited financial statements. The statements also provide details on balances in the accounts of LLGs. Consolidation of cash balances is carried on a monthly basis by the District Treasurer.

(iii) Systems for contracting loans and issuance of guarantees

As mentioned before, MoF is the only agency authorized to issue guarantees. LGAs do not have any role in approval or issuance of guarantees to agencies.

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

In the absence of any outstanding loan for the last completed financial year for Longido DC, this indicator is not applicable for the assessment.

Table 46: Summary of rating under PI-17

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

Section 11:

(1) A local government authority may, from time to time, with the approval of the Minister, given after consultation with the Minister responsible for finance, raise within the United Republic loans for such amounts, from such sources, in such manner, for such purposes and upon such conditions as tie authority concerned may deem fit subject to subsection (2).

(2) Loans raised under this section may be secured upon the revenue of the authority or by mortgage or charge of any land or premises in its ownership or disposition or may be secured both upon such revenues and by such mortgage or charge and shall be repaid within such period as the Minister may approve.

(3) Where any interest or any payment of capital due on any loan remains unpaid for three months after a demand for it has been served on the authority in writing by the person entitled to do so, the Minister may-

(a) order that a rate necessary to produce the sum due be levied upon and collected from the rate-payers of the area either immediately or at such date as he shall order, and for the purpose of raising that sum the Minister shall in addition have the same power as the authority concerned of making and levying a rate under this Act or any other written law;
(b) if requested so to do by that person, order the sale of any property, on which the loan is secured.

(4) The Minister shall have and may exercise all powers conferred upon him by subsection (3) in any case where a loan made to an authority has been guaranteed by the Government and where under the terms of that guarantee the Government has made to or to the order of the lender payment of capital or interest due on the loan.
(5) The power of the Minister under this section of making and levying a rate and issuing a requisition may be exercised at any time.

Section 12:

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

Indicator		Rating	Brief explanation
PI-17 Recording and management of cash balances, debt and guarantees		**C**	
(i)	Quality of debt data recording and reporting	NA	At the time of assessment, Longido DC did not have any outstanding debt.
(ii)	Extent of consolidation of the government's cash balance	C	Longido DC calculates and consolidates cash balances in different bank accounts on a monthly basis.
(iii)	Systems for contracting loans and issuance of guarantees	NA	Issuance of guarantees is the mandate of Ministry of Finance. Also, Longido DC did not have any outstanding loan for the last completed financial year. Hence, it is not applicable for Longido DC.

PI-18 Effectiveness of payroll controls

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

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

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

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

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

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

The forms and documentation then have to be scanned and uploaded on HCMIS by the HR Department officials in the Council for approval by PO-PSM. Since the System's automatic cut-off date for monthly salary is 20th of the month, DC has to send across this information by the 5th of each month to PO-PSM to allow adequate time to validate and approve the changes in personnel records proposed. As per discussions with DC officials, the entire process of updating personnel information in the System should take not more than 4-5 working days. In case of new recruits, depending on the time of joining, salaries may be processed only by the next month.

Based on our discussion with Longido DC and HCMIS reports generated at the time of field visits, there exist various cases of salary arrears. As at 30 June 2014, there were 33 cases where salary was in arrears. These cases were pending as on 20 March 2015 as well.

The Management Letter on the Financial Statements of Longido DC for the year 2013-14 prepared by the CAG identified cases where payment of salaries was made to retired employees due to delay in deletion of employee details from the payroll and/or lack of updated information available to the Head of HR Department responsible for sign-off on the payroll. The Letter also highlighted the ineffective use of HCMIS for updating personnel records evidenced by the existence of 54 unconfirmed employees for a significant period of time. This was in violation of Order 45 (1) pf Public

Service Standing Order, 2009 edition III which required confirmation of employment at the end of the probationary period.

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

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

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

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

In 2013, Internal Auditor General of the Tanzania conducted a payroll study for entire public sector examining July – September 2013 salary payments across the public sector. The report concluded that there are areas where anomalies are found. The current procedure requires each employee to provide one bank account to be entered into the HCMIS for payment of salary. However, the Report finds that across Tanzania, there were cases where payments were made to employees in the accounts which were not recognized by HCMIS (i.e., account which is not entered in the system).

Internal Audit, in its quarterly review reports on systems, is required to also audit payroll. In the internal audit reports for 2013-14, payroll related issues were not recorded in all of the 4 reports for the financial year. While there is no specific annual payroll audit, the Controller and Auditor General does cover payroll weaknesses in its annual audit. The Management Letter on the Financial Statements of Longido DC for the year 2013-14 prepared by the CAG pointed out weaknesses such as (i) statutory deductions made from salaries of retired employees, and (iii) delay in remittances of unclaimed salaries relating to retired/ deceased/ resigned/ absconded employees not being remitted to MoF.

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

Table 47: Summary of rating under PI-18

Indicator	Rating	Brief explanation
PI-18 Effectiveness of payroll controls	**D+**	

Indicator		Rating	Brief explanation
(i)	Degree of integration and reconciliation between personnel records and payroll data	A	Since personnel records and payroll database are part of one system, there is reconciliation between the two once PO-PSM approves the request.
(ii)	Timeliness of changes to personnel records and the payroll	D	Review of reports generated from HCMIS as well as observations by the CAG in the Management Letter for 2013-14 suggest cases of long delays in salary payments. This may, in some cases, indicate changes to personnel records that do not get reflected in the payroll records in a timely manner.
(iii)	Internal controls of changes to personnel records and the payroll	C	The system maintains audit trails reflecting changes made to the system. Access to the System is restricted to only the Head of Human Resource Department in the District Council. However, the audit trail in the System is not documented/filed, verified or even covered by the internal auditors during their assessments. Consequently, the actual authorisation of and basis for the changes is not independently verified during the course of the financial year.
(iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers	B	A payroll audit was conducted in 2013 which identified various weaknesses. There is no annual payroll audit exercise. The CAG and Internal Auditor do cover payroll under their respective audits.

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

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

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

Public Procurement Act, 2011 and Public Procurement Regulations 2013

Application

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

Accessibility

The Act is freely accessible to the public on PPRA website. Information through website is one means of providing information at low cost to all those who might want it. However, this mode of public access is questionable given the low internet penetration[23]. Excerpts from the act are provided in the box below.

Public Procurement Act, 2011

Institutional arrangements

Central

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

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

Local Government

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

Planning

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

Internal controls

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

External scrutiny

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

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

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

Competitive bidding

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

Table 48: Method of selection as per Procurement Regulations 2013

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

Source: Public Procurement Regulations, 2013

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

Public access

Section 68 (1) of the PPA 2011 requires any tender notice to be published in sufficient amount of time. Procurement plans for the year are prepared and approved by the accounting officer. These plans are required to be submitted to PPRA within fourteen days after completion of the budget process. It is not mandatory to publish these plans. On the other hand, section 18(1) of the procurement regulations calls for publishing the summary of general procurement notice (prepared based on procurement plans) for the year in the PPRA journal and the tender's portal. Section 19 (3) provides an option to the procuring entity to publish the tender notice (in case of international tendering) in appropriate foreign or international publications or professional or trade journals. Section 45 (1) of the regulations requires PPRA to publish contract awards under the preference scheme (to local communities) in the Journal and Tender Portal. Section 158 (2) of the procurement regulations provides for publishing of the procurement notice in the Journal and Tender portal when competitive tendering method is adopted. Section 236 mandates the procuring entity to publish the results of the tender to be published in the Journal and Tenders Portal on a regular basis. The act and the regulation do not require the resolution of appeals to be published. However, the online procurement system (e-public procurement) has a module on dispute resolution. All stakeholders can access e-pp with satisfaction of technical requirements after payment of user fee. Users could include procuring entities, prospective tenderers, systems administrators, auditors, development partners, banks and financial institutions, civil society organizations and any group as approved by the Authority.

Dispute resolution

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

Local Government Authorities' Tender Boards (Establishment and Proceedings) Regulations, 2014

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

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

Table 49: Legal and regulatory framework

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

(ii) Use of competitive procurement methods

As mentioned before, PPA 2011 and corresponding regulations provides for open competition as preferred method of procurement. In the last completed financial year 2013-14, the total procurement carried out by Longido DC was of the value TZS 9,568.30 million. Out of this, approximately 91% of the procurement was done through open competition. The remainder 9% of procurement was undertaken through 'minor value procurement'.

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

Item	Goods	Works	Consultancy Services	Non-Consultancy Services	Disposal of assets by tender	Total
Procurement through tender process (competitive tender, competitive quotations, restricted tenders						
Number of contracts	Nil	15	Nil	26	Nil	41
Amount (TZS million)	Nil	8,404.2	Nil	323.7	Nil	8,727.90
Minor value procurements						
Number of Local Purchase Order	240	Nil	Nil	Nil	Nil	240
Amount (TZS million)	840.4	Nil	Nil	Nil	Nil	840.4
Procurement under framework contracts						
Number of Local Purchase Order	Nil	Nil	Nil	Nil	Nil	Nil
Amount (TZS million)	Nil	Nil	Nil	Nil	Nil	Nil
Total procurement (TZS million)						**9,568.3**

Although more than 90% of the procurement in Longido DC is through the tender process, no reliable information is available that shows the 9% done through minor value procurements meets the following three conditions[24] (i) the value does not exceed the limit for minor value procurement prescribed in the Act, (ii) price quoted is reasonable, and (iii) no advantage to a procuring entity is likely to be obtained by seeking further quotations or by using other methods of procurement or the

[24] As laid down by Section 165 of The Public Procurement Regulations, 2013

contract for the provision of such goods, services or works may be a local purchase order. Moreover, CAG's Management Letter on the Financial Statements of the Longido DC in 2013-14 highlighted the following issues pertaining to procurements:

- Procurements made from suppliers not listed by the Government Procurement Services Agency (GPSA)
- Procurement of goods and services without using local purchase orders

The internal audit reports for the District Council for 2013-14 also included observations on minor value procurements being carried out without LPOs/ through LPOs generated outside EPICOR and paid for on a cash basis despite being planned procurements. Though the value of such aberrations constitutes a small fraction of the total minor value procurements by the District Council, their occurrence in every quarter of the financial year indicates weak procurement controls.

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

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

On the other hand, as per PPA 2011, each procuring entity is required to publish the General Procurement Notice (GPN) which essentially constitutes a summary of the annual procurement plan. This summary however, does not include information on the budget amounts for each planned procurement. Procurement officials in Longido DC informed the assessment team that at the beginning of the current financial year, a General Procurement Notice (GPN) was published on the Council's notice board, and ward offices, as well as on PPRA's website. The assessment team confirmed publication of 2013-14 and 2014-15 GPN in the local newspaper –Majira. In addition, the assessment team confirmed that a summary of contract awards are furnished to the PPRA which are published in its weekly journal.

According to the assertions made by the LGA, there were no procurement complaints lodged during the year. While we have noted this in our assessment we are unable to come to an evidence based conclusion in the absence of a structured and documented system for recording and monitoring procurement complaints.

(iv) Existence of an independent administrative procurement complaints system

The Local Government Authorities Tender Board Regulations, 2014 specifies the procedure and format for submission of procurement related complaints by supplier/service provider/ contractor/asset buyer. The Regulations specifies the procurement complaint should be submitted to accounting officer of a Council with copies to PPRA and the regional commissioner. PPA 2011 also permits (not mandatory) the accounting officer to constitute an independent review panel from within or outside the organisation depending on the nature of the procurement. Longido DC had a complaint Register that was maintained for lodging complains to the DED. However, up to the time of the assessment, there was no complaint recorded in the register. It should be noted that the accounting officer (also called District Director) is the decision maker in the procurement process which undermines the independence of the procurement complaints system at the LGA level, and this could be the reason that bidders do not see the essence of lodging their complains to the same body involved in the respective decision. The Regulation also mandates a non-refundable fee of TZS 100,000. The non-refundability of the fee irrespective of decision taken upon the complaint adversely impacts the decision of the concerned parties to file a complaint. The Regulations mandates the

Accounting Officer to suspend the procurement or disposal meetings where a continuation of the proceedings might result in an incorrect contract award decision or making worse any damage already done. The Regulation also specifies the time limit (30 days) post receipt of the complaint within which the Accounting Officer is required to delivery its written decision. PPA 2011 specifies that the decision of the Accounting Officer is final unless the complainer applies for administrative review to the Appeals Authority.

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

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

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

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

Table 51: Summary of rating under PI-19

Indicator		Rating	Brief explanation
PI-19 Transparency, competition and complaints mechanisms in procurement		**D+**	
(i)	Transparency, comprehensiveness and	B	The legal framework meets five of six requirements.

Indicator		Rating	Brief explanation
	competition in the legal and regulatory framework		
(ii)	Use of competitive procurement methods	D	For the 9% of the contracts which were procured through alternative methods of procurement, only local purchase order method was used. However, given CAG's observations on control lapses, it cannot be ascertained if these procurements were in line with the legal requirements and therefore, justified.
(iii)	Public access to complete, reliable and timely procurement information	D	Annual procurement plan and the GPN are published. Data on resolution of the procurement complaints are not published. The assessment team however does not have access to data on what percentage of actual compliance was achieved by the Council for procurement operations as required by the PEFA rating criteria and whether all such data was indeed made available to the public in a timely manner.
(iv)	Existence of an independent administrative procurement complaints system	D	Procurement related complaints at the LGA level are addressed by the accounting officer (although the act allows the Officer to constitute independent panel but it is not mandatory). The Regulations mandates payment of non-refundable fees. The Vendor if not satisfied with decision at the LGA level can approach PPRA and Public Procurement Appeals Authority. The Appeals Authority is liable to collect revenues from service rendered. Additionally, the PPA Act does not mandate civil society representative to be member of the authority.

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

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

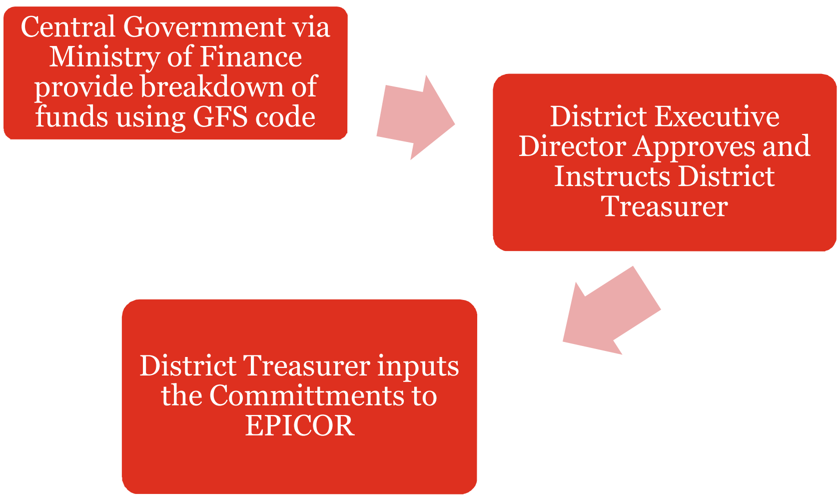
Para 8 (2) of the Financial memorandum specifies that one of the responsibilities of the Council Treasurer is to ensure that an effective system of internal control is operated including the writing and subsequent revision of detailed financial procedures. Para 11 (1) provides the mandate to (i) the

Finance Committee for approval of the internal control procedures; and (ii) the Council Director for distribution to the respective officers within the Council. Para 11 (2) provides that it is the responsibility of the Council Director and Treasurer to operationalize the systems of internal controls; while para 13 (2) provides for the Internal Audit Unit's responsibility to independently appraise effectiveness and adequacy of the internal control system within an LGA. In addition to the internal review of internal controls by the internal audit function, the NAOT's Regularity Audit Manual (2014) specifies that external audit by the CAG should also include reporting on effectiveness of internal controls and the internal audit function.

(i) Effectiveness of expenditure commitment controls

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

During our assessment, it was observed that Longido DC was using the integrated financial management system (EPICOR) that had already been installed. This system has an embedded function for commitment control. When used, the system is able to limit commitments to the available cash.



However, during discussions with DC officials it is understood that purchase of certain goods/services essential for day to day operations of the LGA, such as fuel, stationary, vehicle maintenance, etc. is carried out through manual LPOs raised outside EPICOR. Due to the nature of these goods/ services, their purchase cannot be postponed till confirmation of receipt of funds.

CAG's Management Letter on the Financial Statements of Longido DC for 2013-14 identified procurements worth TZS 17.6 million that were carried without issue of LPOs.

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

Across all LGAs in Tanzania, a set of regulations/manuals/standing orders outlines the internal controls for important areas of non-salary expenditure. These include:

- ***Local Government Financial Memorandum*** covering budget monitoring, virements, budgetary controls, procurement of goods and services other than tender, broad duties of council staff for financial management
- ***Local Government Accounting Manual*** to provide a sound framework for financial control to LGAs
- ***Procurement Regulations, 2014 and Local Government Authorities' Tender Boards (Establishment And Proceedings) Regulations, 2014*** setting the framework for undertaking public procurement to maximize fairness and efficiency; and
- Various standing orders issued by PMO-RALG from time to time.

In addition, Longido DC has a draft internal control manual which is pending approval by the Full Council.

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

The understanding of the staff dealing directly with application of internal controls can be gauged by staff capabilities, trainings provided and the level of compliance. On the compliance side, the CAG as well as the Internal Auditor in some of its previous audit reports have highlighted issues related to compliance with internal control rules. Table 52 shows comments given by the Internal Auditor in the report for the period July-September 2014.

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

Internal Audit Report	Issue	Details
First Quarter, 2014-15	Payment made by consumers at the village level were spent directly without being banked first	TZS 26.9 million was paid by water consumers in the council perimeters. However, the amount was not banked in the council account, which is a violation of Section No. 50 (5) of LAFM, 2009 which requires the Council to deposit all collections made to the bank within one day of collections.
First Quarter, 2014-15	Cash book not been used at the village level	Council had not started using the cash book in the first quarter of the FY2014 – 15, infringing Section No. 32 (1) (a), of LAFM, 2009, which insists on the use of the Cash Book.
First Quarter, 2014-15	Missing supporting documents	No supporting documents were found for a total expenditure of TZS 49.1 million. This is a sign of weak internal controls and in contravention of Section No. 10 (2) (d) of the LAFM, 2009, which requires all expenses to have supporting documents.

Internal Audit Report	Issue	Details
First Quarter, 2014-15	Missing Vouchers	Transaction vouchers worth TZS 268.7 million were not available for the Internal Auditor's review.
First Quarter, 2014-15	Payments without pre-audit	Payments amounting to TZS 133.8 million were made without being pre-audited.
First Quarter, 2014-15	Receipt and expenditure report at village level not being presented	Without presentation to the village assembly, reliability of receipts and expenditure report is compromised.

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

LAAM describes, in detail, rules for processing and recording transactions. The CAG's management letter on the financial statements of Longido DC for 2013-14 points out notable instances of weaknesses in compliance for 2013-14. Table 53 shows such select cases of non-compliances to rules.

Table 53: Select cases of weaknesses in internal controls

Area	Issue	Implication
Data integrity	No written/ documented IT security policy and procedures; inadequate IT staff; absence of IT capacity building initiatives; non-updation of anti-virus programs	May lead to financial fraud, theft of data, users failing to comply with security policy and security breaches
Expenditure management	Missing payment vouchers for TZS 50.45 million; improperly vouched expenditure of TZS 453.13 million	Improper payments. Propriety of payments cannot be confirmed with possibilities of fund misappropriation as referred to by the CAG.
Cash management	In-appropriate handling of safe locks; unrestricted access to cash office; use of movable cash box; discrepancy in theoretical cash calculated based on unbanked revenue and actual cash on hand	Safe custody of public funds and valuables not assured; misappropriation of cash on hand
Asset Management	Inadequate stock staking	Incomplete assessment of LGA's assets
Recording	Expenditure amounting to TZS 39.75 million charged to wrong GFS codes without prior approval of reallocation by the Finance Committee of LGA	Planned activities may not be implemented and financial reporting is incorrect.

Source: CAG Management Letter 2013-14

On closing of accounts on a monthly, quarterly and annual basis the Council runs the error report and prepares Journal Voucher (JV) to rectify the identified errors. However, the Council does not maintain a record of error rate for the respective period. Therefore, it was difficult for this assessment to conclude on the error and/ or rejection rates and confirmation on the understanding of the rules and compliance with them.

Table 54: Summary of rating under PI-20

Indicator	Rating	Brief explanation
PI-20 Effectiveness of internal controls for non-salary expenditure	**D+**	
i. Effectiveness of expenditure commitment controls	C	While majority of the expenditure incurred by the District Council is subject to the commitment controls in built in EPICOR, procurement of goods/services for some council activities continue to be incurred by raising LPOs outside the System even during the time of no funds. This practice results in generation of payment arrears.
ii. Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	Regulations/manuals have been updated to reflect recent public financial management reforms. A draft internal control manual has been prepared by the District Council but awaited final approval by the Full Council at the time of this assessment. In the absence of roll-out of this manual, there is no proper guidance for the council staff neither on the day to day operations nor on the complexities of operations in a computerized environment. In addition, findings from various reviews, including internal audits, indicate some compliance issues to the internal control requirements.
iii. Degree of compliance with rules for processing and recording transactions	D	The observations relating to non-compliance to rules specified in CAG's Management Letter for 2013-14 are significant and indicate serious compliance issues to the internal control requirements.

PI-21 Effectiveness of internal audit

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

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

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

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

(i) Coverage and quality of the internal audit function

Internal Audit is a separate department in the Longido DC set up. While the financial regulations are not explicit in the size of the Internal Audit Unit, it is headed by the Chief Internal Auditor who reports to the District Executive Director. Supporting the District Internal Auditor (DIA) there were 2 other audit staff, making the total number of employees in that department become 3 in line with the country wide council requirement of 3 staff. Selection of staff for this department is done at the Central level through the Prime Minister's Office Public Service Management, where they determined their required entry qualifications and progression criteria as they acquire further qualifications and on the job experience.

While assessing Longido DC, we observed that the IAF was independent of the payment and accounting processes. We also confirmed that the Internal Auditors cover all activities of the council, public service delivery units and the village level governments.

Although discussions with the DIA and review of the Internal reports confirmed that the IAF performed both transaction as well as systems audit, there was no evidence of conscious quantification of time spent between the transaction and systems audits (in the absence of time sheets). Though a specific split between system based and transaction based audit was not readily available in the audit plans, the performance audit included areas and objectives that could be performed by a mix of verification of systems compliance as well as assurance that all transactions are evidence based and in line with laid down policies. A review of six recent quarterly Internal audit reports and the nature of comments and observations mentioned in such reports showed on the whole, that about 46% only of the focus was on systemic issues and the balance of 54% on transactions. Notable high systems coverage is on the quarter 1 October – 31 December 2014, where the coverage was 65% followed by 4th quarter 1 April – 30 June 2013 where coverage was at 50%. The rest quarters, the coverage of systems was below 50%. Breakdown of internal audit focus per quarter is presented in Table 55.

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

Quarter	Systems – areas (%)	Transaction/compliance – areas (%)
1 July – 30 September 2013	9 (47%)	10 (53%)
1 October – 31 December 2013	13 (65%)	7 (35%)

Quarter	Systems – areas (%)	Transaction/compliance – areas (%)
1 January – 31 March 2014	10 (45%)	12 (55%)
1 April – 30 June 2014	7 (50%)	7 (50%)
1 July – 30 September 2014	4 (31%)	9 (69%)
1 October – 31 December 2014	1 (14%)	6 (86%)
Total	44 (46%)	51 (54%)
Average	7.3 (46%)	8.5 (54%)

The CAG in its latest available Management letter for the year 2013-14 had highlighted weaknesses relating to the IAF to include (i) delays in information relay from the management; (ii) shortage of IAF staff due the CIA pursuing full time MBA course; (iii) lack of adequate continuity capacity building plan to all IAF staff; (iv) limited office space for the adequate IAF staffing and equipment; (v) Inadequate office furniture; (vi) low response in internal audit recommendations by the management; (vii) lack of IAF's evaluation of implementation progress against planned activities; (viii) non-submission of the IA plan to the Audit Committee and Accounting Officer; (ix) lack of review and reporting on the adequacy of internal control for computerised systems, including EPICOR; and(x) absence of files containing adequate and detailed documentation.

(ii) Frequency and distribution of the reports

Para 14(7) of the Financial Memorandum requires the Internal Auditor to prepare and submit two (2) reports to the accounting officer – quarterly and annual reports, to be submitted 15 days after the end of the quarter and the year, respectively. According to the IA reporting structure presented in the Internal Audit Manual for LGAs, Head of IA Unit is administratively required to report to the Council Director, and technically/professionally to the Audit committee. Paras 14 (6) and 14(8) of the Financial Memorandum require that after action by the Finance Committee, the Accounting Officer is required to forward a copy of the Internal Audit report to the CAG (residential auditor), Permanent Secretary for PMORALG, and RAS within 15 working days from the date of receipt from the Internal Auditor.

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

It is understood from discussions with DC officials that the Council prepares quarterly reports. For the purpose of this assessment, a total of 6 quarterly internal audit reports starting from 30 September 2013 to 31 December 2014 were reviewed. The IAF also prepare a specific annual report which summarizes the IAF's observations for the year by incorporating accumulated issues that remained outstanding at the end of the year from each quarter and summarizes the challenges the IAF faced for the year.

We noted that the IA reports were submitted to the Council Director during Full Council meeting after the 15th of the month following each quarter for the whole year 2013 - 14 till Quarter 2 of 2014-15. It was also brought to our attention that the report is distributed by the Council Director to other stakeholders such as IAG (following the very recent decision that eliminates need for sharing with PMO-RALG), CAG and RAS.

The audit reports reach the audited entity through the Council Director who consults the Heads of Departments before responding to audit observations.

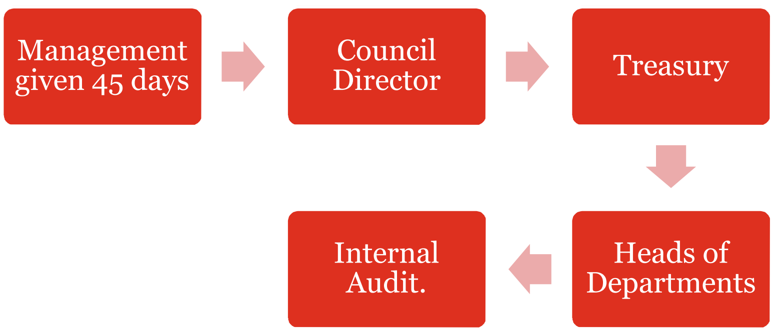
Table 56: Dates for distribution of Internal Audit Reports

SN	Period	Date submitted to Council Director	Date Council Director forwarded to CAG, PMORALG, RAS and IAG
1.	1 July – 30 September 2013	28 October 2013	• NAO/RAS-Arusha (31 October 2013)
2.	1 October – 31 December 2013	24 February 2014	• NAO/RAS-Arusha (28 February 2014)
3.	1 January – 31 March 2014	12 May 2014	• NAO/RAS-Arusha (14 May 2014)
4.	1 April – 30 June 2014	22 July 2014	• NAO/RAS Arusha (31 July 2014)
5.	1 July – 30 September 2014	27 October 2014	• NAO/RAS/ - Arusha (29 October 2015)
6.	1 October – 31 December 2014	30 January 2015	• NAO/RAS/ - Arusha 30 January 2015

(iii) Extent of management response to internal audit findings

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

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



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

Table 57: Status on recommendations

Quarter	No. of implemented recommendations from previous quarter	No. of recommendations still outstanding from previous quarter
1 July – 30 September 2013	-	51
1 October – 31 December 2013	41	10
1 January – 31 March 2014	5	15
1 April – 30 June 2014	8	14
1 July – 30 September 2014	1	13
1 October – 31 December 2014	10	3

On the whole the quality of the reports was reasonable to provide a clear picture of the nature and extent of recommendations that are due for implementation for long periods of time. Therefore, a credible system of follow up is in existence in Longido DC. However, the management response to the IA recommendations was very poor.

Table 58: Summary rating for PI-21

Indicator	Rating	Brief Explanation
PI-21 Effectiveness of internal audit	**C+**	
(i) Coverage and quality of the internal audit function.	C	There were no targeted coverage based on risk based plans that included both transaction and system based audits. Sample audit reports showed significantly low coverage of systems audit (below 50%).
(ii) Frequency and distribution of reports	B	Reports did not adhere to the fixed quarterly and annual schedules. All reports were submitted to the Council Director after 15th of a month succeeding end of the quarter. Reports distributed to the CAG, PMORALG, IAG and RAS were also not submitted on time. The audit reports reach the audited entity through the Council Director who consults the Heads of Departments before responding to audit observations.
(iii) Extent of management response to internal audit	C	Delays in management responses as revealed from significant

findings		outstanding recommendations from previous quarters and highlighted in the CAG's Management Letters on the Financial Statements for Longido DC for FY2013-2014 has contributed to the rating of C.

5.4.3. Accounting, Recording and Reporting

PI-22 Timeliness and regularity of accounts reconciliation

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

(i) Regularity of Bank Reconciliations

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

Longido DC has seven (7) active bank accounts. Bank reconciliations are regularly performed on all bank accounts on a monthly basis and are available by the 15th of the following month for the previous month. The status of reconciliations at the time of our visit on 17 and 18 March 2015 is shown in Table 59.

Table 59: Reconciliation status

S. No.	Name of the Account	Reconciliation Completed up to	Date of Approval by DT
1	Development Account	28/02/2015	13/03/2015
2	Own Source Revenue Account	28/02/2015	11/03/2015
3	Road Fund Account	28/02/2015	13/03/2015
4	NWSDP Account	28/02/2015	12/03/2015
5	Personal Emolument Cash Account	28/02/2015	11/03/2015
6	Other Charges Expenditure Account	28/02/2015	13/03/2015
7	Miscellaneous Deposit Account	28/02/2015	13/03/2015

Our review of the bank reconciliation statements revealed that they were prepared at a detailed level and there were no unresolved differences between the Council's cash account and the bank statements.

A review of CAG's Management Letter on the Financial Statements of Longido DC for 2013-14 noted that revenue amounting to TSH 97.81 million was collected from various sources but was not banked.

Also, a sum of TZS 4.97 million was collected and accounted for but the amount banked was only TZS 2.95 leaving the remaining TZS 2.02 million unbanked.

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

As per provisions of Section 40 of the Local Government Finances Act (LGFA), LGAs are authorized to make advances and operate deposit and suspense accounts. However, we were informed that in line with instructions issued by MoF, there is no usage of suspense accounts by the LGA at present. Our discussions confirmed that staff advances for salaries were being given and these are also accounted for in the latest audited financial statements for 2013-2014. The norms for making personal advances to employees as prescribed by para 41 of the Financial Memorandum only covers (i) salary advances up to a maximum of 3 month salary, recoverable over a maximum 12 instalments (ii) personal salary advance not exceeding one month pay and recoverable in the same month. Paras 5.17 and 5.18 of LAAM prescribes registers for imprest and salary advances respectively. Para 39 of the FM permits LGAs to issue standing imprests for minor cash purchases which need to be settled at monthly or shorter intervals. Para 40 of the FM also allows special imprest which needs to be settled within two weeks failing which surcharge has to be levied.

As per the audited annual financial statements, salary advances and imprest to staff at the end FY 2013-2014 amounted to TZS 6.62 million.

Table 60: Summary rating for PI-22

Indicator	Rating	Brief Explanation
PI-22 Timeliness and regularity of accounts reconciliation	**B+**	
(i) Regularity of Bank Reconciliations	A	Bank reconciliations for all the bank accounts take place on a monthly basis at aggregate and detailed levels and are prepared within two weeks of the end of the previous month.
(ii) Regularity of Reconciliation and clearance of Suspense Accounts and advances	B	While the District Council does not have a suspense account, it does sanction salary advances and provide imprest amounts which are required to be reconciled on a monthly basis with outstanding balances recorded in the annual financial statement for the LGA. As per the audited AFS for 2013-14, the LGA had recoverable salary advances and imprest amounts outstanding on 30 June 2014, amounting to 0.04% of the total expenditure of the Council.

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

(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service

delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.

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

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

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

There are a total of 45 primary schools in Longido district which includes 41 government schools and four (4) private schools. The council only provides counselling, examination, inspection and sports related support to the private schools. There are 8 secondary schools in Longido district out of which 7 are public and one (1) is a private. The council does not provide any financial support to the private schools.

The Heads of Primary and Secondary Education Departments at the council informed the assessment team that a list of funds disbursed to schools is prepared and provided to the Ward Education Officers for publishing on the ward and village notice boards. Ward Education Officers are also kept in the loop when funds are disbursed to schools so that they can keep the council abreast in terms of when cash is actually received by schools and expenditure is planned.

The assessment team was provided details of transfers made to schools in 2011-12, 2012-13 and 2013-14 covering both cash and in-kind transfers from the council.

As regards transfers related to health expenditure , the council supports 26 health facilities –3 health centres (3 council owned and 1 FBO); and 23 dispensaries (21 council owned, and 2 FBOs). There were two (2) more HCs at advanced construction stage. Therefore, the number of health facilities in Longido was expected to increase to 28. Most of funds transferred by the Treasury to the council for primary health facilities are not disbursed to the primary health facilities; rather the Longido DC incurs expenditure on behalf of the primary health facilities and transfers the procured items for their consumption.

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

The accounting system, i.e. EPICOR, in Longido DC is not geared to capture in- kind resources received by service delivery units (specifically primary schools and primary health centers). The Council however, prepares and shares quarterly management information report (that is not generated through the accounting system) on type of cash and in-kind transfers made to schools and health centres with PMO-RALG. In addition, the council undertakes periodic inspection of service ledgers maintained by the lower level facilities and annual stock taking for items in possession at each service unit.

In the last three years, there have not been any special surveys undertaken to collect data on resources to services delivery units, but annual assessments have been undertaken on the SDUs' requirements for the respective subsequent years. In 2010 a public expenditure and tracking survey was undertaken for primary and secondary education in Mainland Tanzania. Some of the issues highlighted in the study were (i) significant disparities in allocations between urban and rural councils and to primary education (ii) discretionary funding channels involving multiple ministries and disbursement channels.

Table 61: Summary of rating under PI-23

Indicator		*Rating*	*Brief explanation*
PI-23 Availability of information on resources received by service delivery units		**B**	
(i)	Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units.	B	Our findings are • EPICOR does not capture all information at the individual service delivery level since each unit of service delivery is not defined as a cost centre (e.g. a particular school or health centre). But collated information is available from the system e.g. Health Admin department is a cost centre under which there are categories of dispensary, health centres, etc. • However data is available at the department level on transfers both cash and kind for education and health • Quarterly and annual reports are available for health and secondary education. A PETS has examined systemic issues but there is no data available on service delivery units.

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

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

In-year budget reports are prepared by Longido DC on a quarterly basis on Microsoft Excel using information drawn from the EPICOR system. The reports provide information on actual income and expenditure for the quarter as well as cumulatively and compares with the annual approved budget. The reports however, do not provide information on commitments. Since the structure of information used in preparing the report is derived from the EPICOR system, the in-year budget reports conform to the GFS classification of expenditure and revenue classification as adopted centrally. The in-year budget reports provide aggregated information for all departments, lower level service units as well as development projects. The reports are prepared by the revenue and expenditure Accountants.

(ii) Timeline of the issue of reports

In-year budget reports are prepared on a monthly basis and submitted to the District Council's Finance Committee within 15 days following the end of the previous month. Feedback and comments from the Committee is taken into consideration with suitable revisions to the reports. Monthly reports are consolidated into quarterly reports and presented to the Full Council.

(iii) Quality of information

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

Table 62: Summary of rating under PI-24

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

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

PI-25 Quality and timeliness of annual financial statements

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

(i) Completeness of the financial statement

Para 31(3) of the LGFM[25] prescribes the composition of the financial statements which are to include: (a) statement of financial position; (b) statement of financial performance; (c) statement of change in net assets; (d) cash flow statement; (e) statement of financial performance by function; and (f) statement of comparison of budget and actuals by nature and by function. The LGFM further prescribes that the formats of (a) and (b) above shall be those prescribed by the International Accounting Standards Board as applicable to the public sector. The financial statements are to be supported by disclosure of accounting principles and policies and provide explanatory notes for better understanding. Detailed itemised schedules are not stipulated to form part of the published accounts but the LGFM also specifies that supporting schedules must be made available to the CAG for audit.

Results of our assessment of the last available audited financial statements for Longido DC for FY 2013-14 and underlying systems from the perspective of completeness are given in Table 57

Table 63: Comments on audited financial statements

Topic	Comments
Components of financial statements	Based on the last financial year audited till the date of our visit it was noted the financial statements for FY 2013-14 include statements on: (i) financial position; (ii) financial performance; (iii) changes in net assets; (iv) cash flow. In addition, the following matters are included: • A Statement of Responsibility signed by the Accounting Officer containing affirmations on the compliance with internal controls, integrity of the financial statements and their compliance with IPSAS and the directives issued by the Ministry; • Notes to the financial statements; • Summary of significant accounting policies; • Statement of financial performance by function (key departments/service centres); • Comparison of budget and actual by nature (type of expense or income); and

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

Topic	Comments
	• Comparison of budget and actual by function.
Consolidation of information	We noted that the accounting information reflected in the financial statements included those of all the departments of the Council and its wards, operating service delivery units and villages. Since the production of final accounts is centralized, aggregation of information is undertaken by the District Treasurer based on information shared by units/wards. Based on our discussions, we understand that individual service delivery units (e.g. a single primary health care unit under the health department) are not considered as separate cost centres and financial statements cannot be generated centrally for such individual units. However their operations are integrated with the departmental expenditure and hence with the overall accounting system.

The assessment team also noted that in only one out of the last three completed financial years, Longido DC received unqualified audit report from the CAG. The details are:

- FY 2011-12, the CAG provided an unqualified audit opinion by indicating that the financial statements presented fairly, in all material respects, the financial position of Longido DC as at 30 June 2012
- For FY 2012-13, the CAG provided a qualified audit opinion on Longido DC's financial statements The basis for the CAG's qualification were:
  - Overstatement of deferred recurrent grants by TZS 111.81 million
  - Unsupported payment amounting to TZS 70.65 million
  - Expenditure not properly supported amounting to TZS 276.94 million
  - Payment not acknowledged TZS 145. 02 million
- For FY 2013-14, CAG provided a qualified audit opinion on Longido DC's financial statements The basis for the CAG's qualification were:
  - Improperly vouched expenditure TZS 453. 13 million
  - Revenue collected but not posted to the General Ledger amounting to TZS 150.86 million
  - Missing revenue earning receipt books – 37 books
  - Overstatement of own source revenue by double receipting of same amount TZS 39.25 million
  - Missing payment vouchers for TZS 50. 45 million
  - Overstatement of depreciation charge during the year amounting to TZS 202. 97
  - Understatement of cash and cash equivalent TZS 275. 65
  - Mis-statement of deferred recurrent grants TZS 631. 79

(ii) Timeliness of the submission of the financial statements

Para 31(1) of the LGFM prescribes that the final financial statements must be properly compiled and submitted to the Full Council and thereafter to the CAG within 3 months after the end of the financial year. Table 64 presents the compliance to timelines for the last 2 financial years.

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

Activity	2012-13	2013-14
Submission to National Audit office	27^{th} Sep 2013	15^{th} October 2014

Submission of revised statements to National Audit Office	31st December 2013	29th December 2014

The CAG Management Letters on the Financial Statements of Longido DC for 2012-13 and 2013-14 highlighted that the first submissions by the District Council had various errors, omissions, non-disclosures and improper disclosures which led to understatements and overstatements of the LGA finances. This led the CAG to believe that the financial statements had been submitted solely for the purpose of meeting deadlines.

(iii) Accounting standards used

Para 31(4) of the LGFM mentions that the LGA statement of financial position and statement of financial performance shall be in the" formats" prescribed by International Accounting Standards Board applicable to the public sector. The notes to the financial statements mention that they have been prepared based on the IPSAS and the provisions of the Local Government Finances Act. The notes also describe all the significant accounting policies applicable to the financial statements. With the exception of 2011-12, CAG provided a qualified audit opinion on the financial statements for 2012-13 and 2013-14 indicating that the statements of financial position, financial performance and cash flows did not present, in all material aspects, the information in accordance with IPSAS and Chapter IV of the LGFA. These qualifications were substantive and in our view raise issues related to the underlying controls and the capacity of the LGA to follow international standards prescribed by IPSAS.

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

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

The Annual Reports of the CAG for FY 2012-13 and FY2013-14 for LGAs have referred to the challenges of IPSAS based accounting in the context of significant errors/discrepancies in compilation which have to be corrected and the imminent need for training of LGA personnel on the accounting expectations for full IPSAS compliance. Taking into account the opinion of the CAG, it may therefore be construed that the presentation of the financial statements are based both on IPSAS as well as the stipulations of local legislation as defined in Part IV of the Local Government Finances Act.

Table 65: Summary rating for PI-25

Indicator	*Rating*	*Brief Explanation*
PI-25 Quality and timeliness of annual financial statements	**C+**	

Indicator		Rating	Brief Explanation
(i)	Completeness of the financial statements	C	Though financial statements are prepared as prescribed, their completeness is vitiated by references in audit qualifications to several matters including overstatement of own source revenue and depreciation charges, understatement of cash and cash equivalents, unaccounted receipt books etc.
(ii)	Timeliness of submission of the financial statements	A	The financial statements for the last audited year FY 2013-14 were initially submitted to the external auditors on 27 September 2014 i.e. within the prescribed three month time period from close of the fiscal year. The revised statements were submitted on 29 December 2015 i.e. within six months of the end of the fiscal year.
(iii)	Accounting standards used	B	Standards applied are a mix of IPSAS as well as practices prescribed by the LGFA. In view of the qualifications subject to which the auditor has certified compliance, application of these standards across all statements is not ensured.

5.4.4. *External Scrutiny and Audit*

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

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

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

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

Table 66: Regulatory framework for external audit

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

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

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

Our review of the CAG audit report for Longido DC shows that in essence it is in the nature of financial audit. It includes a detailed review of internal control systems and observations of the CAG on the control weaknesses which is furnished to the Council separately through a Management letter. Based on our discussions with the NAOT, we understand that a risk based approach is adopted and the specific of the approach and methodology is determined keeping in mind the prescriptions of the Regularity Audit Manual (RAM) depending on the circumstances.

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

The ambit of coverage for audit purposes is total –the entire aggregated LGA financial transactions including its departments and sub components comprising the wards, departments, and primary service units. However, keeping in mind the risk based approach, systematic sampling is adopted for each component of the financial statements and the methodology of sampling may vary. Based on our discussions with the NAOT, we were informed that in line with the Regulatory Auditing Manual (RAM), the specific technique mandated to be adopted is a mix of (a) 100% selection where the number of items are small but of significant value or exposed to high risk or is cost effective considering its repetitive nature (b) selection of abnormal items or specific ones of high value (c) c) adoption of audit sampling in line with ISSAI auditing standards. Our discussions with the NAOT revealed that in general, on the average about 50 to 75 percent of expenditure were covered during the audit assessments. We also note from the CAGs comments on the scope of audit in his audit report for Longido DC for FY 2013-14 that the audit was on a sample basis and therefore findings are confined to the evidence made available in course of his audit.

Section 18 of the Public Audit Act prescribes that the CAG shall determine which auditing standards should apply and may issue auditing standards and code of ethics as applicable. NAOT is a member of the International Organisation of Supreme Audit institutions (INTOSAI), the Africa Organisation of Supreme Audit Institutions (AFROSAI) and Organisation of Supreme Audit Institutions-English Speaking countries (AFROSAI-E). Being a member of these, the NAOT is obliged to follow the International Standards of Supreme Audit Institutions (ISSAI) and International Standards on

Auditing (ISA) issued by the International Federation of Accountants (IFA). This is a matter also reaffirmed by the CAG in his report for the LGA.

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

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

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

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

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

The Annual General Report on the financial statements of all LGAs for the year 2012-13 was submitted by the CAG to the President on 28 March 2014. The dates for submission of the LGA Reports to the National Assembly for the last few years have been given in **Table 67**. In 2012-13, the audit report was submitted to the District Council on 16 April 2014, i.e. within 8 months of submission of the financial statements by the LGA to the CAG.

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

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

(iii) Evidence of follow up of audit recommendations

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

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

CAG's Management Letter on the Financial Statements of Longido DC for 2013-14 mentioned that the implementation status of the previous year recommendations was not satisfactory owing inadequate management follow up to address the outstanding audit observations. Table 68 shows the status of implementation of implementation of CAG's recommendations for 2012-13 and 2013-14.

Table 68: Status of implementation of previous year CAG recommendations

Status	Number of recommendation (as% of total recommendations)	
	2012-13	2013-14
Implemented	21 (36%)	5 (5%)
Under Implementation	0	104 (95%)
Not Implemented	38 (64%)	0
Overtaken by events	0	0
Total	59 (100%)	109 (100%)

Though the District Council has established an Audit Committee, the Management Letter for 2013-14 stated that there was no evidence that the Committee reviewed the:

- Overall risk environment of the Council at the beginning of the year
- Internal controls of the Council for 2013-14
- Financial statements prepared by the management of the Council

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

Table 69: Summary rating for PI-26

Indicator	Rating	Brief Explanation
PI-26 Scope, nature and follow-up of external audit	C+	
(i) Scope/nature of audit performed (including adherence to auditing standards)	B	The essence is the financial audit of the year end accounting statements but it also focusses on a risk based approach and significant as well as systemic issues. Audit also adheres to INTOSAI auditing standards. Performance audit per se is yet to start on a noticeable basis.
(ii) Timeliness of submission of audit reports to legislature	B	The base period is the time taken for submission of the audit report to the LGA after receipt of the final financial statements by CAG for audit. Longido DC submitted the final statements for 12-13[26] to CAG in September 2013. The audit report was submitted to the District Council on 16th April 2014, approximately three weeks before it was submitted to the National Assembly on 7 May 2014.
(iii) Evidence of follow up on audit recommendations	C	Responses to management letters are made but evidence of systematic follow up is absent as evidenced by comments provided and repeat comments in subsequent years. The notable weakness of the Audit Committee functioning referred to by the CAG is a specific pointer to the state of follow up in this regard.

PI-27 Legislative scrutiny of the annual budget law

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

(i) Scope of the Full Council's scrutiny

Longido is governed by a District Council established under the Local Government (District Authorities) Act 1982 and the Full Council is responsible to take all decisions relating to the Longido

[26] Though the audited statements for 13-14 have been made available only recently after our visit, the base for rating has been taken as the AFS for 12-13 since the full cycle of dates including when actually the audited statements were made available to the Council of the LGA were not available at the time of preparation of the draft report for the District Council.

DC. There is a Finance, Administration and Planning Committee that deliberates on the budget proposals received and inputs from the District and Regional Consultative Committees are also considered. The final proposals are then forwarded to the Full Council for approval. Feedback received in course of our discussions and from the minutes of the approval meeting shows that the nature of the discussions relates to estimates of expenditure and revenue. The assessment team was also informed that the Full Council reviews both the budget as well as the quarterly financial reports and annual financial statements. Our review of the minutes of the Full Council's meetings revealed that the Full Council deliberates on the following issues relating to budgets:

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

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

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

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

Apart from the Finance, Administration and Planning Committee, Longido DC also has three other Committees: Education, Health and Water Committee; Council HIV/AIDS Control Committee; and Economic, Urban Planning and Environment Committee. The Council has not shared with the assessment team the standing orders, as required by the provisions of LGDA, which lay down the composition and responsibilities of these standing committees. However, minutes of meetings of these Committees held for review of the budget proposals for the financial year 2013-14, have been documented and shared by the LGA.

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

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

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

A review of the minutes of the Full Council meeting for approval of budget in 2013-14 reveal that the budget was reviewed, discussed and approved on the day of the meeting itself.

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

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

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

The assessment team was informed that in Longido DC, virements are done after approval by the Finance Committee and Full Council approval and inputs of such virements are provided to PMORALG. Our review of a sample of minutes of the Full Council's meetings revealed that Longido DC does not breach of any rules pertaining to virements. Minutes provide details such as line items where funds are reallocated as well as the amounts being reallocated. This is backed by reasons for the allocations and revised budgets for the affected line items. As per feedback from Longido DC, no supplementary budgets are being raised for additional expenditure.

Table 70: Summary rating for PI-27

Indicator	Rating	Brief Explanation
PI-27 Legislative scrutiny of the annual budget law	**D+**	
i. Scope of the Council's scrutiny	C	The Full Council deliberates on revenue and expenditure but only after detailed proposals are finalized.

Indicator	Rating	Brief Explanation
ii. Extent to which the Council's procedures are well established and respected	C	Broad guidelines for budget review are provided for in the LGFM and LGDA. These include constitution of and review by specialised review committees or standing committees. The Council has not shared the standing orders as required by LGDA that lay down the composition and functions of these standing committees. Moreover, given the reliance on transfers from the Central Government and the delay in communication on ceilings by MoF, the Council revises and finalises the budget estimates without consultation/ negotiation with the affected stakeholders. This undermines the effectiveness of the legislative procedures laid down for budget review.
iii. Adequacy of time for the Council to provide a response to budget proposals	D	As per feedback available, the budget is approved by the Finance Committee in significantly less than one month while the Full Council approves the budget within a day. This is clearly insufficient for a meaningful debate.
iv. Rules for in year amendments to the budget without ex ante approval by Council	B	Clear rules exist in the LGFM on the in-year budget amendments procedures. However, they do not set strict limits on the extent of these amendments. The District Council adhered to the rules for carrying out virements and sought approval from the Councillors before making any in-year budget amendment decisions.

PI-28 Legislative scrutiny of external audit reports

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

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

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

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

The scrutiny of the LGA accounts is therefore at two levels: at the local level by the Full Council; and at the national level the Annual Report of LGAs by the National Assembly. By the recent amendment to the Public Audit Act in 2012, the legislature is mandated not to consider audit observations without having responses from the executive. The amendment requires the CAG report not to be tabled before the National Assembly until consolidated reports have been prepared. However, there is no time limit as to when the consolidated report will be prepared. It is also not clear how the Council will first receive the CAG report and prepare responses, before the National Assembly considers it.

Section 38 of the Public Audit Act requires the Local Authority Accounts Committee (LAAC) to discuss the reports of the CAG after they are tabled in the National Assembly and submit reports including comments and recommendations. There are at present no deadlines set for review of the audit reports by the legislature. Table 71 provides the dates for the LGA reports for the last 3 audited years.

Table 71: Various dates for LGA reports

	2010-11	2011-12	2012-13
Month in which audit report was submitted to Full Council	3 April 2012	12 April 2013	16 April 2014
Date of approval of audit report by Full Council	26 July 2012	26 September 2013	15 July 2014

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

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

In 2013-14, the Audit Committee of the District Council met in each quarter to discuss and review the progress on recommendations/ findings made in CAG's audit reports. The Management Letter on the Financial Statements of the Longido DC for 2013-14, however, highlighted that external auditors were not invited to attend Audit Committee meetings which was a violation of Order 12 (7) of LGFM, 2009. Other weaknesses addressed by the CAG for the audit committee have been discussed in PI 26 dimension (iii).

At the national level the LAAC as one of the Parliamentary Standing Committee is expected to discuss the CAG reports with the related Accounting officers and report at least once a year their findings and recommendations to the National Assembly for discussions and resolutions. The information related to nature and the frequency of the LAAC meetings to discuss the CAG audit reports has not been made available. However CAG's Management Letter on the Financial Statements of Longido DC for 2013-14 stated that of the seven directives issued to the management of the District Council during the LAAC session held on 1st June 2013, 3 were fully implemented, another 3 were under implementation and one was not implemented.

Available feedback based on secondary studies on functioning of Parliamentary Committees in Tanzania, the post audit processes of submission to the national assembly and the results of LAAC deliberations as available through its observations and recommendations on the LGA reports shows the basic institutional structures for review do exist. However, the functioning of the Committee may be constrained by time and resources and also by the delays in submission of information and other responses by stakeholders[27].

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

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

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

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

- As Table 68 shows, all recommendations made by the CAG in its audit report for 2012-13 were in different stages of implementation in 2013-14. However, given that only 5% of these recommendations had been implemented in entirety, there appears a lack of absolute commitment by the Council management in rolling out audit recommendations
- Extensive recommendations are being made by the LAAC based on their review of the audited accounts. Similar to the CAG recommendations, some matters arising from previous audits were partly attended by the District Council and others were not attended at all. Table 72 shows the status of implementation of the directives issued by LAAC for the financial year 2012-13.

Table 72: Directives issued by LAAC to Longido DC

Year	Total recommendations	Implemented	Under Implementation	Not Implemented
2012-13	9	0	3	6

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

Table 73: Summary rating for PI-28

Indicator	*Rating*	*Brief Explanation*
PI-28 Legislative scrutiny of external audit reports	**C+**	

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

Indicator		Rating	Brief Explanation
(i)	Timeliness of examination of audit reports by the Council (for reports received within the last three years)	B	Scrutiny of audit reports is usually completed by the Full Council within 6 months from receipt of reports
(ii)	Extent of hearings on key findings undertaken by the legislature	C	In 2013-14, the Audit Committee met each quarter to review and discuss the progress on the recommendations made in CAG's audit report. However, as per the CAG's Management Letter for 2013-14, the Controller and Auditor General was not informed in advance of any audit committee meeting held in 2013-14. Moreover, the minutes of the audit committee meetings indicate that representatives from the audited entities were not invited for discussions.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive.	B	As per provisions of LAFM, queries and recommended actions from the CAG and the LAAC are required to be responded to by the Executive Director. However, evidence shows that these recommendations are not implemented/ responded to in entirety.

5.5. Donor Practices

D-1 Predictability of Direct Budget Support

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

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

According to the Supplementary Guidelines for application of the PEFA framework to Sub National governments, these indicators are to be assessed in case the LGA receives any direct donor funding that is not routed through the central government budgetary route and the entity has to directly interact with the donor agency.

In course of our assessment for Longido DC we observed that EGPAF was the only donor organization channeling funds directly to this LGA based on agreed priorities and milestones. However, since funds from EGPAF contribute to only 0.91% of the total expenditure of the District Council in 2013-14 and are hence, insignificant, the indicators D1-3 have not been assessed for the LGA.

6. Government Reform Process

6.1. Recent and On-going Reforms

Over the last two decades, GoT's reform strategies have aimed at (i) strengthening systems and processes with a view to enhancing efficiency, effectiveness, accountability and transparency in Government; (ii) developing and strengthening infrastructure to improve access to service delivery in specific sectors; and (iii) promoting democracy and good governance[28]. Key relevant cross-cutting reforms that have been implemented by GoT in the recent past include:

(i) Public Service Reform Programme (PSRP) whose broad objective was to improve efficiency, effectiveness and service delivery;

(ii) Public Finance Management Reform Programme (PFMRP) which aimed at intensifying measures for mobilising public revenue and controlling expenditure;

(iii) Local Government Reform Programme (LGRP) which focused on building capacity of the local government through Decentralization by Devolution (D by D); and

(iv) National Anti-Corruption and Action Plan (NACAP) whose main objective is to strengthen mechanisms and processes for prevention and combating of corruption in Tanzania.

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

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

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

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

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

As part of the first three phases of PFMRP, GoT also established a number of regulatory bodies to provide oversight functions for effective implementation of PFM policies and guidelines. These included - the Tanzania Revenue Authority; the National Audit Office headed by the Controller and Auditor General; the Internal Auditor General's Department; the National Debt Management Committee; the Public Procurement Regulatory Authority; the Public Procurement Appeals Authority; the Public Procurement Policy Unit; the Oversight Body for Parasternal and Public Enterprises; the Commission of External Finance; the Enhanced Public Accounts Committee; and the Reform Coordination Unit[29].

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

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

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

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

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

development and installation of electronic funds transfer and information systems and i-Tax system;

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

6.2. Institutional Factors Supporting Reform Planning and Implementation

Government leadership and ownership

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

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

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

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

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

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

The Joint Supervision Mission 2015[30] noted that the programme was making good progress and 43% of the milestones were achieved, and another 31% were on track. Though performance varied across the different KRAs, as regards the local government component, there was significant progress that included commencement of roll out of the revenue management system (i-Tax) and strengthening of quality and technical support by the Regions to LGAs in PFM areas such as preparation of financial statements, monitoring, ensuring audit compliance etc.

A Mid-Term Review of the PFMRP IV undertaken in September 2015 indicated that programme has a success story of achievement and on the whole was under good management and control. However, leadership and coordination mechanisms may not be working in an optimal manner[31]. For example, JSC, PMC and TWGs did not meet as frequently as intended by the programme's operations; there wasn't a separate TWG for each KRA; and the quality review and assurance of programme's output was uncertain.

Key Challenges

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

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

[30] Joint Supervision Mission 2015, Aide Memoire (Report)
[31] The United Republic of Tanzania, Ministry of Finance, Mid-Term Review for the Public Finance Management Reform Programme Phase Four, Final Report, INNOVEX, September 2015.

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

Annexure.1 Data Issues

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

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

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

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

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

Our final approach towards such data challenges are as follows:

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

Annexure.2 Mapping of Key Weaknesses

Table 74 maps the key weaknesses identified for Longido DC across the performance indicators against the main stakeholders responsible.

Table 74: Mapping of Key Weaknesses

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

Sl	Topic	Key Weaknesses	Details	Key Stakeholder Responsible		
				LGA	PMO-RALG	MoF/GoT
			a. Vacancies in key positions across departments, including internal audit, procurement and supply and accounts and business (a total of 236 vacancies against 1216 sanctioned posts in 2013-14)			
			b. Lack of adequate supervision capacity for project execution			
4	Internal controls and Accountability	Key weaknesses in internal control and oversight functions	Weaknesses in internal controls evidenced by:			
			a. Preparation of final accounting statements off line (outside EPICOR / IFMS)			
			b. Weaknesses in functioning of Audit Committee			
			c. Conflict of interest in tax assessment related complaints			
			d. Weaknesses in internal audit such as delay in submission of reports and absence of a structured system of follow up on recommendations			
			e. Lack of timely follow up of LAAC and audit recommendations			

Annexure.3 Disclosure of the Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA assessment report for the Longido District Council, Tanzania, final report dated 19 July 2016.

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

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

i) PEFA Task Force Co-Chairs and Members on behalf of the government of the United Republic of Tanzania – in February, 2014

ii) PEFA Secretariat, Washington in April, 2014

iii) PFM Development Partners Group in April, 2014. This group included KfW (German Development Bank), DFID and World Bank

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

2. Review of draft report

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

i) Viviana Klein – KfW on 7 August 2015
ii) Vivek Misra – DFID on 7 August 2015
iii) Denis Biseko – WB on 7 August 2015
iv) PEFA Secretariat, Washington on 10 August 2015
v) Government of United Republic of Tanzania on 7 August 2015

3. Review of final draft report

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

i) Viviana Klein – KfW on 2 March 2016
ii) Vivek Misra – DFID on 2 March 2016
iii) Denis Biseko – World Bank on 2 March 2016
iv) PEFA Secretariat, Washington on 2 March 2016
v) Government of United Republic of Tanzania on 2 March 2016

4. Additional information

Date of establishment of the assessment Oversight Team (PEFA taskforce)	December 2013
Chairperson and Members of the Oversight Team	**Co-chairs** o Mr. Kagyabukama E. Kiliba – Deputy Permanent Secretary, PMO-RALG ***Members*** o Mr. R.L. Mkumbo – DPD, MoF

	o Mr. Shomari Mukhandi – ADLG (F), PMO-RALG o Mr. Deogratius Ruhanmvya (ADRA), PMO-RALG o Mr. M. Yangwe - (ADICT), PMO-RALG o Mr. Nyingi J. K. L. (LGRP II - Coordinator), PMO-RALG o Mr. Faraja Tarimo – ACGEN Division (Senior Accountant MoF) o Mr. Raheli Ntiga - Budget Division (Budget Officer, MoF) o Mr. Omari Msuya – Auditor, Internal Auditor General Department (MoF) ***Reviewers*** from Development Partners Group o Viviana Klein – KfW o Vivek Misra – DFID o Denis Biseko – WB ***Taskforce secretariat*** o Mr. Sebastian E.L. Ndandala – Program Cordinator, PFMRP o Ms. Chausiku Nyanda - (FMO, DLG – PMO-RALG) o Mr. Alexander Lweikila – Communication Specialist, PFMRP o Mr. Linus Kakwesigabo – Finance Expert – PFMRP o Mr. Denis Mbilinyi, (FMO, DLG – PMO-RALG) o Mr. Niva Kahuluda (Accountant, LGRP II), PMO-RALG o Ms. Fortunata Soka, FMO, MoF o Mr. Ernest K. Laiton, FMO, MoF
Name of the Assessment Leader (individual/entity/organization)	Ministry of Finance (MoF)
Names of the Assessment Team	Mr. Anjan Kumar Roy –Team Leader Mr. Bimal Gatha –Member Mr Salum Lupande -Member ***Technical Backstopping Team*** Ranen Banerjee Neha Gupta Mehul Gupta ***Local Support Team*** Martin Kinyaha

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

Sub-National (Local Government) PEFA Assessment in Tanzania
Longido District Council - Final Report – July 2016

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

PEFA Secretariat

July 19, 2016

Annexure.4 Scoring Methodology under the PEFA Assessment Framework

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

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

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

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

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

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

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

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

The scoring methodology across performance indicators is given in Table 75.

Table 75: Scoring Methodology across Performance Indicators

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

The criteria for an 'A' rating across dimensions under performance indicators have been given in Table 76.

Table 76: Criteria for A rating across dimensions

PI	Description	Criteria for "A" Rating
HLG-1	**Predictability of transfers from a higher level of Government**	
(i)	Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget	In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 5%.

PI	Description	Criteria for "A" Rating
(ii)	Annual variance between actual and estimated transfers of earmarked grants	Variance in provision of earmarked grants did not exceed 5 percentage points in any of the last three years
(iii)	In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of start of the SN fiscal year)	A disbursement timetable forms part of the agreement between HLG and SN government and this is agreed by all stakeholders at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in more than one of the last three years OR in the absence of a disbursement timetable, actual transfers have been distributed evenly across the year (or with some front loading4) in all of the last three years.
A. PFM Out-Turns: Budget Credibility		
PI-1	**Aggregate expenditure out-turn compared to original approved budget**	In no more than 1 of last 3 years has actual expenditure deviated from budgeted expenditure by amount equivalent to more than 5% of budgeted expenditure.
PI-2	**Composition of expenditure out-turn compared to original approved budget**	
(i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items	Variance in expenditure composition exceeded 5% in no more than one of the last three years.
(ii)	The average amount of expenditure actually charged to the contingency vote over the last three years	Actual expenditure charged to the contingency vote was on average less than 3% of the original budget.
PI-3	**Aggregate revenue out-turn compared to original approved budget**	Actual domestic revenue was between 97% and 106% of budgeted domestic revenue in at least two of the last three years.
PI-4	**Stock and monitoring of expenditure arrears**	
(i)	Stock of expenditure arrears	The stock of arrears is low (i.e. is below 2% of total expenditure)
(ii)	Availability of data for monitoring the stock of expenditure arrears	Reliable and complete data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile).
B. Key Cross-Cutting Issues: Comprehensiveness and Transparency		
PI-5	**Classification of the budget**	The budget formulation and execution is based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. (Program classification may substitute for sub-functional classification, if it is applied with a level of detail at least corresponding to sub-functional.)
PI-6	**Comprehensiveness of information included in budget documents**	Recent budget documentation fulfils 7-9 of the 9 information benchmarks
PI-7	**Extent of unreported government operations**	
(i)	The level of extra budgetary expenditure (other than donor funded projects) which is reported	The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (below 1% of total expenditure).

PI	Description	Criteria for "A" Rating
(ii)	Income/expenditure information on donor-funded projects which is included in fiscal reports	Complete income/expenditure information for 90% (value) of donor-funded projects is included in fiscal reports, except inputs provided in-kind OR donor funded project expenditure is insignificant (below 1% of total expenditure).
PI-8	**Transparency of inter-governmental fiscal relations**	
(i)	Transparent and rules -based systems in horizontal allocation among lower level governments of unconditional and conditional transfers (both budgeted and actual allocations)	The horizontal allocation of almost all transfers (at least 90% by value) from central government is determined by transparent & rules based systems
(ii)	Timeliness of reliable information to lower level governments on their allocations for the coming year	SN governments are provided reliable information on the allocations to be transferred to them before the start of their detailed budgeting processes.
(iii)	Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sector categories	Fiscal information (ex-ante and ex-post) that is consistent with central government fiscal reporting is collected for 90% (by value) of SN government expenditure and consolidated into annual reports within 10 months of the end of the fiscal year.
PI-9	**Oversight of aggregate fiscal risk from other public sector entities**	
(i)	Extent of monitoring public enterprises	All major AGAs/PEs submit fiscal reports to central government at least six-monthly, as well as annual audited accounts, and central government consolidates fiscal risk issues into a report at least annually.
(ii)	Extent of Central Government monitoring of sub-national governments' fiscal position	SN government cannot generate fiscal liabilities for central government OR the net fiscal position is monitored at least annually for all levels of SN government and central government consolidates overall fiscal risk into annual (or more frequent) reports.
PI-10	**Public access to key fiscal information**	The government makes available to the public 5-6 of the 6 listed types of information
C. Budget Cycle		
(i) Policy-Based Budgeting		
PI-11	**Orderliness and participation in the budget process**	
(i)	Existence and adherence to a fixed budget calendar	A clear annual budget calendar exists, is generally adhered to and allows MDAs enough time (and at least six weeks from receipt of the budget circular) to meaningfully complete their detailed estimates on time.
(ii)	Guidance on preparation of budget submissions	A comprehensive & clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular's distribution to MDAs.
(iii)	Timely budget approval by the legislature	The legislature has, during the last three years, approved the budget before the start of the fiscal year.
PI-12	**Multi-year perspective in fiscal planning, expenditure policy, and budgeting**	

PI	Description	Criteria for "A" Rating
(i)	Preparation of multi-year fiscal forecasts and functional allocations	Forecasts of fiscal aggregates (on the basis of main categories of economic and functional/sector classification) are prepared for at least three years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear and differences explained.
(ii)	Scope and frequency of debt sustainability analysis	DSA for external and domestic debt is undertaken annually.
(iii)	Existence of sector strategies with multi-year costing of recurrent and development/investment expenditure	Strategies for sectors representing at least 75% of primary expenditure exist with full costing of recurrent and investment expenditure, broadly consistent with fiscal forecasts.
(iv)	Linkages between investment budgets and forward expenditure estimates	Investments are consistently selected on the basis of relevant sector strategies and recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector.
(ii) Predictability and Control in Budget Execution		
PI-13	**Transparency of taxpayer obligations and liabilities**	
(i)	Clarity and comprehensiveness of tax liabilities	Legislation and procedures for all major taxes are comprehensive and clear, with strictly limited discretionary powers of the government entities involved.
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes, and the RA supplements this with active taxpayer education campaigns.
(iii)	Existence and functioning of a tax appeals mechanism	A tax appeals system of transparent administrative procedures with appropriate checks and balances, and implemented through independent institutional structures, is completely set up and effectively operating with satisfactory access and fairness, and its decisions are promptly acted upon.
PI-14	**Effectiveness of measures for taxpayer registration and tax assessment**	
(i)	Controls in the taxpayer registration system	Taxpayers are registered in a complete database system with comprehensive direct linkages to other relevant government registration systems and financial sector regulations.
(ii)	Effectiveness of penalties for non-compliance with registration and declaration	Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are consistently administered.
(iii)	Planning and monitoring of tax audit and fraud investigation programs	Tax audits and fraud investigations are managed and reported on according to a comprehensive and documented audit plan, with clear risk assessment criteria for all major taxes that apply self-assessment.
PI-15	**Effectiveness of collection of tax payments**	
(i)	Collection ratio for gross tax arrears being the percentage of tax arrears at the	The average debt collection ratio in the two most recent fiscal years was 90% or above OR the total

PI	Description	Criteria for "A" Rating
	beginning of a fiscal year (average of the last two fiscal years)	amount of tax arrears is insignificant (i.e. less than 2% of total annual collections).
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily.
(iii)	Frequency of complete accounts reconciliation between tax assessments collections, arrears records and receipts by Treasury	Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least monthly within one month of end of month.
PI-16	**Predictability in the availability of funds for commitment of expenditures**	
(i)	Extent to which cash flows are forecasted and monitored	A cash flow forecast is prepared for the fiscal year, and is updated monthly on the basis of actual cash inflows and outflows.
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	MDAs are able to plan and commit expenditure for at least six months in advance in accordance with the budgeted appropriations.
(iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.
PI-17	**Recording and management of cash balances, debt and guarantees**	
(i)	Quality of debt recording and reporting	Domestic and foreign debt records are complete, updated and reconciled on a monthly basis with data considered of high integrity. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least quarterly
(ii)	Consolidation of government's cash balances	All cash balances are calculated daily and consolidated.
(iii)	System for contracting loans and issuance of guarantees	Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity.
PI-18	**Effectiveness of payroll controls**	
(i)	Degree of integration and reconciliation between personnel records and payroll data	Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.
(ii)	Timeliness of changes to personnel records and the payroll	Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3% of salary payments).
(iii)	Internal controls over changes to personnel records and the payroll	Authority to change records and payroll is restricted and results in an audit trail.
(iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers	A strong system of annual payroll audits exists to identify control weaknesses and/or ghost workers.
PI-19	**Competition, value for money and controls in procurement**	
(i)	Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold	The legal framework meets all six of the listed requirements.

PI	Description	Criteria for "A" Rating
	for small purchases (percentage of the number of contract awards that are above the threshold).	
(ii)	Extent of justification for use of less competitive procurement methods	When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements in all cases
(iii)	Public access to complete, reliable and timely procurement information	All of the key procurement information elements are complete and reliable for government units representing 90% of procurement operations (by value) and made available to the public in a timely manner through appropriate means.
(iv)	Existence of an independent administrative procurement complaints system	The procurement complaints system meets all seven criteria.
PI-20	**Effectiveness of internal controls for non-salary expenditure**	
(i)	Effectiveness of expenditure commitment controls	Comprehensive expenditure commitment controls are in place & effectively limit commitments to actual cash availability & approved budget allocations (as revised).
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/procedures	Other internal control rules & procedures are relevant, & incorporate a comprehensive & generally cost effective set of controls, which are widely understood.
(iii)	Degree of compliance with rules for processing and recording transactions	Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant.
PI-21	**Effectiveness of internal audit**	
(i)	Coverage and quality of the internal audit function	Internal audit is operational for all central government entities, and generally meets professional standards. It is focused on systemic issues (at least 50% of time).
(ii)	Frequency and distribution of reports	Reports adhere to a fixed schedule and are distributed to the audited entity, ministry of finance and the SAI.
(iii)	Extent of management response to internal findings	Action by management on internal audit findings is prompt and comprehensive across central government entities.
(iii) Accounting, Recording and Reporting		
PI-22	**Timeliness and regularity of accounts reconciliation**	
(i)	Regularity of bank reconciliation	Bank reconciliation for all central government bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period.
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	Reconciliation and clearance of suspense accounts and advances take place at least quarterly, within a month from end of period and with few balances brought forward.
PI-23	**Availability of information on resources received by service delivery units**	Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by both primary schools

PI	Description	Criteria for "A" Rating
		and primary health clinics across the country. The information is compiled into reports at least annually.
PI-24	**Quality and timeliness of in-year budget reports**	
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at both commitment and payment stages.
(ii)	Timeliness of issue of reports	Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.
(iii)	Quality of information	There are no material concerns regarding data accuracy.
PI-25	**Quality and timeliness of annual financial statements**	
(i)	Completeness of financial statements	A consolidated government statement is prepared annually and includes full information on revenue, expenditure and financial assets/liabilities.
(ii)	Timeliness of submission of financial statements	The statement is submitted for external audit within 6 months of the end of the fiscal year.
(iii)	Accounting standards used	IPSAS or corresponding national standards are applied for all statements.
(iv) External Scrutiny and Audit		
PI-26	**Scope, nature, and follow-up of external audit**	
(i)	Scope/nature of audit performed (including adherence to auditing standards)	All entities of central government are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues.
(ii)	Timeliness of submission of audit reports to legislature	Audit reports are submitted to legislature within 4 months of end of period covered & in the case of financial statements from their receipt by the auditor.
(iii)	Evidence of follow up on recommendations	There is clear evidence of effective and timely follow up.
PI-27	**Legislative scrutiny of the annual budget law**	
(i)	Scope of legislature's scrutiny	The legislature's review covers fiscal policies, medium term fiscal framework and medium term priorities as well as details of expenditure and revenue.
(ii)	Extent to which the legislative procedures are well established and respected	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	The legislature has at least two months to review the budget proposals.
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.

PI	Description	Criteria for "A" Rating
PI-28	**Legislative scrutiny of external audit reports**	
(i)	Timeliness of examination of audit reports by the legislature	Scrutiny of audit reports is usually completed by the legislature within 3 months from receipt of the reports.
(ii)	Extent of hearings on key findings undertaken by the legislature	In-depth hearings on key findings take place consistently with responsible officers from all or most audited entities, which receive a qualified or adverse audit opinion.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	The legislature usually issues recommendations on action to be implemented by the executive, and evidence exists that they are generally implemented.
D. Donor Practices		
D-1	**Predictability of Direct Budget Support**	
(i)	Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)	In no more than one out of the last three years has direct budget support outturn fallen short of the forecast by more than 5%.
(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	Quarterly disbursement estimates have been agreed with donors at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in two of the last three years.
D-2	**Financial information provided by donors for budgeting and reporting on project and program aid**	
(i)	Completeness and timeliness of budget estimates by donors for project support	All donors (with the possible exception of a few donors providing insignificant amounts) provide budget estimates for disbursement of project aid at stages consistent with the government's budget calendar and with a breakdown consistent with the government's budget classification.
(ii)	Frequency and coverage of reporting by donors on actual donor flows for project management	Donors provide quarterly reports within one month of end-of-quarter on all disbursements made for at least 85% of the externally financed project estimates in the budget, with a break-down consistent with the government budget classification.
D-3	**Proportion of aid that is managed by use of national procedures**	90% or more of aid funds to central government are managed through national procedures.

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

Figure 5: Organizational Structure for MoF

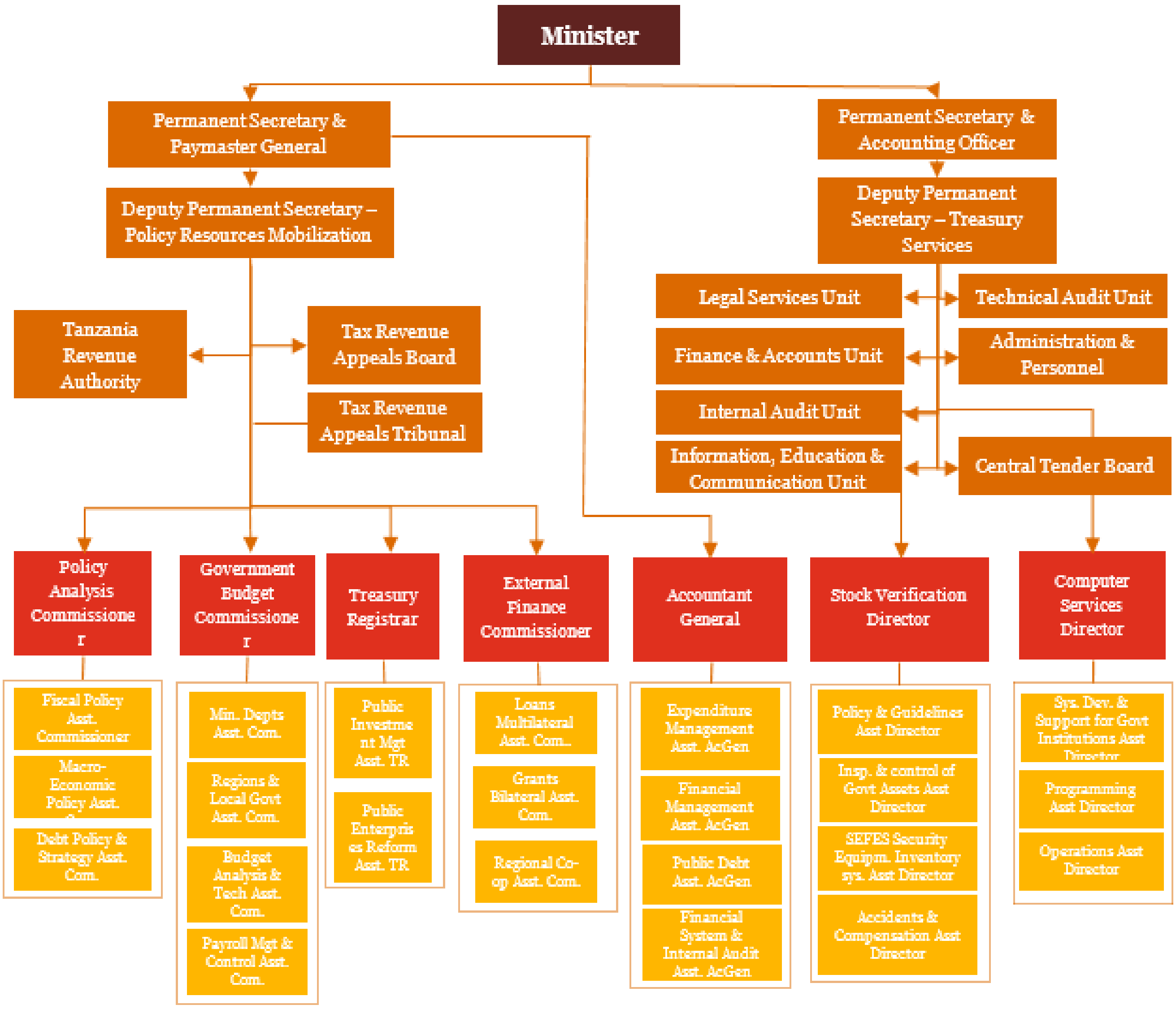
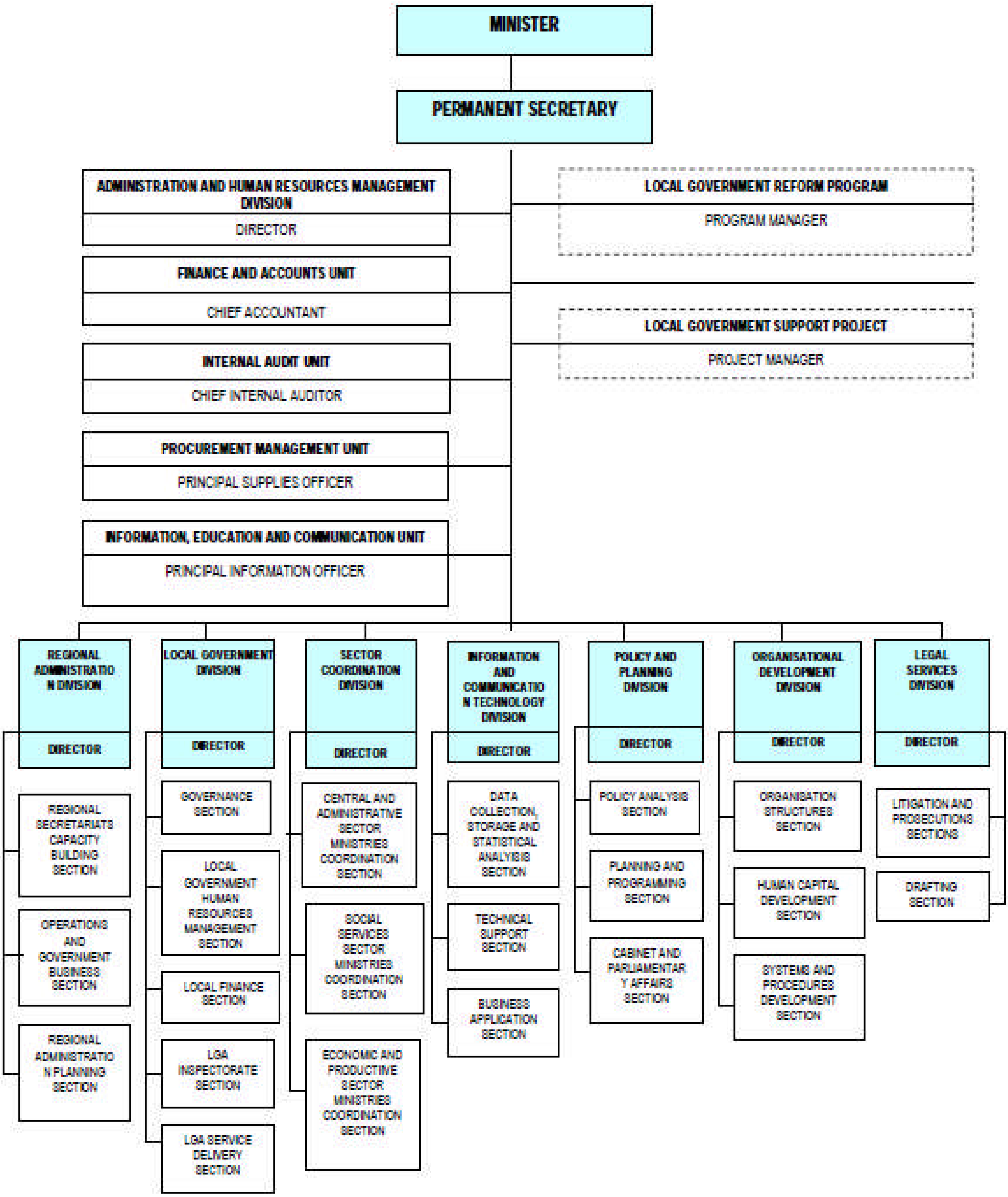


Figure 6: Organizational Structure for PMO-RALG



Annexure.6 Revenue and Expenditure Calculations

In this annexure, the process of calculation of total expenditure and revenue of the Council is provided. The "Statement of Comparison of Budget and Actual Amount - By Nature" of the Annual Financial Statement of Longido District provides budgeted revenue and expenditure, and actual revenue and expenditure (by economic classification) during the year. The "Statement of Comparison of Budget and Actual Amount- By Function shows the same details except that expenditure is classified by various functions.

The budget is prepared on a cash basis. However, the actual revenue and expenditure as reflected in the Statement includes items such as amortization of capital grant/depreciation. Therefore, adequate adjustments have been made to calculate total revenue and expenditure of the Council. Table 77 and Table 78 shows example of adjustment made for the financial year 2011-12, 2012-13 and 2013-14 for total expenditure and total revenue respectively.

Table 77: Adjustment for Total Expenditure[32], TZS million

	2011-12		2012-13		2013-14		Source
In TZS million	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Total Expenditure as per AFS	8970	10619	10469	12245	14168	14223	Statement of comparison of budget and actual amount by function
Deduct (-): Depreciation	0	502	519	519	0	544	Statement of comparison of budget and actual amount by function
Add(+): Capital Expenditure	3175	1269	2473	1223	2054	3121	Notes to Financial Statement: Capital Expenditure and Its Financing
Adjusted Total Expenditure	12145	11385	12424	12949	16223	16800	

Table 78: Adjustment for Total Revenue, TZS million

Item	2011-12		2012-13		2013-14		Source
In TZS million	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Total Revenue as per AFS	8969	9594	10469	12497	13767	13971	Statement of comparison of budget and actual amount by function
Deduct(-): Recurrent Grants	7785	8488	9280	11326	12368	12491	Statement of comparison of budget and actual amount by function
Deduct(-): Amortization of capital grants	0	502	0	519	0	544	Statement of comparison of budget and actual amount by function
Add(+): Actual Receipts of Recurrent Grants	7785	8662	9280	11214	12369	11965	Sheet "BudVsActN"
Add(+): Actual Receipts of Capital Grants	3175	2046	2473	3025	2054	2655	Notes to Financial Statement: Capital Expenditure and Its Financing
Adjusted Total Revenues	12145	11312	12942	14891	15822	15556	

[32] The assessor has noticed differences in total expenditure in the Audited annual financial statements. Adequate adjustments have been done in 2012-13.

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

7.1. Screenshot for HLG-1 dim(ii)

S/N	Item	Budget 2011-12	Budget 2012-13	Budget 2013-14	Actual 2011-12	Actual 2012-13	Actual 2013-14	2011-12 Adjusted Budget	2011-12 Deviation	2011-12 Absolute Dev.	2011-12 %	2012-13 Adjusted Budget	2012-13 Deviation	2012-13 Absolute Dev.	2012-13 %	2013-14 Adjusted Budget	2013-14 Deviation	2013-14 Absolute Dev.	2013-14 %
Recurrent Transfers	Personnel emoluments	4144873	5102076	6226013	3934731	5123968	5989840	3665163	-269568	269568	7%	4947584	-176384	176384	4%	6768851	-779011	779011	12%
	Other charges	2920146	4608346	3688573	2683496	3522802	4620636	2582181	-101315	101315	4%	4468804	946002	946002	21%	4010174	610462	610462	15%
	Revenue compensation (General Purpose)	70350	238120	108000	70350	238120	108000	62208	-8142	8142	13%	230910	-7210	7210	3%	117416	-9416	9416	8%
	Health basket	202472	223272	210692	202472	223272	210692	179039	-23433	23433	13%	216511	-6761	6761	3%	229062	-18370	18370	8%
	Multsectoral HIV Aids	25834	38613	48584	25834	38613	48584	22844	-2990	2990	13%	37444	-1169	1169	3%	52820	-4236	4236	8%
	MMAM Activities	0	70316	0	0	70316	0	0	0	0	#DIV/0!	68187	-2129	2129	3%	0	0	0	#DIV/0!
	MMEM (PEDEP) Activities	10544	99081	0	10544	99081	0	9324	-1220	1220	13%	96081	-3000	3000	3%	0	0	0	#DIV/0!
	Capitation	65827	0	0	65827	0		58208	-7619	7619	13%	0	0	0	#DIV/0!	0	0	0	#DIV/0!
	Road Fund Grant	305244	542208	373906	305244	542208	295921	269916	-35328	35328	13%	525790	-16418	16418	3%	406506	-110585	110585	27%
	Development Grant	255388	302207	200306	255388	302207	200306	225830	-29558	29558	13%	293056	-9151	9151	3%	217770	-17464	17464	8%
	Capital Development Grant	82664	214088	50042	82664	214088	50042	73097	-9567	9567	13%	207605	-6483	6483	3%	54405	-4363	4363	8%
	DADP	42413	5022	125460	42413	5022	125460	37504	-4909	4909	13%	4870	-152	152	3%	136399	-10939	10939	8%
	ADB Special Water	5648	6686	37248	5648	6686	37248	4994	-654	654	13%	6484	-202	202	3%	40496	-3247	3247	8%
	CBG Activities	27320	0	0	27320		0	24158	-3162	3162	13%	0	0	0	#DIV/0!	0	0	0	#DIV/0!
	Wanawake a/c	0	0	0	0	0		0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	0	#DIV/0!
	Community Health Fund	5635	0	0	5635	0		4983	-652	652	13%	0	0	0	#DIV/0!	0	0	0	#DIV/0!
	SEDEP	157623	47125	0	157623	47125		139380	-18243	18243	13%	45698	-1427	1427	3%	0	0	0	#DIV/0!
	TASAF Activities	569987	538616	31287	569987	538616	13607	504019	-65968	65968	13%	522307	-16309	16309	3%	34015	-20408	20408	60%
	Wetland	10103	15592	0	10103	15592		8934	-1169	1169	13%	15120	-472	472	3%	0	0	0	#DIV/0!
	Internal Transfer	0	0	0	0			0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	0	#DIV/0!
	CDCF Activities	32908	32908	32908	32908	32908	32908	29099	-3809	3809	13%	31912	-996	996	3%	35777	-2870	2870	8%
	EGPAF	0	125871	149794		125871	149794	0	0	0	#DIV/0!	122060	-3811	3811	3%	162854	-13060	13060	8%
	Other Funding			110784	174104	67405	81490	0	-174104	174104	#DIV/0!	0	-67405	67405	#DIV/0!	120444	-38954	38954	32%
Development Transfe	Administration	0	0	0	0	0	0	0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	0	#DIV/0!
	Human resource management and development	0	0	0	389851	0	0	0	-389851	389851	#DIV/0!	0	0	0	#DIV/0!	0	0	0	#DIV/0!
	Finance & Trade	494388	1448467	1429014	243889	1918338	1037405	437170	193281	193281	44%	1404607	-513731	513731	37%	1553607	-516202	516202	33%
	Agriculture, Livestock, Co-operative,Fisheries & Forestr	223511	164816	157712	217348	33560	377600	197642	-19705	19705	10%	159826	126266	126266	79%	171462	206137	206137	120%
	Education & Culture	72992	0	0	98749	0	0	64544	-34205	34205	53%	0	0	0	#DIV/0!	0	0	0	#DIV/0!
	Health Department	279188	176953	7755	222514	176953	7755	246876	24362	24362	10%	171595	-5358	5358	3%	8431	-676	676	8%
	Works & Water	2080063	682936	459318	831987	895954	1231766	1839325	1007338	1007338	55%	662256	-233698	233698	35%	499365	732401	732401	147%
	Urban Planning,Tourism & Environment	25000	0	0	9847	0	0	22107	12260	12260	55%	0	0	0	#DIV/0!	0	0	0	#DIV/0!
	Community development, gender and children	0	0	0	32072	0	800	0	-32072	32072	#DIV/0!	0	0	0	#DIV/0!	0	800	800	#DIV/0!
	Total Transfers	**12110121**	**14683319**	**13447396**	**10708547**	**######**	**14619855**	**10708547**	**0**	**2474482**	23%	**14238704**	**0**	**2144536**	15%	**14619855**	**0**	**3099600**	21%

7.2. HLG-1: Calculation of front loading for Longido District Council

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

In Figure 8 , we have estimated the frontloading factor for 2011-12 as sum product of amount of transfer and days into the financial year.

Figure 7: Central Government Transfers, 2011-14, TZS million

Central Government Transfers in 2011-12

Date	Amount in TZS	No. of days into the financial year
14/07/2011	28875 207.15	13
19/07/2011	22477 1162.4	18
04/08/2011	5228 4000	34
05/08/2011	2816 5000	35
09/08/2011	2106 9072	39
22/08/2011	25944 7712.9	52
28/09/2011	22770 8053.2	89
29/09/2011	250 0000 00	90
10/10/2011	1882 6000	101
10/10/2011	2 122400 0	101
10/10/2011	2 151900 0	101
19/10/2011	6020 8146	110
20/10/2011	22693 5652.5	111
20/10/2011	4575 2850	111
25/10/2011	3 930100 0	116
31/10/2011	5778 6048	122
02/11/2011	9 046900 0	124
14/11/2011	6 251000 0	136
16/11/2011	318 1670 00	138
16/11/2011	1319 1000	138
16/11/2011	1 630300 0	138
16/11/2011	5 448000 0	138
18/11/2011	8 700000 0	140
18/11/2011	1274 3000	140
23/11/2011	20694 9226.1	145
24/11/2011	73749 498.17	146
08/12/2011	101 2361 00	160
12/12/2011	7 850000 0	164
12/12/2011	8 420640 0	164
19/12/2011	22733 0882.9	171
27/12/2011	1845 2508	179
05/01/2012	4 350000 0	188
05/01/2012	2 724000 0	188
12/01/2012	2719 2500	195
16/01/2012	7 917000 0	199
16/01/2012	2445 3802	199
20/01/2012	23338 2031.5	203
24/01/2012	4 298500 0	207
26/01/2012	17609 496.82	209
27/01/2012	4403 4800	210
28/01/2012	6 371500 0	211
31/01/2012	3 217500 0	214
03/02/2012	187 8641 09	217
03/02/2012	7 981000 0	217
03/02/2012	5228 4000	217
07/02/2012	100 0000 00	221
07/02/2012	5803 4602	221
16/02/2012	213 4780 00	230
20/02/2012	19202 016.95	234
22/02/2012	1 702000 0	236
23/02/2012	1226 1669	237
28/02/2012	218 2838 24	242
29/02/2012	247 7934 24	243
02/03/2012	6 081400 0	245
02/03/2012	9 043000 0	245

Date	Amount in TZS	No. of days into the financial year
09/03/2012	3 041000 0	252
09/03/2012	3 990500 0	252
19/03/2012	198 0934 09	262
22/03/2012	2696 2900	265
22/03/2012	5061 8050	265
24/03/2012	6 000000 0	267
26/03/2012	4 298500 0	269
27/03/2012	6 000000 0	270
27/03/2012	12137 4611.9	270
31/03/2012	251 4302 06	274
05/04/2012	3 041000 0	279
05/04/2012	4 521500 0	279
05/04/2012	3 990500 0	279
05/04/2012	1492 2300	279
06/04/2012	6832 0250	280
10/04/2012	3332 5000	284
10/04/2012	3332 5000	284
13/04/2012	164 9708 51	287
20/04/2012	24538 5308.3	294
20/04/2012	2922 7000	294
20/04/2012	2922 7000	294
24/04/2012	6 000000 0	298
25/04/2012	2732 0250	299
25/04/2012	4 148296	299
27/04/2012	4 298500 0	301
01/05/2012	6 081400 0	305
01/05/2012	3 125500 0	305
05/05/2012	2696 2900	309
07/05/2012	244 2315 00	311
07/05/2012	4 521500 0	311
07/05/2012	3 990500 0	311
15/05/2012	4 298500 0	319
22/05/2012	45252 758.79	326
25/05/2012	20857 2420.1	329
28/05/2012	6 000000 0	332
01/06/2012	1010 3000	336
05/06/2012	1791 7000	340
08/06/2012	100 7963 00	343
08/06/2012	9 499000 0	343
11/06/2012	2 228500 0	346
11/06/2012	330 3585 00	346
11/06/2012	2 228500 0	346
12/06/2012	20772 8920.8	347
13/06/2012	3 287129	348
14/06/2012	100 1303 67	349
14/06/2012	1054 3807	349
14/06/2012	8858 6560	349
19/06/2012	5061 8050	354
25/06/2012	142 0977 00	360
26/06/2012	3849 6400	361
27/06/2012	33738 871.84	362
29/06/2012	251 3039 40	364

Central Government Transfers in 2012-13

Date	Amount in TZS	No. of days into the financial year
05/07/2012	9 046900 0	4
19/07/2012	374 7745 00	18
19/07/2012	400 0000 00	18
19/07/2012	5000 0000	18
19/07/2012	600 0000 00	18
19/07/2012	4712 4613	18
30/07/2012	24521 6264 3	29
02/08/2012	1758 7500	32
02/08/2012	6 593900 0	32
06/08/2012	4 299000 0	36
08/08/2012	13969 362.05	38
11/08/2012	5 000000 0	41
25/08/2012	25005 5243 8	55
31/08/2012	421 9930 00	61
31/08/2012	1038 4000	61
02/09/2012	1645 2508	63
03/09/2012	9 043000 0	64
09/09/2012	8 853000 0	70
11/09/2012	2099 2500	72
18/09/2012	241 4025 00	79
26/09/2012	28083 2614 9	87
30/09/2012	1800 0000	91
04/10/2012	1081 0000	95
20/10/2012	220 3779 63	111
23/10/2012	29149 9077 1	114
31/10/2012	63649 056.12	122
01/11/2012	5 648000 0	123
02/11/2012	27852 4340 4	124
10/11/2012	289 2257 00	132
13/11/2012	48144 833.91	135
29/11/2012	14 73693 7.5	151
30/11/2012	494 2684 00	152
30/11/2012	198 2542 40	152
30/11/2012	6 000000 0	152
30/11/2012	14021 0101 3	152
30/11/2012	4411 3410	152
21/12/2012	25971 7571 4	173
27/12/2012	1645 4000	179
28/12/2012	5581 7975	180
28/12/2012	5725 8836	180
04/01/2013	4 500000 0	187
29/01/2013	256 4988 60	212
19/02/2013	25483 4439 9	233
19/02/2013	243 4985 00	233
27/02/2013	294 5530 00	241
27/02/2013	600 0000 00	241
28/02/2013	1800 0000	242
28/02/2013	1852 5000	242
28/02/2013	20461 578.54	242
28/02/2013	1559 1780	242
28/02/2013	2290 7508	242
28/02/2013	56 05793 2.5	242
28/02/2013	5 86167.5	242
28/02/2013	8 247500 0	242
28/02/2013	3 282080 0	242
28/02/2013	5 44858 4	242
12/03/2013	467 6796 70	254
12/03/2013	118 6158 78	254
18/03/2013	42525 084.09	260
26/03/2013	27370 8886 5	268
28/03/2013	6 000000 0	270
28/03/2013	241 1447 00	270
16/04/2013	5581 7975	289
23/04/2013	28689 7530 8	296
25/04/2013	7733 4900	298
25/04/2013	3895 9750	298
25/04/2013	21718 9593 4	298
25/04/2013	3838 1300	298
30/04/2013	252 8887 00	303
30/04/2013	6 000000 0	303
03/05/2013	9 653325 0	306
04/05/2013	5086 3967	307
08/05/2013	9 194520 0	311
12/05/2013	4550 401.5	315
16/05/2013	4 908600 0	319
16/05/2013	111 6359 50	319
16/05/2013	12156 9061 6	319
21/05/2013	113 8215 11	324
23/05/2013	28568 7576 5	326
12/06/2013	425 712	346
17/06/2013	42162 638.88	351
19/06/2013	22808 8804 7	353
19/06/2013	13548 3372 4	353
20/06/2013	6 000000 0	354
26/06/2013	151 0667 29	360
26/06/2013	5056 4317	360
27/06/2013	410 0000 00	361
28/06/2013	4 60641 7	362

Central Government Transfers in 2013-14

Date	Amount in TZS	No. of days into the financial year
11/07/2013	148 5140 00	10
22/07/2013	92 91980.05	22
25/07/2013	22320 2565.7	24
31/07/2013	47748 824.27	30
10/08/2013	282 5200 00	40
12/08/2013	47 65966.25	42
26/08/2013	27609 7265.8	56
03/09/2013	46670 696.76	64
18/09/2013	277 9430 00	79
18/09/2013	250 0000 00	79
24/09/2013	22651 1951.5	85
30/09/2013	1212 7130	91
15/10/2013	1340 1380	106
15/10/2013	2650 0000	106
18/10/2013	20505 764.06	109
21/10/2013	1557 6750	112
22/10/2013	7 049300	113
24/10/2013	21699 5641.1	115
28/10/2013	246 8306 94	119
14/11/2013	89 70503.23	136
18/11/2013	86 78345.76	140
27/11/2013	1372 1510	149
27/11/2013	12567 666.03	149
29/11/2013	21696 9147.8	151
02/12/2013	1696 8500	154
08/12/2013	155 9059 76	160
12/12/2013	106 1462 00	164
18/12/2013	2290 7508	170
20/12/2013	4726 5120	172
27/12/2013	21965 9220.2	179
20/01/2014	203 6310 00	203
25/01/2014	20991 8839.5	208
27/01/2014	24949 182.77	210
05/02/2014	56 97739.29	219
13/02/2014	1200 0000	227
15/02/2014	141 8550 00	229
17/02/2014	209 5880 00	231
19/02/2014	2901 2000	233
19/02/2014	225 0000 00	233
20/02/2014	542 9278 00	234
26/02/2014	24341 2915.2	240
28/02/2014	61 28178.78	242
28/02/2014	22717 411.94	242
02/03/2014	2 187980	244
17/03/2014	442 4711 00	259
18/03/2014	49656 046.24	260
20/03/2014	12620 512.82	262
27/03/2014	20067 8477.1	269
02/04/2014	1893 2210	275
30/04/2014	21862 8090.7	303
30/04/2014	408 9889 00	303
02/05/2014	151 1490 00	305
13/05/2014	1140 3340	316
14/05/2014	4 594400	317
14/05/2014	106 1462 00	317
15/05/2014	125 0000 00	318
16/05/2014	2 565810	319
16/05/2014	1570 5320	319
26/05/2014	24627 8812.9	329
28/05/2014	14983 174.67	331
05/06/2014	232 6705 47	339
18/06/2014	405 3250 05	352
24/06/2014	24277 2795.6	358

Figure 8: Frontloading for 2011-12, 2012-13 and 2013-14

Weighted average delay	In days
2011-12	222
2012-13	189
2013-14	203
	In months
2011-12	7.17
2012-13	6.08
2013-14	6.56

Table 79: Computation for Figure 4

In TZS million	Q1	Q2	Q3	Q4
2011-12	1197.32	1432.88	2180.56	2611.09
2012-13	3031.75	2474.71	3082.86	2804.23
2013-14	2103.39	1687.82	2895.65	2516.15
In %	Q1	Q2	Q3	Q4
Planned	25.0%	25.0%	25.0%	25.0%
2011-12	12.6%	15.1%	23.0%	27.5%
2012-13	30.7%	25.0%	31.2%	28.4%
2013-14	17.0%	13.6%	23.4%	20.3%

7.3. Screenshots for PI-1 and PI-2

Table 1 - Fiscal years for assessment

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

Table 2

Data for year =	2011					
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Administration	1,375,521.0	2,100,000	1,289,428.6	810,571.4	810,571.4	63%
Human resource management and	135,338.0	102,445	126,867.3	-24,422.3	24,422.3	19%
Finance & Trade	1,187,061.0	654,510	1,112,764.1	-458,254.0	458,254.0	41%
Agriculture, Livestock, Co-operative,Fisheries & Forestry	485,376.6	578,625	454,997.4	123,628.0	123,628.0	27%
Education & Culture	5,252,287.0	5,274,704	4,923,551.9	351,152.3	351,152.3	7%
Health Department	1,047,716.2	1,191,067	982,140.8	208,926.3	208,926.3	21%
Works & Water	2,600,099.0	1,393,671	2,437,361.6	-1,043,690.8	1,043,690.8	43%
Urban Planning,Tourism & Environment	25,000.0	69,495	23,435.3	46,059.7	46,059.7	197%
Community development, gender and children	36,633.0	20,370	34,340.2	-13,970.7	13,970.7	41%
allocated expenditure	**12,145,031.8**	**11,384,887.1**	**11,384,887**	**0**	**3,080,676**	
contingency						
total expenditure	**12145031.83**	**11384887.13**				
overall (PI-1) variance						6.3%
composition (PI-2) variance						27.1%
contingency share of budget						0.0%

Table 3 (in TZS)

Data for year =	2012					
administrative or functional head	**budget**	**actual**	**adjusted budget**	**deviation**	**absolute deviation**	**percent**
Administration	1,252,516.0	2,545,185	1,305,462.4	1,239,722.6	1,239,722.6	95%
Human resource management and	86,655.0	99,218	90,318.1	8,899.9	8,899.9	10%
Finance & Trade	1,604,447.7	946,657	1,672,270.9	-725,613.9	725,613.9	43%
Agriculture, Livestock, Co-operative,Fisheries & Forestry	477,988.5	386,045	498,194.0	-112,149.5	112,149.5	23%
Education & Culture	6,538,858.0	6,189,183	6,815,268.7	-626,085.7	626,085.7	9%
Health Department	1,425,899.9	1,460,849	1,486,175.5	-25,326.5	25,326.5	2%
Works & Water	893,809.6	1,181,565	931,592.8	249,972.5	249,972.5	27%
Urban Planning,Tourism & Environment	131,579.0	81,532	137,141.1	-55,609.1	55,609.1	41%
Community development, gender and children	12,000.0	58,697	12,507.3	46,189.7	46,189.7	369%
allocated expenditure	**12,423,753.7**	**12,948,930.7**	**12,948,931**	**(0)**	**3,089,570**	
contingency						
total expenditure	**12423753.68**	**12948930.75**				
overall (PI-1) variance						4.2%
composition (PI-2) variance						23.9%
contingency share of budget						0.0%

Table 4 (In TZS)

Data for year =	2013					
administrative or functional head	**budget**	**actual**	**adjusted budget**	**deviation**	**absolute deviation**	**percent**
Administration	2,090,268.8	1,790,945	2,164,711.5	-373,766.7	373,766.7	17%
Human resource management and development	0.0	-	0.0	0.0	0.0	#DIV/0!
Finance & Trade	3,689,919.4	2,524,288	3,821,332.1	-1,297,043.7	1,297,043.7	34%
Agriculture, Livestock, Co-operative,Fisheries & Forestry	157,711.7	230,087	163,328.5	66,758.5	66,758.5	41%
Education & Culture	7,158,777.2	6,916,013	7,413,729.6	-497,716.6	497,716.6	7%
Health Department	1,992,179.5	1,611,880	2,063,128.9	-451,248.9	451,248.9	22%
Works & Water	459,317.7	1,320,354	475,675.8	844,677.8	844,677.8	178%
Urban Planning,Tourism & Environment	0.0	-	0.0	0.0	0.0	#DIV/0!
Community development, gender and children	673,812.2	2,406,149	697,809.3	1,708,339.7	1,708,339.7	245%
allocated expenditure	**16,221,986.6**	**16,799,715.8**	**16,799,716**	-	**5,239,552**	
contingency						
total expenditure	**16,221,986.6**	**16,799,715.8**				
overall (PI-1) variance						3.6%
composition (PI-2) variance						31.2%
contingency share of budget						0.0%

Table 5 - Results Matrix

year	for PI-1 total exp. deviation	for PI-2 (i) composition variance	for PI-2 (ii) contingency share
2011	6.3%	27.1%	
2012	4.2%	23.9%	0.0%
2013	3.6%	31.2%	

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

Annexure.8 Performance Indicators Summary

Table 80: PEFA performance indicators summary

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

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

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

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

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

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

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

Annexure.9 List of People Met

Table 81: List of people met

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

26.	Johnson Mjiji	Local Government Reform Programme II	PMO-RALG
27.	Raheli Ntiga	Budget Officer	Budget Division, MoF
At the district level			
28.	Chaiya Julius	District Executive Director	Longido District Council
29.	Mbilu Joseph	District Treasurer	Longido District Council
30.	Kachira Tumbiho	Economist	Longido District Council
31.	Joan Foya	District Planning Officer	Longido District Council
32.	Mwajuma Mndera	District Internal Auditor	Longido District Council
33.	Derick Rwegiza	Head of Human Resource	Longido District Council
34.	Sharban Shemziray	Education Officer - Primary	Longido District Council
35.	Asha Kivaju	Education Officer - Secondary	Longido District Council
36.	Elvis Abraham	District Health Officer	Longido District Council
37.	Modestus Kasitha	Head of Procurement Management Unit	Longido District Council
38.	Steven Benedict	PEFA Counter Part	Lindi Regional Office
39.	Daria Bujilu	PEFA Counter Part	PMO RALG
40.	Fulgence Luyagaza	PEFA Counter Part	Kinondoni Municipal Council
PEFA Counterpart Team			
41.	Steven Benedict	PEFA Counter Part	Lindi Regional Office
42.	Daria Bujilu	PEFA Counter Part	PMO RALG
43.	Fulgence Luyagaza	PEFA Counter Part	Kinondoni Municipal Council
44.	Ally Waziri	PEFA Counter Part	Bagamoyo District Council
45.	Munguatosha Macha	PEFA Counter Part	Geita Region
46.	Chausiku Nyanda	PEFA Counter Part	PMO RALG

Annexure.10 List of Documents Referred To

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