Fostering Accountability

Sub-National (Local Government) PEFA Assessment in Tanzania

Kasulu District Council –Final Report

July 2016

pwc

Contents

Acronyms

Acronym	Definition	Acronym	Definition
ACGEN	Accountant General	LGFA	Local Government Finance Act
AFROSAI	African Organisation of Supreme Audit Institutions	LGFM	Local Government Financial Memorandum
AFS	Annual Financial Statement	LGRP	Local Government Reform Programme
AIDS	Acquired Immune Deficiency Syndrome	LLG	Lower Level of Government
ALAT	Association Local Authorities of Tanzania	MoF	Ministry of Finance
ASDP	Agriculture Sector Development Programme	MSD	Medical Store Department
CAG	Controller Auditor General	MTEF	Medium Term Expenditure Framework
CCM	Chama Cha Mapinduzi Party	NA	Not Applicable
CDCF	Constituency Development Catalyst Fund	NACAP	National Anti-Corruption and Action Plan
CDR	Council Development Report	NAOT	National Audit Office of Tanzania
CFR	Council Financial Report	NR	Not Rated
CMT	Council Management Team	NWSDP	National Water Sector Development Programme
COFOG	Classification of Functions of the Government	O&OD	Opportunities & Obstacles to Development
D by D	Decentralization by Devolution	PCCB	Prevention and Combating of Corruption Bureau
DCR	Draft Consolidated Report	PEDP	Primary Education Development Programme
DED	District Executive Director	PEFA	Public Expenditure and Financial Accountability
DFID	Department for International Development	PETS	Public Expenditure and Tracking Survey
DPG	Development Partners Group	PFM	Public Financial Management
EGPAF	Elizabeth Glaser Pediatric AIDS Foundation	PFMRP	Public Financial Management Reform Programme
GDP	Gross Domestic Product	PMG	Paymaster General
GFS	Government Finance Statistics	PMO	Prime Minister Office
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit	PMU	Procurement Management Unit
GOT	Government of Tanzania	PMO-RALG	Prime Minister Office- Regional Administration and Local Government
GVA	Gross Value Added	PO-PSM	President Office-Public Sector Management
HCMIS	Human Capital Management Information System	PPA	Public Procurement Act
HIV	Human Immunodeficiency Virus	PPP	Public Private Partnership

Acronym	Definition	Acronym	Definition
HLG	Higher Level of Government	PPR	Public Procurement Regulations
HRO	Human Resource Officer	PPRA	Public Procurement Regulatory Authority
HoD	Head of Department	PSM	Public Sector Management
HSBF	Health Sector Basket Fund	PSRP	Public Service Reform Programme
IAG	Internal Auditor General	PwC	PricewaterhouseCoopers
IASB	International Accounting Standards Board	RAM	Regularity Audit Manual
IAF	Internal Audit Function	RAS	Regional Administrative Secretariat
ICT	Information and Communication Technology	RCA	Revenue Collection Agency
IFA	International Federation of Accountants	RWSSP	Rural Water Supply and Sanitation Project
IFMS	Integrated Financial Management System	SAI	Supreme Audit Institution
IIA	Institute of Internal Auditors	SBAS	Strategic Budget Allocation System
IMF	International Monetary Fund	SEDP	Secondary Education Development Programme
INTOSAI	International Association of Supreme Audit Institutions	SN	Sub-national
IPSAS	International Public Sector Accounting Standards	SWOT	Strengths, Weaknesses Opportunities And Threats
ISA	International Standards on Auditing	TACAIDS	Tanzania Commission for AIDS
ISSAI	International Standards of Supreme Audit Institutions	TASAF	Tanzania Social Action Fund
JSC		TB	Tender Board Regulations
KfW	German Development Bank	TIN	Tax Identification Number
KRA	Key Result Area	TRA	Tanzania Revenue Authority
LAAC	Local Authorities Accounts Committee	TWG	Technical Working Group
LAAM	Local Authorities Accounting Manual	TZS	Tanzania Shilling
LGA	Local Government Authority	USD	United States Dollar
LGDA	Local Government (District Authorities) Act	VAT	Value Added Tax
LGCDG	Local Government Capital Development Grant	VA	Village Assembly
LLG	Lower Level Government	VC	Village Council
		WDC	Ward Development Committee

Fiscal Year	**1 July to 30 June**
Exchange rate	**1 USD= 2000 Tanzanian Shilling** **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	B+
PI-3	Aggregate revenue out-turn compared to original approved budget	B
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	B
PI-8	Transparency of inter-governmental fiscal relations	D
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C
PI-10	Public access to key fiscal information	C
C. Budget Cycle		
(i) Policy-Based Budgeting		
PI-11	Orderliness and participation in the budget process	C+
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting	D+
(ii) Predictability and Control in Budget Execution		
PI-13	Transparency of taxpayer obligations and liabilities	D+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D
PI-15	Effectiveness of collection of tax payments	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	A
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+
PI-21	Effectiveness of internal audit	D+
(iii) Accounting, Recording and Reporting		
PI-22	Timeliness and regularity of accounts reconciliation	C
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	D+

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 Kasulu 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 Appendix 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

Kasulu 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 Kasulu 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. It has also restricted the variance between the composition mix of budgeted and actual expenditure thereby endorsing its credibility. 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 Appendix 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 Kasulu DC. The most important of PFM weaknesses in Kasulu DC are discussed here.

Predictability of Central Fund Transfers

The dependency of Kasulu DC on funds transferred by the Central Government was more than 97% of its total inflows during the last 3 completed financial years. In spite of their overall moderate deviation between -7% and 1% 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. Even though revenue forecasting performance has been relatively satisfactory as compared with other LGAs with lesser volatility between planned and actuals, the uncertainties in the tax base for critical items such as produce cess coupled with the absence of a credible system for recording tax receivables and arrears on a comprehensive basis show weaknesses in the underlying systems for revenue which need to be handled to ease the over dependence of the LGA on central finances.

Controls over Budget Execution

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

Accountability Structures and Internal Controls

Though overall accountability structures are well established for LGAs in general, there are several areas of concern in Kasulu 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 failure of the DC to constitute the Audit Committee 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 3.5% of total expenditure in 2013-14.

Comprehensiveness and Transparency (PI 5-10)

Kasulu 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 Kasulu 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 Kasulu 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 Kasulu DC are (i) Produce cess, (ii) Service levy, and (iii) property taxes. 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 declining trend of tax collections over the last 3 years. On an aggregate basis, collections against budget were 99%, 96% and 88% 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 idle funds not transferred to new bank accounts, unconfirmed transfer of funds, and collections utilized before banking 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 Pay Master General had issued a circular guideline requiring all internal auditors to put into their annual work plan audit of payroll at least two times annually. However, 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 Kasulu 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 Kasulu 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. Our observations showed that the audit focus of the audit plan for 2013-14 in terms of budgeted time was 20% in general and administration areas, 29% in development projects, 34% in expenditure, and 32% in systems. Audit reports showed that less than 40% 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)

Kasulu DC has seven active bank accounts. Bank reconciliations are performed for all bank accounts. However, a delay of several months was noted for three of the seven 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)

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

Kasulu 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 Kasulu 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 per se 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) is in the process of improving Public Financial Management (PFM) systems across the public sector. Various reforms have been implemented since 1998, as part of the Public Financial Management Reform Programme (PFMRP). 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.

Reforms are currently underway to bridge the gaps identified in the PEFA assessment of the United Republic of 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 Kasulu District Council. This is the first assessment of Kasulu 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 Office, MoF played a critical role in facilitating meetings with the concerned stakeholders. These included key officials in PFMRP Office (MoF), the Office of the Internal Auditor General (IAG) together with the National Auditor General Office of Tanzania (NAOT), the Accountant General (ACGEN), the President's Office-Public Service Management (PO-PSM) and various other departments of the MoF concerning local government budgeting, planning, and payroll. These interactions were followed up by meetings with key staff of PMO-RALG in Dodoma (the capital of Tanzania) to understand the functioning of the LGAs in general and to collect preliminary data and information relevant for the assignment. Thereafter, the consultants organized a two-day training workshop facilitated by PMO-RALG which was attended by representatives from PFMRP, PMO-RALG, RASs, PEFA Task Force, Council Treasurers and Council Accountants and the Counterparts.

In compliance with the PEFA Secretariat's requirements of a balanced PEFA exercise and as required by the terms of reference, the consultants have also held discussions with the Association of Local Authorities of 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 Kasulu DC was carried out on the 10th and 11th March 2015. Subsequently, an individual draft LGA report was prepared and submitted to the following stakeholders for review and comments on 25th June 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.

Based on a study of the comments received from stakeholders on the draft report for Kasulu 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 Kasulu 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.

[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

The final draft report for Kasulu DC was submitted on 29th January, 2016 taking into account all comments of the LGA, the GoT, independent reviewers and other stakeholders and incorporated the impact of all such comments as appropriate. Follow-up comments on the final draft report have been addressed in this Final Report.

The disclosure of Quality Assurance Mechanism adopted for planning and preparation of this PEFA Assessment Report is shown in Appendix 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 Appendix 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 Kasulu 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 Kasulu DC on the Central Government

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

Table 2: Kasulu DC dependency on Central Government, 2011-2014, TZS million

Item	2011-12	2012-13	2013-14
Total revenue	25297	38743	40912
Recurrent grants	21489	34446	36220
Development grants	3041	3574	3705
Total grants	24531	38020	39925
Grants as % of Total Revenues	**97.0%**	**98.1%**	**97.6%**

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 Central Budgeting Cycle. LGAs' budget can only be finalized once the Central Government communicates the approved grants for the ensuing financial year. On the other hand, section 46(1) of the Local Government Finance Act (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 budgetary estimates.

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

3. Country Background

3.1. Country Economic Situation

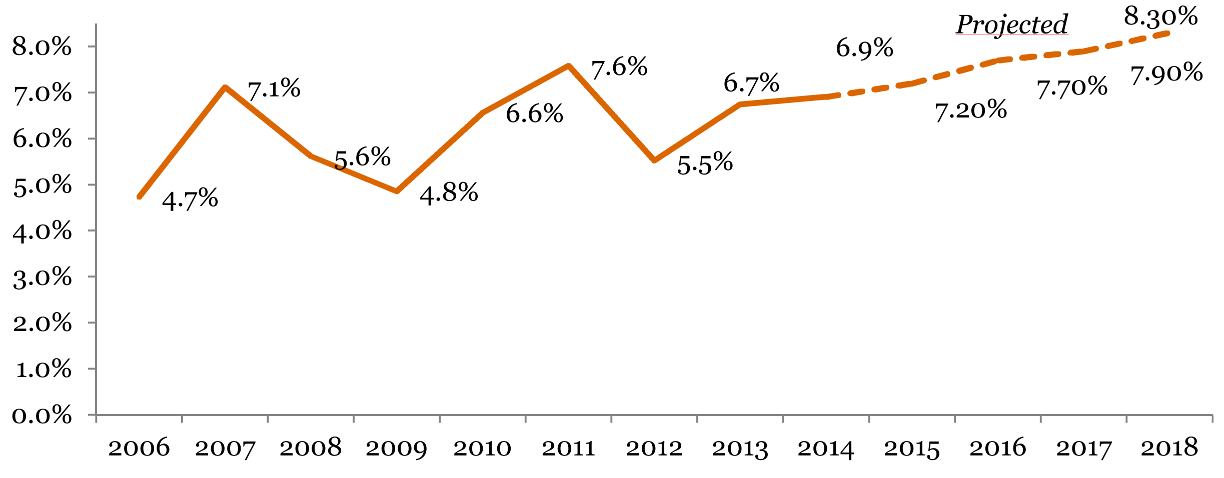
3.1.1. Country Context

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



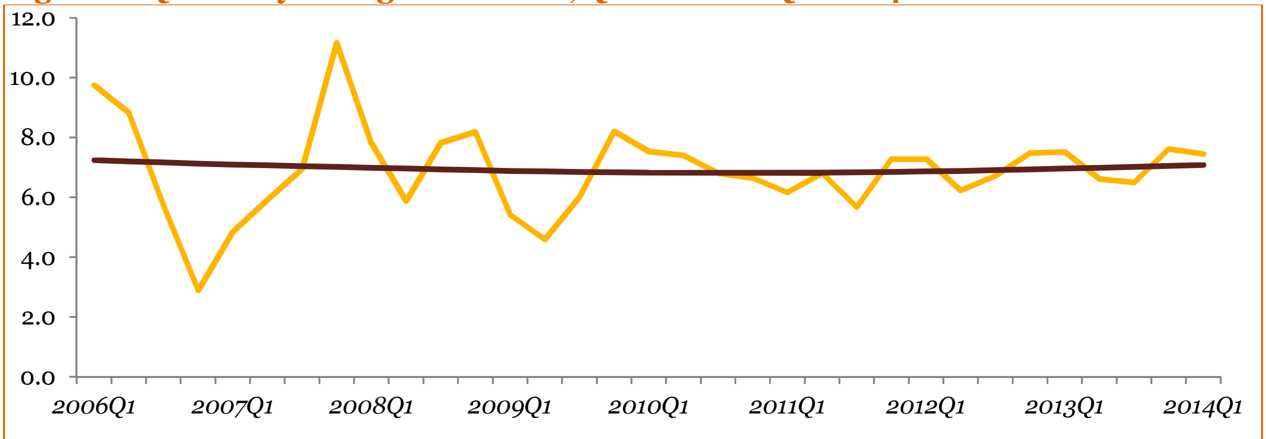
Source: Bank of Tanzania (figures till 2014), Government of Tanzania Budget Books, 2015-16 (Projected figures post 2015)

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 10% coverage. The percentage of households using piped water in urban areas was 59%, nearly

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

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

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

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 (AG)'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

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

supervision and administrative monitoring and control over the operations of Regional Secretariats 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; (iiv) 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 by-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 (AG) 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

Kasulu district is a part of Kigoma region, and has 2 constituencies, 5 divisions, 27 wards and 61 villages. Its economy is primarily dependent on agriculture (90%) along with other sources of income being such as raising livestock, laboring and cultivating crops. The District has huge potential for irrigation, as Kasulu district has 1,320 hectares of potential area for irrigation along the river Malagarasi.

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

Table 6: Factsheet-Kasulu District

Item	Value
Area	7,820.71 sq. km
Share in Region's Area	21.1%
Average rainfall	800mm to 1500mm per annum
Temperature range	15 – 22 °C
Population (2012 census)	634,038
Population growth rate	2.4% per annum
Life expectancy	52 years
District Income	TSh 382,499,554,500 (for the year 2013)
Per Capita Income	TSh 305000
Leading sector	Agriculture
Agriculture share in GDP	90%
Agriculture share in employment	85%

Source: Preamble, Medium Term Expenditure Framework, Kasulu District Council

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

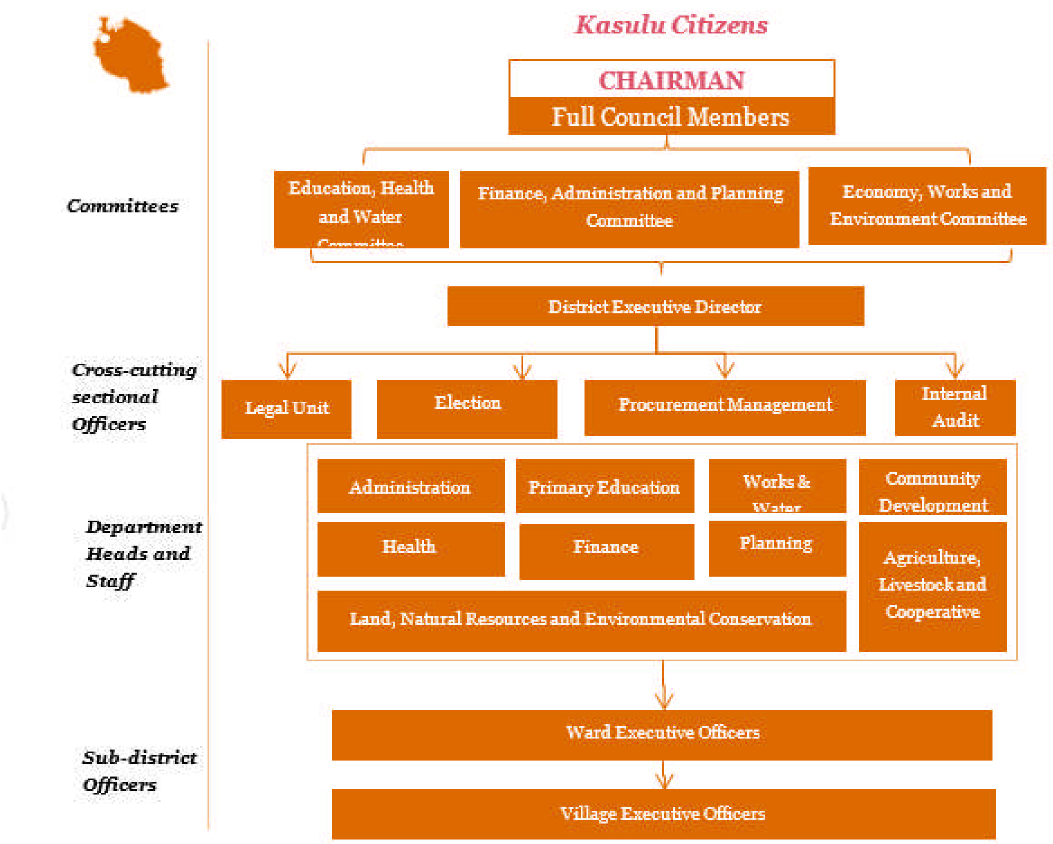
Category	Indicator	Total	Arusha	Kilimanjaro	Tanga	Morogoro	Lindi	Mtwara	Kigoma	Mwanza	Mara
	% of women (15-49 yrs, 2010) reads newspaper at least once a week	18.8	21.4	17.8	11.8	27.8	15.9	20.3	17	13.7	9.6
	% of men (15-49 yrs, 2010) reads newspaper at least once a week	29.9	15.5	43.5	40.9	38.6	21.3	24.4	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

Figure 3 shows the organizational structure of Kasulu DC. At the apex of Kasulu DC's organization structure are the people of Kasulu District (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, Kasulu DC has ten departments headed by a Departmental Head. Council staff are recruited by PO-PSM and paid by the central government.

Figure 3: Organization Structure of Kasulu DC



Additionally, Kasulu DC has four units namely: Internal Audit; Legal; Procurement Management; and Election. Staff within these sections has 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 three standing committees in Kasulu DC that, that also assists in the operations of the council. The committees are:

- Finance, Administration and Planning;
- Education, Health and Water; and
- Economy, Works and Environment.

4.3. Fiscal Performance of LGA

As shown in Table 2, the Central Government grants constitutes significant portion of LGA's total revenues (more than 97%). Table 8 shows trend of revenues of the Kasulu DC for the last three years. Although total revenues have increased by 61% over the last three years, the LGA's own source revenues has only increased by 29% during this period. This is majorly due to poor performance in the Local Taxes which increased by 6% only over the last three years.

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

Items	2011-12	2012-13	2013-14
Local Taxes	572	407	606
Fee, fines, penalties and licenses	113	88	79
Revenue from exchange transactions	72	40	101
Other own revenue	7	189	201
Total Own Revenue	**765**	**724**	**986**
Recurrent grant	21489	34446	36220
Development grant	3041	3574	3705
Total Revenues	**25295**	**38743**	**40912**

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

Table 9 shows total expenditure of Kasulu DC for the last three years by economic categories. In 2012-13, total expenditure increased significantly from the previous year (47% increase). This was majorly due to spike in "wages, salaries and employee benefits" which stabilized in 2013-14. This component has also been the largest component of the total LGA's expenditure with average share of 74% in the last three years.

Table 9: Total expenditure 2011-12 to 2013-14, TZS million

Item	2011-12	2012-13	2013-14	Average Share
Wages, salaries and employee benefits	18106	28357	30205	74.6%
Supplies and consumables used	2707	5218	5034	12.5%
Maintenance expenses	1114	1011	563	2.9%
Grants and other transfer payments	86	281	1299	1.4%
Finance costs	2	0	0	0.0%
Capital Expenditure	2891	1657	4012	8.6%
Total Expenditure	**24907**	**36524**	**41112**	**100.0%**

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

Table 10 shows total expenditure by functions for the period 2011-12, to 2013-14. It is clear from the table that education remained the leading spending function followed by health.

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

Function	2011-12	2012-13	2013-14	Average Share
Administration	2778	4267	5771	12.3%
Planning	2069	7216	7584	15.5%
Agriculture	1283	2082	1922	5.2%
Education	13213	10904	11423	36.9%
Primary health services	4270	6618	6561	17.1%
Water	323	2053	3611	5.2%
Works	930	1734	2469	4.8%
Lands	0	428	448	0.8%
Natural resources	0	489	505	0.9%
Community development, gender and children	40	732	817	1.4%
Total Expenditure	**24907**	**36524**	**41112**	**100.0%**

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

Table 11 shows deficit/surplus for Kasulu DC. In two of the last three years, Kasulu DC has been having surplus. In 2013-14, Kasulu DC had deficit of nearly TZS 201 million.

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

Item	2011-12	2012-13	2013-14
Total Revenue	25297	38743	40912
Total Expenditure	24907	36524	41112
Surplus	**390**	**2219**	**-201**

Source: Audited Annual Financial Statements, 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

(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, 2011-12, actual Central Government transfers were 7% lower than budgeted. In other two years, actual total transfers were broadly in line with the planned transfers at the beginning of the financial year. The predictability of amount of transfers was lower in case of development grants. In the last three financial years (2011-12, 2012-13 and 2013-14), actual development transfers were 33%, 5% and 23% lower than budgeted transfers respectively. Since development transfers do not constitute significant portion of total transfers, the low predictability on development transfers didn't impact the status of total transfers.. Our discussion with the District Council officials indicates that such low predictability in quantum of development transfers is impacting efficiency in project implementation.

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

		Recurrent Grants	Development Grants	Total Grants
2011-12	Budget	21866	4603	26470
	Actual	21489	3041	24531
	Deviation	**-1.7%**	**-33.9%**	**-7.3%**
2012-13	Budget	33882	3766	37648
	Actual	34446	3574	38020
	Deviation	**1.7%**	**-5.1%**	**1.0%**
2013-14	Budget	34600	4800	39400
	Actual	36220	3705	39925
	Deviation	**4.7%**	**-22.8%**	**1.3%**

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

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

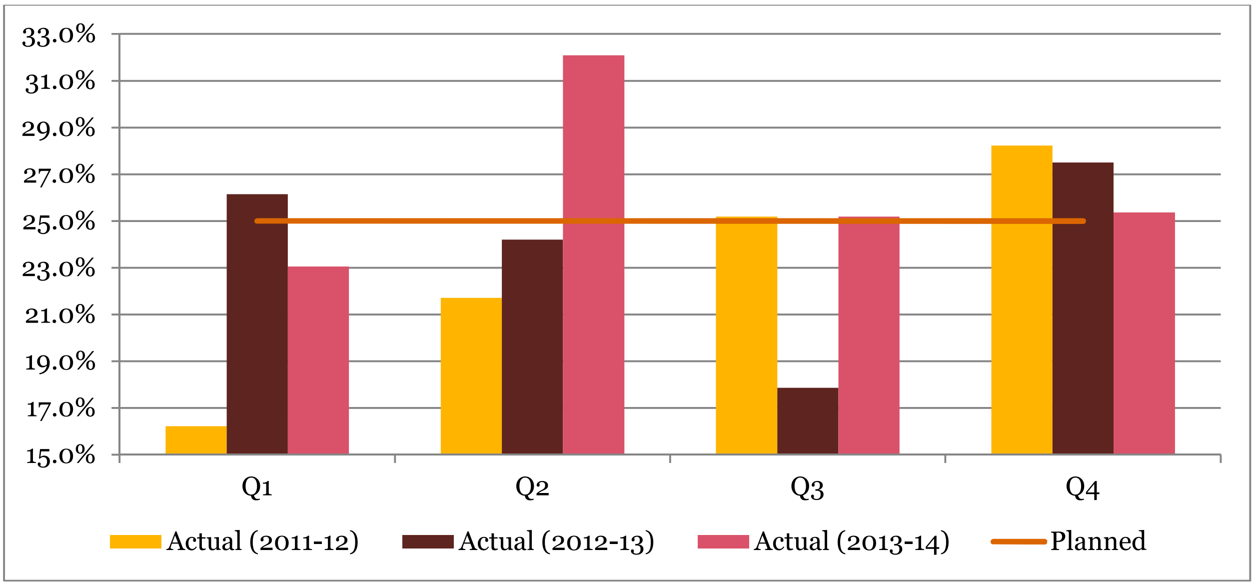
In case of Tanzania, all transfers are earmarked in nature. Under this dimension, the variance between estimated and actual figures for different categories of transfers needs to be assessed. There are only three kinds of grants i.e., recurrent block grants, subventions, and development grants. While data on actual transfers is available in the AFS of the LGA, corresponding budgeted figures are not detailed in the AFS. In the absence of the above information, this dimension of HLG-1 cannot be assessed and is being marked as "Not Rated".

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

At the start of the financial year, GoT does not provide a schedule of transfers to be made during the financial year. As per the Supplementary Guidelines for Application of the PEFA Framework to Sub-National Governments[11], in the absence of any disbursement timetable, a default of quarterly equal distribution is to be used.

Figure 4 shows distribution of actual receipt of disbursements by the LGA in 2011-12, 2012-13 and 2013-14[12]. Horizontal line shows assumed disbursement timetable (i.e. equal distribution across quarters). Over the last three years, higher disbursements were received in Quarter 4 in comparison with other quarters. Average timing of transfers to the LGA (weighted by the amounts transferred) was 6.88 months in 2011-12, 6.08 months in 2012-13, 6.23 months in 2013-14. In line with definition of "frontloading" in the Supplementary Guidelines for Application of the PEFA Framework to Sub-National Governments, it can be inferred that in none of the previous three financial years (2011-12, 2012-13, 2013-14), the actual transfers have been distributed evenly or with some frontloading.

Figure 4: Actual disbursement v/s planned, 2011-12, 2012-13, and 2013-14



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 13: 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	A	Only in one out of the last three years have HLG transfers fallen

[11] Page 10, footnote 4
[12] Computation of timeliness is based on figures provided by the LGA of actual net receipts

Indicator	Rating	Brief explanation
amount provided by HLG to the SN entity for inclusion in the latter's budget		short of the estimate by more than 5%.
(ii) Annual variance between actual and estimated transfers of earmarked grants	NR	In the absence of information on the budgeted transfers, this indicator has not been rated.
(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of the start of the SN fiscal year)	D	In none of the three financial years, actual disbursements were evenly distributed (or with some front loading) within the year.

5.2. PFM-out-turns: Budget Credibility

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

Government's ability to deliver the public services as promised in the financial year depends on its financial status and capabilities of execution. In case of local governments such as Kasulu 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 8.61% in 2011-12, 5% in 2012-13 and positive deviation of 1.66% 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 14: Aggregate primary expenditure outturn as compared with budget 2011-12 to 2013-14, TZS million[13]

Item	2011-12		2012-13		2013-14		Deviation		
	Budget	Actual	Budget	Actual	Budget	Actual	2011-12	2012-13	2013-14
Total Expenditure	27253	24907	38447	36524	40440	41112	-8.61%	-5.00%	1.66 %

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

Table 15: Summary rating for PI-1

Indicator	Rating	Brief explanation

[13] PEFA Field guide requires comparison of aggregate primary expenditure outturn as against the budget. Firstly, in case of Kasulu 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.

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 needs to be supplemented with an analysis of the variation in each major component of expenditure to present a complete picture with respect to the budgetary performance of the LGA. The objective of this indicator is to analyze the variation in the composition of the total expenditure after controlling for variation in the aggregate expenditure.

The PEFA framework recommends analysis of expenditure outturn by each of the main functional classifications. In case of Kasulu DC, expenditure is classified by 10 functions (1) Administration, (2) Planning, (3) Agriculture, (4) Education, (5) Primary health services (6) Water, (7) Works, (8) Lands, (9) Natural resources, and (10) Community development, gender and children.

Table 16: Variation in the composition of aggregate expenditure, 2011-12 to 2013-14 for PI-2 (i)

Year	composition variance
2011-12	21.7%
2012-13	6.1%
2013-14	8.6%

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

As mentioned in PI-1, the LGA is substantially dependent on central government transfers. Variance as shown above is largely due to the variability in transfers from the central government. Table 14 shows function wise deviations in actual expenditure from the budget. Key functions of the LGA are Administration, Planning, Education, and Primary health services which together contribute on average to 82% of the total actual expenditure in the last three financial years.

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

Function	Average Share	2011-12	2012-13	2013-14
Administration	12.3%	-27.8%	-8.1%	24.7%
Planning	15.5%	4096.1%	-0.1%	7.4%
Agriculture	5.2%	11.7%	-4.9%	-6.4%
Education	36.9%	-5.4%	-1.0%	3.2%
Primary health services	17.1%	-9.3%	-1.3%	-5.8%
Water	5.2%	-75.1%	-24.9%	-7.4%

Function	Average Share	2011-12	2012-13	2013-14
Works	4.8%	-33.7%	-13.0%	-8.5%
Lands	0.8%	-100.0%	-28.9%	-36.0%
Natural resources	0.9%	-100.0%	-24.1%	-26.9%
Community development, gender and children	1.4%	-94.6%	5.7%	20.9%

Source: Audited Annual Financial Statement, 2011-12, 2012-13, 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 level, there is no contingency fund in which contributions are made to meet expenditure during any unforeseen circumstances. The assessors did not encounter any specific expenditure item under which funds are reserved for unforeseen circumstances.

Table 18: Summary rating for PI-2

Indicator	Rating	Brief explanation
PI-2 Composition of expenditure outturn compared to original approved budget.	**B+**	
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	B	Variance in expenditure composition exceeded 10% in only one year of the last three fiscal years.
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years	A	There is no contingency fund in case of Kasulu DC. The dimension has accordingly been rated in line with clarification 2-l of the PEFA Field Guide.

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

Robust revenue forecasting is essential for preparation of a credible budget. In case of too much optimistic revenue forecasts for the financial year, the government commits to spending higher amount in comparison with revenues which results in high fiscal deficit or commitments which cannot be met. On the other hand, in case of too much pessimistic revenue forecasts, proceeds from over-realization are then used for spending on items of expenditure which has not been subjected to budget scrutiny.

The revenue data in the financial statements is sufficiently disaggregated by major revenue heads. The revenue estimates are prepared by the District Treasurer taking inputs from various departments in Kasulu District Council.

Revenue for the Council can be clubbed into four categories (i) Local Taxes (64%) (ii) Fee, fines, penalties and licenses (12%) (iii) Revenue from exchange transactions (8.4%), and (iv) Other Own revenues (16%)[14]. Table 19 shows revenue performance of Kasulu DC in the last three completed financial years.

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

Table 19: Summary of Kasulu 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	579	572	422	407	688	606	98.8	96.3	88.1
Fee, fines, penalties and licenses	123	113	124	88	130	79	91.9	71.2	60.8
Revenue from exchange transactions	71	72	54	40	100	101	101.2	74.0	100.8
Other own revenue	10	7	199	189	122	201	71.3	95.0	164.3
Total Own Source Revenue	**783**	**765**	**799**	**724**	**1040**	**986**	**97.6**	**90.6**	**94.8**

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

On an overall basis, nearly 98%, 91% and 95% of the budgeted LGA's actual domestic revenue (or own source revenue) was collected in 2011-12, 2012-13, and 2013-14 respectively. Poor performance in 2012-13 can be attributed to underperformance in "fee, fines, penalties and licenses" which contributes on an average 12% of total own source revenue of the LGA.

Table 20: Summary rating for PI-3

Indicator	Rating	Brief explanation
PI-3 Aggregate revenue out-turn compared to original approved budget	B	Actual domestic revenue was 98%, 91% and 95% 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 Local Government Finance Act 1982 (Revised 2002), Local Government Financial Memorandum 2009, Public Finance Act 2001 and the Local Government Accounting Manual 2009, do not define payment arrears.

On 8th 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 practice, as also referred to in the National PEFA Assessment of 2013 and the PEFA Field Guide 2012.

Kasulu DC presents an aging analysis of the aggregate payables in its annual financial statements. This has been presented in Table 21. 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 a detailed breakup of the total payables in the AFS.

Table 21: 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	833	1363	1430
Over 1 year	56		
As % of Total Expenditure	**4%**	**3.7%**	**3.5%**

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

A review of the Report of CAG on the Financial Statements for Kasulu DC for 2013-14 reveal that payables were underreported by an amount TZS 575.33 million.

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

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

In February, 2014, the Ministry of Finance and Economic Affairs initiated "Public Expenditure Review (PER) Study on the Prevention and Management of Payment Arrears" to identify the causes of and recommend measures to prevent future arrears. The Study covered six RAS and seventeen LGAs[15]. With respect to recording of arrears, the key findings for LGAs were[16]:

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

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

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

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

Table 22: 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 3.5% of the total expenditure in 2013-14, a reduction of 0.5% from 2011-12.
(ii)	Availability of data for monitoring the stock of expenditure payment arrears	D	In view of the findings of the PER study on arrears and given that reforms to reduce payment arrears have only recently been introduced at the LGA level such as defining what constitutes payment arrears and establishing formal mechanisms for reporting of arrears, the data on stock of arrears currently maintained by the LGA cannot be considered to be reliable.

5.3. Key Cross-Cutting Issues: Comprehensiveness and Transparency

PI-5 Classification of the budget

The Central Government (Mainland Tanzania) migrated to the classification as per the 2001 Government Finance Statistics (GFS) Manual in its budget for 2009-10. For those MDAs, regions and LGAs still using the classification as per the 1986 GFS manual, bridge tables are prepared for converting accounts to the classification as per the 2001 GFS manual.

The budget for Kasulu DC is presented following an 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 at the six digit level.

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

As per 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 the 2001 GFS manual, as given in Table 23.

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

Table 23: Chart of accounts

S. No.	Code	No. of digits	Type	Example
1	Vote	2	Vote	Represents the region, e.g. 74 stands for the Kigoma region
2	Council	4	Council	Represents the council, e.g. 3022-Kasulu DC
3	Cost center	4	Cost center	Represents the sector/department, e.g. 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
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

With assistance from the IMF, Government of Tanzania has prepared a road map for the introduction of formal programme based budgeting within the medium term framework. This will require significant simplifications of the budget classification system so that programme managers have the flexibility to manage their inputs effectively to meet the programme objectives.[17]

[17] PEFA (National) 2013

Table 24: Summary rating for PI-5

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

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 Kasulu 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 on 1st November 2013 and received by Kasulu DC on 10th December 2013. Based on these instructions, the DC submitted a consolidated budget book named "Medium Term Expenditure Framework and Budget for 2014-15" to the Full Council on 1st February 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 Kasulu DC.

The second section, "Environmental Scan" provides an analysis of needs and expectations of various stakeholders from the budget. The stakeholders include Kasulu DC employees, residents of Kasulu District, lower level government authorities of Kasulu DC, Kasulu 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 (2012-13). It also provides a mid-year performance review in the current financial year (2013-14) 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 25 provides assessment on each of the required information benchmarks.

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

Table 25: Information provided in budget documentation

S. No.	Dimension	Availability	Notes
1.	**Macroeconomic assumptions:** including at least estimates of aggregate growth, inflation and exchange rate;	NA	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 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	No	Kasulu DC did have an outstanding debt at the beginning of the financial year 2013-14. However, there were no details on the debt stock included in the consolidated budget book.
5.	**Financial assets:** including details at least for the beginning of the current year;	No	Information on the stock of LGA's financial assets (such as bank balances) is not provided in the budget for FY2014-15.
6.	**Prior year's budget out-turn:** presented in the same format as the budget proposal;	Yes	Prior year's budget outturn is provided at an aggregate level and for specific items of expenditure in the consolidated budget book. These include items such as recurrent expenditure on local government block grant, HSBF, and recurrent revenue collections.

S. No.	Dimension	Availability	Notes
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 Kasulu 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 estimates of the budgetary impact of all major revenue policy changes and/or some major changes to expenditure programs.	No	The budget document does not provide any statement/section listing down new policy initiatives in ensuing financial year 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 26: Summary of rating under PI-6

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

PI-7 Extent of unreported government operations

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

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

The assessment team ascertained that certain equipment such as specific drugs which are supplied directly to hospitals/health centers from the central medical store are not included in the LGA's budget, though these expenses are budgeted in the Central Government's budget. These are however, accounted for in the LGA's annual financial statements under 'recurrent grants'.

It is understood from discussions with DC officials that a small proportion of development expenditure is also financed through community contributions under their respective community benefiting projects. The financial value of these contributions is included in the MTEF documentation though not in the fiscal reports.

Table 27: Extra budgetary expenditure for Kasulu DC

Category	*Reported in*			*Meets eligibility for extra-budgetary expenditure*	*As % of LGA's total expenditure, 2013-14*
	MTEF 2013-14	**AFS 2013-14**	**Quarterly Financial Report, 2013-14**		
Drugs/ Equipment from MSD	No	Yes	No	Yes	1.8%
Community Contributions	Yes	No	No	Yes	1.18%

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

As per discussions with Council officers, for 2013-14 all donor funded project expenditure was included in the District Council's MTEF and annual financial statements. Moreover, all donor funds were routed through the central government's budget.

Table 28: Summary of rating under PI-7

Indicator		Rating	Brief explanation
PI-7 Extent of unreported government operations		**B**	
(i)	Level of extra-budgetary expenditure (other than donor-funded project), which is unreported, i.e. not included in fiscal reports	B	Supplies from the central medical store and community contributions on development projects cumulatively contributing to 2.2% 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 no direct donor funding is provided.

PI-8 Transparency of inter-governmental fiscal relations

This indicator assesses the transparency of transfers from local governments to lower levels of the government (wards, villages/hamlets) during the last completed financial year 2013-14. As per MTEF 2014-15, Kasulu District comprises of two constituencies, five divisions, 27 wards, and 61 villages.

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., Kasulu DC) or some in-kind transfers (such as drug supplies) from the Central Government. The Council in turn finances its expenditure through own sources of revenue as well as grants from the Central Government.

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

Table 29 shows the various local government development grants made to LLGs in FY2013-14 and corresponding criteria.

Table 29: Funds transferred to lower levels of governments

S. No.	Transfer item	Purpose	Rationale for transfer
1.	Health Sector Basket Fund (HSBF)	Renovation of health facilities, procurement of medicines and administrative cost for health facilities	Transfers to health centers are determined through local participatory planning and budgetary processes. A significant portion of these funds are retained at the LGA level.
2.	Road Fund	Construction and maintenance of roads	Construction and maintenance of feeder roads.
3.	Primary Education Development Programme (PEDP) and Secondary Education Development Programme (SEDP)	Funds for overall development of primary and secondary education	Capitation grant: 100% distributed across units by equal amount for each student in primary schools. Construction of classes, toilets, and staff offices: Not all procurement is done at the LGA level.
4.	Capital Development Grants (CDG)		50% of the transfers are to be spent at the council level and 50% to be transferred to lower level governments. Distribution across LLGs is through local participatory planning and budgetary processes
5.	National Rural Water Supply and Sanitation Programme (NRWSSP)	Construction of water systems	100% utilization at the council level

S. No.	Transfer item	Purpose	Rationale for transfer
6.	Agriculture Sector Development Programme (ASDP)	For Agriculture development	Funds are transferred only to communities. And these transfers are based on the budget/plan submitted by these communities. At the council, expenses include supervision cost, and in some cases procurement of goods.
7.	Medical Store Department (MSD)	Supply of drugs and medicines to health facility from the MSD at the central level	Transfers of drugs and medicines to the health facilities are made from MSD but selection of facility and quantum of supplies is decided by the Council.
8.	District Agricultural Sector Investment Project (DASIP)	For increasing productivity and incomes of rural households in the project areas	Transfers to Village Councils determined through local participatory planning and budgetary processes
9.	National Multi-Sectoral Strategic Framework (NMSF), Tanzania Commission for AIDS (TACAIDS)	Fight against AIDS and HIV	Direct transfer to villages as per priorities listed in the MTEF.
10.	Other Charges (OC)	Operational cost	1. General Purpose Grants from the Central Government- 20% of funds received are transferred in equal proportion to all LLGs 2. 20% of LGA's own source revenue is transferred based on budget proposals submitted by LLGs

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 more 22% in the budgeted and actual development grants received by the LGA during 2013-14. Discussions with PMO-RALG reveal that there is no guidance for revising allocations across LLGs in case of shortfall in grants received from the Central Government. Consequently, re-allocation of programme grants across LLGs when actual funds received from the Central Government are less than budgeted estimates is not transparent.

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

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

As per discussions with Kasulu 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, LLGs were required to prepare estimates based on the ceilings for the preceding financial year. Actual approved transfers from the Central Government were only finalized by June.

It is to be noted that while LGAs do submit their cash flow plan at the beginning of the financial year, Central Government transfers are based only on the availability of resources. During the financial year, no advance notification is given to LGAs on actual transfers. Given the uncertainties in funds flows from the Central Government which impact transfers made by LGAs to LLGs, reliable information on transfers cannot be made available to 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 sectorial 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. However, CAG's Management Letter for 2013-14 stated that the DC did not disclose the closing balances of the LLGs in its financial statements for the fiscal year.

Table 30: Summary of rating under PI-8

Indicator		Rating	Brief explanation
PI-8 Transparency of inter-governmental fiscal relations		**D**	
(i)	Transparency and rules based systems in the horizontal allocation among lower level governments of unconditional and conditional transfers from LGA	D	Though there are / rule based principles for allocation of grants in theory, in the absence of a firm evidence for actual basis of allocations in the context of the funding uncertainties and non or partial availability of details of budgeted and actual transfer of funds to the LLGs, transfers on the whole do not appear to be determined based on transparent and rule based systems (with the exception of GPG and capitation grants).
(ii)	Timeliness of reliable information to lower level governments on their allocations	D	No ceilings/reliable estimates on allocations are provided ahead of finalization of budget proposals. During budget implementation as well, no advance information is provided to LLGs on expected transfer of funds.

Indicator		Rating	Brief explanation
	from LGA for the coming year		
(iii)	Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectorial categories.	D	Fiscal information that is consistent with LGA fiscal reporting is not collected from LLGs.

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

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

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

District level utilities such as the Water Supply and Sanitation Authorities (WSSAs) are financially supported by the LGA, given their common responsibility of providing community services and as also mandated by the Water Supply and Sanitation Act 2009. However, 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 LGAs does not contain a separate statement on revenue and expenditure of the LLGs nor a consolidated overview of the fiscal risks of LLGs.

Table 31: Summary of rating under PI-9

Indicator	Rating	Brief explanation
PI-9 Oversight of aggregate fiscal risk from other public sector entities	**C**	
(i) Extent of local government monitoring of autonomous government agencies and public enterprises	NA	LGAs do not have direct responsibility, administrative or financial, for any autonomous government agency or public enterprise. This dimension therefore, is not applicable to Kasulu 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

The indicator assesses the extent to which relevant information on local government's financial health and its operations are available to the public.

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

Kasulu DC does not have an active website. Table 32 shows the level and mode of public dissemination of information in the District.

Table 32: Public access to key fiscal information

S. No.	Item	Available	Notes
1.	Annual budget documentation submitted to council	Yes	Summary of the budget by village and ward is put up on the notice board of the District Council.
2.	In-year budget execution reports within one month of completion	No	Quarterly revenue and expenditure information are prepared and discussed in council meetings which include community members. However, these reports were not found on DC's notice board.
3.	Year-end financial statements within six months of completed audit	No	Summary of the audited financial statements are put up on the notice board and published in the newspaper. Last audited financial statement (2012-13) available at the time of our visit was published in Majira newspaper on 05 January, 2015. The Report was issued by CAG in March 2014.
4.	External audit reports within six months of completed audit	No	Summary CAG reports are published in the newspaper. Last audited report (2012-13) issued till time of our visit was published in Majira newspaper on 05 January, 2015. The Report was issued by CAG in March 2014.
5.	Contract awards with value above approx. TZS 50 million at least quarterly	Yes	As per discussion, it is understood that a summary of all contract awards is published in weekly journal on Public Procurement Regulatory Authority Website.
6.	Resources available to primary service units	Yes	The team confirmed that the summary of transfers to facilities is displayed outside the district council office.
7.	Fees, charges and taxes	Yes	Council by-laws are available with the district treasurer and at the offices of all the ward executive officers for access by the general public. These are also put up on the District Council's notice board.
8.	Service provided to communities	No	Information on services provided to communities could not be found on the District Council's notice board.

Table 33: Summary of rating under PI-10

Indicator	Rating	Brief explanation
PI-10 Public access to key fiscal information	**C**	
(i) Number of the above listed elements of public access to information that is fulfilled (in	C	Out of eight items, four items are available for public access.

Indicator	Rating	Brief explanation
order to count in the assessment, the full specification of the information benchmark must be met)		

5.4. Budget Cycle

5.4.1. Policy-Based Budgeting

PI-11 Orderliness and participation in the annual budget process

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

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

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

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

Date	Main Activity	Key Actors	Actual Date for Kasulu 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)	Ministry of Finance (MoF), President's Office – Planning Commission (PO-PC)	Received by Kasulu DC on 6 December 2013
07 January, 2014	MDAs, RS and LGAs to get budget ceilings for the fiscal year 2014-15	MoF	Ceilings for other charges (OC) issued by MoF on 27th January, 2014 and received by LGA on 3 February 2014
08-28 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	19 February 2014
29 January-11 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	

Though the budget calendar for 2014-15 was received by the District Council only on 6 December 2013, instructions to LLGs for initiation of preparation of budget proposals were issued on 23 August

2013 by the Kasulu DC so as to ensure timely completion of budget review and negotiation processes at the LGA level. Similar guidelines to line departments and programme coordinators were issued on 17th October 2013. However, these instructions did not contain a separate budget calendar containing dates for submission, negotiation and finalization of budget estimates by the LLGs and Departments.

As can be seen from Table 34, there were delays across milestones specified in the budget calendar. Moreover, it is understood from discussions with DC officials that ceilings for the development budget were communicated to the LGA only during the budget scrutinization meetings held by MoF, rendering the entire budget preparation process ad hoc.

(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 Kasulu DC relied on transfers from the Central Government for more than 97% of its total revenue during 2011-14, its ability to issue budgetary ceilings to spending units without prior notification from MoFis 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 35 shows relevant dates for approval of the budget.

Table 35: Final budget approval dates

Year	Date of Full Council approval	Date of approval by Parliament
2012-13	7 April 2012	14 June 2012
2013-14	4 March 2013	12 June 2013
2014-15	24 January 2014	13 June 2014

Table 36: 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 as shown in Table 34. Crucial information was disseminated in an ad-hoc manner, e.g. budget ceilings were issued only during the scrutinization meeting.
(ii)	Guidance on the preparation of budget submissions	D	While Kasulu 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. These guidelines instruct usage budget allocations for previous year as guidance on budget ceilings.
(iii)	Timely budget approval by the legislature	A	Budgets for last 3 years were approved before start of the new fiscal year.

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

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

Budget guidelines for the last two completed financial years (2012-13 and 2013-14) provide for all accounting officers (including LGAs) to incorporate a medium term perspective in their budget proposals. 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. As mentioned in Table 25, relevant macroeconomic variables at the LGA level (such as inflation rate, forecast of agriculture produce) 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.

Kasulu 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.

(ii) Scope and frequency of debt sustainability analysis

Table 37 shows debt for Kasulu DC in the last three years. In 2013-14, there was no debt outstanding. Hence this dimension does not apply to the District Council.

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

TZS million	2011-12	2012-13	2013-14
Long-term borrowing	8.4	4.4	0

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

(iii) Existence of costed sector strategies

There is a strategic plan (2011-12 -2016-17) reflecting the development priorities of Kasulu DC. The strategic plan contains seven key result areas including health, education, agriculture and livestock, water resources management, natural resources and lands, community development, administration and personnel. The strategy of the Council across these seven key result areas, quantifiable targets and responsible departments are specified. However, there is no overall costing of interventions in the strategy. It was explained that present regulations do not require costing of interventions. We observed that only some individual activities were costed leading to lack of an overall picture on the budget implication for the Council from the planned strategies.

(iv) Linkages between investment budgets and forward expenditure estimates

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

In this dimension only investments under the control of the LGA are to be considered. Local Government Authorities 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 the budget for the ensuing financial year. Therefore, recurrent cost implications of the investments budgeted in the ensuing financial year is not considered in the forward budget estimates for the sector.

Table 38: Summary of rating under PI-12

Indicator	Rating	Brief explanation
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	**D+**	

Indicator		Rating	Brief explanation
(i)	Preparation of multi - year fiscal forecasts and functional allocations	C	Forecasts of all line items are prepared as per GFS classification on a rolling basis for three years. However, there are no links between multi-year estimates and subsequent setting of annual budget ceilings.
(ii)	Scope and frequency of debt sustainability analysis	NA	Kasulu DC did not have outstanding debt in the last completed financial year, i.e. 2013-14. In 2011-13, total outstanding debt was insignificant.
(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 39 below shows broad structure of own revenue sources of Kasulu 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 39: Rationale for identification of Tax revenues

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

S. No.	Revenue item	Included/excluded as "Tax Revenue"	Rationale
			inter alia, all moneys derived from fees for forest produce and licenses accruing to the district council under section 10 of the Forest Act. 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.	Property tax	Included	As per para 5.40 Property taxes are charged as a percentage of the value of the immovable properties which include buildings and other structures.
3.	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.
4.	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.
5.	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.
6.	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.
7.	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.

S. No.	Revenue item	Included/excluded as "Tax Revenue"	Rationale
8.	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 39, we have considered following sources of revenues as taxes (i) produce cess (ii) property tax, and (iii) 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/ levies can be governed by byelaw and/or main law (the Central Government legislation). The latest Kasulu DC byelaws are contained in the amended version of 2010. Part IV of the Local Government District Authorities Act 1982 gives power to district councils to make their byelaws. The byelaws provide the type of local taxes, applicable rates, evidence of collection, responsibilities of taxpayers, offensive matters in relation to tax paying responsibilities, and the penalties if convicted guilt of tax offences. In case the main-law lapses, the relevant byelaw at the LGA level automatically becomes invalid.

Table 40: Legislative framework of taxes/fees

S. No.	Source of revenue	By-law	Main law	Details
1.	Produce Cess	√	√	By-law: This includes farm (i) Beans produce cess (TZS 30 per kg); (ii) Maize cess – TZS 20 per kg; (iii) Tobacco cess (TZS 30 to 35 per kg depending on the grade); (v) other farm produce cess – various and (iii) ocean produce – TZS 500 per kg. Main-law: Section 7(1) (g) of the Local Government Finance Act, 1982
2.	Service levy	√	√	Main-law: Section 7 (1) z) of the Local Government Finance Act, 1982
3.	Property tax	√	√	Main-law: Section 7(1)(y) of the Local Government Finance Act, 1982 Is also in the by-laws as Kasulu is about to be a Town Council

The law provides for imposition of service levy amounting 0.3% of turnover on all economic activities in the Council including manufacturing, agricultural production, distribution of goods, rendering of services, and commerce. The actual amount of service levy to be paid is based on the financial returns shared by the payees. Once taxpayers submit the financial returns to the revenue collecting officer, the Officer may either (i) accept the financial accounts and later evaluate the service levy based on assumptions, or (ii) in case of doubt, the Officer is empowered to estimate the service levy using his judgement.

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 byelaws, taxpayers are informed on the types of local taxes, rates and their expected liabilities through the byelaws. Byelaws are formulated through community participation through the WDC meetings. But after that stage, there are no special initiatives for awareness of the target audience.

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

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

a) Full council meetings: Through regular full council meetings, the district councils discusses with the general public on the taxes/fees/levies applicable, rate and procedures for payments.
b) Ward executive officers educate the target population on various taxes/levies/fees applicable
c) Introduction of tax collection agents: every time a tax collection agent is selected, the council issues an introduction letter to inform the respective community on details of the tax type the collector will be responsible. This is done through street announcements using the Audio Precision (AP) system as well as posting copies of the announcement letter in public areas.

As per recent studies made on key issues in revenue mobilization[18] , one of the challenges faced in local government taxation in Tanzania is low awareness of local tax payers. The study was conducted across Tanzania and does not refer to Kasulu specifically. However, the following key issues in information dissemination and tax administration should be noted:

- 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.
- The general weaknesses in revenue related internal controls referred to by the CAG in areas such as (i) inefficiency in revenue estimation, (ii) timely collection of revenues – delays in collections from Revenue Collection Agencies (RCAs), (iii) low collections from own source revenues vis-à-vis budgets, (iv) non maintenance of Revenue Collectors' Cash Book evidenced by missing of some revenue earning receipt books, and (v) functioning of internal controls over the collected revenue,

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

e.g. revenue collected by agents without binding contracts, and delays in banking collected revenue.

Taking into account the above weaknesses, 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 a certain local tax, there is a council's grievances desk. But this desk deals with all kinds of public queries including tax. As per the feedback from our discussions, tax related complaints are handled by the District Executive Director (DED) and the Director's agents at the village level. In case the applicant is not convinced with the response, the applicant can appeal to the Prevention and Combating of Corruption Bureau (PCCB). 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.

We were informed by Kasulu DC that there have not been any cases of complaints with regard to taxes and no related legal cases were pending at the district level, hence the complaint register the team reviewed had no records. However, the council received complaints from the village level but all were resolved as at the time of the assessment, though also were not logged into the main complaint register.

Table 41: Summary of rating under PI-13

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

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

(i) Controls in the taxpayer registration system

In Kasulu DC, all cess is levied at the point of sale at rates determined as per bye laws. Collection is carried out through outsourced service agents. The cess on beans, part of the maize cess and other crop cess revenues are collected through contracted collection agents. Tobacco and part of maize cess revenue is collected through processing companies on tonnage bought from producers. For tobacco, revenue is collected through Alliance One tobacco processing company, which deducts the same directly from producers at the buying centre. Cess Revenues of part of maize that is sold through National Food Reserve Agency (NFRA) is also collected at the buying centre through direct deduction from the selling price The DC does not have a specialized tax registration and assessment system in place. The assessment team was informed that revenue is estimated each year using subject matter experts. The council only maintains the Business People Register that is serially numbered and contains all business owners in the district. Prior to the beginning of the year, the Council team goes around the district and estimates collectable revenue using the details contained in the Business People Register as a starting point. Findings from the assessment are tabled at the Council Management Team (CMT) meetings, which recommend improvements. At the end of the year, reconciliations are made between actual and expected collections. In respect to Service Levy, the tax information held by the DC is supplemented by the information provided by Tanzania Revenue Authority database for the council. TRA provides turnover of each business in the Council. The information is entered into an I-tax system. This system also assigns a unique identification number to each tax payer.

However the PEFA 2013 highlighted gaps in TRA database. A study conducted by TRA confirmed that significant part of the large informal sector is not captured in the database. Each taxpayer in the country is required to have a Tax Identification Number. It is being reported that some businesses in the District have Tax Identification Number (TIN) but small businesses do not have any TIN.

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

There is no regulation mandating the taxpayer to register with the District Council. Therefore, no penalties are imposed in case the taxpayers do not register themselves with the Council. However, the byelaws specify that any person who fails or refuses to pay a specified tax which is due and payable by him under the byelaws, is guilty of an offence and shall be liable on conviction to a fine specified under the specific tax type or to imprisonment for a term also specified under the specific tax type, or both. The byelaws also provide that the tax defaulter shall also be liable for repayment of the estimated loss that will include any enforcement costs.

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

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

At the local government level, there is no separate audit conducted to identify the defaulters. Tax as part of revenue collection, is part of routine quarterly internal audit.

Table 42: Summary of rating under PI-14

Indicator		Rating	Brief explanation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment		**D**	
(i)	Controls in the taxpayer registration system	D	The Council maintains the Business People Register, which is serially numbered. However, there is no dedicated registration system in place. Additionally, there is no link between the council tax payers' record and the other databases. Only for service levy, the council supplements its own business people register with reference to TRA database which we understand is subject to various weaknesses.
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	D	Currently, the legislative framework does not provide for any penalty for non-registration with the district council.
(iii)	Planning and monitoring of tax audit and fraud investigation programs	D	No special tax audits are conducted.

PI-15 Effectiveness in collection of tax payments

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

As per our discussion with the District Council and review of the financial statements, the only tax arrears that were recorded for all of the years under assessment were from revenue Collection Agencies (RCAs). However, there was no arrears analysis to indicate out of end of the year balances, how much was from previous years and how much was for the fiscal year. In spite of an accrual accounting environment, there was also no evidence of a credible system for recording receivables for service levy. Hence collection ratio of the tax arrears cannot be computed. The tax arrears from the RCAs were recorded at TZS 15 million (for years 2011-12), TZS 46 million (2012-13) and TZS 3 million (2013-14). Lack of systematic revenue arrears tracking system affects the overall revenue collection efficiency.

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

As provided in Table 43 below, service levy is collected by the revenue accountant and trade officer; other produce cesses are collected either directly, or by agents, or purchase collection centres including processing companies.

Revenue collected across the four sources are directly deposited in the own source revenue account with varying frequency. Service levy collected are reflected in the own source revenue account on a daily basis (if cash) and generally within 3 days for cheques. Produce cess are deposited to own source revenue account directly by the collectors as and when they collect, and by agents on their instalment due dates.

CAG's Management Letter on the Financial Statements of the District Council for 2013-14, however, noted that there was a delay of up to 11 months in banking of TZS 14 million revenue collected by the District Council by various revenue collectors. Also, this was not a stand-alone incident since a similar observation was made by the CAG in 2012-13 wherein TZS 98 million remain unbanked for a period of five to eight months.

Table 43: Structure of taxes

Cesses	Who collects	Who evaluates	Frequency
Service levy	Service levy charged on services provided to the council: 1. Council deducts from payment to Business entity; and Service levy charged on other activities: 2. Revenue accountant and Trade officer	Revenue accountant and trade officer (Information on business unit in the district is provided by TRA.) In addition to this, they also use their own information sources.	Not fixed, as and when the transaction is processed and chasing is ad-hoc using field officers who are responsible for following up collections.
Produce cess	1. Tobacco – Alliance One, directly from producers based on tonnage 2. Maize – Part by NFRA through direct deductions from producers 3. Beans, part of maize and other crops – outsourced to RCAs	1. Alliance One; 2. NFRA; and 3. DC at the beginning of the year and prior to contracting	1. Monthly, during the season; 2. Monthly during the season; and 3. Agreed contract instalments
Property tax	RCAs	DC at the beginning of the year and prior to contracting	Agreed contract instalments
Property rates	DC directly	DC	Monthly

Section 39 (2) of the Local Government Finances Act, 1982 requires the District Council not spend through the own source revenue account. In case of spending from the revenue collected, the amount should be transferred from the own source revenue account to other spending accounts (such as development account, road fund, etc.). However, CAG's Management Letter for 2013-14 noted that TZS 12. 3 million was deducted by the Council from the revenue collected before being banked. This deduction was on account of the amount required to be transferred to the LLGs and the collection cost.

(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, revenue from tobacco and some of maize sold through NFRA are collected through a direct settlement system. 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.

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	No data on tax arrears collection is available. The council collects most of its revenues through collection agents, but there are no records of in-year collections of revenue arrears from prior years.
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	D	All tax revenues by the revenue collection agents are paid directly to the bank accounts on agreed intervals (usually monthly). For collections made directly by the Council, CAG's Management Letter for 2013-14 highlighted delays of several months in banking of revenue collected.
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	D	No invoices are raised for any receivable tax revenue. Therefore, complete reconciliation between tax assessments, arrears records, and receipts are not done. However, reconciliation between tax collected and amount transferred to treasury is done on monthly basis.

5.4.3. Predictability and Control in Budget Execution

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

To implement activities planned during the financial year LGAs enter into commitments with vendors/suppliers for fixed time periods. However, these commitments crucially depend on the availability of funds. The concerned department within the LGA should receive reliable information on funds availability for spending within the financial year. This can be achieved through effective cash flow planning, monitoring and management by the finance department of the LGA, based on regular and reliable forecasts of cash inflows and major outflows.

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

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

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

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

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

Once the Parliament approves the annual budget for the LGA, an action plan is prepared by the District Council which lists budget allocations against various activities finalised for the financial year. This action plan is shared with all departments of the LGA as well as with LLGs to give them an indication of the resources budgeted for commitments. The DC, however, is largely dependent on the funds from the Central Government (97.5% of the total revenue of the District Council were in the form of Grants from the Central Government in 2013-14) and hence, on the communication from MoF on the expected transfers during the financial year. As per discussions with MoF, it is understood that while a ministry level Ceilings Committee reviews the cash flow position of the Central Government on a monthly basis, there is no advance notification made to LGAs on expected fund releases. This, in turn, limits the ability of the District Council to provide reliable information to the spending units on actual resources available for commitment under the Central Government funded projects during the course of the financial year.

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

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

Para 18 of the 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, the following adjustments were requested for by the District Council to PMO-RALG:

- An increase in budget allocations provisioned for in EPICOR under 'other charges' due to more than budgeted transfers received from the Central Government. These additional funds amounted to 1% of the total expenditure of the District Council in 2013-14.
- Virements totalling to TSH 121 million (constituting 0.3% of the total expenditure of the District Council in 2013-14) resulting in increased allocations for outsourced maintenance contracts through reduction in 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**	
(i)	Extent to which cash flows are forecast and monitored	D	No evidence of either the annual or the revised mid- year cash forecasts could be provided by the -District Council to the assessment team. The cash requirements given to the central government at the commencement of the year is more of a requirement of funds than a cash forecast.
(ii)	Reliability and horizon of periodic in-year information to departments on ceilings for expenditure commitment	D	No reliable indication is provided to spending units on actual resource availability.
(iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of departments	NA	In 2013-14, in year adjustments decided above the level of spending units were carried out only once during the financial year and were not significant when compared to the annual expenditure of the District Council (less than 5% of the total expenditure of the Council).

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 projects involving capital investments such as construction of roads) to PMO-RALG for approval. The request is accompanied by last three years own revenues, schedule of loan payment and interest payments in the future. Post scrutinization and approval (if given), the request is sent to the Prime

Minister Office. However, PMO-RALG does not receive any information on whether loan has been approved/ disbursed or not.

Kasulu DC does not have any debt outstanding as on 2013-14. Therefore this indicator is not applicable to this LGA.

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

Kasulu DC has eight 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 cash account, (d) development account, (e) road fund cash account, (f) personnel emoluments account, (g) National Water Sector Development Programme, (h) District Agriculture Sector Investment Program (DASIP). Of these accounts operations from the DASIP account ceased in December 2013. This account, however, has been kept open. 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 daily 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.

With respect to loans, LGAs are allowed to borrow under Clause 51 of the LAFM but in the absence of any outstanding loan for the last completed financial year for Kasulu DC, this indicator is not applicable for the assessment.

Table 46: Summary of rating under PI-17

Indicator		Rating	Brief explanation
PI-17 Recording and management of cash balances, debt and guarantees		**A**	
(i)	Quality of debt data recording and reporting	NA	At the time of assessment, Kasulu DC did not have any outstanding debt.
(ii)	Extent of consolidation of the government's cash balance	A	Cash balances are calculated and consolidated on a daily basis.
(iii)	Systems for contracting loans and issuance of guarantees	NA	Issuance of guarantees is the mandate of Ministry of Finance. Also, Kasulu DC did not have any outstanding loan for the last completed financial year. Hence, it is not applicable for Kasulu 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 President's Office-Public Service Management (PO-PSM). Payroll is controlled through a computerized database known as Human Capital Management Information System (HCMIS) located in PO-PSM. HCMIS includes all three records i.e., establishment list, personnel records as well as payroll data. Thereby, these three records are electronically linked with each other. Establishment and personnel records are handled by PO-PSM while payroll processing is done by Department of Computer Services, Ministry of Finance. Since July 2014, MoF transfers money directly to the bank accounts of the employees but only after due approval from the employer (i.e., for purposes of our assessment this is the LGA). Payments for casual labours are paid from own source revenue of LGAs. Changes in the personnel database of HCMIS are initiated by the Human Resource Officer (HRO) at the council level and are reflected straightaway in the payroll component of HCMIS once PO-PSM approves the request. Usually the Head of the Human Resource Department in the LGA has access to the system and can upload changes. It was noticed that there are lags between the recruitment of the employee and the reflection of information in HCMIS.

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

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

It is understood from discussions with PO-PSM as well with Kasulu 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 Kasulu 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 210 cases where salary was in arrears. These cases were pending as on 20 March 2015 as well.

(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 the local government authority). PO-PSM and MoF both has readonly 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. At the local government level, there are no independent checks performed post changes to HCMIS. Therefore, it becomes the responsibility of the PO-PSM to ensure changes entered by the employer in the HCMIS are valid.

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

(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). In addition, the Pay Master General had issued a circular guideline requiring all internal auditors to put into their annual work plan audit of payroll at least two times annually.

Internal Audit, as per guidelines issued by PMO-RALG, is required to include payroll-audits in its annual work plan for atleast two quarters in the financial year. In the internal audit reports for 2013-14, payroll related issues were recorded in 2 out of the 4 reports for the financial year. These related to (i) non-remittance of unclaimed salaries to MoF, (ii) presence of over-due salary advance amounts, (iii) delay in updating records due to single user access to HCMIS and network issues requiring travel to the RAO office for accessing the System, (iv) job descriptions of employees not being documented in the employment records maintained in the DC office, (v) payment of salaries to employees already transferred to other district councils, and (vi) salary payments being made without necessary tax deductions.

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 Kasulu DC for the year 2012-13 prepared by the CAG pointed out weaknesses such as (i) salaries being subject to deductions exceeding two-thirds of the basic salary resulting in some employees receiving zero net salary, and (iii) unclaimed salaries relating to retired 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 suggests cases of long delays in salary payments. This may, in some cases, indicate changes to personnel records that do not get reflected in the payroll records in a timely manner.
(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	The Internal Auditor General completed a payroll audit for the entire public sector including Kasulu DC in December 2013. Though there is no annual payroll audit exercise, the CAG and Internal Auditor do cover payroll under their respective audits.

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

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

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

Public Procurement Act, 2011 and Public Procurement Regulations 2013

Application

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[19]. 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

[19] 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

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.

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

Method of tendering	Goods	Works	Non-consultancy services	Disposal of public assets
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

S. No.	Dimension	Meets requirement	PPA 2011	PPR 2013 (regulation)
				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 Kasulu DC was of the value TZS 5420.6 million. Out of this, approximately 77% of the procurement was done through open competition. The remainder 23% of procurement was undertaken either through 'minor value procurement' or as part of 'framework agreement'.

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

Procurement through tender process (competitive tender, competitive quotations, restricted tenders)						
Item	Goods	Works	Consultancy Services	Non-Consultancy Services	Disposal of assets by tender	Total
Number of contracts	Nil	28	Nil	06	Nil	34
Amount (TZS million)	Nil	3695.2	Nil	452.1	Nil	4147.3
Minor value procurements						
Number of Local Purchase Order	167	2	Nil	23	Nil	192
Amount (TZS million)	985.2	0.0068	Nil	132.6	Nil	1117.8
Procurement under framework contracts						
Number of Local Purchase Order	54	Nil	Nil	16	Nil	70

Amount (TZS million)	100.3	Nil	Nil	55.1	Nil	155.4
Total procurement						**5420.6**

Although more than 76% of the procurement in Kasulu DC is through the tender process, no reliable information is available that shows the 20% done through minor value procurements meets the following three conditions[20] (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 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 Kasulu DC in 2013-14 highlighted the following issues pertaining to procurements:

- Procurements of common used items made from unapproved suppliers
- Procurement of goods and services made at higher prices than that agreed between suppliers and the Government Procurement Services Agency (GPSA) through framework agreements
- Purchase of goods at prices higher than market prices without reasonable justification

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.

As per the Public Procurement Act 2011, each procuring entity is required to publish summary of the general procurement notice prepared based on the annual procurement plan. Procurement officials in Kasulu DC informed the assessment team that at the beginning of the current financial year, a general procurement notice was published on the Council's notice board, and in local newspapers such as Mwananchi and Majira, as well as on PPRA's website. Summary of contract awards are furnished to the PPRA which are published in its weekly journal.

(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. 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. 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

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

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. 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	In case of those 24% of the contracts which were procured through alternative methods of procurement, local purchase order method and framework agreements were used. However, given CAG's observations on control lapses, it cannot be ascertained if these procurements were in line with the legal requirements and therefore, justified.
(iii)	Public access to complete, reliable and timely procurement information	D	Bidding opportunities and contract awards are published. General procurement notice (summary of the procurement plans) is published. Data on resolution of the procurement complaints are not published. The assessment team however does not have access to data on whether this covers at least 75% of procurement operations 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

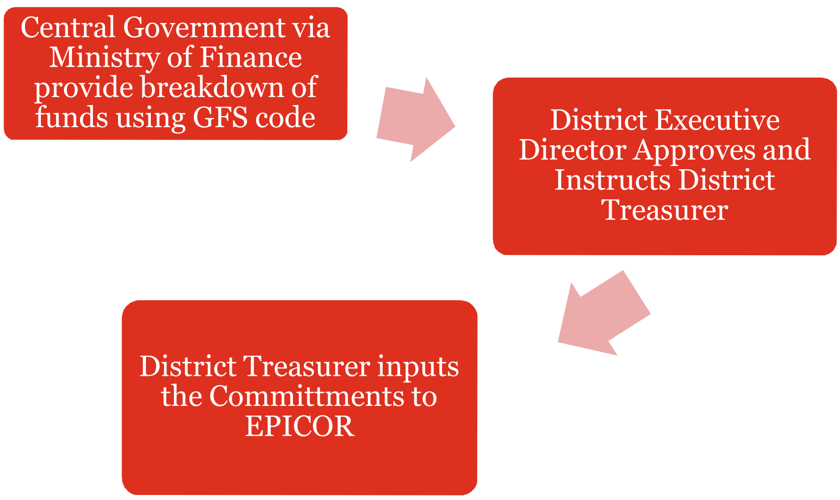
This indicator aims to assess controls relating to payments for capital expenditure, goods and services, casual labour, and discretionary staff allowances. Other controls for cash management, payroll, and procurement are covered in PI – 17 to 19.

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 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 audit reporting on effectiveness of internal control and internal audit functions.

(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 has been assessed separately under PI-4.

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



However, we came to find out during the assessment that commitments are still made outside the EPICOR system, thus creating arrears. The LGA officials had sometimes issued Local Purchase Orders (LPO's) without any inputs in the computerized system. The Internal Auditor General has highlighted weaknesses in the internal controls and some instances are shown in the Table 52.

Table 52: Consolidated Summary of Major Audit Observations and Recommendations from Internal Audit Reports of LGA's for the Year Ended 30th June 2014

Coverage	Description
First Quarter	• Missing payment vouchers for payments amounting to TZS 59,660,600 • Unsupported payments amounting to TZS 78,971,291

	• Payments amounting to TZS 194,572 made without pre-audit • Payments made without appropriate authorisations amounting to TZS 92,268,900 • Payments made that were not budgeted for – TZS 10,030,000 • Procurement of goods and services made in cash – TZS 6,889,250 • Unauthorised use of special fund – TZS 9,248,000
Second Quarter	• Delayed payments TZS 354,796,999 • Payments made in cash TZS 8,257,800 • Payment with insufficient documents TZS 652,081,948 and TZS 42,843,500
Third Quarter	• Missing supporting documents TZS 161,171,801 • Unsupported payments TZS 291,749,577 • Payments without pre-audit TZS 18,027,050 • Procurement and payments made in cash TZS 11,013,740
Fourth Quarter	• 407 employees transferred to Buhigwe new district continued to receive their salary from Kasulu council • Procurement and payments made in cash TZS 9,567,400 • Procurement made and payments effected without approval by the procurement board TZS 10,581,500 • Payments made without pre-audit TZS 894,914,251 • Unsupported payments TZS 104,977,500

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

In collecting evidence of effectiveness of the commitment controls available at Kasulu DC, we reviewed IA reports for six (6) quarters from 1 July 2013 to 31 December 2014 and CAG's report summary for financial years 2011-12 to 2012-13. Hence, the general inability of the LGA to produce a statement on arrears vis-à-vis commitments made (only a statement of liabilities as per the Annual Financial statements is available) is a reaffirmation of the deficiencies in effective commitment control procedures that will need to be addressed.

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

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

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

Table 53: Assessment of internal control areas

Internal control areas	Present provisions prescribed for LGAs	Observation
1. Segregation of duties	Para 11 of the LGFM prescribes that the Finance Committee shall approve written procedures for control of finances and the Director/Treasurer shall assign specific responsibilities for each post, divide responsibilities among staff ensure periodic rotation and institute a system of internal checks.	Though staff in general appeared to be aware of their responsibilities there is absence of documented procedure manuals that would help to explain to staff the step by step tasks to be accomplished while executing the control functions and the flow of documents and information integral to the processing of financial transactions.
2. Authorization of transactions and activities.	The Authorizing officers for expenses must ensure that all expenses are lawful and duly authorized, are backed by funds, achieve value for money and are properly supported by documents (Para 10 of LGFM)	The Internal Audit reports (for 6 quarters) reviewed and the CAG one (for 2012/13) highlighted incidences of payments made without appropriate authorisations as well as procurement board approvals.
3. Adequacy of verification processes	The verification requirements for transactions and their frameworks are defined by the LAAM and LGFM	Internal audit reports have pointed out repeated instances of payments that were made without the required pre-audit, which is aimed at verifying accuracy and completeness of the transactions.
4. Physical control of assets and records	Para 88 of LGFM prescribes maintenance of a Motor Vehicles register and Para 103 of a Register of Fixed Assets	No updates to the fixed assets register for 2012-13
5. Internal Oversight function	Audit Committee is a mandatory requirement under Para 12 of the LGFM performing functions of oversight, review of all audit reports, coordination and advice to the Accounting officer.	The Audit committee did not meet for the whole of 2013-14. Therefore, there was no oversight in terms of approval of the annual work plan, nor follow up of external auditor recommendations, no approval of quarterly council performance reports;
6. EPICOR system	The entire accounting and financial reporting system is expected to be done through EPICOR	CAG's Management Letter for FY 2013-2014 specifically highlighted that although the EPICOR systems has been installed in Kasulu DC, it is not being fully operational. For example, during our visit we noted that CFR reports were not generated through EPICOR but

Internal control areas	Present provisions prescribed for LGAs	Observation
		prepared manually on Excel. The council informed us that full functionality of the IFMS was hampered by the network instability.

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

LAAM describes in details the rules for processing and recording transactions. From our assessment and review of various reports, there are no indications of significant lapses in compliance with rules for processing and recording transactions. However, the CAG issued a qualified opinion on the financial statements of the LGA for 2012-13 and 2013-14 on the basis of notable errors, omissions, and understatements and overstatement of figures in the submitted financial statements. These included:

- Understatement of receivables and payables
- Overstatement of development funds received
- Missing payment vouchers (various)
- Revenue collected by agents not remitted
- Unclaimed salaries not remitted to treasury
- Expenditure charged to wrong GFS code (various)
- Understatement of property, plant and equipment
- Payments made without appropriate approvals and pre-audit (various)
- Deferred payments not disclosed in previous financial statements

However, the Council does not maintain record of error rate for the respective period. Therefore, it was difficult for this assessment to conclude on the error and/ or rejection rates and confirmation on the understanding of the rules and compliance with them.

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

Table 54: Summary of rating under PI-20

Indicator	Rating	Brief explanation
PI-20 Effectiveness of internal controls for non-salary expenditure	**D+**	
i. Effectiveness of expenditure commitment controls	C	Commitment control in EPICOR system is not completely effective due to cash rationing such that funds are not disbursed wholly as budgeted. As a result, commitments are entered into system on receipt of each disbursement, but expenditure for some council

Indicator		Rating	Brief explanation
			activities continue to be incurred by raising LPOs outside the system even during the time of no funds. This practice, result in payment arrears.
ii.	Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	No evidence of a proper guidance for the council staff neither on the day to day operations nor on the complexities of operations in a computerized environment. In addition, findings from various reviews indicate some compliance issues to the internal control requirements.
iii.	Degree of compliance with rules for processing and recording transactions	D	The Council uses the LAAM as a reference document in processing and recording transactions, however in practice, Kasulu DC have had widespread examples of significant divergences from the principles of transaction processing and recording; in addition there were reported significant errors and omissions in figures included in the financial statements pointed out by the external auditors.

PI-21 Effectiveness of internal audit

Financial statements of every LGA should be audited internally by an internal auditor as stated in the Section 48 of the 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 Kasulu 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 two other audit staff, making the total number of employees in that department to three. 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 Kasulu 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 24% only of the focus was on systemic issues and the balance on transactions. Notable high systems coverage is on the quarter 1 July – 30 September 2014, where the coverage was 75% followed by 4th quarter 1 April – 30 June 2013 where coverage was at 40%. The rest quarters, the coverage of systems was significantly below 50%. Breakdown of internal audit focus per quarter is presented in Table 55.

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

Quarter	Systems – areas (%)	Transaction/compliance – areas (%)
1 July – 30 September 2013	0 (0%)	10 (100%)
1 October – 31 December 2013	0(0%)	6 (100%)
1 January – 31 March 2014	3 (33%)	6 (67%)
1 April – 30 June 2014	6 (40%)	9 (60%)
1 July – 30 September 2014	6 (75%)	2 (25%)
1 October – 31 December 2014	3 (11%)	24 (89%)
Total	18 (24%)	57 (76%)
Average	3 (24%)	9.5 (76%)

The CAG in its latest available Management letter for the year 2012-13 had highlighted weaknesses relating to the IAF to include (i) not issuing a report after evaluation of the management response; (ii) not performing and finalising all the planned audits for the financial year; (iii) absence of files containing adequate and detailed documentation; and (iv) not identifying the most risk areas for necessary actions.

(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.

In our assessment carried out for Kasulu, we got to understand that the council prepares quarterly reports, we reviewed a total of 6 quarterly internal audit reports starting from 30 September 2013 to 31 December 2014. The Head of the IAF informed us that they do not prepare a specific annual report. However, the last quarterly report for the financial year summarizes the IAF's observations for the year by incorporating accumulated issues that remained outstanding at the end of the year and summarizes the challenges the IAF faced for the year.

Other than the IAF not preparing the annual report, we noted that the IA reports were submitted to the Council Director during Full Council meeting before the 15th of the month following each quarter for the first three quarters of 2013-14. However thereafter it was delayed for all subsequent quarters 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 (very recent decision that eliminates need for sharing with PMO-RALG), CAG and RAS.

Table 56: Dates for distribution of Internal Audit Reports

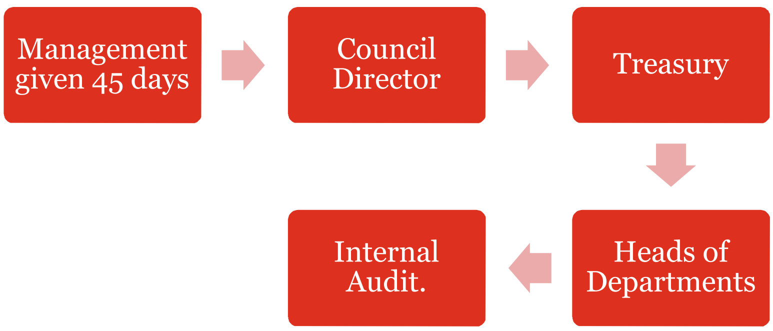
SN	Period	Date submitted to Council Director	Date Council Director forwarded to CAG, PMORALG, RAS and IAG
1.	1 July – 30 September 2013	13 October 2013	• PMORALG-Dodoma (9 September 2014) • IAG – Dar (11 September 2014)
2.	1 October – 31 December 2013	12 January 2014	• PMORALG-Dodoma (9 September 2014) • IAG – Dar (11 September 2014)
3.	1 January – 31 March 2014	14 April 2014	• PMORALG-Dodoma (9 September 2014)

			• IAG – Dar (11 September 2014)
4.	1 April – 30 June 2014	24 July 2014	• NAO/RAS Kigoma (14 August 2014) • PMORALG-Dodoma (9 September 2014) • IAG – Dar (11 September 2014)
5.	1 July – 30 September 2014	23 October 2014	• NAO/RAS/ - Kigoma (17 February 2015) • IAG – 20 February 2015
6.	1 October – 31 December 2014	17 February 2015	Not available

(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. . However, the Internal Auditor does not maintain any dedicated record of management responses. In addition, the IA report does not summarise the number of recommendations addressed during the quarter by the LGA nor those that remained outstanding at the end of the previous quarter. This made it difficult to quantify the level of management responses and their timeliness with ease. We had to count recommendations from the previous and current quarters.

Table 57: Status on recommendations

Quarter	No. of implemented recommendations from previous quarter	No. of recommendations still outstanding from previous quarter
1 July – 30 September 2013	-	22

Quarter	No. of implemented recommendations from previous quarter	No. of recommendations still outstanding from previous quarter
1 October – 31 December 2013	1	9
1 January – 31 March 2014	-	6
1 April – 30 June 2014	-	9
1 July – 30 September 2014	Not specified	Not specified
1 October – 31 December 2014	-	8

On the whole the quality of the reports therefore fails, in certain circumstances, to provide a clear picture of the nature and extent of recommendations that are due for implementation for long periods of time. Due to such a lack of clarity it is difficult to understand as to how a credible system of follow up is in existence in Kasulu DC.

Table 58: Summary rating for PI-21

Indicator	Rating	Brief Explanation
PI-21 Effectiveness of internal audit	**D+**	
(i) Coverage and quality of the internal audit function.	C	There were no targeted coverage based on risk based plans that included both transaction and system based audits. Sample audit reports showed significantly low coverage of systems audit (below 40%).
(ii) Frequency and distribution of reports	B	While reports do not adhere to the fixed quarterly and annual schedules and there were delays noted across submission, they are distributed to the Council Director, the CAG, PMORALG, IAG and RAS.
(iii) Extent of management response to internal audit findings	D	The absence of a structured system of follow up of audit observations as revealed from the comments in the audit reports, the limitations of clarity in aging of observations and delays in management responses as highlighted for CAG's Management Letters on the Financial Statements for Kasulu DC for FY2012-2013 has contributed to the rating of D.

5.4.4. Accounting, Recording and Reporting

PI-22 Timeliness and regularity of accounts reconciliation

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

(i) Regularity of Bank Reconciliations

In line with requirement of Para 29 (2) of the Local Government Financial Memorandum, it is understood from discussions that the District Treasurer (DT) of the Kasulu DC carries out reconciliations between bank statements for individual accounts and cash books maintained through EPICOR on a monthly basis. Kasulu DC has 7 active bank accounts. The status of reconciliations at the time of our visit on 10th and 11th March 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	31/01/2015	6/02/2015
2	Own Source Revenue Account	31/01/2015	20/02/2015
3	Road Fund Account	31/01/2015	12/04/2015
4	NWSDP Account	31/01/2015	09/04/2015
5	Personal Emolument Cash Account	31/01/2015	03/09/2015
6	Other Charges Expenditure Account	31/01/2015	5/02/2015
7	Miscellaneous Deposit Account	31/01/2015	20/02/2015

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 Kasulu DC for 2012-13 reveal that the District Council did not adhere to the directives of PMO-RALG on operation of the above listed new bank accounts through EPICOR which mandated that funds from old bank accounts should be transferred to new accounts only after outstanding issues in the old accounts have been cleared. Kasulu DC carried out these transfers despite having cash in transit and incorrect debits which amounted to TSH 608 million. Additionally, an amount of TSH 171.62 million was still retained in old bank accounts while an amount of TSH 31.72 million was transferred from the old bank accounts but was not reflected in the statements of the new bank accounts. A surprise cash survey by the CAG revealed that revenue collections amounting to TSH 16.36 million from various sources were utilized before being banked and no documents were found for supporting such expenditure.

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

In terms of the 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 based on instructions issued by MoF there is no usage of suspense accounts in LGA transactions 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 FY 2012-2013. 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 223.3 million, which was outstanding for a period of 3-12 months.

Table 60: Summary rating for PI-22

Indicator		Rating	Brief Explanation
PI-22 Timeliness and regularity of accounts reconciliation		**C**	
(i)	Regularity of Bank Reconciliations	D	Three of the seven of bank accounts of the LGA were reconciled with a backlog of several months
(ii)	Regularity of Reconciliation and clearance of Suspense Accounts and advances	B	While the District Council does not have a suspense accounts, it has recoverable salary advances and imprest amounts which are outstanding for a period of 3-12 months as on 30th June 2014.

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

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

Problems can arise in front-line service delivery units (SDUs) in obtaining resources that were intended for their use. This indicator covers primary 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 140 primary schools in Kasulu district which includes 136 government schools and four (4) private schools. The council only provides counselling, examination, inspection and sports related support to the private schools. There are 41 secondary schools in Kasulu district out of which 27 are public and 14 are 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 58 health facilities – 2 hospitals (1 owned by the council and 1 is owned by a Faith Based Organisation (FBO)); 8 health centres (7 council owned and 1 FBO); and 48 dispensaries (42 council owned, 1 FBO and 5 private ownership). Most of funds transferred by the Treasury to the council for primary health facilities are not disbursed to the primary health facilities; rather the Kasulu 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 Kasulu 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 the last three years, there have not been any special surveys undertaken to collect data on resources to services delivery units. In 2013, a mapping exercise on transfer of funds to LGAs was undertaken. The scope of the study was to carry out a critical review of the existing processes and systems that are currently being used to allocate, release and transfer funds from both Government and external sources to LGAs with a special attention on the predictability, completeness, timeliness and transparency of funds transfer.

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. 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 Kasulu 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 the 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

The in-year budget reports are prepared on a quarterly basis within fifteen days (i.e. two weeks) after the end of the quarter. As per our discussion with the District Treasurer and the District Planning Officer, these reports are distributed to the finance committee soon after preparation and discussed with the full council during the council's quarterly meetings. The reports for each quarter are distributed to the finance committee in the subsequent month that follows the quarter end.

(iii) Quality of information

EPICOR is not customized in a manner that allows an 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 IFMS which includes the accounting systems (EPICOR), in order to enhance their credibility.

Table 62: Summary of rating under PI-24

Indicator		Rating	Brief explanation
PI-24 Quality and timeliness of in-year budget reports		**C+**	
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	C	In-year budget reports are generated in line with the GFS 2001 classification of annual budgets. This allows for direct comparison to the original budget. However, the expenditure information does not include details on commitments.
(ii)	Timeline of the issue of reports	A	Reports by the LGA are prepared on a quarterly basis and are issued within two weeks in the subsequent month.
(iii)	Quality of information	C	Although reports are prepared using information generated from the IFMS, they are prone to errors and omissions that take place during the exporting process from the EPICOR system to MS Excel sheets.

PI-25 Quality and timeliness of annual financial statements

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

(i) Completeness of the financial statement

Para 31(3) of the LGFM[21] 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 (IASB) 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 itemized 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 Kasulu DC for the year 2012-13 and underlying systems from the perspective of completeness is given in Table 63.

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 2012-13 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 including: ▪ Summary of significant accounting policies ▪ Statement of financial performance by function (key departments/service centres) ▪ Comparison of budget and actual by nature (type of expense or income) ▪ Comparison of budget and actual by function
Consolidation of information	We noted that the accounting information reflected in the financial statements included those of all the departments of the council and its wards, operating service delivery units and villages. Since the production of final accounts is centralized, aggregation of information is undertaken by the District Treasurer based on accounting transactions incurred by units/wards. Based on our discussions, we understand that individual service delivery units (eg 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

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

Topic	Comments
	such individual units. However their operations are integrated with the departmental expenditure and reporting within the overall accounting system

(ii) Timeliness of the submission of the financial statements

Para 31(1) of the LGFM prescribes that the final financial statements must be properly compiled and submitted to the Full Council and thereafter to the CAG within 3 months from the end of the financial year. We note that for the latest audited financial year 2012-13, the financial statements were approved by the Full Councillors meeting on 30 September 2013 and submitted for CAG audit on the same date. The CAG's management letter also indicated that financial statements of Kasulu DC for the year ended on 30th of June 2013 were received by the statutory due date. It is noteworthy that financial statements submitted by Kasulu DC on 30th of September, 2013 were not accepted by the CAG at the first submission because they had significant irregularities, and therefore the Council had to resubmit the financial statements after rectification of the pointed out irregularities, on 24 January 2014. The major irregularity in the preparation of the financial statements was in respect to understatement of figures, which amounted to TZS 1.35 billion.

Though the focus of this analysis is on the financial year 2012-13, since the accounts preparation activity has been completed also for the subsequent financial year for which the audit report is already finalised and released we are giving below a comparative table on the compliance of timelines.

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

Activity	2012-13	2013-14
Approval by Full Council	30.9.2013	15.10.2014
Submission to NAO	30.9.2013	15.10.2014
Re-submission to NAO	24.01.2014	27.01.2015

(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 International Public Sector Accounting Standards (IPSAS) and the provisions of the Local Government Finances Act. The notes also describe all the significant Accounting policies applicable to the financial statements. Finally the CAGs audit opinion confirms that the statements of financial position, financial performance and cash flows present, in all material aspects, the information in accordance with IPSAS and Chapter IV of the Local Government Finances Act (LGFA).

It may be noted that based on 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 Report of the CAG for FY 2013-2014 has referred to the challenges of IPSAS based accounting across all LGAs in the context of significant errors/discrepancies in compilation which have to be corrected and the imminent need for training of LGAs' personnel on the accounting expectations for full IPSAS compliance. CAG's Management Letter on the Financial Statements for the District Council for 2013-14 highlighted that the Council did not comply fully with the requirements of IPSAS 17 with specific reference to the absence of asset valuations.

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+**	
(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 understatement of property and plant, non-availability of receipt books, unconfirmed fund transfers, etc.
(ii)	Timeliness of submission of the financial statements	B	The financial statements for the last audited year 2013-14 were initially submitted to the external auditors within 4 months from close of the fiscal year and the corrected statements submitted by January 2015 (within 7 months of close of 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.

5.5. 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 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.
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 is the Supreme Audit Institution of the country and it is headed by the CAG.

Our review of the CAG audit report for Kasulu DC shows that in essence it is in the nature of financial audit but 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 specifics of the approach and methodology are determined keeping in mind the prescriptions of the Regularity Audit Manual (RAM) depending on the circumstances. Though the emphasis appears to be on financial transactions backed up by a systemic review of underlying processes, based on our discussions with the Kasulu DC it was noted that there has not been any Special Audits for all the years under assessment. Feedback from the NAOT also mentioned that there is a current GIZ funded project that is examining comprehensive audit for LGAs (as one of its components) which would include performance audit and certain pilots have been planned. Considerations of value for money which already form an integral part of audit of underlying transactions is one of the aspects of performance that is covered by the present audit approaches for LGAs.

The ambit of coverage for audit purposes is total –all LGAs, the entire aggregated LGA financial transactions including its departments and sub components comprising the wards, departments, and primary service units. However, keeping in mind the risk based approach, systematic sampling is adopted for each component of the financial statements and the methodology of sampling may vary.

Based on our discussions with the NAOT, we were informed that in line with the Regulatory Auditing Manual, the specific technique mandated to be adopted is a mix of (a) 100% selection where the number of items are small but of significant value or exposed to high risk or is cost effective considering its repetitive nature (b) selection of abnormal items or specific ones of high value (c) adoption of audit sampling in line with ISSAI auditing standards. Our discussions with the NAOT revealed that on an average 75 percent of the expenditure was covered during the audit assessments. We also note from the CAGs comments on the scope of audit in his audit report for Kasulu DC for 2013-14 that the audit was on a sample basis and therefore findings are confined to the evidence made available in course of his audit.

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

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

Furthermore, Section 34(1) of the Public Audit Act mentions that the CAG shall express his professional opinion and submit the audit report to the President and Minister within a period of nine (9) months or such longer time as the National Assembly may permit from the date of closing of the financial year. Section 34(2) further mentions that such a report has to be tabled by the Minister in the Assembly within 7 days of the next sitting counting from the day he received the report.

Although the Annual General Report on the financial statements of all LGAs for the year 2013-14 was submitted by the CAG to the President on 26 March 2015, the CAG's audit report for Kasulu DC was only received by the Council on 25th May 2015. The dates for submission of the LGA Reports to the National Assembly for the last few years were as follows:

Table 67: Receipt of LGA reports by National Assembly

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

The dimension requires the time taken between the date on which last financial statements are received by the CAG and the date on which the reports are submitted to the Legislature at the local level. In case of Kasulu DC, the financial statement was submitted in September 2014 and the audited financial statement was submitted to the local legislature on 25-May-2015, i.e. within eight months.

(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 Kasulu DC revealed outstanding issues from previous years that were yet to be resolved. Although responses are provided by the Council on individual issues raised by the CAG in the Management Letter, the similarity of the nature of many of the issues from year to year and the repetitiveness to 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 considerable improvement.

The CAG in his audit report for FY 2013-2014 indicated that in Kasulu DC there was absence of adequate mechanism to implement auditor's recommendations regularly. The report also indicated that Kasulu DC did not establish an Audit Committee in 2013-14. As a result, there was no mechanism to (i) review and approve the scope and implementation of the internal audit programme (ii) review financial statement before their submission to the Accounting Officer including discussing any concerns about a risk that the financial statements may be materially misstated contrary to Order No. 12(5) of LGFM 2009; and (iii) consider the Management Letter of External Auditor for suitable remedial actions.

CAG's Management Letter on the Financial Statements of Kasulu DC for 2012-13 and 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[22]	Number of recommendation (as% of total recommendations)	
	2012-13	2013-14
Implemented	5 (10%)	15 (22%)
Under Implementation	6 (12%)	8 (12%)
Not Implemented	39 (78%)	42 (62%)
Overtaken by events	-	3 (4%)
Total	50 (100%)	68 (100%)

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 LAAC 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+**	

[22] Classification of status is as per the CAG's Management Letter on the Financial Statements for the LGA

(i)	Scope/nature of audit performed (including adherence to auditing standards)	B	The essence is the financial audit of the year end accounting statements but it also focusses on a risk based approach and significant as well as systemic issues. Audit also adheres to INTOSAI auditing standards. Performance audit per se is yet to start on a noticeable basis.
(ii)	Timeliness of submission of audit reports to legislature	B	The base period is the time taken for submission of the audit report to the national assembly after receipt of the final financial statements by CAG for audit. Kasulu DC submitted the final statements for 2013-14 to CAG in September 2014. The audit report was submitted to the District Council on 25 May 2015, approximately a week after submission to the National Assembly on 19 May 2015.
(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 opinions provided by the CAG Management Letter for 2013-14. Failure to establish the Audit Committee and the qualifications highlighting serious control issues that need to be remedied are pointers to absence of committed structures for follow up on audit findings.

PI-27 Legislative scrutiny of the annual budget law

As clarified by the supplementary guidelines for the application of the PEFA framework to sub-national governments, references to legislature in this indicator implies the LGA Full Council and not the national parliament.

(i) Scope of the Full Council's scrutiny

Kasulu District 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 LGA. There is a Finance, Administration and Planning Committee that deliberates on the budget proposals takes inputs from the District and Regional Consultative Committees. The final proposals are then forwarded to the Full Council for approval. Feedback received in course of our discussions and from the minutes of the approval 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
- Recommendations for Local Government Capacity Building Grant.

(ii) Extent to which the Full Council's procedures are well established and respected

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

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

In Kasulu DC, apart from the Finance, Administration and Planning Committee, there are two other Committees: Education, Health and Water Committee and Economic, Works and Environment Committee. The Council has issued standing orders (dated October 2002) that lay down the composition and responsibilities of these standing committees in line with the requirements of LGDA. For review of the budget proposals for the financial year 2013-14, minutes of meetings held by these committees have been documented.

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

(iii) Adequacy of time for the 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 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 Kasulu DC, virements are done after approval by the Finance Committee and Full Council and inputs of such virements are provided to PMO-RALG. Though details of the virements carried out in the last completed financial year, i.e. 2013-14 were provided to the assessment team, evidence to show who authorised these adjustments from the District Council was not been provided, i.e. whether these were approved by the DED or were approved by the Full Council.

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.
ii. Extent to which the Council's procedures are well established and respected	B	Broad guidelines for budget review are provided for in the LGFM and LGDA. These include constitution of and review by specialised review committees or standing committees. As per the requirements of the LGDA, the Council has also issued standing orders that lay down the composition and functions of these standing committees. However, given the reliance on transfers from the Central Government and the delay in communication on ceilings by MoF, the Council revises and finalises the budget estimates without consultation/ negotiation with the affected stakeholders. This undermines the effectiveness of the legislative procedures laid down for budget review.
iii. Adequacy of time for the Council to provide a response to budget proposals	D	As per feedback available, the budget is approved by the Finance Committee 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 Full Council, 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 to be tabled before the Full 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 is also required be provided to the CAG. Section 40(4) requires the CAG to comment on the actions taken in his next report.

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

Section 38 of the Public Audit Act requires the Local Authority Accounts Committee (LAAC) to discuss the reports of the CAG after they are tabled in the National Assembly and submit reports including comments and recommendations. 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
Dates on which audit report was submitted to Council	08 May 2012	08 May 2013	06 May 2014
Date of consideration of final audit report by Full Council	26 September 2012	24 September 2013	23 September 2014

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

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

The Management Letter on the Financial Statements of the Kasulu DC for 2013-14, however, highlighted that the Audit Committee had not been established during the financial year which adversely affected implementation of CAG's recommendations. Other weaknesses identified by the CAG for the audit committee have been discussed in PI 26 dimension (iii).

At the national level the LAAC as one of the Parliamentary Standing Committee is expected to discuss the CAG reports with the related Accounting officers and report at least once a year their findings and recommendations to the National Assembly for discussions and resolutions. The most recent LAAC meeting for the Council was held on 20 January 2015 to discuss the follow-up by the LGA on the recommendations of CAG's Audit Report for 2012-13.

Available feedback based on secondary studies on functioning of Parliamentary Committees in Tanzania, the post audit processes of submission to the national assembly and the results of LAAC deliberations as available through its observations and recommendations on the LGA reports shows the basic institutional structures for review do exist. However the functioning of the Committee may be constrained by time and resources (common to many of the other Committees) and also the delays in information submission and responses[23].

(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 LGFM.

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

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

- There appeared lack of complete commitment by the Council management to implement/ address audit recommendations
- Extensive recommendations are being made by the LAAC based on their review of the audited accounts
- Some matters arising from previous audit were partly attended and others were not attended at all.

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

Table 72: Summary rating for PI-28

Indicator		Rating	Brief Explanation
PI-28 Legislative scrutiny of external audit reports		**D+**	
(i)	Timeliness of examination of audit reports by the Full 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 Full Council	D	As per the Annual General Report of the CAG on the financial statements of LGA for the financial year 2013-14, the DC did not have an Audit Committee which adversely affected the Council's ability to implement CAG's recommendations.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive.	B	Whilst recommendations are made by CAG and LAAC, some remain unaddressed by the District Council

5.6. Donor practices

D-1 Predictability of Direct Budget Support

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

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

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

6. Government Reform Process

6.1. Recent and On-going Reforms

Over the last two decades, GoT's reform strategies have aimed at (i) strengthening systems and processes with a view to enhancing efficiency, effectiveness, accountability and transparency in Government; (ii) developing and strengthening infrastructure to improve access to service delivery in specific sectors; and (iii) promoting democracy and good governance[24]. Key relevant cross-cutting reforms that have been implemented by GoT in the recent past include:

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

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

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

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

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

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

LGRP was supported by another large scale reform programme – the PFMRP which was also rolled out in 1998. Phase I of PFMRP was implemented from 1998 to 2004 and targeted (i) minimisation of resource leakage; (ii) strengthening fiscal controls; (iii) enhancing accountability by reforming the budget process; and (iv) introduction of an integrated financial management information system (IFMIS). Phase II of PFMRP was implemented from 2004 to 2008 with an objective of modernising PFM systems through design and implementation of 'best practice' tools and techniques for revenue forecasting and alignment of resource allocation with strategic priorities. The key outputs of this Phase were the Medium Term Expenditure Framework, Strategic Budget Allocation System (SBAS),

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

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[25].

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

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

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

While KRA 1-5 include select interventions for LGAs in addition to those targeted at ministries, departments and agencies (MDAs) of the Central Government, the sixth KRA focuses exclusively on the local governments and attempts to address the issues specific to these authorities. It targets achievement of three outputs at the LGA level – (1) improved resource allocation, planning and budgeting, (2) improved budget execution and financial reporting, and (3) improved oversight and financial accountability. Key activities included under PFMRP IV for LGAs, inter alia, include: (i) development and installation of electronic funds transfer and information systems and i-Tax system; (ii) development of templates for enabling Regional Secretariats to monitor resource flows from LGAs to LLGs; (iii) development of web portal on PMO-RALG website for monitoring fiscal transfers from MoF to LGAs; (iv) enhanced use of IFMS at Regional Secretariats and LGA level; (v) training LGA

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

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[26] 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

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

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[27]. For example, JSC, PMC and TWGs did not meet as frequently as intended by the programme's operations; there wasn't a separate TWG for each KRA; and the quality review and assurance of programme's output was uncertain.

Key Challenges

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

- *Capacity constraints:* Inadequate training/ know-how and widespread vacancies in key positions appear to be recurring constraints faced by implementing agencies in adoption of PFM reforms. As examples - CAG's reports for LGAs across years have highlighted the persistent and immediate need for training of account officers in LGAs on accounting requirements of IPSAS. Vacancies in internal audit departments in LGAs have severely constrained the ability of LGAs to implement CAG's recommendations and/or ensure internal controls mechanisms are respected.
- *Multiplicity of financial systems*: The absence of a holistic approach to recording and monitoring financial information has led to the existence of multiple ICT systems in use by implementing agencies which (i) are stand-alone, i.e. do not speak to one another, and (ii) generate data/ reports using classifications that may not necessarily compatible requiring manual reconciliation. In case of LGAs, for example, the software used for preparation of budget estimates/ MTEF, PlanRep, is not linked to the key financial system used by LGAs for reporting, accounting and monitoring expenditure - EPICOR. This has exaggerated the weak linkages in the planning and budgeting processes of the local bodies.
- *Continued dependency of grants from the Central Government:* A specific challenge faced by LGAs and LLGs in the country is their continued inability to raise adequate own source revenue resulting in their near complete dependency on grants from the Central Government. This severely limits their ability to plan development spending and undertake effective cash management during the fiscal year.
- *Delay in counterpart disbursements from Government of Tanzania for PFMRP:* The Report of the Joint Supervision Mission 2015 for PFMRP under during September – October 2015 found that partial disbursements of programme funds in 2013-14 by the Government impacted completion of programme activities. In comparison to the 64% counterpart funding released by the Government, 93% of the foreign component was disbursed to implementing components. To reinforce its commitment to reforms to the development partners as well as to the implementing

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

agencies, GoT needs to commit and disburse funds in a timely manner so that planned activities can be implemented within the agreed time schedule.

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

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

Our final approach towards such data challenges are as follows:

1. With reference to PI-1 and PI-2, the statements of the Annual Financial Statements (AFS) contains budget and actual expenditure which has been taken as the most reliable source since they have undergone the test of independent scrutiny by the CAG. This also satisfies the PEFA guide requirement using the same source for budget and actual expenditure to ensure consistency.
2. The annual financial statements contains budgeted and actual development transfers from the central government. The statements also contains actual recurrent transfers from the central government but do not contain budget recurrent transfers. Therefore, such information (budgeted recurrent transfers) have been sourced from separate excel sheets shared 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.

Appendix 2. Mapping of Key Weaknesses

Table 73 maps the key weaknesses identified for Kasulu DC across the performance indicators against the main stakeholders responsible.

Table 73: 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			

Sl	Topic	Key Weaknesses	Details	Key Stakeholder Responsible		
				LGA	PMO-RALG	MoF/GoT
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. Non establishment of Audit Committee			
			c. Conflict of interest in tax assessment related complaints			
			d. Weaknesses in Internal Audit such as delay in submission of reports, low coverage of systems audit and absence of a structured system of follow up on recommendations			
			e. Lack of timely follow up of LAAC and audit recommendations			

Appendix 3. Disclosure of the Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA Local Government final assessment report for the Kasulu District Council dated 22 July 2016.

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

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

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

ii) PEFA Secretariat, Washington in April, 2014

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

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

2. Review of draft report

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

i) Viviana Klein – KfW on 26th June 2015
ii) Vivek Misra – DFID on 26th June 2015
iii) Denis Biseko – WB on 26th June 2015
iv) PEFA Secretariat, Washington on 29th June 2015
v) Government of United Republic of Tanzania on 26th June 2015

3. Review of final draft report

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

i) Viviana Klein – KfW on 29 January 2016
ii) Vivek Misra – DFID on 29 January 2016
iii) Denis Biseko – World Bank on 29 January 2016
iv) PEFA Secretariat, Washington on 29 January 2016
v) Government of United Republic of Tanzania on 29 January 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

<table>
<tr><td></td><td>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 Coordinator, PFMRP
o Ms. Chausiku Nyanda - (FMO, DLG – PMOLARG)
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</td></tr>
<tr><td>Name of the Assessment Leader (individual/entity/organization)</td><td>Ministry of Finance (MoF)</td></tr>
<tr><td>Names of the Assessment Team</td><td>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</td></tr>
</table>

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

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

PEFA Secretariat

July 22, 2016

Appendix 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 for M1 are as follows:

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

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

2 dimensional indicators		
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 prescribed in the framework across all the performance indicators is given in Table 74.

Table 74: 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 75. Since this is the highest rating, it will help the LGA to assess what it needs to do to realize this rating as compared to its current rating as assessed in this report.

Table 75: 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	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
	amount provided by HLG to the SN entity for inclusion in the latter's budget	
(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	Description	Criteria for "A" Rating
PI-6	**Comprehensiveness of information included in budget documents**	Recent budget documentation fulfils 7-9 of the 9 information benchmarks
PI-7	**Extent of unreported government operations**	
(i)	The level of extra budgetary expenditure (other than donor funded projects) which is reported	The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (below 1% of total expenditure).
(ii)	Income/expenditure information on donor-funded projects which is included in fiscal reports	Complete income/expenditure information for 90% (value) of donor-funded projects is included in fiscal reports, except inputs provided in-kind OR donor funded project expenditure is insignificant (below 1% of total expenditure).
PI-8	**Transparency of inter-governmental fiscal relations**	
(i)	Transparent and rules -based systems in horizontal allocation among lower level governments of unconditional and conditional transfers (both budgeted and actual allocations)	The horizontal allocation of almost all transfers (at least 90% by value) from central government is determined by transparent & rules based systems
(ii)	Timeliness of reliable information to lower level governments on their allocations for the coming year	SN governments are provided reliable information on the allocations to be transferred to them before the start of their detailed budgeting processes.
(iii)	Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sector categories	Fiscal information (ex-ante and ex-post) that is consistent with central government fiscal reporting is collected for 90% (by value) of SN government expenditure and consolidated into annual reports within 10 months of the end of the fiscal year.
PI-9	**Oversight of aggregate fiscal risk from other public sector entities**	
(i)	Extent of monitoring public enterprises	All major AGAs/PEs submit fiscal reports to central government at least six-monthly, as well as annual audited accounts, and central government consolidates fiscal risk issues into a report at least annually.
(ii)	Extent of Central Government monitoring of sub-national governments' fiscal position	SN government cannot generate fiscal liabilities for central government OR the net fiscal position is monitored at least annually for all levels of SN government and central government consolidates overall fiscal risk into annual (or more frequent) reports.
PI-10	**Public access to key fiscal information**	The government makes available to the public 5-6 of the 6 listed types of information
C. Budget Cycle		
(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

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

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

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

PI	Description	Criteria for "A" Rating
(i)	Coverage and quality of the internal audit function	Internal audit is operational for all central government entities, and generally meets professional standards. It is focused on systemic issues (at least 50% of time).
(ii)	Frequency and distribution of reports	Reports adhere to a fixed schedule and are distributed to the audited entity, ministry of finance and the SAI.
(iii)	Extent of management response to internal findings	Action by management on internal audit findings is prompt and comprehensive across central government entities.
(iii) Accounting, Recording and Reporting		
PI-22	**Timeliness and regularity of accounts reconciliation**	
(i)	Regularity of bank reconciliation	Bank reconciliation for all central government bank accounts take place at least monthly at aggregate & detailed levels, usually within 4 weeks of end of period.
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	Reconciliation and clearance of suspense accounts and advances take place at least quarterly, within a month from end of period and with few balances brought forward.
PI-23	**Availability of information on resources received by service delivery units**	Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by both primary schools and primary health clinics across the country. The information is compiled into reports at least annually.
PI-24	**Quality and timeliness of in-year budget reports**	
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	Classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at both commitment and payment stages.
(ii)	Timeliness of issue of reports	Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.
(iii)	Quality of information	There are no material concerns regarding data accuracy.
PI-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	Description	Criteria for "A" Rating
PI-26	**Scope, nature, and follow-up of external audit**	
(i)	Scope/nature of audit performed (including adherence to auditing standards)	All entities of central government are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues.
(ii)	Timeliness of submission of audit reports to legislature	Audit reports are submitted to legislature within 4 months of end of period covered & in the case of financial statements from their receipt by the auditor.
(iii)	Evidence of follow up on recommendations	There is clear evidence of effective and timely follow up.
PI-27	**Legislative scrutiny of the annual budget law**	
(i)	Scope of legislature's scrutiny	The legislature's review covers fiscal policies, medium term fiscal framework and medium term priorities as well as details of expenditure and revenue.
(ii)	Extent to which the legislative procedures are well established and respected	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	The legislature has at least two months to review the budget proposals.
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.
PI-28	**Legislative scrutiny of external audit reports**	
(i)	Timeliness of examination of audit reports by the legislature	Scrutiny of audit reports is usually completed by the legislature within 3 months from receipt of the reports.
(ii)	Extent of hearings on key findings undertaken by the legislature	In-depth hearings on key findings take place consistently with responsible officers from all or most 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	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%.

PI	Description	Criteria for "A" Rating
	to the legislature (or equivalent approving body)	
(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	Quarterly disbursement estimates have been agreed with donors at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in two of the last three years.
D-2	**Financial information provided by donors for budgeting and reporting on project and program aid**	
(i)	Completeness and timeliness of budget estimates by donors for project support	All donors (with the possible exception of a few donors providing insignificant amounts) provide budget estimates for disbursement of project aid at stages consistent with the government's budget calendar and with a breakdown consistent with the government's budget classification.
(ii)	Frequency and coverage of reporting by donors on actual donor flows for project management	Donors provide quarterly reports within one month of end-of-quarter on all disbursements made for at least 85% of the externally financed project estimates in the budget, with a break-down consistent with the government budget classification.
D-3	**Proportion of aid that is managed by use of national procedures**	90% or more of aid funds to central government are managed through national procedures.

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

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

Figure 5: Organizational Structure for MoF

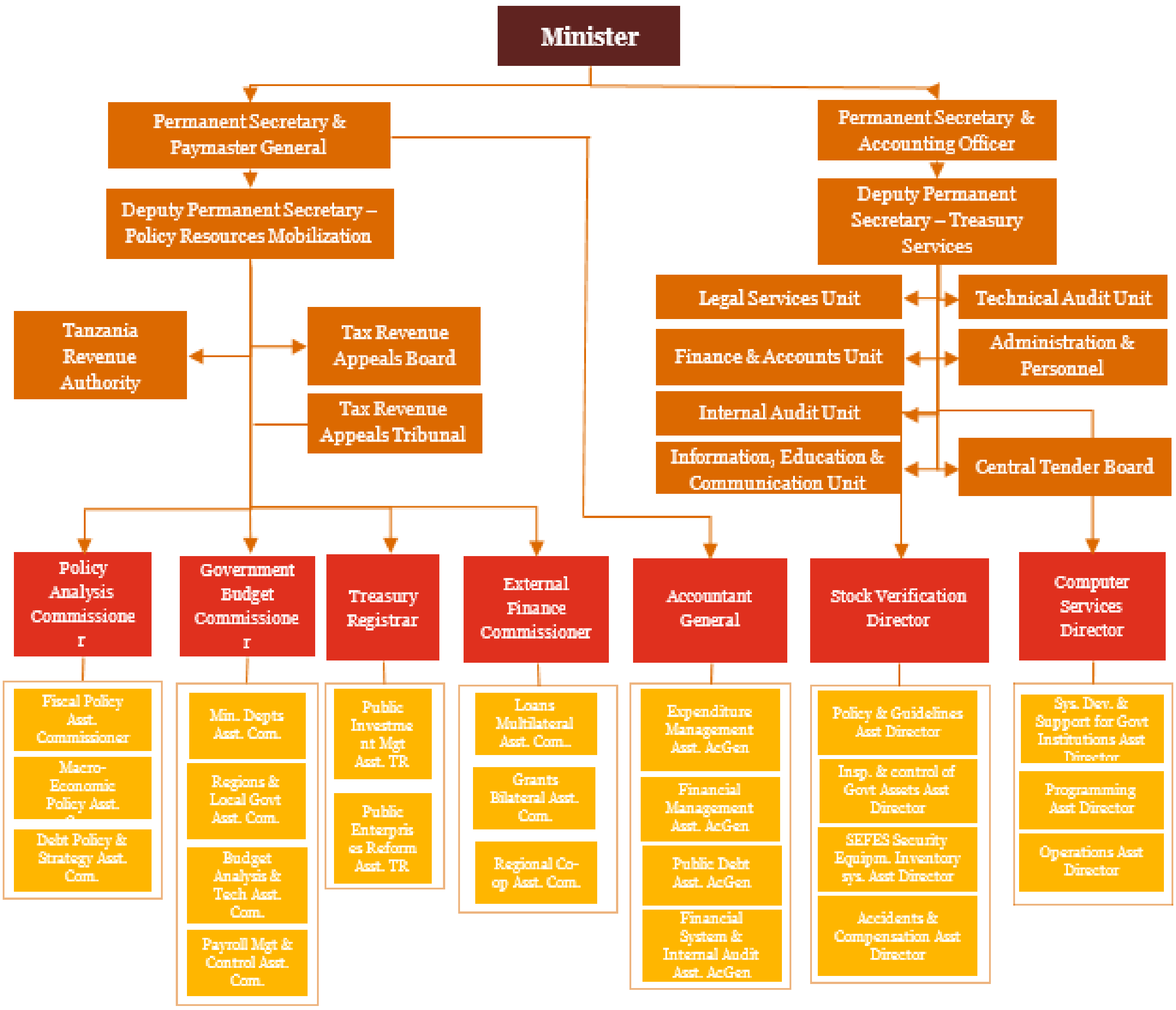
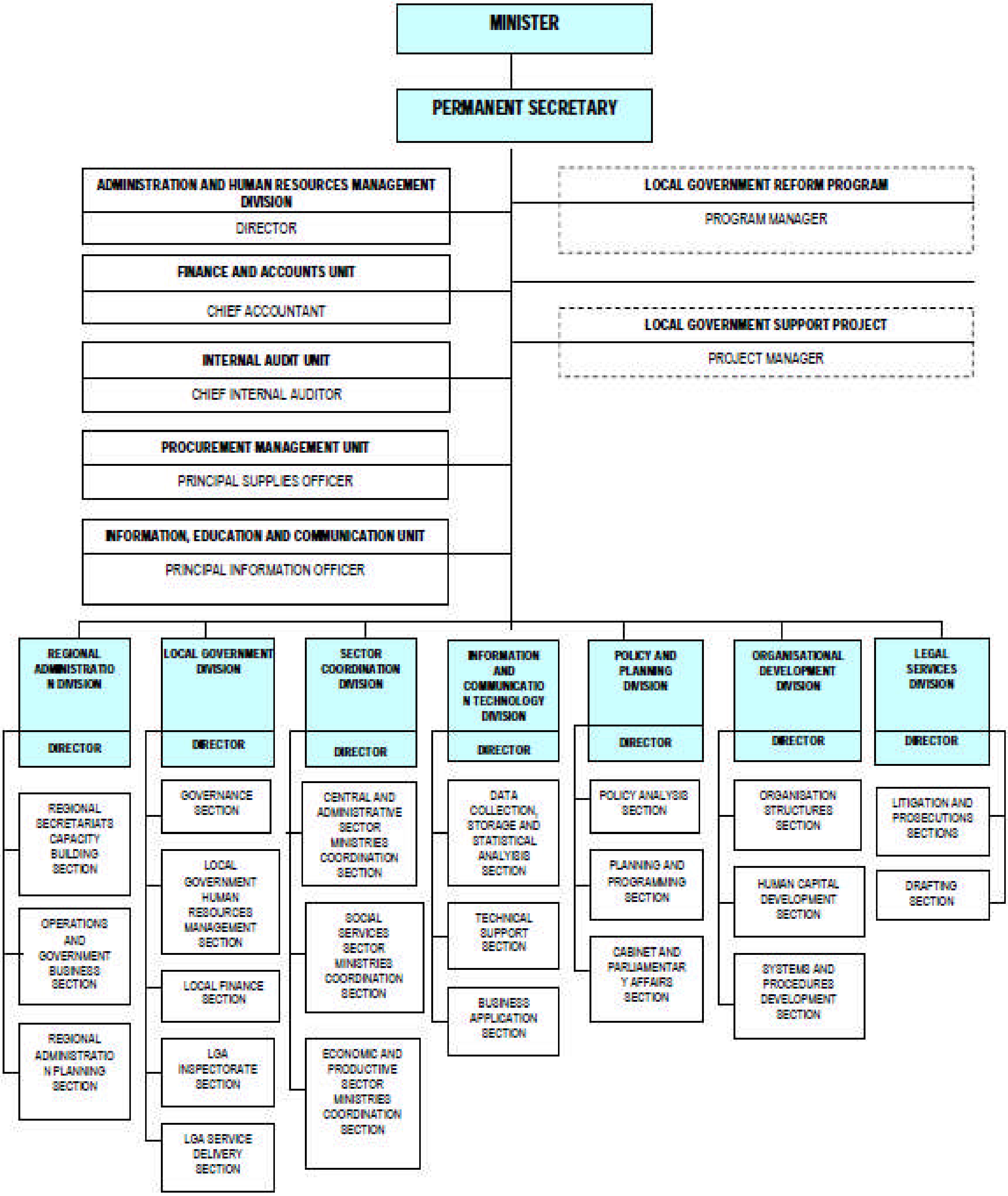


Figure 6: Organizational Structure for PMO-RALG



Appendix 6. Revenue and Expenditure Calculations

In this appendix, 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 Kasulu 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 76 and Table 77 shows example of adjustment made for the financial year 2011-12, 2012-13 and 2013-14 for total expenditure and total revenue respectively.

Table 76: Adjustment for Total Expenditure[28], TZS million

	2011-12		2012-13		2013-14		Source	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Expenditure as per AFS	23665	23031	35606	35791	36613	38073	Statement of comparison of budget and actual amount by nature	
Deduct (-): Depreciation	1016	1016	925	925	973	973	Statement of comparison of budget and actual amount by nature	
Add(+): Capital Expenditure	4603	2891	3366	1657	4800	4012	Notes to Financial Statement: Capital Expenditure and Its Financing	
Adjusted Total Expenditure	27253	24907	38047	36524	40440	41112		

Table 77: Adjustment for Total Revenue, TZS million

Item	2011-12		2012-13		2013-14		Source	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Revenue as per AFS	23665	22704	35605	35282	36612	37495	Statement of comparison of budget and actual amount by nature	
Deduct(-): Recurrent Grants	21866	20924	33881	33634	34600	35536	Statement of comparison of budget and actual amount by nature	
Deduct(-): Amortization of capital grants	1016	1016	924.916	924.916	972.696	972.696	Statement of comparison of budget and actual amount by nature	
Add(+): Actual Receipts of Recurrent Grants	21866	21489	33882	34446	34600	36220	Sheet "BudVsActN"	Note 10 to the Financial Statement
Add(+): Actual Receipts of Capital Grants	4603	3041	3366	3574	4800	3705	Notes to Financial Statement: Capital Expenditure and Its Financing	
Adjusted Total Revenues	27253	25295	38047	38743	40439	40912		

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

Appendix 7. Screenshots for HLG -1 and PI -1 and PI -2

7.1. HLG-1: Calculation of front loading for Kasulu 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, Figure 8 and Figure 9 shows the date and amount of transfers made to the Kasulu 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 10, we have estimated the frontloading factor for 2011-12 as sum product of amount of transfer and days into the financial year.

Figure 7: Central Government Transfers, 2011-12

DATE	AMOUNT (IN TZS)	No. of days into the financial year	DATE	MOUNT (IN TZS	No. of days into the financial year
03/07/2011	3971000	2.00	03/04/2012	290687000	277.00
14/07/2011	64847775	13.00	03/04/2012	290687000	277.00
20/07/2011	1211837832	19.00	04/04/2012	21369000	278.00
24/08/2011	1244134219	54.00	04/04/2012	25443000	278.00
29/09/2011	100000000	90.00	04/04/2012	20185000	278.00
29/09/2011	461000000	90.00	09/04/2012	1688346621	283.00
29/09/2011	1209030086	90.00	19/04/2012	4396500	293.00
05/10/2011	3641000	96.00	20/04/2012	117348000	294.00
10/10/2011	3122400	101.00	30/04/2012	1127764961	304.00
10/10/2011	3930000	101.00	04/05/2012	11912500	308.00
10/10/2011	210610800	101.00	04/05/2012	42963300	308.00
10/10/2011	2151900	101.00	04/05/2012	113476200	308.00
10/10/2011	3122400	101.00	04/05/2012	7568700	308.00
10/10/2011	998400	101.00	04/05/2012	11912500	308.00
11/10/2011	725856500	102.00	04/05/2012	6722000	308.00
19/10/2011	141615085	110.00	22/05/2012	5855000	326.00
21/10/2011	20408000	112.00	22/05/2012	1562500	326.00
24/10/2011	1080032885	115.00	22/05/2012	4500000	326.00
04/11/2011	3641000	126.00	22/05/2012	1562500	326.00
16/11/2011	17088000	138.00	22/05/2012	4500000	326.00
16/11/2011	40784000	138.00	22/05/2012	57757000	326.00
16/11/2011	292769500	138.00	22/05/2012	12000000	326.00
16/11/2011	10811000	138.00	23/05/2012	876980240	327.00
16/11/2011	17088000	138.00	23/05/2012	4396500	327.00
16/11/2011	30790000	138.00	28/05/2012	288500000	332.00
30/11/2011	172360776	152.00	28/05/2012	362928250	332.00
30/11/2011	1079394274	152.00	28/05/2012	3521700	332.00
30/11/2011	13191000	152.00	28/05/2012	2630000	332.00
16/12/2011	611195600	168.00	28/05/2012	2630000	332.00
19/12/2011	1195689470	171.00	28/05/2012	2630000	332.00
27/12/2011	21368474	179.00	28/05/2012	2630000	332.00
27/12/2011	25442761	179.00	28/05/2012	2630000	332.00
27/12/2011	20184953	179.00	28/05/2012	2630000	332.00
16/01/2012	79254000	199.00	28/05/2012	2630000	332.00
16/01/2012	59629871	199.00	28/05/2012	52173900	332.00
25/01/2012	1072058238	208.00	30/05/2012	51788800	334.00
26/01/2012	362928250	209.00	01/06/2012	8544000	336.00
03/02/2012	946456800	217.00	01/06/2012	20392000	336.00
03/02/2012	74352200	217.00	01/06/2012	5405500	336.00
08/02/2012	47278600	222.00	01/06/2012	8544000	336.00
10/02/2012	24599000	224.00	01/06/2012	15395000	336.00
12/02/2012	158682861	226.00	01/06/2012	4396500	336.00
15/02/2012	480000000	229.00	14/06/2012	62580480	349.00
20/02/2012	44877857	234.00	14/06/2012	169194899	349.00
23/02/2012	1081787875	237.00	14/06/2012	24000000	349.00
02/03/2012	23825000	245.00	14/06/2012	82614419	349.00
02/03/2012	15132000	245.00	21/06/2012	935027253	356.00
02/03/2012	23825000	245.00	26/06/2012	16316000	361.00
02/03/2012	13444900	245.00	26/06/2012	105509900	361.00
02/03/2012	17587500	245.00	26/06/2012	9600000	361.00
08/03/2012	431050000	251.00	26/06/2012	9600000	361.00
19/03/2012	50442409	262.00	26/06/2012	34108678	361.00
19/03/2012	43456000	262.00	26/06/2012	194598000	361.00
19/03/2012	6722000	262.00	27/06/2012	66969388	362.00
19/03/2012	4396500	262.00	28/06/2012	4000000	363.00
23/03/2012	200000000	266.00	28/06/2012	3150000	363.00
27/03/2012	288844550	270.00	28/06/2012	9000000	363.00
27/03/2012	1117112272	270.00	28/06/2012	3125000	363.00
			28/06/2012	4500000	363.00
			28/06/2012	5069000	363.00
			28/06/2012	1562500	363.00
			29/06/2012	4155886	364.00
			29/06/2012	100000000	364.00

Figure 8: Central Government Transfers, 2012-13

DATE	AMOUNT (IN TZS)	No. of days into the financial year	DATE	AMOUNT (IN TZS)	No. of days into the financial year
05/07/2012	125569700	4	05/11/2012	83044900	127
05/07/2012	116294466	4	09/11/2012	343715600	131
05/07/2012	11912500	4	21/11/2012	120458655	143
05/07/2012	7566000	4	22/11/2012	400000000	144
05/07/2012	11912500	4	23/11/2012	67245278	145
05/07/2012	13444900	4	23/11/2012	56688062	145
06/07/2012	105762162	5	25/11/2012	588454432	147
09/07/2012	22886347	8	26/11/2012	1693208883	148
12/07/2012	400211400	11	26/11/2012	9600000	148
23/07/2012	512914432	22	30/11/2012	656621000	152
27/07/2012	534797069	26	30/11/2012	860238691	152
27/07/2012	144850241	26	06/12/2012	9600000	158
27/07/2012	14098500	26	22/12/2012	1679342550	174
27/07/2012	90285750	26	23/12/2012	15519000	175
27/07/2012	1697627950	26	03/01/2013	155998194	186
02/08/2012	80000000	32	21/01/2013	536539432	204
02/08/2012	100000000	32	24/01/2013	1991142198	207
02/08/2012	300000000	32	05/02/2013	9600000	219
02/08/2012	164448000	32	21/02/2013	95895000	235
02/08/2012	48501909	32	22/02/2013	66758747	236
02/08/2012	106639600	32	22/02/2013	56277914	236
05/08/2012	89254000	35	25/02/2013	1638096030	239
06/08/2012	4398000	36	18/03/2013	64839320	260
11/08/2012	304618100	41	18/03/2013	54659829	260
17/08/2012	71422771	47	18/03/2013	303861300	260
22/08/2012	471932500	52	25/03/2013	1682154150	267
22/08/2012	1690106805	52	06/04/2013	1720053398	279
30/08/2012	3000000	60	20/04/2013	523234945	293
30/08/2012	2648000	60	22/04/2013	1721662392	295
30/08/2012	3000000	60	25/04/2013	9600000	298
30/08/2012	2648000	60	25/04/2013	286432800	298
03/09/2012	23825000	64	02/05/2013	194001806	305
03/09/2012	83044900	64	04/05/2013	188901000	307
03/09/2012	7566000	64	04/05/2013	274477000	307
06/09/2012	30608000	67	04/05/2013	714081059	307
06/09/2012	176217300	67	15/05/2013	542465632	318
10/09/2012	23464000	71	15/05/2013	800422800	318
10/09/2012	284399400	71	15/05/2013	70701787	318
11/09/2012	155998194	72	15/05/2013	59685626	318
17/09/2012	9600000	78	15/05/2013	65795933	318
24/09/2012	1693527948	85	15/05/2013	55466257	318
01/10/2012	88097000	92	22/05/2013	37727606	325
01/10/2012	200000000	92	02/06/2013	14319000	336
01/10/2012	61437600	92	02/06/2013	9600000	336
01/10/2012	43683832	92	05/06/2013	73344000	339
01/10/2012	69611414	92	05/06/2013	275924660	339
20/10/2012	81791113	111	18/06/2013	508414432	352
20/10/2012	97023359	111	18/06/2013	368100454	352
24/10/2012	94309118	115	26/06/2013	1729360571	360
24/10/2012	1694402533	115			

Figure 9: Central Government Transfers, 2013-14

DATE	AMOUNT (IN TZS)	No. of days into the financial year	DATE	AMOUNT (IN TZS)	No. of days into the financial year
06/07/2013	48237601	5.00	24/12/2013	12498219	176.00
06/07/2013	57732094	5.00	30/12/2013	5920000	182.00
11/07/2013	258055900	10.00	31/12/2013	4660000	183.00
23/07/2013	70015090	22.00	10/01/2014	325927141	193.00
23/07/2013	92948708	22.00	10/01/2014	25927141	193.00
24/07/2013	1520185847	23.00	15/01/2014	692577754	198.00
30/07/2013	11840000	29.00	15/01/2014	254916000	198.00
04/08/2013	502054241	34.00	25/01/2014	2483048992	208.00
07/08/2013	22740000	37.00	27/01/2014	20455759	210.00
13/08/2013	63189856	43.00	27/01/2014	20519597	210.00
13/08/2013	85255107	43.00	27/01/2014	20455759	210.00
23/08/2013	1518990474	53.00	28/01/2014	29080921	211.00
04/09/2013	536696600	65.00	05/02/2014	17290919	219.00
10/09/2013	424698600	71.00	17/02/2014	308991000	231.00
25/09/2013	2380522559	86.00	19/02/2014	315528000	233.00
30/09/2013	849030000	91.00	24/02/2014	2305250441	238.00
30/09/2013	639386375	91.00	28/02/2014	51463662	242.00
01/10/2013	534341573	92.00	28/02/2014	22382740	242.00
02/10/2013	209732004	93.00	14/03/2014	389341100	256.00
10/10/2013	50000000	101.00	18/03/2014	75316008	260.00
11/10/2013	508370403	102.00	18/03/2014	43002252	260.00
15/10/2013	634856406	106.00	18/03/2014	32313756	260.00
18/10/2013	43909998	109.00	20/03/2014	515820513	262.00
18/10/2013	17686011	109.00	20/03/2014	15820513	262.00
18/10/2013	26223988	109.00	26/03/2014	1960407096	268.00
22/10/2013	2408560450	113.00	04/04/2014	420640000	277.00
28/10/2013	345826237	119.00	08/04/2014	502054241	281.00
02/11/2013	272637100	124.00	08/04/2014	502054241	281.00
02/11/2013	9600000	124.00	19/04/2014	711726400	292.00
02/11/2013	9600000	124.00	24/04/2014	2312027768	297.00
02/11/2013	9600000	124.00	02/05/2014	98106000	305.00
06/11/2013	14375750	128.00	13/05/2014	132001691	316.00
14/11/2013	41750477	136.00	13/05/2014	101597868	316.00
18/11/2013	37956751	140.00	14/05/2014	503468900	317.00
18/11/2013	5760975	140.00	15/05/2014	21383000	318.00
18/11/2013	7484984	140.00	15/05/2014	21383000	318.00
18/11/2013	11098384	140.00	16/05/2014	120247000	319.00
18/11/2013	13612409	140.00	16/05/2014	120247000	319.00
22/11/2013	400000000	144.00	19/05/2014	8866000	322.00
22/11/2013	1000000	144.00	26/05/2014	2091141380	329.00
22/11/2013	400000000	144.00	29/05/2014	229800000	332.00
25/11/2013	2404330755	147.00	26/06/2014	2096005530	360.00
05/12/2013	658682861	157.00			
05/12/2013	158682861	157.00			
12/12/2013	503468900	164.00			
16/12/2013	119753000	168.00			
17/12/2013	26079000	169.00			
18/12/2013	133993188	170.00			
20/12/2013	72141840	172.00			
20/12/2013	40765680	172.00			
20/12/2013	31376160	172.00			
23/12/2013	2458648916	175.00			

Figure 10: Frontloading for 2011-12, 2012-13 and 2013-14

	Front loading (Weighted average no. of days into the financial year)	In Months
2011-12	206.32	6.88
2012-13	182.38	6.08
2013-14	187.00	6.23

Table 78: Computation for Figure 4

IN TZS million Year	Type	Q1	Q2	Q3	Q4
2011-12	Planned	6617	6617	6617	6617
	Actual	4295	5747	6668	7472
2012-13	Planned	9312	9312	9312	9312
	Actual	9741	9014	6656	10244
2013-14	Planned	9850	9850	9850	9850
	Actual	9082	12645	9926	9993
2011-12	Planned (as % of total budget)	25.0%	25.0%	25.0%	25.0%
	Actual (as % of total budget)	16.2%	21.7%	25.2%	28.2%
2012-13	Planned (as % of total budget)	25.0%	25.0%	25.0%	25.0%
	Actual (as % of total budget)	26.2%	24.2%	17.9%	27.5%
2013-14	Planned (as % of total budget)	25.0%	25.0%	25.0%	25.0%
	Actual (as % of total budget)	23.0%	32.1%	25.2%	25.4%

7.2. Screenshots for PI-1 and PI-2

Table 1 - Fiscal years for assessment

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

Table 2 (IN TZS)

Data for year =	2011					
administrative or functional head	**budget**	**actual**	**adjusted budget**	**deviation**	**absolute deviation**	**percent**
Administration	3,845,341,248	2,777,954,699	3,514,272,600	-736,317,901	736,317,901	21%
Planning	49,300,614	2,068,710,789	45,056,026	2,023,654,763	2,023,654,763	4491%
Agriculture	1,148,699,291	1,282,873,535	1,049,800,832	233,072,703	233,072,703	22%
Education	13,971,172,511	13,213,471,319	12,768,309,907	445,161,412	445,161,412	3%
Primary health services	4,706,296,004	4,270,433,438	4,301,102,562	-30,669,125	30,669,125	1%
Water	1,301,059,291	323,489,535	1,189,043,240	-865,553,705	865,553,705	73%
Works	1,401,284,055	929,697,766	1,280,639,050	-350,941,284	350,941,284	27%
Lands	8,741,811	0	7,989,176	-7,989,176	7,989,176	100%
Natural resources	86,521,564	0	79,072,400	-79,072,400	79,072,400	100%
Community development, gender and childre	734,590,630	40,000,000	671,345,287	-631,345,287	631,345,287	94%
allocated expenditure	27,253,007,019	24,906,631,080	24,906,631,080	0	5,403,777,755	
contingency						
total expenditure	**27,253,007,019**	**24,906,631,080**				
overall (PI-1) variance						8.6%
composition (PI-2) variance						21.7%
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	4,643,459,776	4,267,022,329	4,411,203,642	-144,181,313	144,181,313	3%
Planning	7,226,065,140	7,216,219,819	6,864,632,495	351,587,325	351,587,325	5%
Agriculture	2,188,756,568	2,082,395,003	2,079,279,548	3,115,455	3,115,455	0%
Education	11,017,922,400	10,904,168,932	10,466,828,995	437,339,937	437,339,937	4%
Primary health services	6,704,164,518	6,617,538,939	6,368,836,249	248,702,690	248,702,690	4%
Water	2,733,618,469	2,052,835,434	2,596,888,598	-544,053,164	544,053,164	21%
Works	1,993,553,894	1,734,246,144	1,893,840,503	-159,594,359	159,594,359	8%
Lands	602,332,381	428,464,885	572,204,977	-143,740,092	143,740,092	25%
Natural resources	644,137,967	488,692,104	611,919,535	-123,227,430	123,227,430	20%
Community development, gender and childre	692,945,480	732,336,750	658,285,798	74,050,952	74,050,952	11%
allocated expenditure	38,446,956,593	36,523,920,339	36,523,920,339	0	2,229,592,717	6%
contingency						
total expenditure	**38,446,956,593**	**36,523,920,339**				
overall (PI-1) variance						5.0%
composition (PI-2) variance						6.1%
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	4,628,049,726	5,771,297,247	4,705,046,827	1,066,250,420	1,066,250,420	23%
Planning	7,059,338,287	7,584,033,250	7,176,784,862	407,248,388	407,248,388	6%
Agriculture	2,053,843,099	1,922,250,877	2,088,012,992	-165,762,115	165,762,115	8%
Education	11,065,668,071	11,422,598,316	11,249,768,160	172,830,156	172,830,156	2%
Primary health services	6,967,265,405	6,561,202,030	7,083,180,158	-521,978,128	521,978,128	7%
Water	3,900,378,908	3,611,205,340	3,965,269,713	-354,064,373	354,064,373	9%
Works	2,697,524,678	2,468,940,631	2,742,403,535	-273,462,903	273,462,903	10%
Lands	700,566,571	448,461,862	712,221,933	-263,760,071	263,760,071	37%
Natural resources	691,029,900	505,408,809	702,526,600	-197,117,791	197,117,791	28%
Community development, gender and childre	675,945,480	817,007,636	687,191,220	129,816,417	129,816,417	19%
allocated expenditure	40,439,610,125	41,112,405,999	41,112,405,999	0	3,552,290,761	
contingency						
total expenditure	**40,439,610,125**	**41,112,405,999**				
overall (PI-1) variance						1.7%
composition (PI-2) variance						8.6%
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	8.61%	21.7%	
2012	5.00%	6.1%	0.0%
2013	1.66%	8.6%	

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

Appendix 8. 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	NR
(iii)	In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of start of the SN fiscal year)	D
A. PFM Out-Turns: Budget Credibility		
PI-1	**Aggregate expenditure out-turn compared to original approved budget**	**A**
PI-2	**Composition of expenditure out-turn compared to original approved budget**	**B+**
(i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items	B
(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**	**B**
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**
PI-6	**Comprehensiveness of information included in budget documents**	**C**

PI-7	**Extent of unreported government operations**	**B**
(i)	The level of extra budgetary expenditure (other than donor funded projects) which is reported	B
(ii)	Income/expenditure information on donor-funded projects which is included in fiscal reports	NA
PI-8	**Transparency of inter-governmental fiscal relations**	**D**
(i)	Transparent and rules -based systems in horizontal allocation among lower level governments of unconditional and conditional transfers (both budgeted and actual allocations)	D
(ii)	Timeliness of reliable information to lower level governments on their allocations for the coming year	D
(iii)	Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sector categories	D
PI-9	**Oversight of aggregate fiscal risk from other public sector entities**	**C**
(i)	Extent of monitoring public enterprises	NA
(ii)	Extent of the Central Government monitoring of sub-national governments' fiscal position	C
PI-10	**Public access to key fiscal information**	**C**
C. Budget Cycle		
(i) Policy-Based Budgeting		
PI-11	**Orderliness and participation in the budget process**	**C+**
(i)	Existence and adherence to a fixed budget calendar	C
(ii)	Guidance on preparation of budget submissions	D
(iii)	Timely budget approval by the legislature	A
PI-12	**Multi-year perspective in fiscal planning, expenditure policy, and budgeting**	D+
(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
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	D
(iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	NA
PI-17	**Recording and management of cash balances, debt and guarantees**	**A**
(i)	Quality of debt recording and reporting	NA

(ii)	Consolidation of government's cash balances	A
(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+**
(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**	D+
(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	D
(iii) Accounting, Recording and Reporting		

PI-22	**Timeliness and regularity of accounts reconciliation**	**C**
(i)	Regularity of bank reconciliation	D
(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	B
(iii)	Accounting standards used	B
(iv) External Scrutiny and Audit		
PI-26	**Scope, nature, and follow-up of external audit**	**C+**
(i)	Scope/nature of audit performed (including adherence to auditing standards)	B
(ii)	Timeliness of submission of audit reports to legislature	B
(iii)	Evidence of follow up on recommendations	C
PI-27	**Legislative scrutiny of the annual budget law**	**D+**
(i)	Scope of legislature's scrutiny	C
(ii)	Extent to which the legislative procedures are well established and respected	B
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	D
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	B
PI-28	**Legislative scrutiny of external audit reports**	**D+**

(i)	Timeliness of examination of audit reports by the legislature	B
(ii)	Extent of hearings on key findings undertaken by the legislature	D
(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
(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**

Appendix 9. List of people met

Table 79: 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 Matonga	Internal Auditor General	Ministry of Finance
7.	Dennis Mihayo	M&E Specialist	Public Financial Management Reform Programme
8.	Sebastian E L Ndandala	Programme Coordinator	Public Financial Management Reform Programme
9.	Stanley Haule	Assistant Director, Department of Computer Services	Ministry of Finance
10.	Stanslans Mpembi	Assistant Internal Auditor General (Budget and Payroll)	Ministry of Finance
11.	Emmanuel M Subbi	Assistant Internal Auditor General (Risk Management and Control)	Ministry of Finance
12.	Mwanyiko M Somola	Assistant Internal Auditor General (Local Government)	Ministry of Finance
13.	Omari Msuya	Internal Auditor	Ministry of Finance
14.	Pole John Magesa	Principal Economist	National Audit Office of Tanzania
15.	Faraja Tarimo	Accountant	Account General Office, Ministry of Finance
16.	Chausiku Nyanda	Financial Management Officer	PMO – RALG

S. No.	Name	Designation	Organisation
17.	Prwatus Lipili	Human Resource Officer	PMO – RALG
18.	Juma Mabrouk	Human Resource Officer	PMO – RALG
19.	Daria Justine Bujiku	Loans and Investment Financial Management Officer	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.	Amede E A	District Treasurer	Kasulu District Council
29.	Edmund Kayombo	Economist	Kasulu District Council
30.	Onesmo Birago	District Planning Officer	Kasulu District Council
31.	Anthony Sokoi	District Internal Auditor	Kasulu District Council
32.	Daniel Kaloza	Head of Human Resource	Kasulu District Council
33.	Geofrey Nsilla	Education Officer - Primary	Kasulu District Council
34.	Fredrick Kamayugi	Education Officer - Secondary	Kasulu District Council
35.	Magewi Pandamali	District Health Officer	Kasulu District Council
36.	Sikudhan Hamis	Head of Procurement Management Unit	Kasulu District Council
PEFA Counterpart Team			
37.	Steven Benedict	PEFA Counter Part	Lindi Regional Office

S. No.	Name	Designation	Organisation
38.	Daria Bujilu	PEFA Counter Part	PMO RALG
39.	Fulgence Luyagaza	PEFA Counter Part	Kinondoni Municipal Council
40.	Ally Waziri	PEFA Counter Part	Bagamoyo District Council
41.	Munguatosha Macha	PEFA Counter Part	Geita Region
42.	Chausiku Nyanda	PEFA Counter Part	PMO RALG

Appendix 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 Appendix A)
17. Internal Audit Manual, 2013
18. Annual General Report on Local Government Authorities for 2013-14 by CAG
19. Public Audit Act
20. Public Audit Regulations 2009
21. Audit Financial Statements for 2011-12, 2012-13 and 2013-14
22. CAG's Management Letter on Financial Statements of Kasulu DC for 2012-13 and 2013-14
23. MTEF of Kasulu DC for 2014-17
24. Quarterly Internal Audit Reports for Kasulu DC, 2013-14 and 2014-15
25. Budget guidelines issued by Ministry of Finance for 2014-15
26. Budget instructions issued by Kasulu DC to LLGs, 2014-15
27. Reforming Tanzania's Public Sector, An Assessment and Future Direction, President's Office - State House, the United Republic of Tanzania, November 2013
28. Aide Memoire (Report), Joint Supervision Mission 2015, Public Financial Management Reform Programme (PFMRP)
29. Final Report, Mid-Term Review for the Public Finance Management Reform Program Phase Four Tanzania, September 2015, Ministry of Finance, the United Republic of Tanzania