

Fostering Accountability

Sub-National (Local Government) PEFA
Assessment in Tanzania

Mwanga District Council –Final Report

July 2016

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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 Limited
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	Joint Steering Committee	TB	Tender Board
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= 2019 Tanzanian Shillings (4th of June, 2015) Symbol “TZS” indicates Tanzania Shillings and “USD” indicates United States Dollar
Financial Period Assessed	2011-12 to 2013-14

1. Summary assessment

1.1. Overview of ratings

Table 1: Overall ratings

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

Summary Ratings		
PI-21	Effectiveness of internal audit	D+
(iii) Accounting, Recording and Reporting		
PI-22	Timeliness and regularity of accounts reconciliation	B+
PI-23	Availability of information on resources received by service delivery units	B
PI-24	Quality and timeliness of in-year budget reports	C+
PI-25	Quality and timeliness of annual financial statements	B
(iv) External Scrutiny and Audit		
PI-26	Scope, nature, and follow-up of external audit	C+
PI-27	Legislative scrutiny of the annual budget law	D+
PI-28	Legislative scrutiny of external audit reports	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 Mwanga alone but to all the LGAs assessed as a part of the current assignment.

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

1.3. Integrated Assessment of PFM performance

Mwanga 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 Mwanga 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 15% in two of the three financial years covered under this assessment. However, many critical challenges remain which in their entirety may not necessarily be within the control of the LGA.

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

Predictability of Central Fund Transfers

The dependency of Mwanga 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 the overall moderate deviation in these transfers in the last 3 years, the uncertainties in their timing and actual availability is a serious impediment to the overall planning and budget execution process at the LGA level. The problems are further aggravated due to the relative non transparency of rule based transfers which do not always work effectively in practice in a situation of cash rationing and resource crunch. Such uncertainties in cash flows also impact commitment controls which are further constrained by the lack of any reliable information on payment arrears.

Quality of Budgeting

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

Controls over Budget Execution

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

Accountability Structures and Internal Controls

Though overall accountability structures are well established for LGAs in general, there are several areas of concern in Mwanga 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, and others. The lack of a complete tax registration system, failure to account for all receivables, and weaknesses in control over receipt books related to tax collections show the need for strengthening internal systems in these areas. The weaknesses in the functioning of the Audit Committee, as identified by the CAG, in this context is an area of key concern. Absence of a structured system of follow-up of audit observations reflects the general weaknesses in overall accountability structures related to PFM functions.

1.3.1. Summarised Assessment by Indicators

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

Credibility of budget is impaired mainly due to (i) low predictability of higher level of government (HLG) transfers, and (ii) lack of data on stock of payment arrears which is understood to be generally high across the country (including local governments).

Comprehensiveness and Transparency (PI 5-10)

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

The lack of a comprehensive database of potential taxpayers for certain key taxes such as produce cess is a serious constraint for a rational assessment of revenue. Even for those levies where such a manual database exists such as in case of service levy, clarity on its completeness is an issue especially for small businesses that do not have tax identification numbers linked to the national system. Though the existing legal framework does not allow any discretionary powers to the tax collectors, the general weakness in the capacity to assess expected tax revenues is a deterrent to computation of tax collectible and thereby reduces efficiency in collections. Moreover, the absence of an independent appeal mechanism for taxes at the local level makes it difficult for assesses to raise complaints. During 2011-14, with the exception of 2011-12, actual tax collections were less than three-fourth of the budgeted tax collections. On an aggregate basis, collections against budget were 112%, 61% and 74% for 2011-12, 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 had an outstanding debt of TZS 368 million at the end of 2013-14, which constituted 2.57% of its total liabilities. 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.

Payroll Controls (PI-18): With the implementation of Human Capital Management Information System (HCMIS) payroll systems have improved. The Central Government has conducted a major payroll cleansing exercise through which substantial leakages have been corrected. However, there are some areas which still need to be strengthened. The internal controls over the payroll are still

weak. There are cases of pending arrears related to promotion or new hires. The absence of documented verification/audit trails at LGA level on changes made to the personnel database and the absence of focused periodic payroll audits reflect the absence of suitable oversight mechanisms in this important functional area. As a recent reform, the Paymaster General has issued a circular requiring all internal auditors to indicate the status of implementation of previous audit recommendations (both CAG and Internal Audit) which relate to payroll controls.

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 Mwanga 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. 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 Mwanga DC is conducted as per the annual risk based audit plan. The Internal auditor prepares quarterly audit reports and submits these to the auditees, the CAG and Internal Auditor General. Audit reports showed that 34% 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)

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

As per the CAG's Management Letter for the District Council for 2013-14, staff dues/impresths have been outstanding for a period of more than two years as on 30th June 2014.

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

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

Mwanga 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 Mwanga are already on accrual basis. However, considering the quality issues referred to by the CAG as mentioned above, ensuring full compliance with accrual based IPSAS appears to present a challenge. This highlights the imminent need for training of personnel and may result in more time taken by LGAs to stabilize accrual based IPSAS.

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

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

The Laws and Regulations governing external audit includes The Constitution of Tanzania, Local Government Finance Act 1982, Public Audit Act 2008 and Public Audit Regulations 2009. The external audit of the LGA covers financial audit as well as the review of internal control systems. The CAG observations on the control weaknesses are provided in the Management Letter to the District

Executive Director of the Council. The external audit employs a risk based approach and uses systematic sampling to cover transactions in such a way as to cover major as well as other areas. The National Audit Office is a member of the International Organisation of the Supreme Audit Institutions (INTOSAI) and adheres to international auditing standards. The emphasis of the audit is financial in nature and performance audit is yet to start on a noticeable basis. Responses to management letters are available but systematic follow up is absent as evidenced by repeat comments in subsequent years.

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

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

The absence of any meeting conducted by the Audit Committee in 2013-14 indicates that scrutiny of external audit findings by the LGA is weak. The repetitiveness of the nature of comments made by the CAG reports and delays in acting on Local Authorities Account Committee (LAAC) recommendations are pointers to the general deficiencies in follow up mechanisms and operating internal controls in this area.

1.4. Assessment of the Impact of PFM weaknesses

Fiscal discipline

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

Strategic allocation of resources

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

Service delivery and value for money

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

1.5. Prospects for Reform Planning and Implementation

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

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

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

2. Introduction

2.1. Objectives

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

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

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

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

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

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

As a part of the on-going reform agenda for LGAs, the GoT with financial assistance from the German Development Bank (KfW), has decided to undertake a local government PEFA assessment covering twelve (12) LGAs. This report is for Mwanza District Council. This is the first assessment of Mwanza 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 for this assessment has been done by GoT through the Ministry of Finance (MoF) as it did for the national level assessment in 2013. The overall assessment is being managed by the PEFA Task Force Committee who acts as an oversight team of the assessment in the 12 LGAs. The Committee composed of members from the MoF, PMO-RALG and the PFM Development Partners Group (DPG). The PFM DPG is a subgroup under Cluster working group 4 of the DPG main. The Group's role is to coordinate harmonization and alignment of Development Partner's efforts for effective dialogue with the GoT in the area of Public Financial Management (PFM). PFM DPG is

currently co - chaired by DFID and Denmark. The Group comprises of DFID, KfW (German Development Bank) and the World Bank and includes other donors providing technical or financial assistance to PFM reforms in Tanzania. DFID, World Bank and KfW are the three independent reviewers of the PEFA reports besides the government and the PEFA Secretariat.

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

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

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

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

Field visit to the Mwanga DC was carried out on the 20th and 21th March 2015. Subsequently, an individual draft LGA report was prepared and submitted to the following stakeholders for review and comments on 7 August 2015: (i) PEFA Task Force Committee; (ii) PEFA Secretariat; and (iii) three independent reviewers from the PFM Development Partner Group: KfW; DFID; and the World Bank.

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

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

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

Based on a study of the comments received from stakeholders on the draft report for Mwanga DC and consideration of further information and explanations received, a Draft Consolidated Report (DCR) was prepared and submitted on 11 November 2015 containing our findings relating to all the 12 LGAs under this assignment, including our consolidated observations on Mwanga DC. This DCR was presented and discussed with the stakeholders at the Verification/Validation workshop held in Morogoro on 17 November 2015 and feedback was obtained at the workshop as well as subsequently. The final draft report for Mwanga DC was submitted on 06th April, 2016 taking into account all relevant comments of the LGA, the GoT, independent reviewers and other stakeholders and incorporated the impact of all such comments as appropriate. 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 Annexure.3. The draft version of the template on the Sub National (LGA) profile was earlier appended to the Draft Consolidated Report submitted on 11 November 2015, as required by the terms of reference for this assignment. The final version of the profile has been included in the Final Consolidated Report.

2.2.1. Methodology

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

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

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

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

2.3. Scope of the Assignment and Rationale for Sample

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

This report records the results of our findings of a PEFA assessment of Mwanga 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 Mwanaga DC on Central Government

The intergovernmental transfers are the largest source of financing for Mwanaga DC (accounting more than 97.5% of LGA financing) as shown in Table 2. This reflects high dependency of the LGA on the Central Government funding. CAG in its management letter for 2012-13 also notes that the LGA cannot sustain its operations without depending on Central Government grants.

Table 2: Mwanaga DC's dependency on Central Government, 2010-2013, TZS million

Item	2011-12	2012-13	2013-14
Total revenue	18465	21674	19802
Recurrent grant	16494	17915	14930
Development grant	1735	3253	4151
Total grants	18229	21168	19080
Grants as % of Total Revenues	98.72%	97.66%	96.36%

Source: Annual Financial Statement, 2011-12 (Unaudited⁴), 2012-13 (Audited), 2013-14 (Audited)

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

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

Secondly, one of the key components of the inter-government transfers is Local Government Capital Development Grants (LGCDG) from the Central Government. As per the guidelines, the annual resources to be transferred can be finalized only after annual assessment results have been completed. One of the key inputs in these assessments is the previous year's audited financial statements by CAG. However, given the present statutory CAG auditing cycle and budgeting

⁴ In case of 2011-12, audited financial statement does not contain statement on capital expenditure and its financing. Therefore, analysis for 2011-12 is based on unaudited financial statement.

timelines, the annual assessment results may not be produced in time for such grants to be reflected correctly in the budget estimates.

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

3. Country Background

3.1. Country Economic Situation

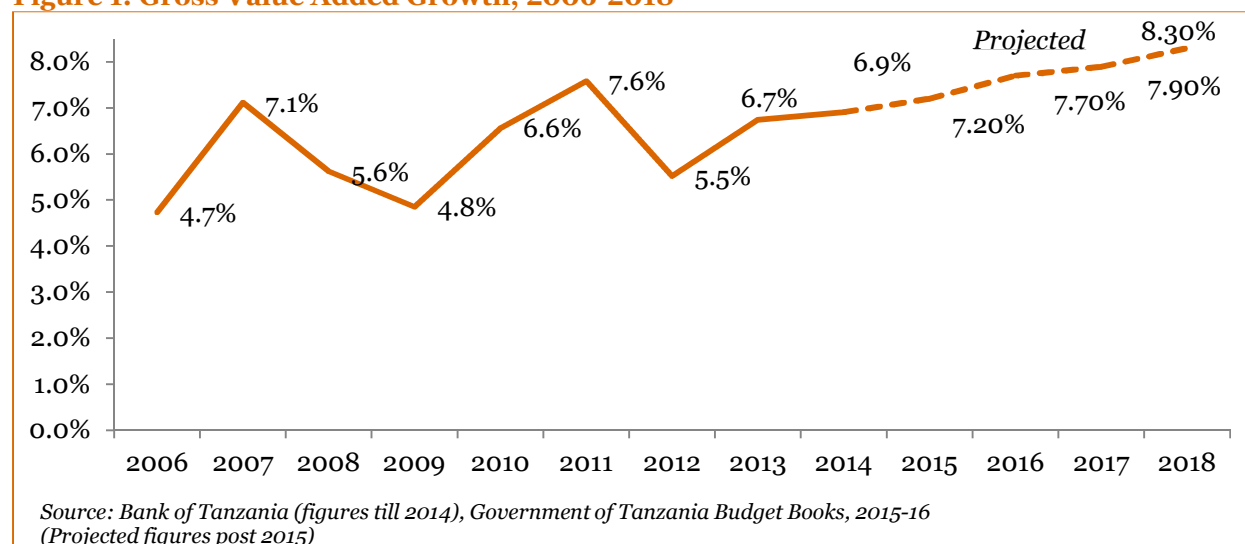
3.1.1. Country Context

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

Gross value added

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

Figure 1: Gross Value Added Growth, 2006-2018



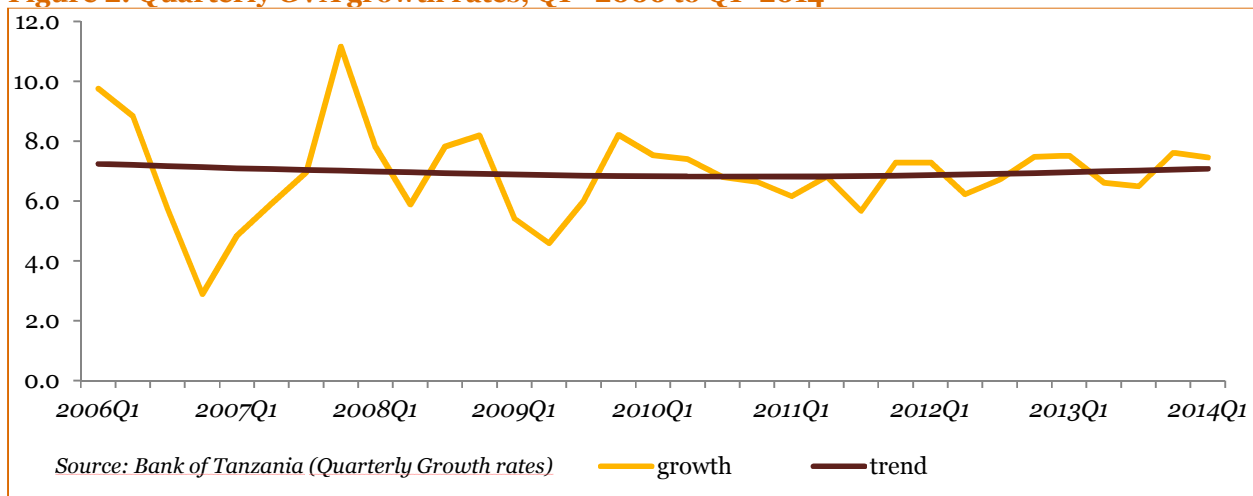
Apart from high growth, Tanzania has also achieved greater economic stability within the year, i.e. quarterly growth rates closely revolve around “trend growth rates (or average sustainable growth rate)”⁶. Figure 2 shows quarterly growth rates for the Country since 2006. It can be inferred that post third quarter of 2009, volatility in quarterly growth declined sharply and it closely revolved around

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

⁶ The average sustainable rate of economic growth over a period of time estimated through Hodrick-Prescott filter method. Sub-national (Local Government) PEFA Assessment in Tanzania – Mwanza District Council
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the “trend growth rate”. Lower volatility in economic growth improves predictability in government revenues and strengthens the ability of government to implement policy reforms.

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



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

Growth inclusiveness

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

Social-economic profile

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

⁷ In 2012, nearly 28.2% of population was below basic needs poverty line.
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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 Tanzania⁸. Ability of foreign exchange reserves to meet short term external debt obligations has improved. Short term debt as percentage of foreign exchange reserves has gone down from 50% in 2005 to 35% in 2013.

Financial sector

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

⁸ June 2005, Monetary Policy Statement, Bank of Tanzania
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injecting liquidity in the system, foreign exchange operations, repurchase agreements and stand-by facilities.

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

3.2. Budgetary Outcomes

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

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

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

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

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)⁹ provides an oversight at the apex level of the Public Financial Management in the country, including that for the LGAs. Its roles include issue of Annual Planning and Budgeting Guidelines, scrutiny of the LGA budgets through inter-ministerial committees, making transfers to the LGAs through its Treasury, ensuring appropriate recording of transactions through its Accountant General (ACGEN)'s division and monitoring of funds utilization through its Internal Auditor General (IAG)'s division. The MoF also supports integration of the LGA's financial affairs through the Integrated Financial Management Information System. At the District level, there is a sub-treasury. However, the sub-treasury deals mainly with the Central Government matters and only occasionally is used to disburse funds to the LGA for emergency expenditure that were originally not budgeted for and subsequently released from the Consolidation fund. This is a rare occurrence, which is not within the LGA operational and financing arrangements.

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

The Prime Minister's Office (Regional Administration and Local Government Authority)¹⁰ set up in December 2010 by a Presidential instrument is mandated to formulate, monitor and evaluate decentralisation by devolution, rural and urban development policies and its functions include supervision and administrative monitoring and control over the operations of Regional Secretariats 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.

⁹ Organizational Structure for MoF has been given in Annexure.5.

¹⁰ Organizational Structure for PMO-RALG has been given in Annexure.5.

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

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

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

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

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

through the Ward Development Committee (WDC), which is responsible in coordinating development activities and planning at the ward level and linking the villages with the district level.

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

The Judiciary exercising jurisdiction over the LGAs is represented by District Courts that hold public hearings for all cases including those for violation of the bye-laws or non-payment of the respective council charges or taxes. However, the law in Tanzania does not provide for specific hearing against the LGA in the event of injuries caused to the public¹¹.

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 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.

¹¹ 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).

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

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

3.3.3.1. Planning and Budgeting

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

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

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

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

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

3.3.3.2. Funds Flow

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

Central government transfer forms the largest proportion of the LGAs' financial support, followed by the own source revenue. Donor direct funding is not widely practiced, though during the assessment there were few instances of funds flowing directly to the LGA from the Elizabeth Glaser Pediatric AIDS Foundation (EGPAF), but these formed an insignificant proportion of the overall respective LGAs' funding. The assessment noted that funds from central level are transferred on availability rather than need basis. All LGAs did not maintain cash forecasts to inform timely disbursements due to their experience that disbursements are never determined by their needs but are made when the central government has funds, and when they are made, they are normally insufficient to meet all the required needs.

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

3.3.3.3. Procurement

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

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

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

3.3.3.4. Accounting and Financial Reporting

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

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

1. *Monthly reports:* LGAs prepare monthly reports indicating their income and expenditure for each month. These reports are submitted to the Council Director and later to the Finance Committee by 10th of the following month. The monthly reports are designed to include the necessary reconciliations for bank balances, imprest and staff advances, etc.;
2. *In-year budget reports: these are prepared on quarterly basis:* Councils prepare Council Financial Reports (CFR) and Council Development Reports (CDRs). The source for these reports is information recorded in the EPICOR system. CFRs summarize the financial performance of the council for the quarter and on cumulative basis comparing the actual revenue and expenditure up to the end of the reporting quarter against the respective annual budget. No comparison is made by all LGAs on actual and budgeted revenue and expenditure for the same reporting period because the budget for the year is not split into smaller period, i.e. months and quarters. CDRs present the councils achievement of its planned physical activities over and to the end of the reporting period.
3. *Annual Financial Statements:* these are prepared on annual basis according to IPSAS requirements. The financial statements are also prepared based on information contained in the

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

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

3.3.3.5. Internal Controls

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

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

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

3.3.3.6. External Auditing and Follow up of Audit Recommendations

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

The National Audit Office of Tanzania (NAOT) is the Supreme Audit Institution (SAI) of the country and headed by the Controller and Auditor General (CAG). Section 18 of the Public Audit Act prescribes that the CAG shall determine which auditing standards should apply and may issue auditing standards and code of ethics as applicable. NAOT is a member of the International Organization of Supreme Audit institutions (INTOSAI), the Africa Organization of Supreme Audit Institutions (AFROSAI) and Organization of Supreme Audit Institutions-English Speaking countries (AFROSAI-E). Being a member of these, the NAOT is obliged to follow the International Standards of Supreme Audit Institutions (ISSAI) and International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFA). This is a matter also reaffirmed by the CAG in his report for the LGA.

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

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

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

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

4. LGA Background Information

4.1. Economic situation

Mwanga is one of the six districts of Kilimanjaro Region. The District has a total surface area of 2641 sq km, and it is divided into 5 divisions, 15 wards, one Small Township, 60 villages and 273 sub villages. According to the Population and Housing Census conducted in August, 2002, Mwanga District had a total population of 115,145 of whom 55,325 or 48% were males and 59,818 or 52% were females. As per the 2012 estimates, the population is nearly 131,442. The average population density is about 47 people per sq km and the average household size is 5.2 persons. The working age group of 15-64 years old is about 50.2% of the total population.

The main economic activities performed by the Mwanga Community are agriculture (80%), livestock keeping and fishing. Despite the fact that rainfall is unreliable, coffee and banana is grown in the highland area, Irrigation in the Eastern, Northern and Western lowlands is popular for maize, beans and paddy production. Lack of improved farming techniques, and availability of unaffordable farm inputs pose enormous challenge to both the Council and the farmers in general.

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

Table 6: Factsheet-Mwanga District

Item	Values
Area	2641 sq. km.
Share in Region's Area	20%
Population (2012) estimates	131,442
Age dependency ratio	72
Leading sector	Agriculture
Employment in leading sector	55%
Per capita income	TZS. 664304 (2007)
HIV/AIDS prevalence	1.2%
Maternal death per one lakh	38
Malaria transmission rate	27%
Primary education pass rate	71%
Number of registered entrepreneurs	327

Source: Mwanga Strategic Plan 2011-12 to 2015-16 and MTEF for 2013-14 to 2015-16

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

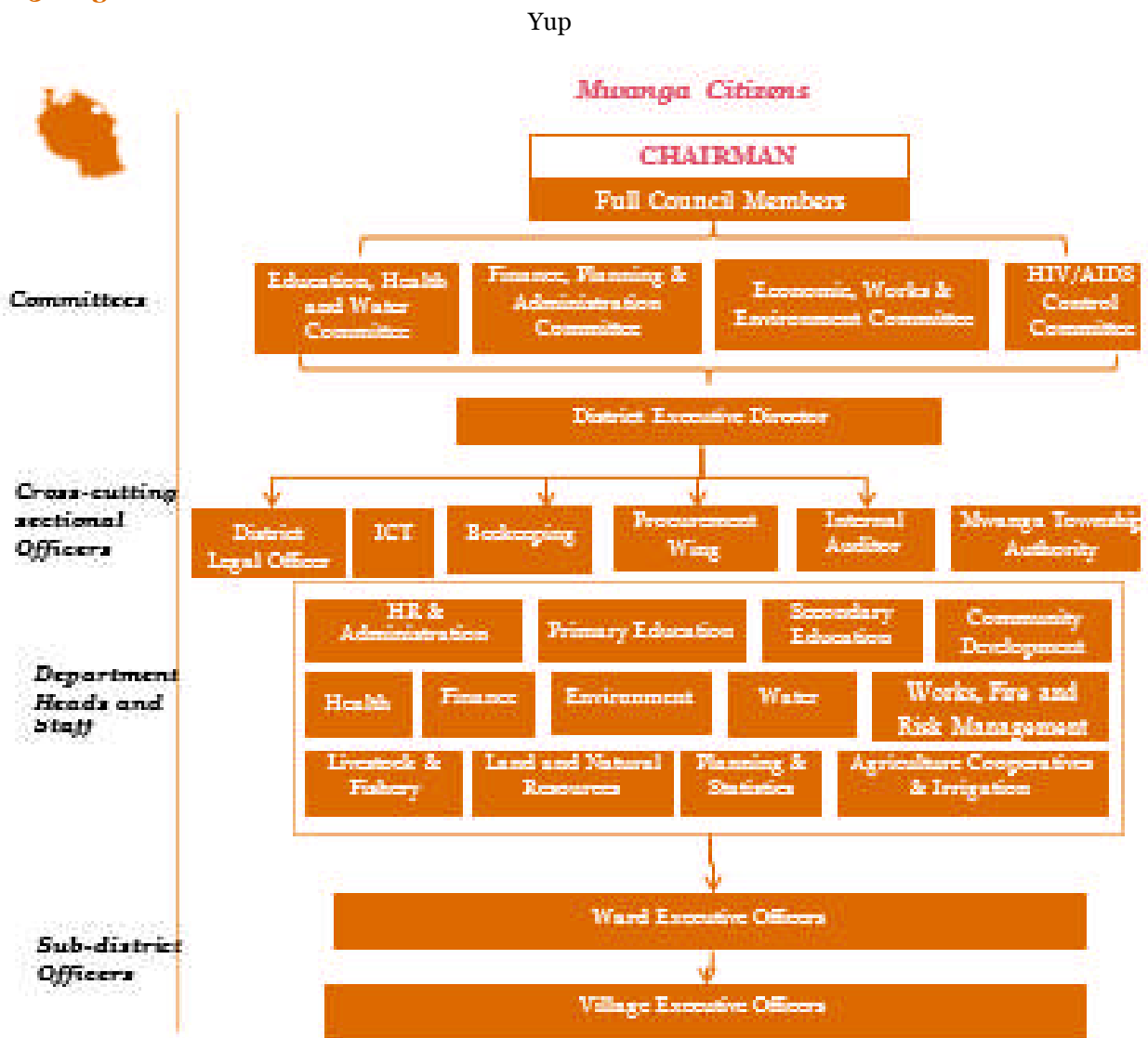
Category	Indicator	Total	Arusha	Kilimanjaro	Tanga	Morogoro	Lindi	Mtwara	Kigoma	Mwanza	Mara
Size of serving population	Share in total land	33.8	4.2	1.5	3.0	8.0	7.5	1.9	4.2	1.1	2.5
	Population (2012) in "000"	43625	1694	1640	2045	2218	1377	941	2458	1425	702
	Share in National Population (2012)	33.2%	3.9%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

Source: National Bureau of Statistics, Tanzania

4.2. Institutional Structure of LGA

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

Figure 3: Organizational Structure



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

Additionally, Mwanga DC has six units namely: Procurement, Internal Audit, Beekeeping, Information and Communication Technology (ICT), Legal and Mwanga Township Authority. Staffs within these sections have the responsibility for ensuring that the departments perform as required by the law and provide assistance in the efficient operation of council. Externally, there are four standing committees in Mwanga DC that also assists in the operations of the Council. The committees are:

- (a) Economic, Works and Environment,
- (b) Finance, Planning and Administration,
- (c) Education, Health and Water and,
- (d) HIV/AIDS.

Functional responsibilities

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

4.3. Fiscal performance of LGA

As shown in Table 2, the Central Government grants constitutes significant portion of LGA's total revenues (on an average 97.5%). Table 8 shows trend of revenues of the Mwanga DC for the last three years. The LGA's own source revenue has been increasing in the last three years. In 2012-13, the own source revenue nearly doubled from 2011-12 while increasing by 42% in 2013-14. This has helped LGA to increase share of own source revenue in total revenues from 1.3% in 2011-12 to 3.6% in 2013-14.

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

Item	2011-12	2012-13	2013-14
Local Taxes	16	100	195
Fee, fines, penalties and licenses	194	389	467
Revenue from exchange transactions	18	9	19
Other own revenue	8	4	0
Other Miscellaneous revenue	0	0	29
Total Own Source Revenue	236	501	709
Land Rent	0	5	12
Recurrent grant	16494	17915	14930
Development grant	1735	3253	4151
Total revenue	18465	21674	19802

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

Table 9 shows department wise expenditure for the last three years. Departments such as Education, Primary health services and Agriculture and Livestock are the top three spending departments with average share of 48%, 19% and 8% respectively.

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

Department Name	Average Share	2011-12	2012-13	2013-14
Planning	1.8%	34	905	220
Human resource management, development and administration	6.6%	1313	1162	1411
Finance	0.7%	43	158	221
Trade and economic affairs	0.2%	8	61	35
Agriculture and Livestock	8.0%	766	2383	1782
Education	48.0%	9924	9756	8628
Primary health services	19.1%	3285	4146	3949
Water	8.5%	749	2128	2280

Department Name	Average Share	2011-12	2012-13	2013-14
Works	3.3%	817	938	241
Lands	0.6%	1	29	305
Natural resources	0.6%	39	90	207
Community development, gender and children	2.6%	556	1071	14
Total	100%	17535	22827	19292

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

Table 10 shows total expenditure of Mwanga DC for the last three years by economic categories. The component, “Wages, salaries and employees benefits”, similar to the other LGAs, remains leading component of total public spending of Mwanga DC. The total expenditure of the LGA declined by 15% in 2013-14 mainly due to decline in wages, salaries and employee benefits.

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

Item	2011-12	2012-13	2013-14	Average share
Wages, salaries and employee benefits	13756	16088	12418 ¹²	71.1%
Supplies and consumables used	1144	1403	1418	6.7%
Maintenance expenses	879	848	1687	5.8%
Grants and other transfer payments	679	94	167	1.7%
Finance costs	0	3	0	0.0%
Capital Expenditure	1076	4391	3603	14.7%
Total Expenditure	17535	22827	19292	100.0%

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

Table 11 shows deficit/surplus for Mwanga DC. In one of the last three years, Mwanga DC had deficit. In 2012-13, Mwanga DC had a deficit of TZS 1153 million.

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

Item	2011-12	2012-13	2013-14
Total Revenue	18465	21674	19802
Total Expenditure	17535	22827	19292
Surplus	930	-1153	509

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

¹² The decline in wages, salaries and employee benefits in 2013-14 in comparison with 2012-13 is due to decline in budget ceilings for 2013-14.

5. Assessment of the PFM systems, processes and institutions

5.1. Predictability of central transfers

HLG-1 Predictability of transfers from higher level of Government

Transfers from the higher level of Government (i.e. GoT) constitute a significant source of revenue for the Mwanga DC. As given in Table 2, on an average in the last three completed financial years (i.e., 2011-12, 2012-13, and 2013-14), Central Government transfers were 97.5% of total revenue of the Mwanga DC.

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

Table 12 shows transfers from the higher level of government to the local government for the period 2011-12 to 2013-14. In two of the last three completed years, actual Central Government transfers were lower than budgeted. In 2012-13 and 2013-14, actual transfers were 29% and 10% lower than budgeted transfers respectively. In 2011-12, actual total transfers were higher than the planned transfers at the beginning of the financial year by 7%. The predictability of amount of transfers was lower in case of development grants. In all of the last three years (2011-12, 2012-13 and 2013-14), actual development transfers were 19%, 54% and 13% lower than budgeted transfers. Our discussion with the District Council officials indicates that such low predictability in quantum of transfers is impacting efficiency in project implementation.

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

Year		Recurrent Grants	Development Grants	Total Grants
2011-12	Budget	14958	2143	17101
	Actual	16494	1735	18229
	Deviation	10%	-19%	7%
2012-13	Budget	22669	7047	29716
	Actual	17915	3253	21168
	Deviation	-21%	-54%	-29%
2013-14	Budget	16332	4756	21088
	Actual	14930	4151	19080
	Deviation	-9%	-13%	-10%

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

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

In case of Tanzania, all transfers are earmarked in nature. Under this dimension, variance between estimated and actual transfers from the higher level of government across various transfer items needs to be assessed. As mentioned before, there are two kinds of grants, i.e. recurrent and development which comprises of various project grants.

In the absence of reliable information on estimates of the various categories of transfers from the central government received by the LGA during 2011-14, this dimension has not been rated.

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

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 Governments¹³, in the absence of disbursement timetable, a default of a quarterly distribution is to be used.

Figure 4 shows distribution of actual receipt of disbursements by the LGA in 2011-12, 2012-13 and 2013-14¹⁴. Horizontal line shows assumed disbursement timetable (i.e. equal distribution across quarters). Over the last three years, there has been no uniform pattern in disbursements received by the LGA - disbursements were the highest in quarter 3 for 2011-12; quarter 2 in 2012-13; and quarter 4 in 2013-14. Average timing of transfers to the LGA (weighted by the amounts transferred) was 6.6 months in 2011-12, 6.5 months in 2012-13, and 6.2 months in 2013-14¹⁵. 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

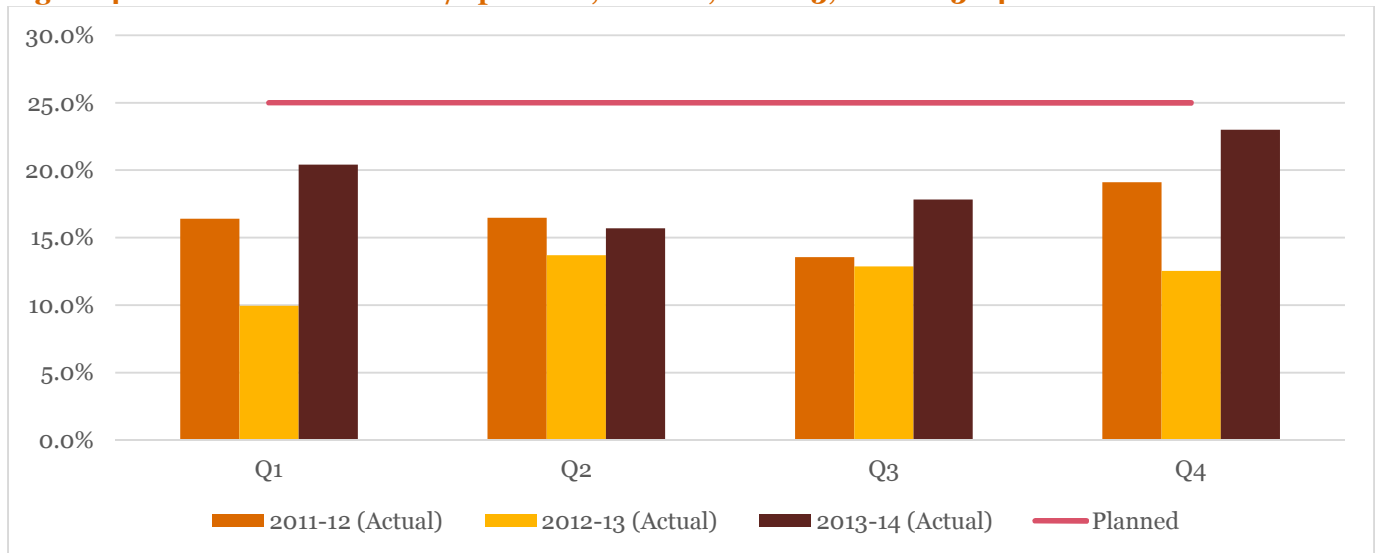


Table 13: Summary rating for HLG-1

Indicator	Rating	Brief explanation
HLG-1: Predictability of Transfers from a Higher Level of Government	D¹⁶⁺	
(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	C	In one of the last three years, the HLG transfers have fallen short of the estimate by more than 15%.

¹³ Page 10, footnote 4

¹⁴ Computation of timeliness is based on figures provided by the LGA of actual net receipts

¹⁵ It should be noted that there are variations in the total transfers as per the data provided separately by the LGA and the figures quoted in the AFS. In 2011-12, 2012-13, and 2013-14 this deviation was – 28.2%, -29.3% and -9.8% respectively. The assessment team has referred the information provided by the LGA.

¹⁶ HLG-1 is rated as per M1 methodology. Therefore, in line with clarification G-a of the PEFA Field Guide, the indicator has been rated.

Indicator	Rating	Brief explanation
(ii) Annual variance between actual and estimated transfers of earmarked grants	NR	In the absence of reliable information on the estimates of the various categories of grants received by the LGA during 2011-14, this dimension has not been rated.
(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of the start of the SN fiscal year)	D	In none of the three financial years, actual disbursements 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 overall budgetary performance. In case of local governments such as Mwanza 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 positive deviation of 1.3% in 2011-12 and negative deviations of 25.3% in 2012-13 and 12.5% in 2013-14. These deviations 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 million¹⁷

Item	2011-12		2012-13		2013-14		Deviation		
	Budget	Actual	Budget	Actual	Budget	Actual	2011-12	2012-13	2013-14
Total Expenditure	17311	17535	30548	22827	22060	19292	1.3%	-25.3%	-12.5%

Source: Annual Financial Statement, 2011-12 (Unaudited¹⁸), 2012-13 (Audited), 2013-14 (Audited)

CAG in its management letter for 2013-14 notes that various departments/sections were headed by officers who were in a stand-in or acting role rather than a permanent capacity which affected the performance of concerned department/section. The CAG further notes that long and bureaucratic procedures, insufficient community financial support, volatility in fuel prices (impacting financial

¹⁷ PEFA Field guide requires comparison of aggregate primary expenditure outturn as against the budget. Firstly, in case of Mwanza DC, there were interest payments on long term borrowing amounting TZS 67 million in 2013-14. However, budgeted interest payments are not available. Therefore, interest payments are included in the budget as well as actual expenditure. 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. In 2011-12, the total budget varies across statements of the Annual Financial Statement. The assessor has taken the total budget as given in statement of expenditure by functional classification. Further, expenditure break-up in the statement of expenditure by economic classification has been proportionately adjusted while keep each component's share intact.

¹⁸ The complete audited financial statement for 2011-12 are not available (the financial statement does not contain the statement on capital expenditure and its financing).

management) and delay in funds transfers from the Central Government are some of the key causes for poor budgetary performance.

Table 15: Summary rating for PI-1

Indicator	Rating	Brief explanation
PI-1 Aggregate expenditure out-turn compared to original approved budget		
The difference between actual primary expenditure and the originally budgeted primary expenditure.	C	In one of the preceding three years, total actual expenditure deviated from budgeted expenditure by more than 15%.

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

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

Variation in the aggregate expenditure may not be able to analyse the quality of budgetary performance which is only possible by examining the variations in each component of expenditure. The 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 against the original budget on a functional basis. In Mwanga DC, budgets are available by twelve functions: (1) human resource management, development and administration, (2) finance (3) trade and economic Affairs (4) agriculture and livestock (5) education, (6) primary health services, (7) water (8) works, (9) lands (10) natural resources (11) community development, gender and children, and (12) planning.

Table 16: Variation in the composition of aggregate expenditure, 2011-12 to 2013-14¹⁹
for PI-2 (i)
composition variance

Year	composition variance
2011-12	10.5%
2012-13	42.3%
2013-14	16.2%

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

Analysis of the composition of total expenditure on a functional basis reveals variation of 10.5% in 2011-12, 42.3% in 2012-13, and 16.2% in 2013-14. Table 17 shows function wise deviations in actual expenditure from the budget. Key functions of the LGA are education, agriculture and livestock and primary health services together contribute on average 75% of the total actual expenditure in the last three financial years. Deviation in these functions across the years is reflected in overall expenditure composition as shown in Table 16.

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

¹⁹ The Annual Financial Statement does not provide "Planning" as a separate department. However, as per the documents shared by the LGA, various development projects were implemented by the "Planning" Department. The assessor has taken "Planning" as a separate department in the analysis.

Department Name	Average Share	2011-12	2012-13	2013-14
Planning	1.8%	0.0%	-84.5%	-62.8%
Human resource management, development and administration	6.6%	-6.7%	-25.0%	-28.1%
Finance	0.7%	-11.1%	-31.1%	-3.2%
Trade and economic affairs	0.2%	-50.9%	-92.6%	-74.6%
Agriculture and Livestock	8.0%	-48.7%	64.5%	23.4%
Education	48.0%	2.8%	-15.4%	-6.4%
Primary health services	19.1%	0.0%	-31.1%	-3.2%
Water	8.5%	2.2%	126.0%	-29.4%
Works	3.3%	415.7%	-5.3%	-13.1%
Lands	0.6%	-87.9%	207.8%	1.8%
Natural resources	0.6%	625.3%	-	-61.5%
Community development, gender and children	2.6%	18.3%	-7.1%	-75.7%

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

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

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

Table 18: Summary rating for PI-2

Indicator	Rating	Brief explanation
PI-2 Composition of expenditure outturn compared to original approved budget.	D+	
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	D	Variance in expenditure composition exceeded 15% in more than two of the last three financial years.
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years	A	LGAs do not have any contingency fund in their budgets and prima facie there is no direct evidence of contingency accounting of any kind. Hence, the dimension has been rated in line with clarification 2-1 of the PEFA Field Guide.

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

The revenue data in the financial statements of the LGA is sufficiently disaggregated by major revenue heads. Revenue for the Council can be clubbed into five categories (i) local taxes (19%) (ii) fee, fines, penalties and licenses (75%) (iii) revenue from exchange transactions (3.9%), (iv) other

own revenue (1.4%), (v) other miscellaneous revenue (1.3%)²⁰. Table 19 shows revenue performance of Mwanga DC in the last three completed financial years.

Administration of certain levies such as produce cess is outsourced to revenue collection agents who are assigned collection targets based on the revenue potential estimates prepared by the Agriculture Department of the Council. These estimates, in turn, are based on the forecasts of crop production in the District. Other revenues such as land rent and service levy are collected by revenue/ trade officers of the LGA. For preparing estimates for service levy collection, information is occasionally sought from the Tanzania Revenue Authority (TRA) on the turnover of businesses in the District. In case of land rent²¹, regulations require the entire amount collected to be surrendered to the Central Government. In return, the Government transfers 30% of the amount collected as commission to the District Council.

Table 19: Summary of Mwanga 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	18	16	107	105	291	207	93%	98%	71%
Fee, fines, penalties and licenses	172	194	370	389	543	467	112%	105%	86%
Revenue from exchange transactions	12	18	5	9	19	19	153%	171%	100%
Other own revenue	9	8	0	4	0	0	91%	-	-
Other Miscellaneous revenue	0	0	350	0	119	29	-	0%	24%
Total Own Source Revenue	210	236	832	506	972	721	112%	61%	74%
Deduct Land Rent	0	0	2	5	25	12	-	210%	49%
Total Adjusted Own Source Revenue	210	236	829	501	947	709	112%	60%	75%

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

On an overall basis, nearly 112%, 60% and 75% of the budgeted LGA's actual domestic revenue (or own source revenue) was collected in 2011-12, 2012-13, and 2013-14 respectively.

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

- 1. Unrealistic revenue estimates:** Revenue estimates prepared do not reflect the ground realities/targets set under the contracts of the collection agents. Despite lower actual revenue collections, estimates for the ensuing financial year are not rationalized and exhibit significant increases. Table 20 shows the growth in budgeted revenue in the ensuing financial year when compared to the revenue outturn in a given year.

Table 20: Comparison of revenue outturn and budget estimates, 2011-12 and 2012-13

Total Own Source Revenue	Mwanga DC
2011-12 Actuals (as % of 2011-12 Budget Estimates)	112.4%
Budget Estimates for 2012-13 (as % of 2011-12 Actuals)	352.5%

²⁰ Figures in parenthesis are average share in 2011-12, 2012-13 and 2013-14. The sum of the individual shares may not total to 100% due to rounding off.

²¹ This is in the nature of a transfer from the Central Government and is thus, not strictly an own source of the LGA as per the PEFA methodology.

Total Own Source Revenue**Mwanga DC**

2012-13 Actuals (as % of 2012-13 Budget Estimates)

60.8%

Budget Estimates for 2013-14 (as % of 2012-13 Actuals)

192.1%

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

Table 21: Summary rating for PI-3

Indicator	Rating	Brief explanation
PI-3 Aggregate revenue out-turn compared to original approved budget	D	Actual domestic revenue was 112%, 60% and 75% of the budget revenue in 2011-12, 2012-13, and 2013-14 respectively.
Dimension (i) Actual domestic revenue collection compared to domestic revenue estimates in the original, approved budget		

PI-4 Stock and monitoring of expenditure payment arrears

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

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

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

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

Mwanga DC presents an aging analysis of the aggregate payables in its annual financial statements. However, the information is not reliable. It is shown that the aggregate payables as on 30th June 2013 was TZS 328 million and entirely ageing for more than one year. The aggregate payables increased to TZS 586 million in 2013-14, with no payables under the ageing group of less than one year. This is questionable since the increase of TZS 258 million in 2013-14 must be shown in either of the group 1-3 months or 3months -12 months as 30th June 2014. In the absence of reliable data, the dimension has not been rated.

Table 22: Aging Analysis of Payables, 2011-12, 2012-13, and 2013-14 (TZS million)

Outstanding for	2011-12	2012-13	2013-14
Up to 1 month	-	-	-
1-3 months	-	-	-
3-12 months	-	-	-
1-3 years	13	328	586
Over 5 years	-	-	-
As % of Total Expenditure	0.1%	1.4%	3.0%

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

(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 LGAs²². With respect to recording of arrears, the key findings for LGAs were²³:

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

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

Table 23: Summary rating for PI-4

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

²²Three common LGAs were covered by the PER Study and this assessment, namely Kasulu DC, Sengerema DC and Mwanza CC

²³ Source: Final Report of the Study dated November 2014
Sub-national (Local Government) PEFA Assessment in Tanzania – Mwanza District Council
PwC

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

5.3. Key Cross-Cutting Issues: Comprehensiveness and Transparency

PI-5 Classification of the budget

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

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

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

As per the PMO-RALG, two kinds of chart of accounts are prepared, (i) main chart of account (ii) warrant to Cost Centre. The main chart of account consists of eight segments complying fully with classification in GFS manual 2001 as given in Table 24.

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 24. The warrant to cost centres has four segments, (i) GFS account code, (ii) vote (iii) council codes, and (iv) cost centres.

Table 24: Chart of accounts

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

Source: PMO-RALG

Current and planned activities

With assistance from IMF, GoT has prepared a road map for the introduction of formal programme based budgeting within the medium term framework. This will require significant simplifications of the budget classification system so that programme managers have the flexibility to manage their inputs effectively to meet the programme objectives.²⁴

²⁴ PEFA (National) 2013
Sub-national (Local Government) PEFA Assessment in Tanzania – Mwanga District Council
PwC

Table 25: Summary rating for PI-5

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

PI-6 Comprehensiveness of information included in budget documentation

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

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

Based on the guidelines for preparation of budget estimates issued by the Ministry of Finance, Government of Tanzania, the DC submitted a consolidated budget book named "Medium Term Plan and Expenditure Framework for the Financial Year 2014-15 in the implementation of the Five Year Development Plan 2011-12- 2015-16" to the Full Council on 23 January 2014. The document can be divided into three sections (i) Introduction (Environmental Scan), (ii) Budget performance review for FY 2012-13 and Mid-Year Review for 2013-14, (iii) Estimates for MTEF (2014-15 to 2016-17).

The "Environmental Scan" provides an analysis of needs and expectations of various stakeholders from the budget. The stakeholders include (i) Mwanga DC employees, (ii) residents of Mwanga DC, (iii) training institutions and researchers, (iv) non-government organisations (NGOs), community based organisations (CBOs) and media, (v) central government and development partners, (vi) financial institutions and social security funds, (vii) suppliers of goods and services, (viii) defence and security, (ix) politicians and councillors, and (x) trade unions. 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 second section on "Budget performance review" outlines the fiscal performance of the district as well as the achievement of physical targets in the preceding completed year (12-13). It also provides a mid-year performance review in the current financial year (13-14) till December. The comparison between budgeted and the actual performance is provided at an aggregate level. Performance against the physical targets is also provided. The council also states key challenges in implementing the plan for the ongoing financial year and strategies for overcoming them.

The third 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, Table 26 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 26: 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	NA	At the beginning of the current financial year, i.e. 2013-14, the LGA did not have any borrowings. Hence, this sub indicator is not applicable to the LGA.
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 Mwanza 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 27: 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 five benchmarks applicable to Mwanza DC, only one is provided in the budget documentation.

PI-7 Extent of unreported government operations

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

The assessment team ascertained that certain equipment such as specific drugs which are supplied directly to hospitals/health centers from the central medical store are not included in the LGA's budget, though these expenses are budgeted in the Central Government's budget. These are however, accounted for in the LGA's annual financial statements under 'recurrent grants'. In 2013-14, the value of these receipts constituted 1 % of the expenditure of the District Council.

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

It is understood from discussions with DC officials that in some years a small proportion of development expenditure is also financed through community contributions under their respective community benefiting projects. The financial value of these contributions is usually included in the MTEF documentation though not in the fiscal reports. However, there were no such community contributions in 2013-14 and have hence, not been included in the analysis for this indicator.

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

As per discussions with Council officers, for 2013-14 all donor funded project expenditure was included in the District Council's MTEF and annual financial statements. Moreover, all donor funds²⁵ 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	A	
(i) Level of extra-budgetary expenditure (other than donor-funded project), which is unreported, i.e. not included in fiscal reports	A	Supplies from the central medical store contributing to 1% 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 to the LGA is provided.

²⁵ With the exception of the funding from Elizabeth Glaser Pediatric AIDS Foundation (EGPAF). However, since funds from EGPAF contribute to only 0.78% of the total expenditure of the District Council in 2013-14 and are hence, insignificant, they have not been included in the assessment for this dimension.

PI-8 Transparency of inter-governmental fiscal relations

This indicator assesses the transparency of transfers from local governments to lower levels of government (i.e., wards) during the last completed financial year 2013-14. Mwanza DC comprises of 6 divisions, 20 wards and 72 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. Mwanza DC) or some in-kind transfers (such as drug supplies) from the Central Government.

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

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

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

S. No.	Transfer item	Purpose	Rationale for transfer
1.	Tanzania Commission on AIDS (TACAIDS)	Support in terms of procuring medicines and syndromes for cure of HIV-AIDS	<ul style="list-style-type: none"> - Part of TACAIDS money is distributed to community based organizations by the coordinator and rest is used at the district level - Allocation of money to be spent at the council level and to be distributed among CBOs based on the budget proposal submitted by CBOs
2.	Primary Education Development Programme (PEDP) and Secondary Education Development Programme (SEDP)	Funds for overall development of primary and secondary education	<p>Capitation grant: 100% distributed across units by equal amount for each student in primary schools.</p> <p>Construction of classes, toilets, and staff offices: All procurement is done at the LGA level.</p>
3.	Local Government Capital Development Grants		50% of the Central Government transfers under the programme is to be spent at the council level and 50% is to be transferred to lower levels of government. Distribution across LLGs is through local participatory planning and budgetary processes.
4.	District Agricultural Development Plan (DADP)	For Agriculture development	<p>Funds are transferred only to communities. And these transfers are based on the budget/plan submitted by these communities.</p> <p>At the council, expenses include supervision cost, and in some cases procurement of goods.</p>

S. No.	Transfer item	Purpose	Rationale for transfer
5.	Other charges	Operational cost	<ol style="list-style-type: none"> 1. General Purpose Grants: 20% of funds received are transferred in equal proportion to all LLGs 2. LGA's own source money for OC is transferred based on budget submitted by wards.
6.	Constituency Development Catalyst Fund (CDCF)	Community driven development	Allocated to members of parliaments (MPs) for spending in their respective constituencies

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

Moreover, as Table 12 shows, there is a variation of 10% in the budgeted and actual grants received by the LGA during 2013-14. Discussions with PMO-RALG reveal that there is no guidance for revising allocations across LLGs in case of shortfall in grants received from the Central Government. Consequently, re-allocation of programme grants across LLGs when actual funds received from the Central Government are less than budgeted estimates is not transparent.

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

With respect to distribution of GPG to village councils, the Management Letter on the Financial Statements of the Mwanga DC for 2013-14 pointed out that the 80% of the due amounts were not given to the village councils which possibly constrained the councils in financing their planned development programs and administration activities.

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

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

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

It is to be noted that while LGAs do submit their cash flow plan at the beginning of the financial year, Central Government transfers are based only on the availability of resources. During the financial year, no advance notification is given to LGAs on actual transfers. Given the uncertainties in funds flows from the Central Government which, in turn, impact transfers made by LGAs to LLGs, reliable

information on transfers cannot be made available to the LLGs even after the start of the financial year.

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

All transfers made by the 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 also report on bank balances at the end of the financial year for consolidation into the LGA accounts as cash and cash equivalents.

Table 30: Summary of rating under PI-8

Indicator	Rating	Brief explanation
PI-8 Transparency of inter-governmental fiscal relations	D	
(i) Transparent and rules based systems in the horizontal allocation among LLGs of unconditional and conditional transfers from LGAs (both budgeted and actual allocations)	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 LLGs on their allocations from LGAs for the coming year	D	No ceilings/reliable estimates on allocations are provided ahead of finalization of budget proposal. At the budget execution stage as well, no advance information is provided to lower levels of governments on expected transfer of funds.
(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral 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 Mwanga DC.

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

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

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

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

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

Table 31: Summary of rating under PI-9

Indicator	Rating	Brief explanation
PI-9 Oversight of aggregate fiscal risk from other public sector entities	C	
(i) Extent of local government monitoring of autonomous government agencies and public enterprises	NA	LGAs do not have direct responsibility, administrative or financial, for any autonomous government agency or public enterprise. This dimension therefore, is not applicable to Mwanza DC.
(ii) Extent of local government monitoring of lower levels of governments' fiscal position	C	On a quarterly basis, meeting minutes capturing details on revenue and expenditure of the LLGs are submitted to the concerned LGA. Information on receivables and payables of the LLG is also included in these minutes. Additionally, on an annual basis, LLG accounts are submitted to the LGA for consolidation. However, the AFS of 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, 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.

Mwanga DC does not have its own website. In Table 32 we assess performance of Mwanga DC as regards information dissemination.

Table 32: Public access to key fiscal information

S. No.	Item	Available	Notes
1.	Annual budget documentation submitted to Council	Yes	Summary of the budget by village and ward is put up on the notice board of the district council.
2.	In-year budget execution reports within one month of completion	No	Quarterly revenue and expenditure information are prepared and discussed in council meeting which include community members. However, these reports are not put up on the notice board.
3.	Year-end financial statements within six months of completed audit	No	Summary of the audited financial statements are put up on the notice board and published in the newspaper. Last audited financial statement (2012-13) ²⁶ available at the time of our visit was found on the notice board and published in Tanzania Daima newspaper. However, since the date of advertisement was not shared with the assessment team, it cannot be ascertained if these statements were published within six months of receipt of statements.
4.	External audit reports within six months of completed audit	No	Summary of CAG reports are not published within six months of the completed audit.
5.	Contract awards with value above approx. TZS	Yes	As per discussion, it is understood that summary of all contract awards are

²⁶ Report was issued by CAG in March 2014.

S. No.	Item	Available	Notes
	50 million at least quarterly		published in weekly journal on Public Procurement Regulatory Authority Website.
6.	Resources available to primary service units	Yes	Summary of transfers to facilities is displayed outside the facility and the District Council office.
7.	Fees, charges and taxes	No	We were informed that council bye-laws are available at the ward level which can be accessed by general public at no cost but are not explicitly published on the notice board.
8.	Service provided to communities	No	Information on services provided to communities could not be found on the District Council's notice board.

Table 33: Summary of rating under PI-10

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

5.4. Budget Cycle

5.4.1. Policy-Based Budgeting

PI-11 Orderliness and participation in the annual budget process

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

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

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

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

Date as per the calendar	Main Activity	Key Actors	Actual date applicable for Mwanza DC
August-October, 2013	Preparation of plan and budget guidelines	Ministry of Finance (MOF), PO-PC	-
November-December, 2013	Circulation of guideline to ministries, regional and local government authorities (LGAs)	MoF, President's Office – Planning Commission (PO-PC)	Received by the District Council on 2 December 2013
07 th of January, 2014	MDAs, RS and LGAs to get budget ceilings for the fiscal year 2014-15	MoF	Not Available
08 th -28 th of January, 2014	MDAs, RS and LGAs preparing and submitting to the Ministry of Finance and Planning Commission (non-tax revenue, recurrent and development expenditure) for fiscal year 2014/15	LGAs, MDAs, RS	Budget estimates submitted to MoF on 9 February 2014
29 th of January-11 th of February, 2014	Analysis of the budget of the MDAs, RS, LGAs and incorporate budgetary figures in the IFMS (computerized system)	MoF, PO-PC, RS, LGAs MDAs	Scrutinization meeting with MoF held on 13 February 2014.

Though the budget calendar for 2014-15 was received by the District Council only on 2 December 2013, instructions to LLGs and line departments for initiation of preparation of budget proposals were issued by the District Council during October to December 2013. These instructions did not include a separate budget calendar containing specific dates for submission, negotiation and finalization of budget estimates by the LLGs and departments.

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

Given that Mwanza DC relied on transfers from the Central Government for 97.58% of its total revenue during 2011-14, its ability to issue budgetary ceilings to spending units without prior notification from MoF is highly constrained. Having that said, even for projects/ expenses to be funded by own sources of revenue, there were no ceilings prepared or shared with spending units during budget preparation.

Budget proposals from LLGs undergo several rounds of revisions before finally being presented to the Full Council for submission to MoF. The proposals from LLGs are submitted to 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 LLG/ line department.

(iii) Timely budget approval by the legislature

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

Table 35: Final budget approval dates

Year	Date of approval by council	Date of approval of budget by the national assembly
2012-13	April 2012	14 th June 2012
2013-14	19 th February 2013	12 th June 2013
2014-15	21 st January 2014	13 th 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. Crucial information was disseminated in an ad-hoc manner, e.g. budget ceilings were issued only during scrutinization meetings.
(ii) Guidance on the preparation of budget submissions	D	While Mwanza DC does issue guidelines to spending units, these do not contain fresh budget ceilings for administrative units or functional areas for the ensuing financial year. As per the discussions with the Council staff, the Departments are advised to use previous year ceilings as the base for preparation of budget proposal for ensuing year.
(iii) Timely budget approval by the legislature	A	The budget in the last three years was approved before the start of the financial year.

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

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

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

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

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

(ii) Scope and frequency of debt sustainability analysis

Table 37 shows debt for Mwanga DC in the last three years. In 2013-14, the Council had an outstanding debt of TZS 367.85 million. There is no evidence of any debt sustainability analysis conducted by the LGA.

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

	2011-12	2012-13	2013-14
Debt (Total)	-	-	367.85
Short-term borrowing	0	0	0
Long-term borrowing	-	-	367.85

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

(iii) Existence of costed sector strategies

The District Council has a strategic plan for 2011-12 to 2015-16 which reflects the development priorities of the Council. The Plan identifies 14 strategic areas for intervention. Each area has been broken down to a goal, strategies and activities. An implementation time frame, budget and responsible authority for execution for each of the activities have also been specified.

These strategic areas, however, involve cross sectoral interventions. The costing for each activity has been down for the entire period of the Strategic Plan and has not been simplified into annual budgets. Moreover, unit costs/ costing benchmarks have not been specified as the basis for arriving at the total cost of each activity. The investment and recurrent expenditure associated with each activity has also not been detailed.

It is understood from discussions with Council officials that the Strategic Plan is not revisited on an annual basis to ensure consistency with annual fiscal forecasts.

(iv) Linkages between investment budgets and forward expenditure estimates

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

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

Table 38: Summary of rating under PI-12

Indicator	Rating	Brief explanation
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	D	
(i) Preparation of multi - year fiscal forecasts and functional allocations	C	Forecasts of all line items are prepared as per the classification prescribed under GFS Manual 2001 on a rolling basis for three years. However, there are no links between multi-year estimates and subsequent setting of annual budget ceilings
(ii) Scope and frequency of debt sustainability analysis	D	Mwanga DC had an outstanding debt of TZS367.85 million in 2013-14. There is no evidence of any debt sustainability analysis either in the financial statements or as a part of any separate document
(iii) Existence of costed sector strategies	D	There is strategic plan reflecting the development priorities of the LGA. These strategies are however, not sector specific, Also, costing of activities is (i) for the entire Plan period, i.e. not done on an annual basis, (ii) does not specify the investment and recurrent cost implications, (iii) is not revisited annually to ensure consistency with fiscal forecasts.
(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 Mwanga 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	<p>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.</p> <p>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.</p> <p>As per the article 7 (1) r of the Local Government Finance Act, revenue of the district council includes , inter alia, all moneys derived from fees for forest produce and licenses accruing to the district council under section 10 of the Forest Act.</p> <p>Therefore, the forest produce levy is part of council’s revenue but is collected by the Central Government. The rate, structure is decided by the Central Government. Although GFS manual does not outline this situation, but using the spirit it can be inferred that the forest produce levy is not a tax levied by the LGA but by a central law and therefore not to be considered as tax revenue.</p>
2.	Fines and penalties	Not included	<p>As per para 5.103 the GFS 2001, fines, penalties are part of the other revenues and should not be included in tax revenue.</p>
3.	Produce cess	Included	<p>As per para 5.48 of the GFS manual, tax revenue includes taxes charged on <i>production</i>, leasing, delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services. Produce cess is a levy on agriculture produce. There are various kinds of produce cesses. These include cess for (i) Beans, (ii) Tobacco (iii) Maize (iv) Coffee, (v) ocean produce and (vi) other produce.</p>

S. No.	Revenue item	Included/excluded as "Tax Revenue"	Rationale
4.	Land rent	Not included	Based on our discussion, the council is entitled for 30% of the collected amount as commission for collecting the rent. Hence, it is a current grant for the council and not in the nature of tax revenue.
5.	Business licenses, Permit fees for billboards, posters or hoarding, environmental protection charges, Market Fees, Tender fees, building permit fees, parking fees, plot application fees, sale of bid documents, Livestock market fees, slaughter house charges, rent of council houses, communication towers fees	Not Included	As per para 5.99, GFS manual 2001, if the license fees are such that license is granted automatically after payments then the receipts shall be termed as administration fees only.
6.	Hotel levy	Not included	Given that hotel/ guest house levy has recently been abolished, it has not been included under the assessment for PI 13-15.
7.	Service levy	Included	Unlike forest levy, it is charged as well as collected by the LGA themselves; therefore it is being included since it does not call for providing corresponding services in lieu of the receipts of funds.
8.	Mineral extraction fee	Included	As per para 5.95, of GFS payments for license or permit to conduct extraction operations should be classified as taxes on use of goods

As specified in Table 39, we have considered following sources of revenues as taxes (i) produce cess (ii) mineral extraction fee, 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/fee/levies can be governed by bye-law and/or main law (Central Government legislation). In case main-law lapses, the relevant bye-law at the LGA level automatically becomes invalid.

Part IV of the LGDA act gives powers to district councils to make their own bye-laws. Produce cess and the service levy, is governed by LGFA, 2002 and local bye-law called "Mwanga District Council Bye-laws (Levy and Markets), 2013".

Table 40: Legislation for taxes in Mwanza

S. No.	Tax	Bylaw	Main law (Central Government Law)
1	Service Levy	The Mwanza District Council (Service Levy) by laws GN. No. 106/2013	Local Government Finance Act, 2002: Clause 7 (1) z
2	Coffee Crop cess	Mwanza District Council Bye-laws (Levy and Markets), 2013: Clause K	Local Government Finance Act, 2002: Clause 7(1) (g)
3	Other food crop cess		
4	Mineral extraction fees	Mwanza District Council Bye-laws (Levy and Markets), 2013: Clause S	Local Government Finance Act, 2002: Clause 7(1)(k)

Clause K of the “Mwanza District Council Bye-laws (Levy and Markets), 2013” provides for imposition of levy/cess on all cash crops, fruit crops and food crops or forest products of the rate provided in schedule “K” of the bylaws. The rate is 3% of the buying price per unit of individual crop.

In case of service levy, the Law provides for imposition of 0.3% of turnover on all economic activities in the Council including manufacturing, processing, agricultural production, distribution of goods, rendering of services, importation of goods or 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 the potential to lead to loss of revenue for the Council. Our assessment confirmed that the bye-laws are not comprehensive enough as they do not provide specific guidance on determination of service levy. As a result, the council revenue accountants rely on the revenue records submitted by the respective organisations to TRA without further scrutiny or reconciliation.

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

At the stage of drafting of the bye-laws, taxpayers are informed on the types of local taxes, rates and their expected liabilities through the bylaws. Additionally, in case some changes to the taxes are proposed, the LGA advertises the changes and sometimes promote awareness through loudspeakers in various localities. 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 district 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. The Bylaws are not available on the Mwangi DC's website or on the notice board. Any queries related to taxes/fees/levies are to be made to the District Treasurer or the Revenue Accountant. 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 discuss 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) Loud speakers with a mobile vehicle going around the council areas.

As per recent studies made on key issues in revenue mobilization²⁷, 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 Mwangi specifically. However, keeping in mind the absence of a computerized tax information system, the lack of adequate resources to disseminate knowledge of the various taxes and their procedural and administrative requirements, it can be concluded that the existing operating environment may not encourage accessibility of taxpayers to the nuances of the taxes as regards their nature, conditions and their administrative requirements for collections.

(iii) Existence and functioning of a tax appeals mechanism

At the district level, there is District Complaints officer who is the nodal person for all governance related complaints including taxes. The Complaint Officer is appointed by the Council Director, in consultation with the head of Human Resources and Administration Department. The Officer reports to the Head of the Human Resources and Administration Department. The Officer is only responsible for receiving and recording complaints received from various stakeholders and directing them to the responsible personnel within the Council. The Officer is not authorised to provide official responses to the complaints but can provide clarifications.

In case the complainer is not satisfied with resolution by the District Council, he/she can approach court or the Regional Administrative Secretariat. 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. The assessment team was informed that in the past there have been no complaints related to individual taxes.

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.

²⁷ Revenue Mobilisation Issues in the Tanzania LGAs by Siasa Issa Mzenzi, Tanzania Country Level Knowledge Network-Policy Brief No 7, 2013.

Indicator	Rating	Brief explanation
(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.
(iii) Existence and functioning of a tax appeals mechanism	D	Though there is a DCO for recording general complaints, there is no dedicated tax appeals system at the LGA level. For practical purposes, these complaints have to be acted upon by the DED who is also involved in oversight functions of tax administration and assessments.

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

(i) Controls in the taxpayer registration system

Trade officer of the District Council does not have his own set of records for taxpayers of crop cess, mineral extraction and service levy. It is a manual record and not linked to any other database such as business license for better monitoring of tax compliance. The Coffee crop cess was initially collected directly by the council's revenue accountants, who maintained the cess payers' records based on prior year collections. In January 2015 the council advertised tender for collection agents to undertake this task. In case of other crop cess, the council collects revenue through its WEOs who maintain gates at the exit points from the district. For Mineral extraction charges, the collection agents maintain records of the taxpayers. Service levy is collected directly by the council using its revenue accountants.

The database on service levy is supplemented by the information provided by Tanzania Revenue Authority (TRA) database for the Council. TRA provides turnover of each business in the Council. However the PEFA 2013 highlighted gaps in TRA database. A study conducted by TRA confirmed that significant part of the large informal sector is not captured in the database. In case a business entity is included in Council's own database but is not reflected in TRA database, the Council approaches TRA for further details (such as turnover). Each taxpayer in the country is required to have a Tax Identification Number. It is being reported that some businesses in the district have TIN but small businesses do not have any TIN. The entities without any TIN do not pay service levy. It was also informed to the assessor that level of compliance in case of service levy is low. This is majorly due to lack of complete information on evaders and absence of voluntary payment.

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

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

There is no regulation mandating the taxpayer to register with the District Council. Therefore, no penalties are provided in case the taxpayers do not register themselves with the Council. However, as per clause 34 of the "Mwanga District Council Bye-laws (Levy and Markets), 2013", it will be an offence for any person:

- i. To refuse, neglect or avoid to pay any levy or fees mentioned in the By Laws.
- ii. To convince other person to avoid paying levy, tax or fees established under these By Laws.
- iii. To do violence or harm an Authorised Officer to perform his/ her duties under this by laws.
- iv. To provide incorrect information or statistics for the aim of avoiding or paying less amount of fees, levy or tax than the amount that was supposed to be paid.

The penalty of offences mentioned above as well as for other offences not mentioned in the bye law as decided by the District Executive Director is six month in jail or a minimum penalty of TZS 50,000 or both.

The Mwanga District Council (Service Levy) by laws GN. No. 106/2013, applicable to service levy is not available to assess penalties for non-compliance with registration and declaration obligations relating to service levy.

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

Table 42: Summary of rating under PI-14

Indicator	Rating	Brief explanation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	D	
(i) Controls in the taxpayer registration system	D	The Council maintains separate Registers, for each type of taxpayers. However, there is no dedicated registration system in place. In addition, there is no link between the council tax payers' record and some other databases within the council. On the whole, the assessment concludes that there is absence of a comprehensive central registration system for taxes though some links with external databases exist only for service levy.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	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 Audited financial statements for years from 2011-12 to 2013-14, there were tax arrears of TZS 23.7 and TZS 27.5 million for 2011-12 and 2012-13, respectively. These arrears were reported as part of the schedules for the respective years' AFS. 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 no evidence of a credible system for recording completely and comprehensively all receivables for all taxes. Hence collection ratio of the tax arrears cannot be computed. Lack of a systematic revenue arrears tracking system affects the overall revenue collection efficiency and is indicated to be one of the major weaknesses of the Mwanza DC's revenue performance. CAG in the Management Letter for the year 2013-13 indicated serious concerns on recoverability of accounts receivable in general, and lack of ageing analysis for receivables and councils failure to maintain receivable registers for control purposes.

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

Table 43 below shows details on frequency of transfer of collected amount to the treasury for various cess/levies. Some cesses/levies are transferred to the treasury on a daily basis and some are transferred to monthly basis.

Revenue collected across the four sources are directly deposited to own source revenue account by agents on their instalment due dates. Collections made by the WEOs are banked on a weekly basis. The assessment team was informed that WEOs attend monthly council meetings and it is during these meetings that they present their collection information which is discussed as part of the respective meeting.

Table 43: Frequency of transfer of collected amount to the treasury

Cess	Daily	Weekly	Monthly
Service levy	√		
Coffee Crop Cess		√	√
Mineral extraction fees			√ (Amount collected by agents)
Other crop cess		√	

Section 39 (2) of the Local Government Finances Act, 1982 requires the District Council not to spend through own source revenue account. In case of spending from the revenue collected, the amount should be transferred from the own source revenue account to other spending accounts (such as development account and road fund).

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

Our discussions on the nature of taxes levied and present systems of collection deployed show that at the LGA level, there are no formal assessment and billing systems as prevalent generally for direct taxes (e.g. income tax, VAT). It was informed that in the absence of any information of arrears and adequate assessments, there is no reconciliation performed between tax assessments, collections, arrears records and receipts by the treasury. Revenue reconciliations are made on monthly basis but only between cumulative collections at the end of a respective month, compared to the total annual estimated collections. No reconciliations are conducted between assessed, collected and received amounts neither on the same month nor on annual basis. However, reconciliation between tax collected and amount transferred to treasury is done on a monthly basis.

Table 44: Summary of rating under PI-15

Indicator	Rating	Brief explanation
PI-15 Effectiveness in collection of tax payments	D+²⁸	
(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 tax arrears collection data is available There are no records of in-year collections of revenue arrears from prior years. Since a system of recording of arrears is not in existence, this dimension has not been rated.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	C	All tax revenues by the RCAs are paid directly to the bank accounts on agreed periods. For collections made directly by the Council, deposits are made as and when they are 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. Also, in the absence of arrear records, complete reconciliation (between tax assessments, arrears records, and receipts) cannot be carried out. However, reconciliation between tax collected and amount transferred to treasury is done on monthly basis.

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

o implement the activities planned during the financial year, LGAs engage into commitments with vendors/suppliers for a number of months. However, the commitment with the suppliers crucially depends on the availability of funds. The spending departments should receive reliable information

²⁸ PI-15 is rated as per M1 methodology. Therefore, in line with clarification G-a of the PEFA Field Guide, the indicator has been rated.

on funds availability in the near future. This is achieved through effective cash flow planning, monitoring and management by the treasury, based on regular and reliable forecasts of cash inflows and of major outflows.

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

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

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

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

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

Once the Parliament approves the annual budget for the LGA, an action plan is prepared by the District Council which lists budget allocations against various activities finalised for the financial year. This action plan is shared with all departments of the LGA as well as with LLGs to give them an indication of the resources budgeted for commitments. The DC, however, is largely dependent on the funds from the Central Government (96.36% of the total revenue of the District Council was in the form of grants from the Central Government in 2013-14) and hence, on the communication from MoF on the expected transfers during the financial year. As per discussions with MoF, it is understood that while a ministry level Ceilings Committee reviews the cash flow position of the Central Government on a monthly basis, there is no advance notification made to LGAs on expected fund releases. This, in turn, limits the ability of the District Council to provide reliable information to the spending units on actual resources available for commitment under the Central Government funded projects during the course of the financial year.

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

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

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

In 2013-14, virements totalling to TZS 179.12 million (constituting 0.93 % of the total expenditure of the District Council in 2013-14) were carried out across multiple account heads.

Table 45: Summary of rating under PI-16

Indicator	Rating	Brief explanation
PI-16 Predictability in the availability of funds for commitment of expenditures	D	
(i) Extent to which cash flows are forecast and monitored	D	In the beginning of the financial year, the District Council prepares a quarterly cash flow forecast for capital expenditure based on payment schedules. However, these forecasts do not include non-development expenditure as well as expenditure from own source revenue. It is understood from discussions that these forecasts are reviewed and updated during the mid-year review by the Full Council. However, evidence for the same was not shared with the assessment team.
(ii) Reliability and horizon of periodic in-year information to departments on ceilings for expenditure commitment	D	No advance intimation is provided to LLGs/ departments to make commitments both related to Central Government transfers and own source revenue transfers.
(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of departments	NA	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 1% 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 major projects involving capital investments such as construction of such as 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.

Mwanga DC had a debt of TZS 367.85 million outstanding ending financial year 2013-14 which constituted only 2.57% of its total liabilities. The debt forms part of the annual financial statements.

Local Government Finance Act (Relevant Sections)

Section 11:

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

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

(3) Where any interest or any payment of capital due on any loan remains unpaid for three months after a demand for it has been served on the authority in writing by the person entitled to do so, the Minister may—
(a) order that a rate necessary to produce the sum due be levied upon and collected from the rate-payers of the area either immediately or at such date as he shall order, and for the purpose of raising that sum the Minister shall in addition have the same power as the authority concerned of making and levying a rate under this Act or any other written law;

(b) if requested so to do by that person, order the sale of any property, on which the loan is secured.

(4) The Minister shall have and may exercise all powers conferred upon him by subsection (3) in any case where a loan made to an authority has been guaranteed by the Government and where under the terms of that guarantee the Government has made to or to the order of the lender payment of capital or interest due on the loan.

(5) The power of the Minister under this section of making and levying a rate and issuing a requisition may be exercised at any time.

Section 12:

(1) Subject to subsection (2), a local government authority may, with the approval of the Minister, obtain advances from banks by over-draft upon the credit of the authority.

(2) No overdraft shall at any time in any circumstances exceed the income of the authority in the previous financial year.

“Minister” referees to Minister for PMO-RALG

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

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

(iii) Systems for contracting loans and issuance of guarantees

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

Section 11 of the LGFA, 2002 gives powers to the LGA to borrow funds and also outlines the limitations on such processes. Figure 5 outlines the relevant the sections of the LGFA. The section although specifies the approving authority and instructions while the loan is not repaid in time, it does not specify the guidelines/criteria to be followed for loan approval or ceilings on such loans.

Figure 5: Local Government Finance Act (Relevant Sections for borrowing)

Table 46: Summary of rating under PI-17

Indicator	Rating	Brief explanation
PI-17 Recording and management of cash balances, debt and guarantees	C	

Indicator	Rating	Brief explanation
(i) Quality of debt data recording and reporting	C	The LGA has a debt of 2.57% of total liabilities in 2013-14. The debt is reflected in the annual financial statements. Though reconciliation is annual, there are no regular reports on debt stock.
(ii) Extent of consolidation of the government's cash balance	C	Mwanga DC calculates and consolidates cash balances in different bank accounts on a monthly basis.
(iii) Systems for contracting loans and issuance of guarantees	C	Issuance of guarantees is the mandate Ministry of Finance and therefore, not applicable to LGAs. Local Government Authorities are allowed to borrow but each loan is required to be approved by the PMO-RALG in consultation with MoF. However, there is no evidence on the clear guidelines, criteria and overall ceilings.

PI-18 Effectiveness of payroll controls

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

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

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

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

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

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

The forms and documentation have to be scanned and uploaded on HCMIS by the Human Resource Department officials in the Council for approval by the PO-PSM. Since the System's automatic cut-off date for monthly salary is 20th of the month, DC has to send across this information by the 5th of each month to PO-PSM to allow adequate time to validate and approve the changes in personnel records proposed. As per discussions with DC officials, the entire process of updating personnel information in the System 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 Mwanga 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 107 cases where salary was in arrears - of these ninety five were related to non-payment of revised salary with promotion and twelve related to lack of payment for new hires. These cases were pending as on 20 March 2015 as well.

We understand that some of the cases of salary dues may not entirely relate to system issues. However, considering the general weaknesses in internal controls highlighted in PI 20 of this report, existence of long overdue arrears is a pointer to lack of timely input controls.

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

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

Though the System has an in-built audit trail of changes made by each user, the audit trail is not documented/filed, verified or even covered by the internal auditors in the 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, the Internal Auditor General of the Tanzania conducted a payroll study for the entire public sector in Tanzania examining the July – September 2013 salary payments across the public sector. The report concluded that there are areas where anomalies are found. The findings are not specific to Mwanga DC but apply to entire public sector in Tanzania. Some of the findings included retired employees and employee aged less than 18 years being part of the payroll list, payment of salary arrears twice for the same claims, more than one employee receiving salary from one bank account, etc.

While there is no specific annual payroll audit, the Controller and Auditor General does cover payroll weaknesses in its annual audit. The Management Letter on the Financial Statements of Mwanza DC for the year 2013-14 prepared by the CAG pointed out weaknesses such as existence of long outstanding salary advances made by the Council amounting to TZS 7 million since February 2012 which had not been settled due to delayed salary payments by the Central Government²⁹.

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

Table 47: Summary of rating under PI-18

Indicator	Rating	Brief explanation
PI-18 Effectiveness of payroll controls	D+	
(i) Degree of integration and reconciliation between personnel records and payroll data	A	Since personnel records and payroll database are part of one system, there is reconciliation between the two once PO-PSM approves the request.
(ii) Timeliness of changes to personnel records and the payroll	D	Review of reports generated from HCMIS suggests cases of long delays in salary payments. This may, in some cases, indicate changes to personnel records that do not get reflected in the payroll records in a timely manner.
(iii) Internal controls of changes to personnel records and the payroll	C	The system maintains audit trails reflecting changes made to the system. Access to the System is restricted to only the Head of Human Resource Department in the District Council. However, the audit trail in the System is not documented/filed, verified or even covered by the internal auditors during their assessments. Consequently, the actual authorisation of and basis for the changes is not independently verified during the course of the financial year.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	B	A payroll audit was conducted in 2013 which identified various weaknesses. There is no annual payroll audit exercise. The CAG and Internal Auditor do cover payroll under their respective audits.

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

²⁹ Order 41 (1) of the Local Government Financial Memorandum, 2009 requires recovery of salary advance within a maximum period of twelve months.

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

In order to ensure value for money in procurement, there is a need to ensure certain fundamentals which include:

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

Procurement in Tanzania is mainly governed by the Public Procurement Act (PPA), 2011 and the corresponding Public Procurement Regulations (PPR), 2013.

Public Procurement Act, 2011 and Public Procurement Regulations 2013

Application

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

Accessibility

The Act is freely accessible to the public on [PPRA website](#). Information through website is one means of providing information at low cost to all those who might want it. However, this mode of public access is questionable given the low internet penetration³⁰. 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 MoF to undertake various tasks related to public procurement. Some of them include (i) designing National Procurement Policy (ii) advising central government, local governments and statutory bodies on issues related to procurement policies.

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

Local Government

Section 31 (1) provides for establishment of tender boards for procurement of goods, services, works and disposal of public asset by tender. Section 37 (1) provides for establishment of Procurement Management Unit (PMU) in every procuring entity which consists of procurement and other technical specialists and other administrative staffs. The head of the procurement

³⁰ 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

management unit shall be headed by person with appropriate academic and professional qualifications. The head is required to report to the accounting officer of the procuring entity. This unit is required to support the tender board, implement decisions of the tender board and act as secretariat of the tender board. For each tender, an evaluation committee is mandatory which reports to the PMU.

Planning

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

Internal controls

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

External scrutiny

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

Accountability

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

Competitive bidding

Section 63 (2) of PPA 2011 provides for all procurements and disposals to be conducted in a manner that maximizes competition and achieve economy, efficiency, transparency and value for money. Section 64 (1) of PPA 2011 mandates the procuring entity to apply competitive tendering in line with the methods provided in related regulations 2013 which varies by value of procurement and the type of procurement. In the seventh schedule of the Procurement regulations 2013 (Table 44), methods for selection and limits of application for each contract of goods, works and non-consultancy services are provided.

Table 48: Method of selection as per Procurement Regulations 2013

Method of tendering	Goods	Works	Non-consultancy services	Disposal of public assets
International competitive tendering	No limit	No limit	No limit	No limit
National competitive tendering	Up to TZS 1 billion	Up to TZS 5 billion	Up to TZS 1 billion	Up to TZS 5 billion
Restricted tendering	No limit but must be justified	No limit but must be justified	No limit but must be justified	No limit but must be justified

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 (b) the nature and estimated value of the goods, works or service permit the use of such alternative method.

Public access

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

Dispute resolution

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

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

The regulations applies to all local government authorities in respect of procurement of goods, works, non-consultancy services and disposal of public assets by tender and selection, employment of consultancy. The regulations specifies general principles for procurement at the LGA level, establishment of the tender board, its proceedings, functions of tender board, finance committee, and council officer, regional commissioner investigation, procurement limits for accounting officer and head of department. Table 49 provides a broad overview of existing legal and regulatory framework against the standards set under this benchmark.

Table 49: Legal and regulatory framework

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

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

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

(ii) Use of competitive procurement methods

As mentioned before, PPA 2011 and corresponding regulations provides for open competition as preferred method of procurement. In the last completed financial year 2013-14, Mwanza DC procured goods and services worth TZS 1,190 million. Out of this, approximately 68% of the procurement was done through the tender process; and 32% through local purchase orders. Table 46 below provides information on procurement by volume and value.

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

<i>Procurement through tender process (competitive tender, competitive quotations, restricted tenders)</i>						
Category	Goods	Works	Consultancy Services	Non-Consultancy Services	Disposal of assets by tender	Total
Number of contracts	Nil	13	Nil	Nil	Nil	13
Amount (TZS million)	-	805.65	-	-	-	805.65
<i>Minor Value Procurement</i>						
Category	Goods	Works	Consultancy Services	Non-Consultancy Services	Disposal of assets by tender	Total
Number of LPOs	234	Nil	Nil	69	Nil	303
Amount (TZS million)	311.57	-	-	72.86	-	384.43
Total Value of Procurement (TZS million) in 2013-14						1,190.08

Although 68% of the procurement in Mwanza DC is through the tender process, no reliable information is available that shows the remaining 32% meets the following three conditions for minor value procurements³¹ (i) the value does not exceed the limit for minor value procurement prescribed in the Act (ii) price quoted is reasonable (iii) no advantage to a procuring entity is likely to be obtained by seeking further quotations or by using other methods of procurement or the contract for the provision of such goods, services or works may be a local purchase order. Moreover, CAG's

³¹ As laid down by Section 165 of the procurement regulations
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Management Letters on the Financial Statements of the Mwanga DC in recent years have highlighted the following issues pertaining to procurements:

- Purchases made before issue of LPOs
- Contract awarded and implemented without performance security bonds or guarantees
- Procured items not entered into store ledgers

The internal audit reports for the District Council for 2013-14 also include observations on contracts being implemented without ensuring appropriate documentation being in place. Though the value of such aberrations constitutes a small fraction of the total value of procurements by the District Council, their occurrence in every other 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 stipulations are imposed for procurement plans and data on resolutions of procurement complaints.

On the other hand, as per PPA 2011, each procuring entity is required to publish the General Procurement Notice (GPN) which essentially constitutes a summary of the annual procurement plan. This summary however, does not include information on the budget amounts for each planned procurement. Procurement officials in Mwanga DC informed the assessment team that at the end of the previous financial year, the GPN for the current year was published on the Council's notice board, PPRA's website and local newspapers. Specific procurement notices are advertised in the local newspaper. Summaries of contract awards are furnished to the PPRA which are published in its weekly journal.

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

(iv) Existence of an independent administrative procurement complaints system

The LGAs' Tender Board Regulations, 2014 specify the procedure and format for submission of procurement related complaints by supplier/service provider/ contractor/asset buyer. The Regulations specify that the procurement complaint should be submitted to the Accounting Officer of a Council with copies to PPRA and the Regional Commissioner. PPA 2011 also permits (not mandatory) the Accounting Officer to constitute an independent review panel from within or outside the organisation depending on the nature of the procurement. It should be noted that the Accounting Officer (who is the DED) is the decision maker in the procurement process which undermines the independence of the procurement complaints system at the LGA level. The Regulation also mandates a non-refundable fee of TZS 100,000. The non-refundability of the fee irrespective of the decision taken upon the complaint may adversely impact the decision of the concerned parties to file a complaint. The Regulations mandates the Accounting Officer to suspend the procurement or disposal meetings where a continuation of the proceedings might result in an incorrect contract award decision or making worse any damage already done. The Regulation also specifies the time limit (30 days) post receipt of the complaint within which the Accounting Officer is required to deliver its written decision. The PPA 2011 specifies that the decision of the Accounting Officer is final unless the complainant applies for administrative review to the PPAA.

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

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

The Secretary of the PPAA is part of the government. PPAA is not involved in any capacity in procurement transactions or in the process leading to contract award decisions.

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

Table 51: Summary of rating under PI-19

Indicator	Rating	Brief explanation
PI-19 Transparency, competition and complaints mechanisms in procurement	D+	
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework	B	The legal framework meets five of six requirements.
(ii) Use of competitive procurement methods	D	In case of those 32% of the contracts which were procured through alternative methods of procurement, only local purchase order method was used. However, given CAG’s observations on control lapses, it cannot be ascertained if these procurements were in line with the legal requirements and therefore, justified.

(iii)	Public access to complete, reliable and timely procurement information	D	The GPN (summary of the annual procurement plan), bidding opportunities and contract awards are published. The GPN does not contain information on the budgeted value of the procurements. Data on resolution of the procurement complaints are not published. The assessment team however, does not have access to data on what percentage of actual compliance was achieved by the Council of procurement operations as required by this PEFA rating criteria and whether all such data was indeed made available to the public in a timely manner.
(iv)	Existence of an independent administrative procurement complaints system	D	As per the Act, the PPAA is liable to collect revenues from the service rendered. The Accounting Officer (DED) at the LGA is the decision maker in the procurement process who is also the nodal person for the procurement complaints at the LGA level. Rating D is warranted as the dimension does not meet at criteria (ii) ³² under this dimension.

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

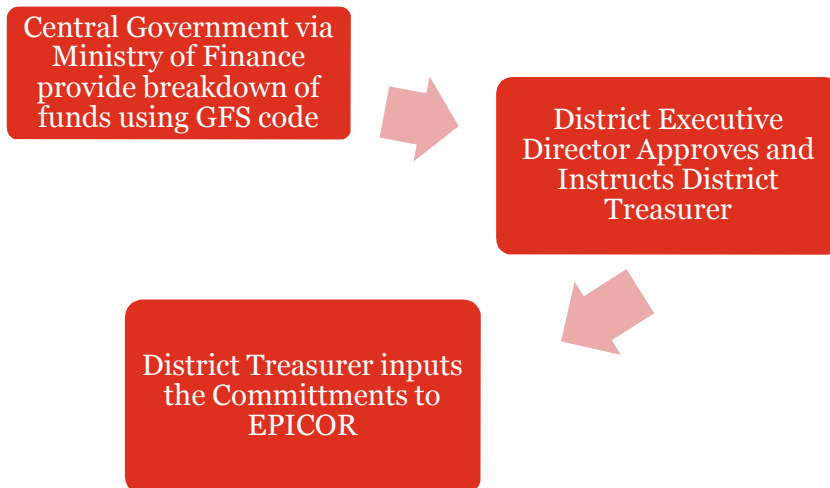
This indicator aims to assess controls relating to payments for capital expenditure, goods and services, casual labour, and discretionary staff allowances. Other controls for cash management, payroll, and procurement are covered in PI – 17 to 19.

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.

³² Criteria (ii) requires an assessment against the question ‘Are complaints reviewed by a body which is not involved in any capacity in procurement transactions or in the process leading to contract award decisions?’



During our assessment, it was observed that Mwanga DC was using the integrated financial management system (EPICOR) that had already been installed and was functioning. This system has an embedded function for commitment control. When used, the system is able to limit commitments to the available cash. However, the assessment team found that the procurement management module in EPICOR was not used effectively. Commitments were still made outside the EPICOR system, thus creating arrears. The LGA officials had occasionally issued Local Purchase Orders (LPO's) without any inputs in the computerized system. This causes indiscriminate issue of LPOs; LPOs being issued in no sequential order; and irregular booking of liabilities amongst other things. For example, the Internal Auditor has reported that the Council had spent TZS 28.6 million on incorrect budget codes. This is only possible when the commitment controls are weak or non-existent. As we indicated earlier that the modules of payables not being in use at all in EPICOR in dimension (ii) Table 10 and lack of credible commitment systems, this shows that basic controls are not installed/working in this area at all.

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

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

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

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

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

The understanding of the staff dealing directly with application of internal controls can be gauged by staff capabilities, trainings provided and the level of compliance. On the compliance side, the CAG as well as the Internal Auditor in some of its previous audit reports have highlighted issues related to compliance with internal control rules as summarised in Table 52 below.

Table 52: Select cases of weaknesses in internal controls

Area	Issue
Revenue management	<ul style="list-style-type: none"> • Legal Officer did not participate in the formulation of outsourced revenue contracts • Contacts do not include penalties for delayed remittances instead the provisions for revoking of contracts are included. • Main Receipt books and subsidiary receipt books were printed with similar specification. In addition, quality of the books is not good as the carbon paper is manually used instead of being originally carbonized.
Expenditure management	<ul style="list-style-type: none"> • Expenditure amounting to TZS 2.2 billion was not supported with relevant documents • Payments amounting to TZS 43 million were made for goods and services that were not delivered to the council • Payments amounting to TZS 969.2 million were made for the relevant financial years • Payments amounting to TZS 242.6 were made without appropriate authorisations • Goods Received Notes were issued and invoices were processed for payments amounting to TZS 32.7 million prior to contract signing.
Cash management	<ul style="list-style-type: none"> • Surprise cash survey was conducted only once throughout the FY 2013-14 contrary to LGFM which requires surprise cash survey to be conducted at regular intervals • Cash shortage of TZS 1.3 million was noted on comparison of actual cash on the till of TZS 8.1 million against accounting records, which showed a balance of TZS 9.4 million.
Accounting	<ul style="list-style-type: none"> • Trade receivables and payables amounting to TZS 22.7 and TZS 586.4 million has been reported in the Financial Statements without documentary evidence to justify its existence
Procurement	<ul style="list-style-type: none"> • Procurement of contracts worth TZS 27.2 million were undertaken without the appropriate completion • Establishment and composition of the council's tender board and procurement unit – (i) appointment letter for one member was not sent to PPRA; (ii) Only one member of the tender board possessed knowledge of PPA, 2011 and PPR, 2013 • All IAF staff not possessing knowledge of PPA, 2011 and PPR, 2013 • No audit carried by the IAF on the procurement and proceedings.

Area	Issue
Asset management	<ul style="list-style-type: none"> • Asset registers not maintained for motor vehicles and plants • Fuel register not maintained for the council’s standby generator to document usage of both generator and the fuel • Inaccurate maintenance of vehicle log books – (i) distance travelled not filled; (ii) officers authorised to use the vehicle not signing; and (iii) not submitting a filled copy of the vehicle log book to the internal auditor for verification. • Lack of documentation for inter-departmental fuel lending records. There were no confirmations from the receiving departments on the borrowed fuel from departments with excess fuel at the time of request.
Internal control	<ul style="list-style-type: none"> • No documented risk policy • No risk assessment report to address such risks • No specific controls identified to respond to the risks associated with the Council’s working environment.
Information system	<ul style="list-style-type: none"> • Key EPICOR modules not installed leading to processing outside the system, included: (i) cheque printing; (ii) imprest issuance and retirement; (iii) debit memos; (iv) commitment and expenditure recording and reporting; and (v) accounts payable and receivables.

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

LAAM describes, in detail, rules for processing and recording transactions. The CAG’s Management Letter for FY 2013-14 points out notable instances of weaknesses in compliance for 2013/14. Table 52 shows such select cases of non-compliances to rules.

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

Table 53: 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 activities continue to be incurred by raising LPOs outside the system even

Indicator	Rating	Brief explanation
ii. Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	during the time of funds unavailability. This practice, results in payment arrears. 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, Mwanga DC have had instances of significant divergences from the principles of transaction processing and recording including errors and omissions in figures included in the financial statements.

PI-21 Effectiveness of internal audit

Financial statements of every LGA should be audited internally by an internal auditor as stated in the Section 48 of the 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 LGFF 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 MoF that was established in June 2010, under the pronouncement of Cap 348 of the amended Public Finance Act. The Local Government Audit Section at the IAG's office has the duty to review and compile audit reports from LGAs and prepare a summary of major audit observations, recommendations and advice accordingly on the improvements needed.

(i) Coverage and quality of the internal audit function

Internal Audit is a separate unit in the Mwanga DC organisation structure. While the financial regulations are not explicit on the size of the Internal Audit Unit (IAU), in practice, it is headed by the Chief Internal Auditor who reports to the DED. Supporting the Chief Internal Auditor are three other audit staff, making the total number of employees in that department four. Selection of these positions is done at the central level through PO-PSM, and the required entry qualifications are as follows:

Position	Qualifications
Chief Internal Auditor	<ul style="list-style-type: none"> • Degree in Accounting and Finance and Certified Public Accountant (CPA) • MBA and/or Advanced Diploma in Accounting and 8 years of Experience is a bonus
Internal Auditors	<ul style="list-style-type: none"> • Degree in Accounting and Finance or first class in Advance Diploma in Accounting • MBA and one year of experience is a bonus

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

An observation of the most recent available audit plan for 2013-14 showed that it was risk based and drawn up based on a careful consideration of potential risk exposures of critical LGA areas. We were informed by the Chief Internal Auditor in Mwanga DC that out of the total available effective audit days of 308, only 10.5% of the time was planned for administration activities and 89.5% for audit of various activities as detailed in the Table 54.

Table 54: Distribution of audit activity

Days	Activity
58 days (20.0%)	Education (primary and secondary)
36 days (12.5%)	Finance department
32 days (11.2%)	Agriculture, Livestock , cooperate and fisheries department
30 days (10.5%)	Administration
29 days (10.1%)	Development projects
26 days (9.1%)	Procurement department
24 days (8.4%)	Health department
24 days (8.4%)	Water department
16 days (5.6%)	Works and Fire
4 days (1.4%)	Revenue audit
4 days (1.4%)	Expenditure audit
4 days (1.4%)	Review of compliance with guidelines and directives
287 days (100%)	Total

Though a specific split between system based and transaction based audit was not readily available in the audit plans, the 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 five recent quarterly Internal audit reports and the nature of comments and observations mentioned in such reports showed on the whole, that about 34% of the focus was on systemic issues and 64% on transactions/compliance. 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	2 (29%)	5 (71%)
1 October – 31 December 2013	1 (17%)	5 (83%)
1 January – 31 March 2014	5 (56%)	4 (44%)
1 April – 30 June 2014	1 (17%)	5 (83%)
1 July – 30 September 2014	1 (13%)	7 (87%)
1 October – 31 December 2014	7 (50%)	7 (50%)
Total	17	33
Average	34%	66%

The CAG in his management letter for the FY 2013-14 highlighted a number of issues relating to internal audit in Mwanga DC including:

- There is no written provision from the Accounting Officer providing Internal Audit Unit unrestricted access to all records, assets etc. of the audited entity
- Internal audit report provides neither a clear evaluation of internal controls and identification of high risk areas nor a suitable recommendation to cover weakness areas.
- Progress report not prepared to show whether the unit cover all planned audit areas in the Financial year
- No documented audit approach followed for the Internal Audit assignments
- There are no detailed working papers maintained by the internal auditors in their current file that support audit report
- Annual work plan prepared but approval was delayed and no evidence was available to show whether a copy of plan was sent to the Controller and Auditor General, Minister responsible' for local government and Regional commissioner.
- Register of work done was in place but not updated

(ii) Frequency and distribution of the reports

Para 14(7) of the LGFM requires the Internal Auditor to prepare and submit two (2) reports to the Accounting Officer – quarterly and annual reports, to be submitted 15 days after the end of the quarter and the year, respectively. According to the internal audit reporting structure presented in the

Internal Audit Manual for LGAs, the Head of IAU is administratively required to report to the Council Director, and technically/professionally to the Audit Committee. Para 14 (6) and 14(8) of the LGFM require that after action by the Finance Committee, the Accounting Officer is required to forward a copy of the internal audit report to the CAG (residential auditor), Permanent Secretary for PMO-RALG, and RAS within 15 working days from the date of receipt from the Internal Auditor. However, it was brought to our attention that in accordance with a recent decision, internal audit reports are not shared with PMO-RALG.

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

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

We also noted that although the IAU reports were submitted to the Council Director during the Full Council meeting that are held on the following month after the end of the previous quarter, no official records were maintained for submission of the IA reports to either parties responsible for accountability. The reports were submitted by hand and copies of stamped received reports were not collected from the respective parties. In addition, no despatch books were used to record the hand delivery.

The IAU reports are distributed by the Council Director to other stakeholders such as IAG (following the very recent decision that eliminates need for sharing with PMO-RALG), CAG and RAS. These were expected to be submitted within 30 days after the end of the respective quarter. However, none of 6 reports reviewed under this assessment were submitted on time. The dates for report sharing with these stakeholders are listed in Table 56.

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

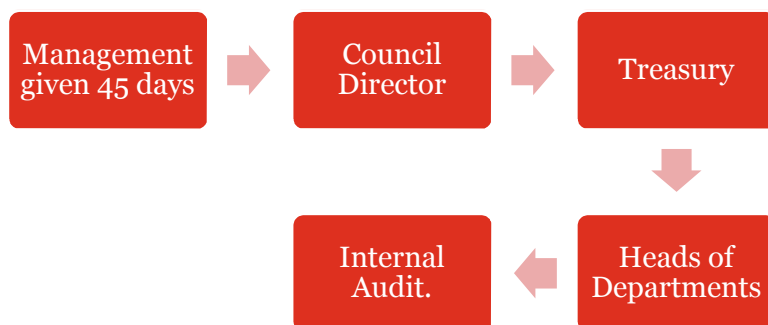
Table 56: Dates for distribution of Internal Audit Reports

SN	Period	Date Council Director forwarded to CAG, PMORALG, RAS and IAG
1.	1 July – 30 September 2013	• RAS/NAO – 13 November 2013
2.	1 October – 31 December 2013	• NAO/RAS – 10 February 2014
3.	1 January – 31 March 2014	• NAO/RAS – 7 May 2014
4.	1 April – 30 June 2014	• NAO/RAS – 7 August 2014
5.	1 July – 30 September 2014	• NAO/RAS - 1 November 2014
6.	1 October – 31 December 2014	• NAO/RAS – 10 February 2015 • IAG – 11 March 2015

(iii) Extent of management response to internal audit findings

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

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



The Council Director is responsible to provide responses to the matters raised by the IA through Heads of Departments. All the internal audit reports did not indicate status of implementation of recommendations from the previous quarters. Therefore, the assessment team could not quantify with certainty on the extent of management response to internal audit findings.

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 IAF follow up is in existence in Mwanga DC.

Table 57: 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	The IA plan did not articulate split of planned time for system and transaction audit. However, Sample audit reports showed significantly low coverage of systems audit (below 50% with an average of 29%). However, the rating has also taken into consideration the CAG’s observations from the 2012/13 and 2013/14 audit on IAF areas needing further improvement.
(ii) Frequency and distribution of reports	B	Reports were regular but did not adhere to the fixed quarterly and annual schedules. All reports for the first 6 quarters – 4 of 2013-14 and the first 2 of 2014-15 were submitted to the Council Director but no documented records were maintained for these submissions. In addition, none of the 6 reviewed reports that were distributed to the CAG, PMORALG, IAG and RAS were submitted on time (i.e. were

		submitted after one month following the respective quarter). The audit reports reach the audited entity through the Council Director who consults the Heads of Departments before responding to audit observations.
(iii) Extent of management response to internal audit 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 has contributed to the rating of D.

5.4.3. Accounting, Recording and Reporting

PI-22 Timeliness and regularity of accounts reconciliation

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

(i) Regularity of Bank Reconciliations

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

Mwanga DC has seven (7) active bank accounts. Bank reconciliations are regularly performed on all bank accounts on a monthly basis and are available by the 15th of the following month for the previous month. The status of reconciliations at the time of our visit on 16 and 17 March 2015 is shown in Table 58.

Table 58: Reconciliation status

S. No.	Name of the Account	Last Completed Reconciliation month
1	Development Account	28/02/2015
2	Own Source Revenue Account	28/02/2015
3	Road Fund Account	28/02/2015
4	NWSDP Account	28/02/2015
5	Personal Emolument Cash Account	28/02/2015
6	Other Charges Expenditure Account	28/02/2015
7	Miscellaneous Deposit Account	28/02/2015

As can be seen from the Table above, Mwanga DC is regular in terms of preparing bank reconciliations, the latest being for February 2015 for all of its seven bank accounts. Our review of the bank reconciliation statements revealed that they were prepared in time and reviewed by the District Treasurer by 15 March 2015. The assessment team noted that bank reconciliations were prepared on

the EPICOR system, and at a detailed level and there were no unresolved differences between the council's cash account and the bank statements for all the seven accounts.

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

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

The assessment team confirmed that Mwanga DC had an imprest account maintained in EPICOR. They did not maintain a manual register As per CAG's Management Letter on the financial statements of the LGA for 2013-14, the District Council had salary advances amounting to more than TZS 7 million outstanding since February 2012 as on 30 June 2014. This was in violation of Order 41 (1)-(6) of the Local Government Financial Memorandum, 2009 **Table 59: Summary rating for PI-22**

Indicator	Rating	Brief Explanation
PI-22 Timeliness and regularity of accounts reconciliation	B+	
(i) Regularity of Bank Reconciliations	A	Bank Reconciliations for all 7 accounts were made up to 28 February 2015 and approved timely. In addition, there were no outstanding unreconciled items at the time of the assessment.
(ii) Regularity of Reconciliation and clearance of Suspense Accounts and advances	B	District Council does not have a suspense account, it had recoverable salary advances and imprest amounts. As per CAG's Management Letter on the financial statements of the LGA for 2013-14, the District Council had salary advances amounting to more than TZS 7 million outstanding since February 2012 as on 30 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 114 primary schools in Mwanga District which includes 110 government schools and four (4) private schools. The council only provides counselling, examination, inspection and sports related support to the private schools. There are 45 secondary schools in Mwanga District out of which 25 are public and 20 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 – 1 hospital (owned by the council);6 health centres (5 council owned and 1 under PPP between the government and a FBO); and 51 dispensaries (42 council owned, 9 FBO and 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 Mwanga DC incurs expenditure on behalf of the primary health facilities and transfers the procured items for their consumption. In addition, the government owned HFs finance their service delivery from user fee contribution collected at the facility level using District receipt book and deposited into their own bank accounts. The user fee contributions are in a form of cash and insurance premium for National Health Insurance Fund (NHIF). Accountability of these collected user fees is through submission of deposit slips to the council and quarterly receipts and payments reports.

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

In the last three years, there have not been any special surveys undertaken to collect data on resources to services delivery units. However, quarterly monitoring activities are undertaken and reports prepared for all SDUs.

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

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

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

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

Table 60: 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	<p>Our findings are</p> <ul style="list-style-type: none"> • EPICOR does not capture all information at the individual service delivery level since each unit of service delivery is not defined as a cost centre (e.g. a particular school or health centre). But collated information is available from the system e.g. Health Admin department is a cost centre under which there are categories of dispensary, health centres, etc. • However data is available at the department level on transfers both cash and kind for education and health • Quarterly and annual reports are available for health and secondary education. A PETS has examined systemic issues but there is no data available on service delivery units.

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

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

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

(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 61: 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 monthly 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 and in addition whether the financial statements are prepared and submitted for audit within prescribed timelines and drawn up as per recognised accounting standards.

(i) Completeness of the financial statement

Para 31(3) of the LGFM³³ prescribes the composition of the financial statements which are to include: (a) statement of financial position; (b) statement of financial performance; (c) statement of change in net assets; (d) cash flow statement; (e) statement of financial performance by function; and (f) statement of comparison of budget and actuals by nature and by function. The LGFM further prescribes that the formats of (a) and (b) above shall be those prescribed by the International Accounting Standards Board as applicable to the public sector. The financial statements are to be supported by disclosure of accounting principles and policies and provide explanatory notes for better understanding. Detailed itemised schedules are not stipulated to form part of the published accounts but the LGFM also specifies that supporting schedules must be made available to the CAG for audit.

Results of our assessment of the last available audited financial statements for Mwangi DC for FY 2013-14 and underlying systems from the perspective of completeness are given in Table 62.

Table 62: Comments on audited financial statements

Topic	Comments
Components of financial statements	<p>Based on the last financial year audited till the date of our visit it was noted the financial statements for FY 2013-14 include statements on: (i) financial position; (ii) financial performance; (iii) changes in net assets; (iv) cash flow. In addition, the following matters are included:</p> <ul style="list-style-type: none"> • A Statement of Responsibility signed by the Accounting Officer containing affirmations on the compliance with internal controls, integrity of the financial statements and their compliance with IPSAS and the directives issued by the Ministry; • Notes to the financial statements; • Summary of significant accounting policies; • Statement of financial performance by function (key departments/service centres); • Comparison of budget and actual by nature (type of expense or income); and • Comparison of budget and actual by function.
Consolidation of information	<p>We noted that the accounting information reflected in the financial statements included those of all the departments of the Council and its wards, operating service delivery units and villages. Since the production of final accounts is centralized, aggregation of information is undertaken by the District Treasurer based on information shared by units/wards. Based on our discussions, we understand that individual service delivery units (e.g. a single primary health care unit under the health department) are not considered as separate cost</p>

³³ References to the Local Authority Financial Memorandum 1982 includes amendments through CAP290 in 2002)
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Topic	Comments
	centres and financial statements cannot be generated centrally for such individual units. However their operations are integrated with the departmental expenditure and hence with the overall accounting system.

The assessment team also noted that Mwanga DC has received an unqualified audit report from the CAG in all three financial years – 2011-14.

(ii) Timeliness of the submission of the financial statements

Para 31(1) of the LGFM prescribes that the final financial statements must be properly compiled and submitted to the Full Council and thereafter to the CAG within 3 months after the end of the financial year. Table 63 presents the compliance to timelines for the last 2 financial years.

Table 63: Mwanga District Council: Submission timelines for financial statements

Activity	2012-13	2013-14
Submission to National Audit office	Before 30 th Sept	Before 30 th Sept
Submission of revised statements to National Audit Office	24 th December 2013	15 th January 2015

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

(iii) Accounting standards used

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

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

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

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

Table 64: Summary rating for PI-25

Indicator	Rating	Brief Explanation
PI-25 Quality and timeliness of annual financial statements	B	
(i) Completeness of the financial statements	B	The Financial Statements for the most recent year (2013-14) do not include significant omissions, as per the CAG audit report. However, the Management Letter does mention the absence of asset valuations in the financial statements.
(ii) Timeliness of submission of the financial statements	B	The financial statements for the last audited year FY 2013-14 were initially submitted to the external auditors before 30 th September i.e. within the prescribed three month time period from close of the fiscal year, the revised statement were submitted only in January 2015, i.e. within seven months of completion of the financial 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 in the last three financial years, application of these standards across all statements is not ensured.

5.4.4. External Scrutiny and Audit

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

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

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

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

Table 65: Regulatory framework for external audit

Document	Remarks
Constitution of the United Republic of Tanzania 1997 (revised 2005)	Article 143 establishes the office of the CAG and defines its responsibilities and powers which includes the right to examine books and accounts and submit an audit report
The Local Government Finances Act 1982 (amended in 2002)	Section 48 mentions that the external auditor for a District Council shall be the CAG.
The Public Audit Act 2008	Section 5 prescribes the Constitutional mandate to the CAG to audit and report on the financial statements including LGAs and Section 10(1) requires the CAG to examine the financial statements on behalf of the National Assembly and other functions as designated to him.
The Public Audit Regulations 2009	Defines the procedures through which the Public Audit Act would be put into practice

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

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

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

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

Section 18 of the Public Audit Act prescribes that the CAG shall determine which auditing standards should apply and may issue auditing standards and code of ethics as applicable. NAOT is a member of the International Organisation of Supreme Audit institutions (INTOSAI), the Africa Organisation of Supreme Audit Institutions (AFROSAI) and Organisation of Supreme Audit Institutions-English Speaking countries (AFROSAI-E). Being a member of these, the NAOT is obliged to follow the International Standards of Supreme Audit Institutions (ISSAI) and International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFA). This is a matter also reaffirmed by the CAG in his report for the LGA.

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

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

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

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

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

The Annual General Report on the financial statements of all LGAs for the year 2013-14 was submitted by the CAG to the President on 26 March 2015. The dates for submission of the LGA Reports to the National Assembly for the last few years have been given in Table 66.

Table 66: Receipt of Annual General Report of the CAG on the Financial Statements of LGAs

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

The 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 Mwanza DC, the financial statement was submitted in September 2013 and the audited financial statement was submitted to the local legislature on 13-May-2014, 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 Mwanza DC revealed outstanding issues from previous years that were yet to be resolved. Although responses are provided by the District Council on individual issues raised by the CAG in the Management Letter, the similarity of the nature of many of the issues from year to year and the repetitiveness of many of the areas of weaknesses in accounting and internal controls to which such issues relate reflect that the quality of follow up on audit recommendations requires further improvement.

CAG's Management Letter on the Financial Statements of Mwanza DC for 2012-13 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 67 shows the status of implementation of implementation of CAG's recommendations for 2012-13 and 2013-14.

Table 67: Status of implementation of previous year CAG recommendations

Status	Number of recommendation (as% of total recommendations)	
	2012-13	2013-14
Implemented	5 (14.3%)	45 (72.5%)
Under Implementation	7 (20%)	16 (26%)
Not Implemented	23 (65.7%)	1 (1.5%)
Total	35 (100%)	62 (100%)

Though the District Council has established an Audit Committee, the Management Letter for 2013-14 highlighted the following weaknesses:

- No meeting conducted during the year. Audit committee charter not available.
- Financial statement of the Council not reviewed before submission to the Accounting Officer and Controller and Auditor General.

- Risk management and related policies and fraud prevention plan not reviewed during the year and hence, not updated.
- Failure of the Council to implement CAG recommendations

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

Table 68: Summary rating for PI-26

Indicator	Rating	Brief Explanation
PI-26 Scope, nature and follow-up of external audit	C+	
(i) Scope/nature of audit performed (including adherence to auditing standards)	B	The essence is the financial audit of the year end accounting statements but it also focusses on a risk based approach and significant as well as systemic issues. Audit also adheres to INTOSAI auditing standards. Performance audit per se is yet to start on a noticeable basis.
(ii) Timeliness of submission of audit reports to legislature	B	The base period is the time taken for submission of the audit report to the national assembly after receipt of the final financial statements by CAG for audit. Mwanga DC submitted the final statements for 12-13 ³⁴ to CAG in September 2013. The audit report was submitted to the District Council on 13 th May 2014, approximately a week after it was submitted to the National Assembly on 7 May 2014.
(iii) Evidence of follow up on audit recommendations	C	Responses to management letters are made but evidence of systematic follow up is absent as evidenced by comments provided and repeat comments in subsequent years. The notable weakness of the Audit Committee functioning referred to by the CAG is a specific pointer to the state of follow up in this regard.

PI-27 Legislative scrutiny of the annual budget law

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

³⁴ Though the audited statements for 13-14 have been made available only recently after our visit, the base for rating has been taken as the AFS for 12-13 since the full cycle of dates including when actually the audited statements were made available to the Council of the LGA is yet not available.

(i) Scope of the Full Council's scrutiny

Mwanga 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 Mwanga DC. There is a Finance, Administration and Planning Committee that deliberates on the budget proposals received, and inputs from the Regional Consultative Committees are also considered. The final proposals are then forwarded to the Full Council for approval. Feedback received in course of our discussions and from the minutes of the approval meeting shows that the nature of the discussions relates to estimates of expenditure and revenue. The assessment team was also informed that the Full Council reviews 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 district;
- Details of the revenues by different sources;
- Details on the expenses, by PE and OC;
- Details on the costs of implementation of development programmes; and
- Recommendations for Local Government Capacity Building Grant.

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

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

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

In Mwanga DC, apart from the Finance, Administration and Planning Committee, there are three other Committees: Education, Health and Water Committee; Council HIV/AIDS Control 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 finalise the budget for approval by the Full Council. Clause 19(2) requires the accounting officer of the District Council to ensure that members of the Full Council receive budget documents within seven days before the date of the meeting.

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

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

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

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

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

Table 69: Summary rating for PI-27

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

Indicator	Rating	Brief Explanation
ii. Extent to which the Council's procedures are well established and respected	C	Broad guidelines for budget review are provided for in the LGFM and LGDA. These include constitution of and review by specialised review committees or standing committees. 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 legislature, the nature of hearings, recommended actions and how far they are being implemented by the Councils.

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

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

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

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

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

Table 70: Various dates for LGA reports

	2010-11	2011-12	2012-13
Month in which audit report was submitted to Council	26 April 2012	14 May 2013	13 May 2014
Date of approval of audit report by Full Council	25 Sept 2012	27 Sept 2013	29 Sept 2014

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

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

The Management Letter on the Financial Statements of the Mwanza DC for 2013-14, however, highlighted that no meeting of the Audit Committee was held 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 information related to nature and the frequency of the LAAC meetings to discuss the CAG audit reports has not been made available.

Available feedback based on secondary studies on functioning of Parliamentary Committees in Tanzania, the post audit processes of submission to the national assembly and the results of LAAC deliberations as available through its observations and recommendations on the LGA reports shows the basic institutional structures for review do exist. However the functioning of the Committee may be constrained by time and resources (common to many of the other Committees) and also the delays in information submission and responses³⁵.

³⁵ Parliamentary Centres' Report on the Role of Parliamentary Committees on Budget Oversight in Tanzania, 2012. Sub-national (Local Government) PEFA Assessment in Tanzania – Mwanza District Council
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(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 reviewed by the Full Council and forwarded for response and implementation by the Council's Executive Director, in line with the provisions of Para 7 (f) of the LAFM.

At the national level, under the earlier provisions of the Public Audit Act (Section 40(3)), the responses to comments by CAG and LAAC 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 observations from the review of internal audit reports, responses to Management Letters and the comments in the consolidated report of the CAG are as follows:

- As Table 67 shows, almost all recommendations made by the CAG in its audit report for 2012-13 were in different stages of implementation in 2013-14. However, given that more than one fourth of these recommendations had not been implemented in entirety, there appears a lack of absolute commitment by the Council management in rolling out audit recommendations
- Extensive recommendations are being made by the LAAC based on their review of the audited accounts. Similar to the CAG recommendations, some matters arising from previous audits were partly attended by the District Council and others were not attended at all.

Table 71: 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 Council (for reports received within the last three years)	B	Scrutiny of audit reports is usually completed by the Full Council within 6 months from receipt of reports.
(ii) Extent of hearings on key findings undertaken by the legislature	D	As per CAG's Management Letter for 2013-14, the Audit Committee did not hold a single meeting during the financial year which adversely affected the Council's ability to implement CAG's recommendations.
(iii) Issuance of recommended actions by the legislature and	B	Whilst recommendations are made by LAAC, some remain unaddressed by the District Council.

Indicator	Rating	Brief Explanation
implementation by the executive.		

5.5. Donor practices

D-1 Predictability of Direct Budget Support

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

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

As per SN Guidelines for PEFA assessment, these indicators are applicable only when SN Government receives any direct donor funding. Based on our discussion with Mwanga DC, it is understood direct donor funding is received only under EGPAF. However, funds from EGPAF contribute to only 0.78% of the total expenditure of the District Council in 2013-14 and are hence, insignificant. These three indicators are, therefore not applicable to Mwanga 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 governance³⁶. Key relevant cross-cutting reforms that have been implemented by GoT in the recent past include:

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

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

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

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

³⁶ The United Republic of Tanzania, President's Office - State House, Reforming Tanzania's Public Sector, An Assessment and Future Direction, November 2013.

of PFMRP, implemented from 2008 to 2011, provided the necessary focus and resources for institutionalising the reforms introduced in the previous phases in an integrated manner.

As part of the first three phases of PFMRP, GoT also established a number of regulatory bodies to provide oversight functions for effective implementation of PFM policies and guidelines. These included - the Tanzania Revenue Authority; the National Audit Office headed by the Controller and Auditor General; the Internal Auditor General's Department; the National Debt Management Committee; the Public Procurement Regulatory Authority; the Public Procurement Appeals Authority; the Public Procurement Policy Unit; the Oversight Body for Parastatal and Public Enterprises; the Commission of External Finance; the Enhanced Public Accounts Committee; and the Reform Coordination Unit³⁷.

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

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

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

While KRA 1-5 include select interventions for LGAs in addition to those targeted at ministries, departments and agencies (MDAs) of the Central Government, the sixth KRA focuses exclusively on the local governments and attempts to address the issues specific to these authorities. It targets achievement of three outputs at the LGA level – (1) improved resource allocation, planning and budgeting, (2) improved budget execution and financial reporting, and (3) improved oversight and financial accountability. Key activities included under PFMRP IV for LGAs, inter alia, include: (i) development and installation of electronic funds transfer and information systems and i-Tax system; (ii) development of templates for enabling Regional Secretariats to monitor resource flows from LGAs to LLGs; (iii) development of web portal on PMO-RALG website for monitoring fiscal transfers from MoF to LGAs; (iv) enhanced use of IFMS at Regional Secretariats and LGA level; (v) training LGA officers on budgeting, projects coding/classification in PlanRep, IFMS, SBAS harmonised internal financial reports, auditing, report writing and PPA 2013.

³⁷ 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
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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 2015³⁸ noted that the programme was making good progress and 43% of the milestones were achieved, and another 31% were on track. Though performance varied across the different KRAs, as regards the local government component, there was significant progress that included commencement of roll out of the revenue management system (i-Tax) and strengthening of quality and technical support by the Regions to LGAs in PFM areas such as preparation of financial statements, monitoring, ensuring audit compliance etc.

³⁸ Joint Supervision Mission 2015, Aide Memoire (Report)
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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 manner³⁹. For example, JSC, PMC and TWGs did not meet as frequently as intended by the programme's operations; there wasn't a separate TWG for each KRA; and the quality review and assurance of programme's output was uncertain.

Key Challenges

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

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

³⁹ 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.

Annexure.1 Data issues

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

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

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

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

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

Our final approach towards such data challenges are as follows:

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

Annexure.2 Mapping of Key Weaknesses

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

Table 72: Mapping of Key Weaknesses

SI	Topic	Key Weaknesses	Details	Key Stakeholder Responsible		
				LGA	PMO-RALG	MoF/GoT
1	Central Fund transfers	Predictability of fund transfers from the GoT is low	Uncertainties in the availability of quantum of funds, their composition and timing			
		Distortions in the formula based transfers	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						
4			Weaknesses in internal controls evidenced by:			

SI	Topic	Key Weaknesses	Details	Key Stakeholder Responsible		
				LGA	PMO-RALG	MoF/GoT
	Internal controls and Accountability	Key weaknesses in internal control and oversight functions	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			

Annexure.3 Disclosure of the Quality Assurance Mechanism

The following quality assurance arrangements have been established in the planning and preparation of the PEFA assessment final report for the Mwanga District Council, Tanzania, dated 19th 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 Mwanga DC was submitted for review at different dates to the following reviewers:

- i) Viviana Klein – KfW on 3 November 2015
- ii) Vivek Misra – DFID on 3 November 2015
- iii) Denis Biseko – WB on 3 November 2015
- iv) PEFA Secretariat, Washington on 3 November 2015
- v) Government of United Republic of Tanzania on 3 November 2015

3. Review of final draft report

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

- i) Viviana Klein – KfW on 06th April 2016
- ii) Vivek Misra – DFID on 06th April 2016
- iii) Denis Biseko – World Bank on 06th April 2016
- iv) PEFA Secretariat, Washington on 06th April 2016
- v) Government of United Republic of Tanzania on 06th April 2016

4. Additional information

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

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

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



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

PEFA Secretariat

July 19, 2016

Annexure.4 Scoring Methodology under the PEFA Assessment Framework

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

1. PEFA Field Guide: <https://www.pefa.org/sites/pefa.org/files/PEFAFieldguide.pdf>
2. Supplementary Guidelines: [http://www.pefa.org/sites/pefa.org/files/attachments/SNG-Supplementary-Guidelines-eng001%20\(Jan%2017\).docx](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 73.

Table 73: Scoring Methodology across Performance Indicators

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

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

Table 74: Criteria for A rating across dimensions

PI	Description	Criteria for “A” Rating
HLG-1	Predictability of transfers from a higher level of Government	
(i)	Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter’s budget	In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 5%.
(ii)	Annual variance between actual and estimated transfers of earmarked grants	Variance in provision of earmarked grants did not exceed 5 percentage points in any of the last three years
(iii)	In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of start of the SN fiscal year)	A disbursement timetable forms part of the agreement between HLG and SN government and this is agreed by all stakeholders at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in more than one of the last three years OR in the absence of a disbursement timetable, actual transfers have been distributed evenly across the year (or with some front loading ⁴) in all of the last three years.

A. PFM Out-Turns: Budget Credibility

PI-1	Aggregate expenditure 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	Description	Criteria for “A” Rating
PI-3	Aggregate revenue out-turn compared to original approved budget	Actual domestic revenue was between 97% and 106% of budgeted domestic revenue in at least two of the last three years.
PI-4	Stock and monitoring of expenditure arrears	
(i)	Stock of expenditure arrears	The stock of arrears is low (i.e. is below 2% of total expenditure)
(ii)	Availability of data for monitoring the stock of expenditure arrears	Reliable and complete data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile).
B. Key Cross-Cutting Issues: Comprehensiveness and Transparency		
PI-5	Classification of the budget	The budget formulation and execution is based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. (Program classification may substitute for sub-functional classification, if it is applied with a level of detail at least corresponding to sub-functional.)
PI-6	Comprehensiveness of information included in budget documents	Recent budget documentation fulfils 7-9 of the 9 information benchmarks
PI-7	Extent of unreported government operations	
(i)	The level of extra budgetary expenditure (other than donor funded projects) which is reported	The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (below 1% of total expenditure).
(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	

PI	Description	Criteria for “A” Rating
(i)	Extent of monitoring public enterprises	All major AGAs/PEs submit fiscal reports to central government at least six-monthly, as well as annual audited accounts, and central government consolidates fiscal risk issues into a report at least annually.
(ii)	Extent of Central Government monitoring of sub-national governments' fiscal position	SN government cannot generate fiscal liabilities for central government OR the net fiscal position is monitored at least annually for all levels of SN government and central government consolidates overall fiscal risk into annual (or more frequent) reports.
PI-10	Public access to key fiscal information	The government makes available to the public 5-6 of the 6 listed types of information

C. Budget Cycle

(i) Policy-Based Budgeting

PI-11	Orderliness and participation in the budget process	
(i)	Existence and adherence to a fixed budget calendar	A clear annual budget calendar exists, is generally adhered to and allows MDAs enough time (and at least six weeks from receipt of the budget circular) to meaningfully complete their detailed estimates on time.
(ii)	Guidance on preparation of budget submissions	A comprehensive & clear budget circular is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular's distribution to MDAs.
(iii)	Timely budget approval by the legislature	The legislature has, during the last three years, approved the budget before the start of the fiscal year.
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting	
(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.

PI	Description	Criteria for “A” Rating
(ii) Predictability and Control in Budget Execution		
PI-13 Transparency of taxpayer obligations and liabilities		
(i)	Clarity and comprehensiveness of tax liabilities	Legislation and procedures for all major taxes are comprehensive and clear, with strictly limited discretionary powers of the government entities involved.
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes, and the RA supplements this with active taxpayer education campaigns.
(iii)	Existence and functioning of a tax appeals mechanism	A tax appeals system of transparent administrative procedures with appropriate checks and balances, and implemented through independent institutional structures, is completely set up and effectively operating with satisfactory access and fairness, and its decisions are promptly acted upon.
PI-14 Effectiveness of measures for taxpayer registration and tax assessment		
(i)	Controls in the taxpayer registration system	Taxpayers are registered in a complete database system with comprehensive direct linkages to other relevant government registration systems and financial sector regulations.
(ii)	Effectiveness of penalties for non-compliance with registration and declaration	Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are consistently administered.
(iii)	Planning and monitoring of tax audit and fraud investigation programs	Tax audits and fraud investigations are managed and reported on according to a comprehensive and documented audit plan, with clear risk assessment criteria for all major taxes that apply self-assessment.
PI-15 Effectiveness of collection of tax payments		
(i)	Collection ratio for gross tax arrears being the percentage of tax arrears at the 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.

PI	Description	Criteria for “A” Rating
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	MDAs are able to plan and commit expenditure for at least six months in advance in accordance with the budgeted appropriations.
(iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.
PI-17	Recording and management of cash balances, debt and guarantees	
(i)	Quality of debt recording and reporting	Domestic and foreign debt records are complete, updated and reconciled on a monthly basis with data considered of high integrity. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least quarterly
(ii)	Consolidation of government's cash balances	All cash balances are calculated daily and consolidated.
(iii)	System for contracting loans and issuance of guarantees	Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity.
PI-18	Effectiveness of payroll controls	
(i)	Degree of integration and reconciliation between personnel records and payroll data	Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.
(ii)	Timeliness of changes to personnel records and the payroll	Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3% of salary payments).
(iii)	Internal controls over changes to personnel records and the payroll	Authority to change records and payroll is restricted and results in an audit trail.
(iv)	Existence of payroll audits to identify control weaknesses and/or ghost workers	A strong system of annual payroll audits exists to identify control weaknesses and/or ghost workers.
PI-19	Competition, value for money and controls in procurement	
(i)	Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold 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

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

PI	Description	Criteria for “A” Rating
		budget estimates. Expenditure is covered at both commitment and payment stages.
(ii)	Timeliness of issue of reports	Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.
(iii)	Quality of information	There are no material concerns regarding data accuracy.
PI-25	Quality and timeliness of annual financial statements	
(i)	Completeness of financial statements	A consolidated government statement is prepared annually and includes full information on revenue, expenditure and financial assets/liabilities.
(ii)	Timeliness of submission of financial statements	The statement is submitted for external audit within 6 months of the end of the fiscal year.
(iii)	Accounting standards used	IPSAS or corresponding national standards are applied for all statements.
(iv) External Scrutiny and Audit		
PI-26	Scope, nature, and follow-up of external audit	
(i)	Scope/nature of audit performed (including adherence to auditing standards)	All entities of central government are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues.
(ii)	Timeliness of submission of audit reports to legislature	Audit reports are submitted to legislature within 4 months of end of period covered & in the case of financial statements from their receipt by the auditor.
(iii)	Evidence of follow up on recommendations	There is clear evidence of effective and timely follow up.
PI-27	Legislative scrutiny of the annual budget law	
(i)	Scope of legislature's scrutiny	The legislature's review covers fiscal policies, medium term fiscal framework and medium term priorities as well as details of expenditure and revenue.
(ii)	Extent to which the legislative procedures are well established and respected	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	The legislature has at least two months to review the budget proposals.
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.
PI-28	Legislative scrutiny of external audit reports	

PI	Description	Criteria for “A” Rating
(i)	Timeliness of examination of audit reports by the legislature	Scrutiny of audit reports is usually completed by the legislature within 3 months from receipt of the reports.
(ii)	Extent of hearings on key findings undertaken by the legislature	In-depth hearings on key findings take place consistently with responsible officers from all or most audited entities, which receive a qualified or adverse audit opinion.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	The legislature usually issues recommendations on action to be implemented by the executive, and evidence exists that they are generally implemented.

D. Donor Practices

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

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

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

Figure 6: Organizational Structure for MoF

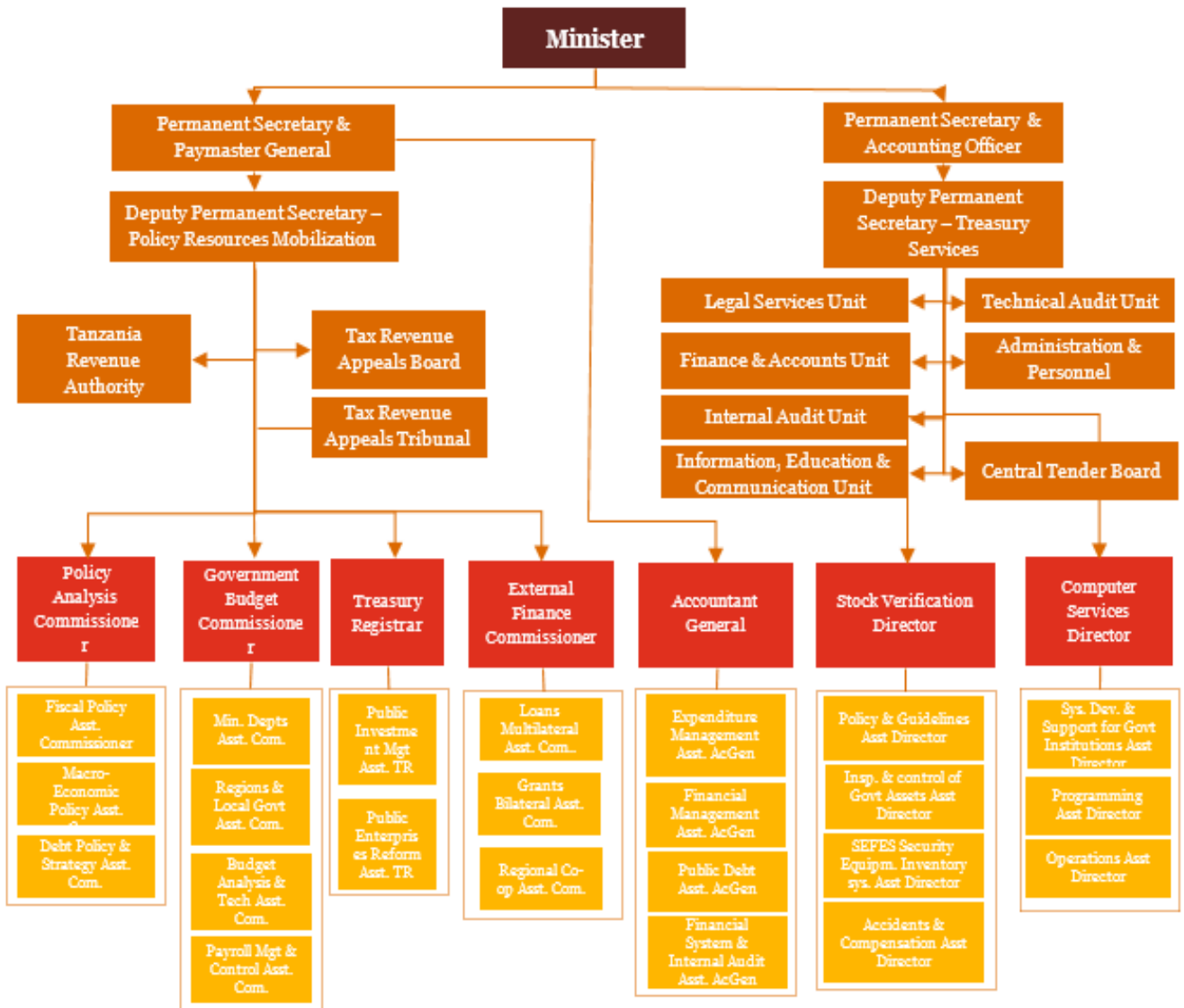
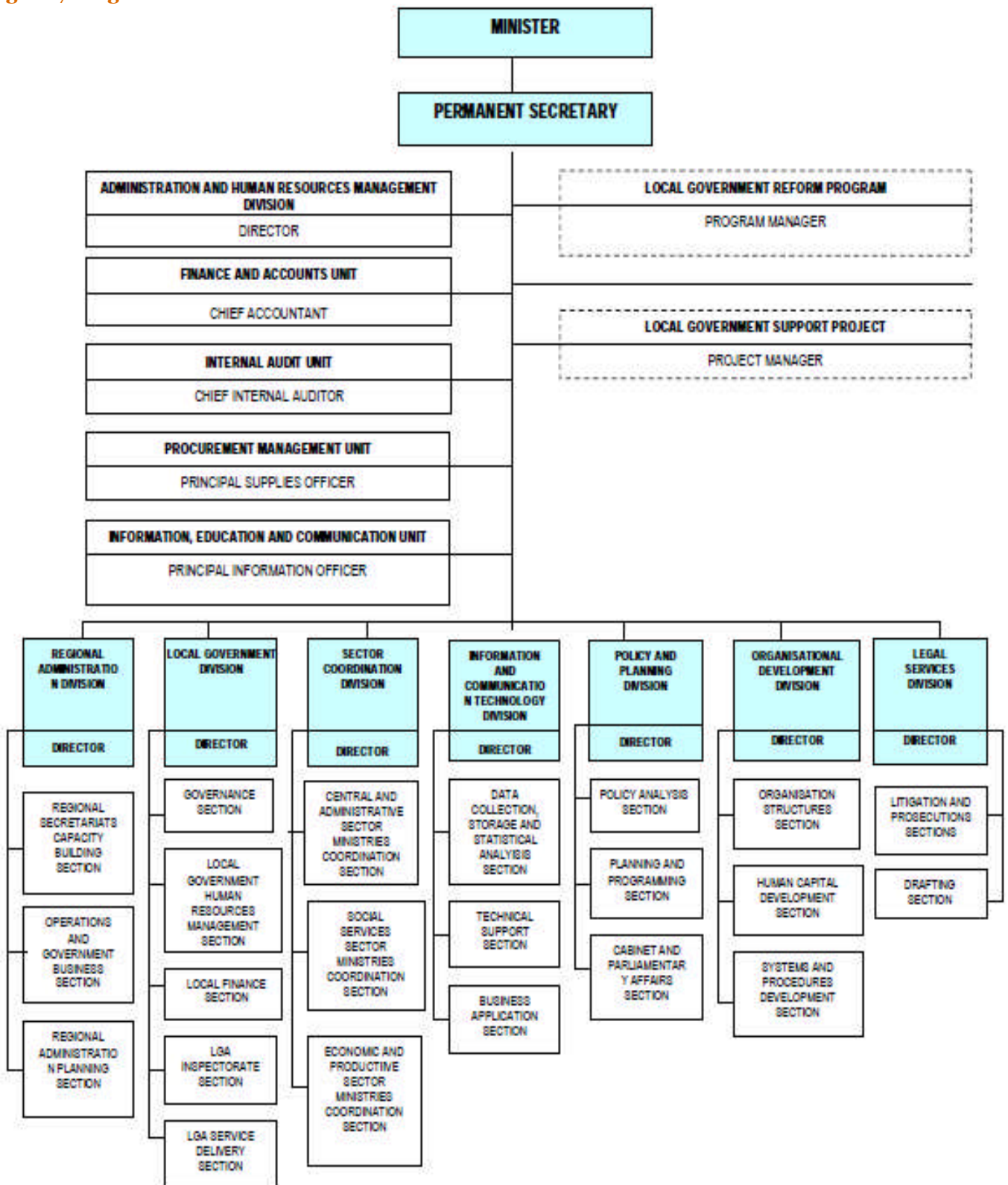


Figure 7: Organizational Structure for PMO-RALG



Annexure.6 Revenue and Expenditure Calculations

In this annexure, the process of calculation of total expenditure and revenue of the Council is provided. The “Statement of Comparison of Budget and Actual Amount - By Nature” of the Annual Financial Statement of Mwangi District Council 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 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 75 and Table 76 shows example of adjustment made for the financial year 2011-12, 2012-13 and 2013-14 for total expenditure and total revenue respectively.

Table 75: Adjustment for Total Expenditure⁴⁰, TZS million

Item	2011-12		2012-13		2013-14		Source	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Expenditure as per AFS	15168	16530	23501	18556	17304	16027	Sheet "BudVsActN"	
Deduct (-): Depreciation	0	71	0	119	0	338	Sheet "BudVsActN"	
Add(+): Capital Expenditure	2143	1076	7047	4391	4756	3603	Sheet "BudVsActN"	
Adjusted Total Expenditure	17311	17535	30548	22827	22060	19292		

Table 76: Adjustment for Total Revenue, TZS million

Item	2011-12		2012-13		2013-14		Source	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Revenue	15168	16536	23501	18608	17303	16052	Sheet "BudVsActN"	
Deduct(-): Recurrent Grants	14958	16229	22669	17982	16331	14992	Sheet "BudVsActN"	
Deduct(-): Amortization of capital grants	0	71	0	119	0	338	Sheet "BudVsActN"	
Add(+): Actual Receipts of Recurrent Grants	14958	16494	22669	17915	16332	14930	Sheet "BudVsActN"	Note 11 to the Financial Statement
Add(+): Actual Receipts of Capital Grants	2143	1735	7047	3253	4756	4151	Sheet "Capex"	Sheet "Capex"
Adjusted Total Revenues	17311	18465	30548	21674	22060	19802		

⁴⁰ The assessor has noticed differences in total expenditure for 2011-12. Adequate adjustments have been done. Sub-national (Local Government) PEFA Assessment in Tanzania – Mwangi District Council
PwC

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

7.1. Screenshots for HLG-1 dimension (iii) - Calculation of front loading

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 8 shows the date and amount of transfers made to the Mwanga Council across the financial years 2011-12, 2012-13 and 2013-14. It also shows the days into the financial year for each central government transfer.

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

Figure 8: Dates and amount of transfers to Mwanga DC

Central Government Transfers in 2011-12					
Date	Amount	Days into the financial year	Date	Amount	Days into the financial year
14/07/2011	35591622.98	13	25/02/2012	77043825	239
20/07/2011	828988962.7	19	28/02/2012	911773324	242
05/08/2011	27704500	35	28/02/2012	27704500	242
23/08/2011	789005249.4	53	28/02/2012	70000000	242
25/09/2011	823763321	86	28/02/2012	24238000	242
30/09/2011	300000000	91	23/03/2012	775780605.4	266
11/10/2011	3151900	102	19/04/2012	18228000	293
19/10/2011	79678087	110	23/04/2012	776279429.3	297
22/10/2011	766071659	113	25/04/2012	162669549.7	299
02/11/2011	800000	124	25/04/2012	23415586.19	299
02/11/2011	5648000	124	25/04/2012	57478645.28	299
14/11/2011	154087650	136	27/04/2012	9455000	301
17/11/2011	154087650	139	02/05/2012	6350911	306
24/11/2011	98064431.57	146	05/05/2012	300000000	309
28/11/2011	770547092	150	18/05/2012	55148500	322
20/12/2011	764089762.3	172	18/05/2012	114843000	322
21/12/2011	19990000	173	18/05/2012	11330000	322
11/01/2012	346931700	194	22/05/2012	60173239.84	326
16/01/2012	34000000	199	24/05/2012	678294546.6	328
16/01/2012	12524862	199	31/05/2012	18910000	335
16/01/2012	100402000	199	11/06/2012	4398000	346
22/01/2012	774497955.3	205	22/06/2012	681749243.3	357
08/02/2012	870000000	222	25/06/2012	245987500	360
09/02/2012	102019643	223	30/06/2012	41925358.1	365
16/02/2012	77043825	230			

Central Government Transfers in 2012-13

Date	Amount	Days into the	Date	Amount	Days into the
01/08/2012	807158285.9	31	27/12/2012	386760328	179
02/08/2012	14238000	32	26/01/2013	774500861	209
14/08/2012	100000000	44	11/02/2013	160716500	225
21/08/2012	10036400	51	12/02/2013	55826037.8	226
22/08/2012	38783900	52	20/02/2013	84958449.5	234
23/08/2012	798716722.5	53	25/02/2013	777350357	239
28/08/2012	300755024	58	01/03/2013	441842200	243
11/09/2012	83536188.11	72	05/03/2013	56160000	247
17/09/2012	8400000	78	05/03/2013	150000000	247
24/09/2012	799270708.3	85	08/03/2013	8400000	250
06/10/2012	228288900	97	08/03/2013	8400000	250
08/10/2012	9962976	99	18/03/2013	480362217	260
18/10/2012	45272189.71	109	25/03/2013	825733814	267
18/10/2012	14506788.47	109	03/04/2013	184279700	276
24/10/2012	799717950.8	115	05/04/2013	8400000	278
31/10/2012	20443181.82	122	09/04/2013	121065900	282
31/10/2012	27193600	122	10/04/2013	169150485	283
06/11/2012	28961184	128	10/04/2013	58267600	283
06/11/2012	28992049.64	128	24/04/2013	159979700	297
06/11/2012	25276283.46	128	25/04/2013	830081679	298
09/11/2012	181977000	131	04/05/2013	25222300	307
23/11/2012	57897544.32	145	05/05/2013	8400000	308
26/11/2012	8400000	148	13/05/2013	100998753	316
27/11/2012	792762518.3	149	15/05/2013	7681100	318
30/11/2012	326992000	152	20/05/2013	169916900	323
07/12/2012	326992000	159	22/05/2013	8400000	325
11/12/2012	206758500	163	22/05/2013	60947687.2	325
12/12/2012	84958450	164	24/05/2013	830453849	327
13/12/2012	8400000	165	25/05/2013	149685229	328
13/12/2012	57959643	165	25/06/2013	832403082	359
22/12/2012	790043353.7	174			

Central Government Transfers in 2013-14

Date	Amount	Days into the	Date	Amount	Days into the
06/07/2013	58935652.65	5	20/12/2013	924369156	172
08/07/2013	1300000	7	20/12/2013	61723512	172
23/07/2013	71474715.48	22	15/01/2014	169506500	198
25/07/2013	931945040	24	22/01/2014	963296418	205
31/07/2013	279298795	30	27/01/2014	37169630.8	210
03/08/2013	8400000	33	31/01/2014	13394740	214
13/08/2013	64594213.53	43	14/02/2014	76760000	228
19/08/2013	620000000	49	14/02/2014	190382900	228
23/08/2013	1456344	53	17/02/2014	73042000	231
28/08/2013	1050227967	58	19/02/2014	38899000	233
05/09/2013	56649671.73	66	20/02/2014	31784874.9	234
05/09/2013	22470000	66	21/02/2014	906327601	235
19/09/2013	204504000	80	28/02/2014	44031562.4	242
25/09/2013	926249043.5	86	13/03/2014	13359929	255
29/09/2013	8400000	90	19/03/2014	218905400	261
01/10/2013	13318766	92	19/03/2014	64092670.3	261
04/10/2013	109410766	95	20/03/2014	12820512.8	262
08/10/2013	169642000	99	25/03/2014	905745870	267
10/10/2013	200000000	101	04/04/2014	889000000	277
15/10/2013	76387696	106	08/04/2014	726749814	281
18/10/2013	26778473.72	109	09/04/2014	215823000	282
19/10/2013	8400000	110	28/04/2014	896408026	301
22/10/2013	735613350.6	113	05/05/2014	21055400	308
22/10/2013	187943000	113	13/05/2014	199864394	316
22/10/2013	8478780	113	14/05/2014	164420600	317
08/11/2013	235360900	130	14/05/2014	6840900	317
18/11/2013	11333050.22	140	26/05/2014	909347177	329
20/11/2013	920966676.6	142	17/06/2014	156274500	351
30/11/2013	153500091	152	17/06/2014	156274500	351
06/12/2013	286680150	158	27/06/2014	506421392	361
16/12/2013	164420600	168			

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

	Front Loading (in days)
2011-12	198
2012-13	196
2013-14	186
	Front Loading (in months)
2011-12	6.6
2012-13	6.5
2013-14	6.2

Table 77: Computation for Figure 4

TZS Million						
Quarters	2011-12		2012-13		2013-14	
	Planned	Actual	Planned	Actual	Planned	Actual
Q1	4275	2805	7429	2961	5272	4306
Q2	4275	2816	7429	4459	5272	4294
Q3	4275	4204	7429	3824	5272	3760
Q4	4275	3267	7429	3725	5272	4848
Annual	17101	13092	29716	14969	21088	17208
Quarters	2011-12		2012-13		2013-14	
	Planned	Actual as % of planned	Planned	Actual as % of planned	Planned	Actual as % of planned
Q1	25.0%	16.4%	25.0%	10.0%	25.0%	20.4%
Q2	25.0%	16.5%	25.0%	15.0%	25.0%	20.4%
Q3	25.0%	24.6%	25.0%	12.9%	25.0%	17.8%
Q4	25.0%	19.1%	25.0%	12.5%	25.0%	23.0%
Annual	100.0%	76.6%	100.0%	50.4%	100.0%	81.6%

7.2. Screenshots for PI-1 and PI-2

Table 1 - Fiscal years for assessment

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

Table 2 (in '000')

Data for year =	2011		adjusted budget	deviation	absolute	percent
	budget	actual				
administrative or functional head						
Planning	33,643	33,643	34,076.8	-434.1	434.1	1%
Human resource management & development and administration	1,406,836	1,312,883	1,424,989.4	-112,106.0	112,106.0	8%
Finance	48,694	43,274	49,322.2	-6,048.6	6,048.6	12%
Trade and economic affairs	16,200	7,959	16,409.0	-8,450.3	8,450.3	51%
Agriculture and Livestock	1,491,986	765,554	1,511,238.7	-745,684.8	745,684.8	49%
Education	9,656,008	9,924,195	9,780,609.1	143,586.2	143,586.2	1%
Primary health services	3,285,195	3,285,410	3,327,587.3	-42,177.4	42,177.4	1%
Water	733,592	749,460	743,058.5	6,401.6	6,401.6	1%
Works	158,356	816,572	160,399.3	656,172.9	656,172.9	409%
Lands	5,400	655	5,469.7	-4,814.7	4,814.7	88%
Natural resources	5,400	39,167	5,469.7	33,697.3	33,697.3	616%
Community development, gender and children	469,862	555,783	475,924.8	79,857.8	79,857.8	17%
allocated expenditure	17,311,171	17,534,554	17,534,554	0	1,839,432	
contingency						
total expenditure	17311170.67	17534554.47				
overall (PI-1) variance						1.3%
composition (PI-2) variance						10.5%
contingency share of budget						0.0%

Table 3 (in '000')

Data for year =	2012		adjusted budget	deviation	absolute	percent
	budget	actual				
administrative or functional head						
Planning	5,845,874	905,336	5,921,309.2	-5,015,973.0	5,015,973.0	85%
Human resource management & development and administration	1,548,657	1,161,779	1,157,259.4	4,519.5	4,519.5	0%
Finance	229,248	158,026	171,309.7	-13,284.0	13,284.0	8%
Trade and economic affairs	826,301	60,963	617,467.0	-556,504.0	556,504.0	90%
Agriculture and Livestock	1,448,921	2,383,413	1,082,729.9	1,300,683.6	1,300,683.6	120%
Education	11,537,928	9,756,259	8,621,906.6	1,134,352.7	1,134,352.7	13%
Primary health services	6,017,031	4,145,808	4,496,325.5	-350,517.4	350,517.4	8%
Water	941,546	2,128,032	703,585.8	1,424,446.5	1,424,446.5	202%
Works	990,335	937,961	740,044.4	197,916.9	197,916.9	27%
Lands	9,400	28,936	7,024.3	21,912.2	21,912.2	312%
Natural resources	-	90,445	0.0	90,445.4	90,445.4	#DIV/0!
Community development, gender and children	1,152,711	1,070,500	861,382.4	209,117.9	209,117.9	24%
allocated expenditure	30,547,952	22,827,460	24,380,344	(1,552,884)	10,319,673	#DIV/0!
contingency						
total expenditure	30547952.19	22827460.4				
overall (PI-1) variance						25%
composition (PI-2) variance						42.33%
contingency share of budget						0%

Table 4 ('000')

Data for year =	2013		adjusted budget	deviation	absolute	percent
	budget	actual				
administrative or functional head						
Planning	590,595	219,608	598,216.1	-378,608.2	378,608.2	63%
Human resource management & development and administration	1,960,767	1,410,642	1,714,812.651	-304,170.4	304,170.4	18%
Finance	227,800	220,595	199,225.2251	21,370.2	21,370.2	11%
Trade and economic affairs	138,722	35,203	121,320.9907	-86,118.4	86,118.4	71%
Agriculture and Livestock	1,444,076	1,782,401	1,262,933.674	519,467.2	519,467.2	41%
Education	9,215,491	8,627,716	8,059,518.654	568,197.7	568,197.7	7%
Primary health services	4,081,226	3,948,795	3,569,285.381	379,509.7	379,509.7	11%
Water	3,227,626	2,280,148	2,822,758.921	-542,611.3	542,611.3	19%
Works	277,689	241,287	242,855.9587	-1,569.2	1,569.2	1%
Lands	300,093	305,360	262,450.367	42,909.9	42,909.9	16%
Natural resources	537,135	206,531	469,758.2814	-263,227.1	263,227.1	56%
Community development, gender and children	58,388	14,210	51,063.85647	-36,854.3	36,854.3	72%
allocated expenditure	22,059,609	19,292,496	19,374,200	(81,704)	3,144,614	4
contingency						
total expenditure	22059609	19292495.91				
overall (PI-1) variance						12.5%
composition (PI-2) variance						16.2%
contingency share of budget						0.0%

Table 5 - Results Matrix

year	for PI-1		for PI-2 (i)		for PI-2 (ii)	
	total exp.	deviation	composition	variance	contingency share	
2011		1.3%		10.5%		
2012		25.3%		42.3%	0.0%	
2013		12.5%		16.2%		

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

Annexure.8 Performance indicators summary

Table 78: PEFA performance indicators summary

Performance Indicators	Description	PEFA 2015 rating
HLG-1	Predictability of transfers from a higher level of Government	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	C
(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	C
PI-2	Composition of expenditure out-turn compared to original approved budget	D+
(i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items	D
(ii)	The average amount of expenditure actually charged to the contingency vote over the last three years	A
PI-3	Aggregate revenue out-turn compared to original approved budget	D
PI-4	Stock and monitoring of expenditure arrears	NR
(i)	Stock of expenditure arrears	NR
(ii)	Availability of data for monitoring the stock of expenditure arrears	D
B. Key Cross-Cutting Issues: Comprehensiveness and Transparency		
PI-5	Classification of the budget	C

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

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

Performance Indicators	Description	PEFA 2015 rating
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	D
(iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	NA
PI-17	Recording and management of cash balances, debt and guarantees	C
(i)	Quality of debt recording and reporting	C
(ii)	Consolidation of government's cash balances	C
(iii)	System for contracting loans and issuance of guarantees	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

Performance Indicators	Description	PEFA 2015 rating
(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	B+
(i)	Regularity of bank reconciliation	A
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	B
PI-23	Availability of information on resources received by service delivery units	B
PI-24	Quality and timeliness of in-year budget reports	C+
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	C
(ii)	Timeliness of issue of reports	A
(iii)	Quality of information	C
PI-25	Quality and timeliness of annual financial statements	B
(i)	Completeness of financial statements	B
(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

Performance Indicators	Description	PEFA 2015 rating
(iii)	Evidence of follow up on recommendations	C
PI-27	Legislative scrutiny of the annual budget law	D+
(i)	Scope of legislature's scrutiny	C
(ii)	Extent to which the legislative procedures are well established and respected	C
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	D
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	B
PI-28	Legislative scrutiny of external audit reports	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

Annexure.9 List of people met

Table 79: List of people met

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

18.	Juma Mabrouk	Human Resource Officer	PMO – RALG
19.	Daria Justine Bujiku	Loans and Investment Financial Management Officer	PMO – RALG
20.	Mustapha S Yusuf	Procurement Financial Management Officer	PMO – RALG
21.	Isacka Jeremah	Assistant Director	PMO-RALG
22.	Denanis 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.	Waziri Ally	Accountant	PMO-RALG
28.	Raheli Ntiga	Budget Officer	Budget Division, MoF
<i>At the district level</i>			
27.	Mabula Nmyigi	ACGEN. DED	Mwanga District Council
28.	Dirk Mwanagwegu	ACGEN. DIA	Mwanga District Council
29.	Jassen M Mwizu	ACGEN. DHRO	Mwanga District Council
30.	Joshua Ugoli	HRO	Mwanga District Council
31.	Mwanaisha Ally	ACGEN.DDMO	Mwanga District Council
32.	George Nathan	VFC	Mwanga District Council
33.	Hassan A Hassan	ACCT	Mwanga District Council
34.	Nisgurwe Mashika	ACGEN. DMO	Mwanga District Council
35.	Hawa F Mrutu	ACGEN.	Mwanga District Council
36.	Yusuf Hamisi	ACGEN. DEO	Mwanga District Council
37.	Anthony Musanke	JA	Mwanga District Council
38.	Honest Mbombo	SU	Mwanga District Council
39.	Fulgence E Shabani	SLO	Mwanga District Council

40	Kisgavu E Shabani	ACGEN. DEO	Mwanga District Council
41	Elizabeth Kossem	CC	Mwanga District Council
42	Evetha S Lyimo	DPLO REP	Mwanga District Council
43	Emmanual Kawia	Economist	Mwanga District Council
44	Zaitunia Mmboja	SLO(P)	Mwanga District Council
45	Bakaria Mubaga	ACGEN.DT	Mwanga District Council
<i>PEFA Counterpart Team</i>			
46	Steven Benedict	PEFA Counter Part	Lindi Regional Office
47	Daria Bujilu	PEFA Counter Part	PMO RALG
48	Fulgence Luyagaza	PEFA Counter Part	Kinondoni Municipal Council
49	Ally Waziri	PEFA Counter Part	Bagamoyo District Council
50	Munguatosha Macha	PEFA Counter Part	Geita Region
51	Chausiku Nyanda	PEFA Counter Part	PMO RALG

Annexure.10 List of Documents Referred

1. Public Financial Management Reform Programme IV Strategy Document
2. Memorandum of Understanding between DFID (acting on behalf of Government of the United Kingdom of Great Britain and Northern Ireland) and The United Republic of Tanzania for Public Financial Management Reform Programme Grants
3. Terms of Reference for Public Expenditure and Financial Accountability Assessment of 12 LGAs in Tanzania
4. Local Government Financial Memorandum
5. Local Government Accounting Manual
6. Local Government Finance Act
7. Local Government (District Authorities) Act 2002
8. Local Government (Urban Authorities Act) 2002
9. Tanzania at a glance, 2012, National Bureau of Statistics, Tanzania
10. The Constitution of United Republic of Tanzania
11. Public Procurement Act, 2011
12. Local Government Authorities Tender Board (Establishment & Proceedings) Regulations (2014)
13. Public Procurement Regulations (2013)
14. Government Loans, Grants and Guarantees Act (1974)
15. Public Finance Act (2001)
16. Guidelines For The Preparation Of Annual Plan And Budget For 2014/15 In The Implementation Of The Five Year Development Plan 2011/12-2015/16 (Including Annexure A)
17. Internal Audit Manual, 2013
18. Annual General Report on Local Government Authorities for 2012-13 by CAG
19. Public Audit Act
20. Public Audit Regulations 2009
21. Audit Financial Statements for 2011-12, 2012-13 and 2013-14
22. CAG's Management Letter on Financial Statements of Mwanga DC for 2012-13 and 2013-14
23. MTEF of Mwanga DC for 2014-15
24. Reforming Tanzania's Public Sector, An Assessment and Future Direction, President's Office - State House, the United Republic of Tanzania, November 2013
25. Aide Memoire (Report), Joint Supervision Mission 2015, Public Financial Management Reform Programme (PFMRP)
26. 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

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

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