Fostering Accountability

Sub-National (Local Government) PEFA Assessment in Tanzania

Mwanza City Council –Final Report

July 2016

Contents

Acronyms

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

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

Acronym	Definition	Acronym	Definition
LGAM	Local Government Accounting Manual	TRA	Tanzania Revenue Authority
LGCDG	Local Government Capital Development Grant	TZS	Tanzania Shilling
LGDA	Local Government District Authorities Act	USD	United States Dollar
		VAT	Value Added Tax
LGFA	Local Government Finance Act	WSSA	Water Supply and Sanitation Authority
PwC	PricewaterhouseCoopers		

Fiscal Year	**1 July to 30 June**
Exchange rate	**1 USD= 2019 Tanzanian Shilling (4th of June, 2015)** **Symbol "TZS" indicates Tanzania Shillings and "USD" indicates United States Dollar**
Financial period	**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	NR
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	B
PI-8	Transparency of inter-governmental fiscal relations	D
PI-9	Oversight of aggregate fiscal risk from other public sector entities	C
PI-10	Public access to key fiscal information	C
C. Budget Cycle		
(i) Policy-Based Budgeting		
PI-11	Orderliness and participation in the budget process	C+
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting	D
(ii) Predictability and Control in Budget Execution		
PI-13	Transparency of taxpayer obligations and liabilities	D+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	D
PI-15	Effectiveness of collection of tax payments	D+
PI-16	Predictability in the availability of funds for commitment of expenditures	NR
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	C
PI-23	Availability of information on resources received by service delivery units	B
PI-24	Quality and timeliness of in-year budget reports	C+
PI-25	Quality and timeliness of annual financial statements	C+
(iv) External Scrutiny and Audit		
PI-26	Scope, nature, and follow-up of external audit	C+
PI-27	Legislative scrutiny of the annual budget law	D+
PI-28	Legislative scrutiny of external audit reports	C+
D. Donor Practices		
D-1	Predictability of Direct Budget Support	NA
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	NA
D-3	Proportion of aid that is managed by use of national procedures	NA

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

1.2. Context of the assessment- Data issues

The variation in data between various source documents referred to in some detail in this assessment is an area of concern. While the basis of compilation of each document is standardized and well established, reconciliation of different figures from documents such as the MTEF, the National Budget, the Audited Annual Financial Statements and others quoted by relevant departments and ministries proved to be challenge. However it needs to be mentioned that this phenomena does not apply to this LGA 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. In addition to this, for certain indicators, relevant information for rating is yet to be made available. Therefore, such indicators/dimensions have not been rated for the purpose of this assessment.

1.3. Integrated Assessment of PFM performance

Mwanza CC has been able to take advantage of the existing institutional structures for 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 the LGA has also performed reasonably well in areas such as transparency, classification of budget (allowing analysis as per the development objectives of the Council) and overall compliance with existing budgeting processes. However, some critical challenges remain. Out of these, some are within LGA's control and while others are extraneous but affecting its operations. For example, revenue administration, broadly within the control of the LGA, needs to be strengthened significantly to generate additional resources and reduce dependency on the central government. On the other hand, poor reliability of fund flows from the National Government, in a scenario when 80-90% of the Council's spending is financed through these transfers, severely impacts budget planning and execution.

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 the LGA. The most important of PFM weaknesses in Mwanza-CC are discussed here.

Predictability of Fund Flows

The uncertainties in the actual availability of the Central Government transfers is a serious impediment to the overall planning and budget execution process at the LGA level. These uncertainties in cash flows also impacts commitment controls which is further aggravated by lack of any reliable information on payment arrears.

Quality of Budgeting

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

Controls over Budget Execution

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

Accountability Structures and Internal Controls

Though overall accountability structures are well established for LGAs in general in Tanzania, there are several areas of concern related to Mwanza CC. These have been referred to in the adverse CAG audit opinion on the financial statements of FY2012-13 as well as the substantially qualified audit report on the statements for 2013-14. The break-down as well as breaches in the control environment covers areas of fundamental accountability. The instances reported include revenue receipt books not produced for audit, understatement of payables, under banking of revenue, missing and forged documents etc. The general control environment if further vitiated by the persistent lack of timely response to audit findings and lack of a structured system of follow up of issues detected. This clearly shows that existing control and accountability systems are not working as desired.

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

The budget alone cannot be considered to be a credible indicator to actual expenditure incurred by Mwanza CC. However, the credibility of the budget is determined by various factors such as (i) quantum and timelines of the Central Government transfers (ii) LGA's revenue realization and (iii) LGA's ability to execute the Budget once funds are available.

Local Governments' dependence on the Central Government fund transfers is high in Tanzania. Being the second largest city after Dar-es-salaam, in Mwanza, the contribution of own source revenue to total revenue collection is also relatively high (14% average in the last three years). Out of the last three years, total transfers were lower than budgeted in two years (14%, 2011-12 and 8%, 2013-14).

On own revenue side, unrealistic forecasts were clearly reflected in actual collections in the last three years. In 2011-12 and 2013-14, actual own source revenue collection was 78% and 87% of the budget respectively which further reduced the resource availability. This has impacted the budget execution, as the LGA was able to spend only 3/4th of the budget in 2011-12. However, in 2013-14, the LGA could execute nearly 95% of the Budget despite low collections. This was possible since the budget size was reduced in 2013-14 (23%) relative to 2012-13.

The impact of poor own source revenue collection and the Central Government transfers were also seen in changing priorities of the LGA during the financial year. The compositional variance of expenditure was 55%, 16%, 20% in 2011-12, 2012-13, and 2013-14 respectively.

Reliable data on expenditure arrears in the LGA are not being collected. The expenditure arrears have been recently defined by the GoT in December 2014. Payables as on 30th of June 2014 were 4.2% of total expenditure. However, there are inconsistencies in the information on payables with the AFS for 2013-14 and CAG in its management letters has noted cases of understatement of payables.

Comprehensiveness and Transparency (PI 5-10)

Overall Comprehensive and Transparency of information included in budget documentation of the Mwanza CC is fair. While budget documents follow the GFS 2001 based classification allowing the Council to link budgetary allocations with development objectives, there is no clear evidence of adherence to the functional classification in line with COFOG. The consolidated budget book prepared by the Council did not include four of the six applicable information benchmarks prescribed under the PEFA framework. Of the eight budget and expenditure related documents recommended for public access, the LGA provides five for public dissemination.

In addition, uncertainties in fund availability from the Central Government undermines any attempt for laying down a rational framework that is fully comprehensive and backed by transparency in the timing and availability of resources.

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 are tightened for timely budget presentation to the Parliament, the present systems allow 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 budget 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 Mwanza CC, 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.

Although there is a strategic plan reflecting the development priorities of the LGA, there is no costing of interventions in the Strategic Plan. 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)

Based on the GFS (2001) manual, the relevant sources of revenue which can be classified as taxes for Mwanza CC are (i) Property Tax and (ii) Service levy. The key challenges in revenue administration include (i) lack of focused efforts and absence of any dedicated information desks to address tax appeals; (ii) general low awareness levels of the nature and nuances of each tax and their methods of collection; and (iii) lack of a comprehensive database of potential taxpayers for certain key taxes such as property tax. At the time of assessment, number of buildings in the city was nearly 49,354. However, only 4200 buildings have been evaluated (nearly 8.5%). This reflects that large portion of potential taxpayers is not included in tax base.

A quick comparison of actual against budgeted tax collections indicates that there has been a high volatility of collections over the last 3 years. On an aggregate basis, collections against budget were 76%, 136% and 87% for years from 2011-12 to 2012-13 and 2013-14 respectively. The overall situation is complicated further with the absence of any independent tax appeals mechanism in the Council.

Internal control systems (PI 16- 21)

Cash and debt management (PI 16-17): Central Government transfers constitutes significant portion of Mwanza CC's revenues. No information on expected periodic transfers from the Central Government is shared with the City Council. The general uncertainty in the availability and timing of cash flows, therefore, makes any credible cash forecasting a difficult task. The City Council also is not in a position to provide in-year information on ceilings to departments for expenditure commitments. Information on in-year adjustments during the year is not available.

From the assessment, the team confirmed that Mwanza CC had a debt of 0.1% of its GDP which is negligible. Large number of bank accounts that were used previously were later consolidated to eight accounts only. End year balances for each account is 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 Cleaning 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, although, as a recent intervention, 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) involving payroll there are cases of pending arrears related to promotion or new hires. The absence of documented verification at LGA level on inputs made to the payroll system and the absence of focused periodic payroll audits reflect the absence of suitable oversight mechanisms in this important functional area.

Procurement (PI-19): Less than 25% of the procurement at the City Council level is done through open competitive bidding. There was no clear indication of the required justification where alternative methods of procurement are adopted. With the implementation of Public Procurement Act 2011 , Public Procurement Regulation 2013, 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, appeal mechanism needs to be improved.

Other Internal Controls (PI-20): Effective commitment control through the budgetary ceilings cannot be implemented due to cash rationing with cash limits being fed into the EPICOR system once 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. Additionally, CAG has pointed out cases of unreported payables which prevent making effective decisions on fresh commitments. The internal audit as well as CAG audit reports has referred to weakness resulting in excess payments, inadequacy of documents and records, improper authorization of expenditure. Overall operational controls therefore appear to be requiring appreciable improvements considering the nature of deficiencies observed by the auditors.

Internal Audit (PI-21): Internal Audit in Mwanza CC is conducted as per the annual risk based audit plan. The Internal Auditor prepares quarterly audit reports and submits report to the auditees, the CAG and Internal Auditor General. The time allocation for internal audit is planned according to months with between two and five months being planned for audit of various projects, transactions and activities. Our observations showed that about half of the audit issues related to systemic weaknesses while the balance related to transactions. However, it was difficult to segregate the age of past pending issues as internal audit reports had no indications on recommendations that had been implemented from the previous year.

Accounting, Recording and Reporting (PI 22-25)

Bank reconciliations are regularly performed in all bank accounts on a monthly basis and are available by the 15th of the following month for the previous month. With the exception of Own Source Revenue Cash Account, there is no backlog as bank reconciliations were complete up to the month of February 2015.

There appears to be inadequate control information over imprest/staff balances, as the CAG's Management Letter indicated that at the end of FY2012/13, the Council had unretired staff imprest of nearly TZS 53 million which was also not reflected on the Councils' books of accounts.

With respect to service delivery units, while information on grants (both cash and in-kind) transferred is recorded by the Council, 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.

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

Mwanza CC prepared 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 LGFM prescribes the composition of the AFS. However the external audit reports showed that there were serious issues with the AFS for the last 2 years resulting in an adverse opinion for 2012-13 and a substantially qualified opinion for 2013-14. The nature of these have been discussed in the detailed assessment report.

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 Mwanza CC are already on accrual basis. However, considering the quality issues referred to by the CAG as above, the general challenges of ensuring full compliance with accrual based IPSAS referred to by CAG in the Annual Report which includes imminent need for training of personnel, and the requirement of full compliance with each and every standard prescribed by IPSAS to be deemed as fully compliant, it may require more time and efforts for the 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, LGFA 1982, Public Audit Act 2008 and Public Audit Regulations 2009. 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 Council's Executive Director (City Director). External audit focusses on a risk based approach and uses systematic sampling to cover transactions in such a way as to cover major as well as other areas. The National Audit Office is a member of the International Organisation of the Supreme Audit Institutions (INTOSAI) and adheres to international auditing standards. The emphasis of the audit is financial in nature and performance audit per se is yet to start on a noticeable basis. Responses to management letters are available but evidence of systematic follow up is absent as evidenced by comments provided and repeat comments in subsequent years.

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 precede such formal approval.

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

1.4. Assessment of the impact of PFM weaknesses

Fiscal discipline

Fiscal discipline is high in case of Mwanza CC. One of the contributing factors is that Mwanza CC (similar to other LGAs in Tanzania) on an annual basis plans for balanced budget. Secondly, in-year budgetary controls are robust. Mwanza CC on a quarterly basis monitors expenditure and revenue. While these factors contribute to fiscal discipline, risks remain from the side of (i) non-payment of payables (ii) lack of linkages between medium term development objectives, medium term expenditure planning and annual budgets, and (ii) weak estimation of own source revenue collection. In the last three years, own revenue outturn has been significantly lower than the budgeted figures.

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 of resources is undermined due to: (i) lack of a medium term perspective in planning for spending; and (ii) weak integration of recurrent and investment costs in proposals for capital projects. Compliance to rules for internal controls to ensure efficient budget execution remains an area that requires improvement. Internal audit systems have improved but management response to the recommendations remains poor.

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) significant dependency of the LGA (similar to other LGA) and (ii) irregular flow of funds.

1.5. Prospects for Reform Planning and Implementation

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

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

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

2. Introduction

2.1. Objectives

The Government of the United Republic of Tanzania (the GoT) is in the process of improving Public Financial Management (PFM) systems across the public sector. Various reforms have been implemented since 1998, as part of the Public Financial Management Reform Programme (PFMRP). The Programme is currently in its fourth phase, with some of the programme targets, systems at the local government level. With the support of the European Commission, the GoT conducted a Public Expenditure and Financial Accountability (PEFA) assessment at the Central Government level in 2013. The assessment revealed that significant progress had been made in PFM systems, largely reflecting the impact of the PFMRP. 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 action plan drawn to address these issues identified in the PEFA assessment of Central Government Mainland Tanzania.

Local Government Authorities (LGAs) have become increasingly important both from public service delivery perspective as well as magnitude of resources spent. 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 to the LGAs 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;
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 City Council (CC). This is the first assessment of Mwanza CC using PEFA methodology.

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

Coordination of this assessment is done by the GoT through the Ministry of Finance (MoF) as it did for the national level assessment in 2013. The overall assessment is being managed by the PEFA Task Force Committee who acts as an oversight team of the assessment in the 12 LGAs. The Committee composed of members from the MoF, PMO-RALG and the PFM Development Partners Group. The Group comprises of DFID, KfW (German Development Bank) and the World Bank. 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]

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

Field visits to the LGAs were preceded by a project kick-off meeting, stakeholder discussions at the central level and followed up by a training workshop on PEFA methodology contextualized to the local governments. The broad scope of the assignment was finalized in the kick-off meeting. PFMRP Office, MoF played a critical role in facilitating meetings with the concerned stakeholders. These included key officials in Planning Division and 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) 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, the consultants have also held discussions with the Association of Local Authorities of Tanzania[2] (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.

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

Field visit to Mwanza CC was carried out on the 19th and the 20th of March 2015. Subsequently, an individual draft LGA report was prepared and submitted to the following stakeholders for review and comments on 9 June 2015: (i) PEFA Task Force Committee; (ii) PEFA Secretariat; and (iii) three independent reviewers from the PFM Development Partner Group: KfW; DFID; and the World Bank.

Based on a study of the comments received from stakeholders on the draft report for Mwanza CC 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 Mwanza CC. 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 Mwanza CC was submitted on 17th May, 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, available relevant data/information does not allow the assessor to assign a rating to the dimension/indicator. Similarly, “Not Applicable” implies that the PFM system/process required for the assessor to assess the indicator/dimension does not exist in the LGA.

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

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 Mwanza CC. 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 (PA&OB) 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 Mwanza CC on Central Government

The intergovernmental transfers are the largest source of Mwanza LGA financing (accounting more than 90% of LGA financing) as shown in Table 2. This reflects high dependency of the LGA on Central Government funding.

Table 2: Mwanza LGA dependency on Central Government, 2010-2013, TZS million

Item	2011-12	2012-13	2013-14
Total revenue	51601	73296	45704
Recurrent grant	38820	51033	33768
Development grant	2527	14883	5365
Total grants	41347	65916	39133
Grants as % of Total Revenues	**80.1%**	**89.9%**	**85.6%**

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

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

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

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

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

3. Country Background

3.1. Country Economic Situation

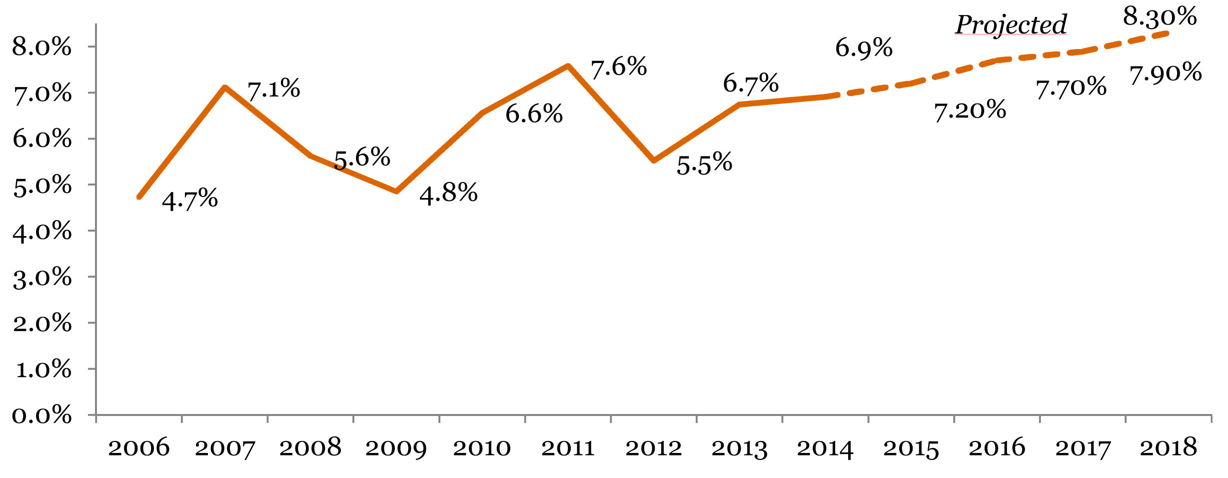
3.1.1. Country Context

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

Gross value added

Tanzania has made impressive economic growth in the last decade and is expected to transit from "low income" category[3] to "lower middle income" category in 2015. Figure 1 shows growth rate of Tanzania's Gross Value Added (GVA). The economy has been growing at an average annual growth of 6.2% since 2006 as compared with growth rate of 4.7% for developing countries in Sub-Saharan Africa as a group. As per the Government of Tanzania's projections, the economy is expected to achieve 8.3% growth by 2018. In comparison with its eight bordering countries, Tanzania's performance has been better than Kenya, Burundi, and Malawi. Though economies such as Rwanda, Uganda, Mozambique and Democratic Republic of Congo are growing at a higher rate relative to Tanzania, it should be noted that these economies are at earlier stages of economic development and are therefore, at a smaller base of GVA in comparison with Tanzania

Figure 1: Gross Value Added Growth, 2006-2018



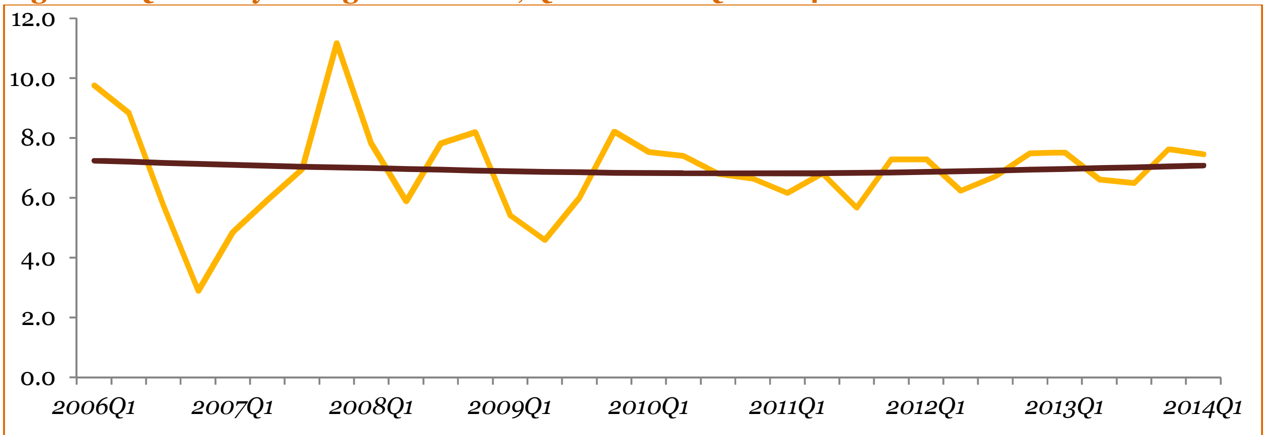
Source: Bank of Tanzania (figures till 2014), Government of Tanzania Budget Books, 2015-16 (Projected figures post 2015)

Apart from high growth, Tanzania has also achieved greater economic stability within the year, i.e. quarterly growth rates closely revolve around "trend growth rates (or average sustainable growth rate)[4]". Figure 2 shows quarterly growth rates for the Country since 2006. It can be inferred that post

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

third quarter of 2009, volatility in quarterly growth declined sharply and it closely revolved around the "trend growth rate". Lower volatility in economic growth improves predictability in government revenues and strengthens the ability of government to implement policy reforms.

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



Source: Bank of Tanzania (Quarterly Growth rates)

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

Growth inclusiveness

While the Country has managed to sustain economic growth over the years, this trend has not translated into accelerated poverty reduction[5]. 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

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

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 double than the 26% in rural areas. With respect to education, the 2012 population and housing census notes that education levels have improved over the last 10 years but gender and geographical gaps in literacy and enrollment need to be checked.

Price movements

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

Savings and external sector

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

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

Worsening of current account has impacted the foreign exchange reserves but ability to meet foreign obligations remains high. This is majorly due to accumulation of foreign exchange reserves in the first decade of 21st century. Import adequacy of reserves (measured by months of imports of goods and services that foreign exchange reserves can serve) was 4.2 months in 2013-14, higher than the target set by Bank of Tanzania[6]. 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

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

The Bank of Tanzania has been successful in meeting its principal objective as set out in Bank of Tanzania Act, 2006, i.e. the primary objective of the Bank shall be to formulate, define and implement monetary policy directed to the economic objective of maintaining domestic price stability conducive to a balanced and sustainable growth of the national economy". While inflation has been at a mid-single digit level, economic growth was nearly 7% in 2014. This has been achieved through injecting liquidity in the system, foreign exchange operations, repurchase agreements and stand-by facilities.

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

3.2. Budgetary Outcomes

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

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

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

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

domestic	0.6%	1.6%	0.3%

Source: Ministry of Finance, Government of Tanzania

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

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

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

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

Source: Ministry of Finance, Government of Tanzania

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

3.3. Legal and Institutional Framework for Public Financial Management

3.3.1. Legal Framework

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

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

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

- Para 137 – covers the preparation and submission of the annual estimates for the revenue and expenditure that are included in the annual budget;
- Article 138-prescribes no imposition of taxes unless approved by law;
- Article 139-deals with authorisation of expenditures from the Consolidated Fund in case the Appropriations Act has not yet come into operation;
- Article 141-mentions securing of all public debt on the Consolidated Fund;
- Para 143 – describes the role of the CAG and related responsibilities to ensure proper use of public funds and to give an audit report.

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

Table 5: Overview of laws and regulations

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

Name	Functional area
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)[7] 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.

[7] Organizational Structure for MoF has been given in Annexure.5.

The Prime Minister's Office (Regional Administration and Local Government Authority)[8] 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.

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. 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 neighbourhood and Ward organs. The word village in the administrative arrangements for the City Council has been used to represent the neighbourhood. Governance at the village

[8] Organizational Structure for PMO-RALG has been given in Annexure.5.

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

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

The Judiciary exercising jurisdiction over the LGAs is represented by District Courts that hold public hearings for all cases including those for violation of the bye-laws or non-payment of the respective council charges or taxes. However, the law in Tanzania does not provide for specific hearing against the LGA in the event of injuries caused to the public[9].

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.

[9] 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).

3.3.3. Key Features of the PFM System

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

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

3.3.3.1. Planning and Budgeting

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

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

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

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

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

3.3.3.2. Funds Flow

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

Central government transfer forms the largest proportion of the LGAs' financial support, followed by the own source revenue. Donor direct funding is not widely practiced, though during the assessment there were few instances of funds flowing directly to the LGA from the Elizabeth Glaser Pediatric AIDS Foundation (EGPAF), but these formed an insignificant proportion of the overall respective

LGAs' funding. The assessment noted that funds from central level are transferred on availability rather than need basis. All LGAs did not maintain cash forecasts to inform timely disbursements due to their experience that disbursements are never determined by their needs but are made when the central government has funds, and when they are made, they are normally insufficient to meet all the required needs.

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

3.3.3.3. Procurement

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

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

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

3.3.3.4. Accounting and Financial Reporting

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

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

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

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

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

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

3.3.3.5. Internal Controls

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

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

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

3.3.3.6. External Auditing and Follow up of Audit Recommendations

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

The National Audit Office of Tanzania (NAOT) is the Supreme Audit Institution (SAI) of the country and headed by the Controller and Auditor General (CAG). Section 18 of the Public Audit Act prescribes that the CAG shall determine which auditing standards should apply and may issue auditing standards and code of ethics as applicable. NAOT is a member of the International Organization of Supreme Audit institutions (INTOSAI), the Africa Organization of Supreme Audit Institutions (AFROSAI) and Organization of Supreme Audit Institutions-English Speaking countries

(AFROSAI-E). Being a member of these, the NAOT is obliged to follow the International Standards of Supreme Audit Institutions (ISSAI) and International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFA). This is a matter also reaffirmed by the CAG in his report for the LGA.

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

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

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

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

4. LGA Background Information

4.1. Economic situation

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

Table 6: Factsheet-Mwanza City, 2010

Item	Unit	Value	Regional
Population (2012)	No.	363,452	2,926,8750
Area	Sq. Km	256.45 Nearly 184.9 sq. km (72%) is dry land and 71.55 (28%) is covered with water. Out of the 184.9 sq. km. dry land area, approximately 173 sq. km is urbanized.	88,2530
Poverty rate (Population below food poverty line)	%	30	19
Per capita income (2012)	USD	600 USD	652 USD
Maternal Mortality Rate	Per 100,000	340	220
Infant Mortality Rate	Per 1000	26	99

Source: Mwanza Strategic Plan, 2010-15

Table 7: Broad Development Indicators (region wise)

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

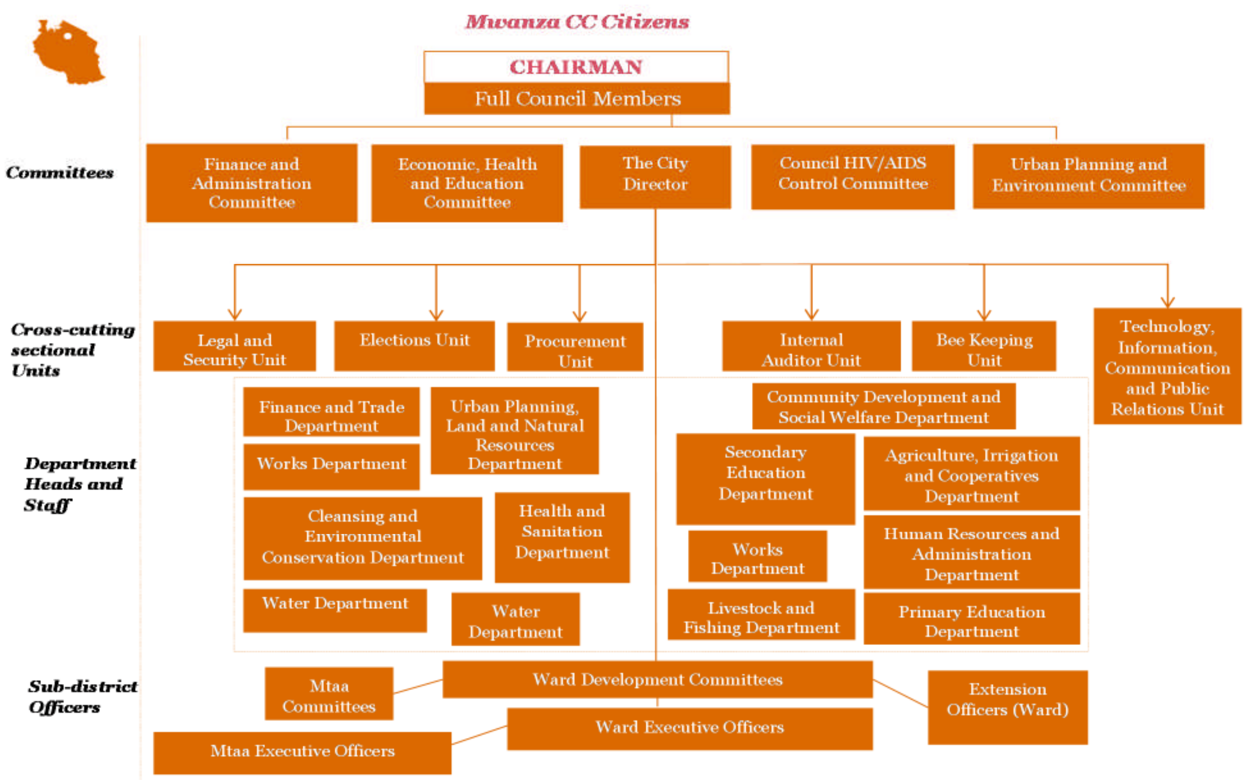
Category	Indicator	Total	Arusha	Kilimanjaro	Tanga	Morogoro	Lindi	Mtwara	Kigoma	Mwanza	Mara
Employment	Top occupation for men (2010)		Agri	Agri	Agri	Agri	Agri	Agri	Agri	**Agri**	Agri
	Share of men (15-49 yrs.) in top occupation (2010)		40.7	46.7	58.8	61.7	81.8	77.3	57.1	**68.7**	69.4
	Top occupation for 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 organisational structure of the Mwanza CC. At the highest level of Mwanza CC's organization structure are the people of Mwanza City (citizens) who are represented by the Councilors (Full Council), under the leadership of Lord Mayor.

Figure 3: Organizational Structure



The City Executive Director (CED) who is assisted by heads of departments and sections conducts the day-to-day administration of the City. At the ward level, there are Ward Executive Officers who are supervised by the City Director. The Councilors works 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, Mwanza CC has fourteen 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.

Additionally, Mwanza CC has six units namely: Legal and Security, Elections, Procurement, Internal Audit, Bee Keeping, Technology, Information, Communication and Public Relations. Staffs within these sections have the responsibility for ensuring that the Departments perform functions as required by the law and provide assistance in the efficient operation of the Council. Externally, there are four standing committees in Mwanza CC that also assists in the operations of the Council. The committees are:

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

4.3. Fiscal performance of LGA

As shown in Table 2 the Central Government grants constitutes significant portion of LGA's total revenues (on average 85%). Table 8 shows trend of revenues of the Mwanza CC for the last three years. Since 2011-12 own revenues have declined by 36%. On the other hand, total domestic revenues have declined by 12% only. In 2011-12, the Council earned an abnormal TZS 2,951 million income from sale of assets. No revenue from sale of assets was earned on other two years. The Council's own revenue declined by 10% from 2011-12 to 2013-14. Major sources of such decline are (i) Local taxes and (ii) Revenue from exchange transactions.

Table 8: Revenue performance, 2011 to 2013, TZS million

Items	2011-12	2012-13	2013-14
Local Taxes	3647	2613	2582
Fee, fines, penalties and licenses	2410	2503	3487
Revenue from exchange transactions	1111	2069	302
Finance Income	33	57	0
Other own revenue	2951	103	0
Total Own Revenue	**10152**	**7346**	**6370**
Land Rent	102	35	201
Recurrent grant	38820	51033	33768
Development grant	2527	14883	5365
Total Revenues	**51601**	**73296**	**45704**

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

Table 9 shows expenditure by functional classification. Education and health, similar to other LGAs continues to be leading spending function.

Table 9: Expenditure by function, 2011-12, 2012-13 and 2013-14

Function	2011-12	2012-13	2013-14	Average Share
Administration	1869	1811	10779	9.8%

Human resource management and development	1611	1787	879	2.7%
Finance & Trade	2635	3038	1630	4.6%
Agriculture, Livestock, Co-operative, Fisheries & Forestry	935	1007	117	1.3%
Education & Culture	32340	32512	23836	56.5%
Primary health services & Cleansing	5676	6444	5647	11.3%
Works ,Water & Fire Rescue Services	2903	5250	3636	7.4%
Urban Planning, Tourism & Environment.	836	8929	637	5.9%
Community development, gender and children	295	295	209	0.5%
Total Expenditure	**49098**	**61074**	**47371**	**100.0%**

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

Table 10 shows total expenditure of Mwanza CC for the last three years by economic categories. Growth in total expenditure firstly increased in 2012-13 post which it declined in 2013-14. Sudden spike in 2012-13 was due to transfers of TZS 8 billion funds under Tanzania Strategic City Project for construction of roads and bridges which was majorly spent in 2012-13. Largest component of total expenditure is “wages, salaries and employee benefits” constituting on an average nearly 67% of total expenditure.

Table 10: Total expenditure 2009 to 2013, TZS million

Item	2011-12	2012-13	2013-14
Wages, salaries and employee benefits	34273	32586	31870
Supplies and consumables used	6167	7231	6105
Maintenance expenses	4302	7290	2367
Grants and other transfer payments	1845	181	250
Finance costs	6	207	1
Impairment of other financial assets	-	-	0
Capital Expenditure	2506	13579	6779
Total Expenditure	**49098**	**61074**	**47371**

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

Table 11 shows deficit/surplus for Mwanza CC. In two of the last three years, Mwanza has been having surplus. In 2013-14, it was nearly 1667 TZS million of deficit which is approximately 0.4% of estimated GDP[10] of the district.

Table 11: Deficit/surplus, Mwanza CC, TZS million

Item	2011-12	2012-13	2013-14
Total Revenue	51601	73296	45704
Total Expenditure	49098	61074	47371
Surplus	**2502**	**12222**	**-1667**

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

[10] GDP figure for Mwanza CC is not available. For 2012-13, population and per capita income is available. In 2012-13, population was 363452 and per capita income was 600 USD. Using an exchange rate of 2019 TZS for one USD, GDP for Mwanza CC is 440285 TZS million.

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 local governments. 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 90% of total revenue of the Mwanza CC.

(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 (2011-12 to 2013-14), actual Central Government transfers were lower than budgeted. In 2011-12 and 2013-14, actual transfers were 14% and 8% lower than budgeted transfers, respectively. In addition, there is a huge variation between the recurrent and development grants, with recurrent grant being very high between 77% and 94% of the total grants. The predictability of amount of transfers was lower in case of development grants. In 2011-12 and 2013-14, actual development transfers were 85% and 8% lower than budgeted. Our discussion with the City 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

In TZS million		*Recurrent Grants*	*Development Grants*	*Total Grants*
2011-12	Budget	30776	17040	47815
	Actual	38820	2527	41347
	Deviation	**26%**	**-85%**	**-14%**
2012-13	Budget	39521	20179	59700
	Actual	51033	14883	65916
	Deviation	**29%**	**-26%**	**10%**
2013-14	Budget	36564	5858	42422
	Actual	33768	5365	39133
	Deviation	**-8%**	**-8%**	**-8%**

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

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

In case of Tanzania, all transfers are earmarked in nature. Under this dimension, variance between estimated and actual transfers from the higher level of government across various transfer items needs to be assessed. There are only three kinds of grants i.e., recurrent block grants, subventions, and development grants. Actual transfers across various projects of recurrent and development nature is available but estimated transfers across various projects of recurrent nature are not available from the same source. Therefore, this dimension can't be rated.

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

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

Information on dates of actual transfers provided by the LGA is insufficient to rate the dimension. The dates of transfers provided by the LGA do not have information for the year 2011-12. In addition, there are significant variations in quantum between total actual transfers by dates provided by the LGA and the information provided under the Audited Annual Financial Statements.

Table 13: Summary rating for HLG-1

Indicator	Rating	Brief explanation
HLG-1: Predictability of Transfers from a Higher Level of Government	**NR**	
(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	B	In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 10%.
(ii) Annual variance between actual and estimated transfers of earmarked grants	NR	Actual transfers across projects are available but estimated transfers across projects for both recurrent and development nature is not available.
(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed	NR	Sufficient information for rating the dimension is not available.

[11] Page 10, footnote 4

Indicator	Rating	Brief explanation
within of month of the start of the SN fiscal 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 CC 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 Central Government transferring budgeted resources in a timely fashion.

Subject to our comments on data issues, the comparison of aggregate actual total expenditure with the original budget shows negative deviation of 22.2% in 2011-12, 6.4% in 2012-13 and 5.1% in 2013-14. This deviation can be traced to variations in transfers of resources from the higher level government (HLG-1), particularly those related to development projects.

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

Item	*2011-12*		*2012-13*		*2013-14*		*Deviation*		
	Budget	Actual	Budget	Actual	Budget	Actual	2011-12	2012-13	2013-14
Total Expenditure	63135	49098	65240	61074	49925	47371	-22.2%	-6.4%	-5.1%

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

Table 15: Summary rating for PI-1

Indicator	Rating	Brief explanation
PI-1 Aggregate expenditure out-turn compared to original approved budget		
(i) The difference between actual primary expenditure and the originally budgeted primary expenditure.	C	In no more than one (2011-12) of the last 3 years did actual expenditure deviate from that budgeted by more than 15%

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

[12] PEFA Field guide requires comparison of aggregate primary expenditure outturn as against the budget. Firstly, in case of Mwanza City Council, there was interest payment made on the borrowings in 2012-13 but budgeted interest payments are not available. 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.

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

Variation in the aggregate primary 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 primary expenditure after controlling for variation in the aggregate primary expenditure.

The PEFA framework recommends analysis of expenditure outturn by each of the main functional classifications. In Mwanza CC, expenditure is classified by 13 functions: (1) General public services, (2) Human resource, (3) Finance and trade, (4) Economic affairs and planning, (5) Urban Planning & Survey, (6) Education, (7) Environmental protection, (8) Health, (9) Water, (10) Works, (11) Internal audit unit, (12) Forestry, Fisheries & Agriculture, and (13) Community development.

Table 16: Variation in the composition of primary expenditure, 2011-12 to 2013-14

Year	for PI-2 (i) composition variance
2011-12	55.63%
2012-13	16.86%
2013-14	20.79%

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

Analysis of the composition of primary expenditure on a functional basis reveals variation of 55.63% in 2011-12, 16.86% in 2012-13, and 20.8% in 2013-14.

Table below shows function-wise deviations in actual expenditure from the budget. Key functions of the LGA are Education & Culture, Primary Health Services and Administration together contribute on average 77% of the total actual expenditure in the last three financial years. Deviations in these functions across the years have been reflected in overall expenditure composition as shown in Table 16.

Table 17: Department wise deviation in actual expenditure from budget (Adjusted), 2011-12, 2012-13, and 2013-14

Deviation from the budget	Average Share	2011-12	2012-13	2013-14
Administration	9.8%	56.8%	6.8%	-1.6%
Human resource management and development	2.7%	-56.9%	6.8%	87.4%
Finance & Trade	4.6%	-25.3%	6.8%	-16.9%
Agriculture, Livestock, Co-operative, Fisheries & Forestry	1.3%	7.4%	7.4%	-88.6%
Education & Culture	56.5%	50.6%	8.8%	2.5%
Primary health services & Cleansing	11.3%	56.4%	17.6%	22.0%
Works ,Water & Fire Rescue Services	7.4%	-32.8%	25.0%	-15.0%

Deviation from the budget	Average Share	2011-12	2012-13	2013-14
Urban Planning, Tourism& Environment.	5.9%	-91.6%	-36.6%	32.9%
Community development, gender and children	0.5%	-21.8%	6.8%	-35.3%

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

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

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

Table 17: 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 all preceding three completed financial years.
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years	A	There is no contingency fund in case of Mwanza CC's budget and there is neither accounting of any kind. Hence rated in line with clarification 2-l of the PEFA Field Guide.

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

Accurate revenue forecast is essential for preparation of the credible budget. In case of too much optimistic revenue forecasts for the financial year, the government commits to spending higher amount in comparison with revenues which results in high fiscal deficit. On the other hand, in case of too much pessimistic revenue forecasts, proceeds from over-realization are then used for spending which has not been subject to budget scrutiny.

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

Revenue for the Council can be clubbed into five categories (i) Local Taxes (38%) (ii) Fee, fines, penalties and licenses (36%) (iii) Revenue from exchange transactions (14.5%) (iv) Finance income

(0.4%) and (v) Other Own revenues (10%)[13]. Table 18 shows revenue performance of Mwanza City Council in the last three completed financial years.

Table 18: Summary of Mwanza CC 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	6482	3749	3001	2648	3337	2783	57.8%	88.2%	83.4%
Fee, fines, penalties and licenses	5098	2410	2249	2503	3994	3487	47.3%	111.3%	87.3%
Revenue from exchange transactions	414	1111	159	2069	172	302	268.0%	1300%	175.2%
Finance Income	10	33	6	57	0	0	329.9%	950.5%	-
Other own revenue	1098	2951	88	103	0	0	268.8%	117.6%	-
Total Own Source Revenue	**13102**	**10254**	**5503**	**7380**	**7503**	**6571**	**78.3%**	**134.1%**	**87.6%**
Deduct Land rent	181	102	106	35	177	201	56.2%	32.7%	113.5%
Adjusted Own Source Revenue	**12920**	**10152**	**5397**	**7346**	**7326**	**6370**	**78.6%**	**136.1%**	**87.0%**

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

Land rent is collected by the local government authorities but the rate, structure, frequency of payment, penalty for non-compliance are decided by the Ministry of Lands, Housing and Human Settlements Development, Government of Tanzania. The LGAs only receives 30% commission on the amount collected. The Commission fee is reimbursed by the Central Government post transfers of collection receipts to the Central Government. Since land rent is not fully in the control of the LGA, it should not be included in the analysis. Hence, it has been deducted from the total own source revenues.

On an overall basis, actual domestic revenue collected was 78%, 136% and 87% of that budgeted in the years 2011-12, 2012-13, and 2013-14 respectively. Poor performance in 2011-12 and 2013-14 can be attributed to underperformance in first two categories. Over-realisation in 2012-13 was due to abnormally high collections from exchange transactions and finance income (Bank interest and other investment incomes). It should be noted that during 2011-12, 2012-13 and 2013-14 some of the regulatory changes also impacted revenue realization. For example, as per the feedback received from Mwanza City officials, business license fee (one of the major revenue item) was abolished in June 2011. No revenue was collected during the year**.** Since the Fee was abolished after finalization of the budget for 2011-12, the budget estimates could not be revised for 2011-12. During preparation of the budget for 2012-13, the business license fee was introduced thereby included in budget estimates for 2012-13. However, revenues from the Fee could not be collected. Therefore Mwanza CC could collect revenues from business license fee only from the year 2013-14.

Secondly, in 2013-14, PMO-RALG instructed to all LGAs to abolish Guest house levy (close to 6% of total budgeted own source revenues in 2013-14). This led to significant decline in revenue collection under guest house levy in 2013-14.

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

CAG in its management letter for 2013-14 has noted deficiencies in revenue management. These include non-remittance of revenues collected by the agents amounting TZS 1191 million, uncollected revenue from bill board advertisements amounting TZS 147 million, non-remittance of revenue amounting TZS 10 million to cashier.

Table 19: Summary rating for PI-3

Indicator	Rating	Brief explanation
PI-3 Aggregate revenue out-turn compared to original approved budget	D	Actual own source revenue was 78%, 136% and 87% 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 (LGAA), 2009 does not define payment arrears.

On 08th December 2014, Ministry of Finance, United Republic of Tanzania issued a circular relating to arrears for the goods/services rendered. Circular defines the 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.

Mwanza City Council presents an aging analysis of the aggregate payables in its annual financial statements. This has been presented in Table 20. It should be noted that (i) payables overdue for more than a month (i.e. more than 30 days) have been considered as payment arrears for rating under this dimension, (ii) the CC did not provide an aging analysis of the detailed breakup of the total payables in the AFS.

Table 20: Stock of payables, 2011-12, 2012-13, and 2013-14 (TZS million)

Outstanding for	2011-12	2012-13	2013-14
1-3 months		2,238	946
3 to 12 months	2325	629	889

Over 1 year	1638.52	-	-
Total	3963.52	2867	1835
As % of Total Expenditure	**8%**	**4.7%**	**3.9%**

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

Although information on stock payables by age is available in Audited Annual Financial Statement. The information is not reliable since in 2013-14, while note 44 state stock of payables as TZS 1,835 million, on the other hand, statement on financial position state stock of payables as TZS 1,988 million. Hence, the dimension has not been rated.

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

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

In February, 2014, the Ministry of Finance and Economic Affairs initiated "Public Expenditure Review (PER) Study on the Prevention and Management of Payment Arrears" to identify the causes of and recommend measures to prevent future arrears. The Study covered six RAS and seventeen LGAs[14]. With respect to recording of arrears, the key findings for LGAs were[15]:

- 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.

CAG in its management letter for 2013-14 notes that payables were understated by TZS 1,223 million. Unpaid retention money and outstanding land compensations were not reported as payables. Additionally, the CAG points out that supporting documents to validate payables amounting to TZS 164 million were not available.

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

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

Table 21: Summary rating for PI-4

Indicator		Rating	Brief explanation
PI-4 Stock and monitoring of expenditure payment arrears		**NR**	
(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	Although information on stock of payables is available in Audited Annual Financial Statements. There are inconsistency for the stock of payables in 2013-14 Audited Annual Financial Statement. Hence, the dimension cannot be rated.
(ii)	Availability of data for monitoring the stock of expenditure payment arrears	D	In view of the findings of the CAG on stock of payables, 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 Central Government (mainland Tanzania) migrated to Government Finance Statistics (GFS) 2001 classification starting from 2009-10 budgets. All ministries, regions and independent government departments (including Zanzibar government) 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 Mwanza CC 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.

We note that there are no specific stipulations for coding/classification in line with the GFS either in the LAAM or in the LGFM. However, Local government annual budgets are prepared as per the annual planning and budgeting guidelines issued by the MoF, GoT. As per the annual budget guidelines for FY2013-14 issued by the MoF, 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 GFS codes 2001 as given in Table 22.

The main chart of accounts extends to 28 digits which is long. 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 22. The warrant to cost centers has four segments, (i) GFS account code, (ii) Vote (iii) Council codes, and (iv) Cost centers.

Table 22: Chart of accounts

S. No.	Code	No. of digits	Type	Example
1	Vote	2	Vote	A code representing the region as identified by ACGEN. Eg. 81 stand for Mwanza region
2	Council	4	Council	Each council has its own code. e.g. 3047-Mtwara DC
3	Cost center	4	Cost center	A code representing a sub-vote with a sector/department. Eg 507B stand for Primary Education
4	Fund Type	1	Fund Type	It is an accounting classification regarding the nature of expenditure, Recurrent and Non-recurrent. E.g 1 stand for Recurrent and 2 for Development
5	Fund Source	1	Fund Source	Narrate the provider of funds. Eg. Block grants, LGCDG, RWSSP
6	Project	4	Project	National Projects (e.g Road rehabilitation, construction of irrigation schemes,
7	Activity	6	Activity	Activity codes are generated for each target in MTEF on which inputs are identified. It is combination of Objective, Target, Target type and Activity. E.g. B01S03
8	GFS	6	GFS Codes	Government Finance Statistic (GFS) Codes. e.g. 210101-salaries/Civil servant

S. No.	Code	No. of digits	Type	Example

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.[16]

Table 23: 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 (Council in case of LGAs) 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 transparency as well as accountability perspective.

The assessment of Mwanza CC is based on the budget presented to the Council for the FY2014-15.

The budget preparation at the local government authorities' level for the financial year 2014-15 was in line with the guidelines issued by the MoF in October 2013. Mwanza CC had submitted consolidated budget book named "Medium Term Plan and Budget for FY2014-15 to FY2016-17" to the Full Council. The document can be divided into four sections (i) Introduction, (ii) Environmental Scan (iii) Budget performance review, and (iv) Estimates for MTEF (2014-15 to 2018-19).

[16] PEFA (National) 2013

The first section "Introduction" provides overview of the council, policy statement by the Honourable Mayor, and Council Director. The section also provides a brief profile of the Mwanza CC.

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

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

Fourth section "Estimates for MTEF" provides the projected revenues and expenditure for three years 2014-15, 2015-16, and 2016-17 at a detailed level. In 2014-15, MTEF document there are 17 forms outlining different information on revenue and expenditure. Table 24 provides assessment on each of the required information benchmarks.

Table 24: 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	Relevant macro-economic variable at the local government level could be inflation which directly affects the government expenditure needed to meet the required public services. However, the national planning and budgeting guidelines do provide details of assumptions on future national economic growth, and national inflation rate which might vary across LGAs. The guidelines also project Local Government Authorities own sources of revenue as a group.
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, LGA is 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.

S. No.	Dimension	Availability	Notes
3.	**Deficit financing:** describing anticipated composition;	NA	Given the non-applicability of the previous dimension on fiscal deficit, this dimension is also not applicable.
4.	**Debt stock:** including details at least for beginning of the current year	No	LGAs are allowed to borrow as per the Constitution of Tanzania and the conditions are stipulated in Section 14 and 15 of the LGFA. No details on debt stock outstanding for the District Council are provided in the consolidated budget book, although there was a debt balance at the beginning of the financial year 2013-14.
5.	**Financial assets:** including details at least for the beginning of the current year;	No	Information on the stock of LGA's financial assets (such as bank balances) are 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. These include items such as recurrent expenditure on Local government block grant, HSBF, and recurrent revenue collections.
7.	**Current year's budget out-turn:** presented in the same format as the budget proposal;	Partially complied	The budget guidelines require LGAs to present actual performance for first half of current year's budget and likely outturn for remaining part. But in case of Mwanza CC, performance until December of the current financial year is only provided. This implies no forecasts of the remaining part of the current financial year are provided.
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 according to the main headings is provided for previous year. But in case of current year, information is provided only till December (which is only half of the financial year).

S. No.	Dimension	Availability	Notes
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 Mayor 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 budgetary implications of these are not articulated.

Table 25: Summary of rating under PI-6

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

It is understood from clarifications received from the CC that a small proportion of development expenditure is also financed through community contributions under their respective community benefiting projects. However, the financial value of these contributions is neither included in the MTEF documentation nor reported in the fiscal reports including the AFS.

In view of the community contributions and transfers from MSD which are reflected in the MTEF and/or AFS but not in both, these have been treated as extra budgetary expenditure for the LGA. In

2013-14, the value of these receipts constituted 1.2% and 0.60% of the expenditure respectively (Table 26).

Table 26: Extra-budgetary expenditure, 2013-14

Category	Reported in			Meets eligibility for extra-budgetary expenditure	As % of Total Expenditure
	MTEF 2013-14	AFS 2013-14	Quarterly Financial Report, 2013-14		
Drugs/ Equipment from MSD	No	Yes	No	Yes	0.60
Community Contributions	Yes	No	No	Yes	1.20

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

As per feedback obtained during our discussion, all donor funded projects expenditure is routed through the central budget till the time of assessment. In line with the sub-national guidelines issued for PEFA Assessment, this dimension therefore is not applicable to Mwanza CC.

Table 27: Summary of rating under PI-7

Indicator		Rating	Brief explanation
PI-7 Extent of unreported government operations		**B**	
(i)	Level of extra-budgetary expenditure (other than donor-funded project), which is unreported, i.e. not included in fiscal reports	B	Total extra-budgetary expenditure is less than 5% but more than 1%.
(ii)	Income/expenditure information on donor-funded projects included in the fiscal reports	NA	All donor funds are routed through the central budget and no direct donor funding is provided.

PI-8 Transparency of inter-governmental fiscal relations

This indicator assesses the transparency of transfers from local governments to lower levels of government (i.e., wards) during the last completed financial year FY2013-14. As per MTEF FY2014-15, Mwanza CC comprises of one district, one division and 12 wards.

As per the discussion with the council officials, lower levels of governments do not have their own sources of revenues. All expenditure is financed by transfers from the local government authority (i.e., Mwanza CC) or some in-kind transfers (such as drug supplies) from the Central Government. The council in turn finances its expenditure through own sources of revenue as well as grants from the Central Government.

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

Table 28 shows projects under which transfers were made to LLG in FY2013-14 and corresponding criteria.

Table 28: Funds transfer to lower levels of governments and criteria, TZS million

S. No.	Transfer item	Purpose	Rationale for transfer
1.	Health Sector Basket Fund	Renovation of health facilities, procurement of medicines and administrative cost for health facilities	Transfers to health centers are made as per the budget submitted. But large part is used at LGA level as well.
2.	PEDP and SEDP	Funds for overall development of primary and secondary education	Capitation grant: 100% transferred-distributed to units by equal amount for each student in primary schools Construction of classes, toilets, and staff offices: No money is transferred to primary schools and all procurement is done at the LGA level only
3.	TACAIDS	Support in terms of procuring medicines and syndromes for cure of HIV-AIDS	- Part of TACAIDS money is distributed to community based organizations by the coordinator and rest is used at the city level - Allocation of money to be spent at the city level and to be distributed among CBOs based on the budget proposal submitted by CBOs
4.	Medical Store Department	Supply of drugs and medicines to health facility from the MSD at the central level	- Transfers of drugs and medicines to the health facilities are made from the MSD but selection of facility and quantum of supplies is provided by the Council.
5.	Health Centers	For construction of health facilities	- Funds are transferred to LLG based on budget submitted for construction of health facility

S. No.	Transfer item	Purpose	Rationale for transfer
6.	Local Government Capital Development Grants		- 15% are kept at the LGA level for monitoring and evaluation purpose - 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 LLG is as per population (equal amount per person). Council is also required to contribute its share in Central Government interventions. This money is required to be distributed equally across wards regardless of the population.
7.	ASDP	For Agriculture development	Funds are transferred only to communities. And these transfers are based on the budget/plan submitted by these communities. At the council, expenses include supervision cost, and in some cases procurement of goods.
8.	Tanzania Social Action Fund	Implementing Productive Social Safety Net Program	It is 100% funded by the Central Government and some funds are spent at the council level and some funds are given to communities directly. Transfers to communities are based on the budget/plan submitted.
9.	Other charges	Operational cost	1. Central Government funds (General Purpose Grants) 20% of fund is transferred to ward development committee and rest is kept at the LGA level. 2. School meals and capitation grants- Received amount is transferred to units with equal amount for each student 3. LGA's own source money for OC is transferred based on budget submitted by wards

Based on our discussions, we understand that out of the transfer items mentioned above, all are rule based except funds for health sector basket fund and agriculture sector development programmes. The distribution of funds (both vertical and horizontal) is subjective since negotiations between the LGA and LLG at the budget preparations stage decide the size of funds to be transferred. In general, all the resource flows to the LLGs depend on local assessments at the LGA level and are matters of prioritization and negotiation. Therefore even though formula/rule based systems exist in theory, they are not implemented in practice.

Moreover, as Table 12 shows, there is a variation of 8% in the budgeted and actual development grants received by the LGA during 2013-14. Discussions with PMO-RALG reveal that there is no guidance for revising allocations across LLGs in case of shortfall in grants received from the Central Government. Consequently, re-allocation of programme grants across LLGs when actual funds received from the Central Government are less than budgeted estimates is not transparent.

Personnel emoluments are transferred based on the payroll maintained centrally and therefore, do not affect the rating of the LGA under this dimension. Actual amount of transfers made to LLG across these items in FY2013-14 was not made available to the assessment team. Therefore, in the absence of clarity/ guidelines on revisions to allocations disbursed to LLGs in the event of budget cuts in grants from the Central Government, the dimension has been rated in line with clarifications received from Secretariat and PMO-RALG.

(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 Mwanza CC, LLGs start preparing the budget in September for the next financial year. The proposal goes through various levels of approval and reaches the Local Government Authorities in December- January. The budget of the LGA is approved by Council in February and is submitted to the Central Government. In case of last completed financial year (FY2013-14), 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 ceiling for the preceding financial year. Actual approved transfers 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

Entities in the lower level of government such as secondary schools and health facilities charges fees. Expenditure incurred by the entities in lower level of government is made through prior approval from the LGA. Information on revenues of these entities are shared with the LGA through monthly financial reports and bank statements. Such information on monthly revenue and expenditure by the lower level of government are not separately shown in the audited financial statements and not in line with GFS classification.

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

Table 29: 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	The classification of information on budgeted and actual revenue and expenditure received from these LLGs and other entities is not in line with the GFS classification.

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 Mwanza CC. 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 LGAs 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 CED 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, the LLGs are allowed to borrow from lending institutions or any other source. The Act also permits accounts of the LLG to be audited by such public officer or organizations as the City Council may in writing direct.

However, all LLGs are substantially dependent on fund transfers from the LGA/ Central Government. As per discussions with CC officials, it is understood that there is no independent borrowing done by any of the LLGs in the City.

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 30: 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 CC.
(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.

Mwanza CC has its own website http://www.mwanzacc.go.tz/ In Table 31 we assess performance of Mwanza CC as regards information dissemination.

Table 31: 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	It was informed that the summary of the audited financial statements are put up on the notice board and published in one of the top three newspapers. However, the scanned copies of the newspaper advertisements are not available.
4.	External audit reports within six months of completed audit	No	It was informed that summary CAG reports are published in one of the top three newspapers. However, the scanned copies of the newspaper advertisements are not available.

S. No.	Item	Available	Notes
5.	Contract awards with value above approx. TZS 50 million at least quarterly	Yes	Summary of all contract awards are published in weekly journal on Public Procurement Regulatory Authority Website.
6.	Resources available to primary service units	Yes	The team was informed that the summary of transfers to facilities is displayed outside the facility and the district council office. On inspection, the team confirmed the same at the City Council level but could not confirm at the SDU level.
7.	Fees, charges and taxes	No	Although the website provides a link to bylaws, there were no bylaws uploaded on the website till the time of the assessment.
8.	Service provided to communities	No	Although the website provides a link on services provided by the council, i.e. health, education, livestock, agriculture and water, there are no further details given.

Table 32: 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 items, three items are available for public access

5.4. Budget Cycle

5.4.1. Policy-Based Budgeting

PI-11 Orderliness and participation in the annual budget process

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

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

The timetable for budget submissions by the LGAs is specified in the budget calendar issued by the Central Government. Each LGA, Mwanza CC in this case, does not prepare/ issue a separate budget calendar to the spending units under it. Table 33 shows the relevant sections of the budget calendar as per the Central Government guidelines for the last approved budget (FY2014-15).

Table 33: Budget Calendar as per budget guidelines 2014-15

Date as per the calendar	Main Activity	Key Actors	Actual date applicable for Mwanza CC
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)	-
07th of January, 2014	MDAs, RS and LGAs to get budget ceilings for the fiscal year 2014-15	MoF	Ceilings for other charges (OC) issued by MoF on 27th January, 2014
08th -28th of January, 2014	MDAs, RS and LGAs preparing and submitting to the Ministry of Finance and Planning Commission (non-tax revenue, recurrent and development expenditure) for fiscal year 2014/15	LGAs, MDAs, RS	Budget estimates submitted to PMO-RALG on 25 Feb 2014
29th of January-11th of February, 2014	Analysis of the budget of the MDAs, RS, LGAs and incorporate budgetary figures in the IFMS (computerized system)	MoF, PO-PC, RS, LGAs MDAs	-

Although the date on which guidelines were issued to line departments and programme coordinators for the budget 2014-15 is not available, performance for the previous budget reveals that guidelines are normally issued in the month of November and December. These instructions do 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 33 there were delays across milestones specified in the budget calendar. Moreover, it is understood from discussions with CC 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 CC relied on transfers from the Central Government for 85.6% of its total revenue during 2013-14, its ability to issue budgetary ceilings to spending units without prior notification from MoF is highly constrained. The budgetary ceilings for 'other charges' were issued on 27th January 2014. 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 City level by the City Planning and Logistics Officer (CPLO). 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 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 34 shows relevant dates for approval of the budget.

Table 34: Final budget approval dates

Year	Date of original council approval	Date of approval of budget by the national assembly
2012-13	23rd March 2012	14th June 2012
2013-14	26th March 2013	12th June 2013
2014-15	28th January 2014	13th June 2014

Table 35: 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	In the absence of a separate budget calendar issued by LGAs, this dimension has been assessed on adherence to the timelines of the calendar issued by MoF. For preparation of budget for 2014-15, there were delays across

			milestones specified (such as submission of estimates to PMO-RALG) and crucial data such as information of budget ceilings was issued by MoF in an adhoc manner (usually during the scrutinization meetings).
(ii)	Guidance on the preparation of budget submissions	D	While Mwanza CC 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 fiscal 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 last two completed financial years (FY2013-14 and FY2014-15) provides for all accounting officers (including LGAs) to prepare their 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.

Mwanza CC 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 the Mwanza CC 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. Consequently forward year forecasts are not used as a starting point while preparation of 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 36 shows debt for Mwanza CC in the last three years. In 2013-14, the outstanding debt was 279 TZS million which is close to 0.1% of Mwanza CC’s GDP. Mwanza CC conducts ratio analysis of basic debt related indicators on annual basis but no debt sustainability analysis is conducted. It should be noted that such ratio analysis are not subject to CAG's audit.

Table 36: Debt, 2011-12 to 2013-14,

TZS million	2011-12	2012-13	2013-14
Debt	1790	1625	279
Short-term borrowing	1332	1212	0
Long-term borrowing	458	413	279

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

(iii) Existence of costed sector strategies

The Mwanza CC Council had strategic plan (till 2015) reflecting the development priorities of the LGA. The Plan provides LGA's seven KRAs across various aspects. The Strategic Plan also provides quantifiable targets across KRAs to be achieved by end of the plan period, i.e. 2015. Clear allocation of responsibilities is missing in the Plan. These include governance, service delivery, environment conservation, social protection, community development, social welfare, and economic growth. The Plan includes a format in which expenditure under each of the activities of KRAs is to be reflected. But this format is not filled. Therefore, strategic plan of Mwanza is not costed.

(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 37: 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 GFS classification on a rolling basis for three years. However, there are no links between multi-year estimates and subsequent setting of annual budget ceilings.

Indicator		Rating	Brief explanation
(ii)	Scope and frequency of debt sustainability analysis	D	Mwanza CC has a debt worth 0.1% of GDP. Though the quantum may not be significant, there is not any evidence of 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. In case of Mwanza CC, only three sources of revenues i.e., (i) Guest House Levy (ii) Service Levy, and (iii) Property Tax meets the criteria of taxes or other form of revenue similar to taxes as per GFS. Given that Guest House levy has been abolished, we have considered service levy and property tax only for the analysis of PI-13, PI-14 and PI-15. Table 38 below shows broad structure of own revenue sources of Mwanza CC.

Table 38: Rationale for identification of Tax revenues

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

S. No.	Revenue item	Included/excluded as "Tax Revenue"	Rationale
			and permits for which fees shall be charged by forest managers and their corresponding charge rates. As per the article 7 (1) r of the Local Government Finance Act, revenue of the district council includes , inter alia, all moneys derived from fees for forest produce and licenses accruing to the district council under section 10 of the Forest Act. Therefore, the forest produce levy is part of council's revenue but is collected by the Central Government. The rate, structure is decided by the Central Government. Although GFS manual does not outline this situation, but using the spirit it can be inferred that the forest produce levy is not a tax levied by the LGA but by a central law and therefore not to be considered as tax revenue.
2.	Property tax	Included	As per para 5.40, property taxes are charged as a percentage of the value of the immovable properties which include buildings and other structures.
3.	Fines and penalties	Not included	As per para 5.103 the GFS 2001, fines, penalties are part of the other revenues and should not be included in tax revenue.
4.	Produce cess	Not included	As per para 5.48 of the GFS manual, tax revenue includes taxes charged on *production,* leasing, delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services. Produce cess is a levy on agriculture produce. There are various kinds of produce cesses.
5.	Land rent	Not included	Based on our discussion, the council is entitled for 30% of the collected amount as commission for collecting the rent. Hence, it is a current grant for the council and not in the nature of tax revenue.
6.	Business licenses, Permit fees for billboards, posters or hoarding, environmental protection charges, Market Fees, Tender	Not Included	As per para 5.99, GFS manual 2001, if the license fees are such that license is granted automatically after payments then the receipts shall be termed as administration fees only.

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

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 byelaw and/or main law (Central Government legislation). In case main-law lapses, the relevant byelaw at the LGA level automatically becomes invalid.

Article 80 (1) of the LGUA 1982 gives power to city councils to make their own byelaws. Property tax is governed by the LGA's byelaw. In FY2013-14, the Property Tax was 16% of total own revenues of the Council and 37% of local taxes of the Council.

Service levy, which constituted nearly 30% of total own revenues of the Council in 2013-14, is governed by LGFA, 2002 and local byelaw called "The Mwanza Municipal Council (Service Levy) By Laws, 2001". The Byelaw gives powers to the levy collector to seek financial returns from the levy payers to estimate turnover. It also provides for timing of payment of levy, penalties for non-compliance, and duties of the levy collector.

Table 39: Legislative framework of taxes/fees

S. No.	Source of revenue	Byelaws	Main law	Details
1.	Service levy	√	√	Byelaws include it at 0.3% of turnover. Main-law: Section 7 (1) z) of the Local Government Finance Act, 1982

S. No.	Source of revenue	Byelaws	Main law	Details
2.	Property tax	√	√	Main-law: Section 7(1)(y) of the Local Government Finance Act, 1982 Is also in the byelaws based on the value of the property distinguished between large valued buildings and small buildings in the City area.

The legislation does not provide for administrative discretionary powers to the tax collectors. Property taxes are collected through Revenue Collection Agencies (RCAs) who are sourced through open tenders. Terms and conditions for the outsourced RCA are depicted in their respective contracts.

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. Service levy is collected directly by the City revenue officers. 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 or later evaluate the service levy based on assumptions, or (ii) in case of doubt, the Officer is empowered to estimate the service levy using his judgement.

As per the discussion with Council officials as well, it is informed that there are cases where taxpayers enter into a compromising agreement with the tax collector on the tax payments. There are situations where tax as assessed by the LGA varies from tax payer's assessment. These differences mainly emerge from the differences in the value of turnover. In these cases, the representative LGA enters into a mutual settlement with the tax payer. This practice introduces a discretionary element which has to potential to lead to loss of revenue for the Council.

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

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

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

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

a) The Council owns a city radio through which on every Tuesday, a session on tax education programmes is broadcasted.

b) Bi-annual seminars to target population on procedures for payment methods, rates and applicability. Last seminar was conducted in June 2014. However, details on the same are not available.

c) Full council meetings: Through regular full council meetings, the district councils discusses with the general public on the taxes/fees/levies applicable, rate and procedures for payments.

d) Ward executive officers educate the target population on various taxes/levies/fees applicable

As per recent studies made on key issues in revenue mobilization[17] , 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 Mwanza 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; and
- the general weaknesses in revenue related internal controls referred by the CAG in areas such as (i) ineffectiveness in identification of revenue sources, (ii) timely collection of revenues, (iii) low collections from own source revenues vis a vis budgets, and (iv) functioning of internal audit and the Audit Committee,

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 City level, there is 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 Administration Department. The Officer reports to the Head of the 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.

As per the feedback from our discussions, first level of tax related complaints are handled by CD. In case the applicant is not convinced with the response, one of the bodies the applicant can appeal to is Business Chamber. The Chamber only serves as a mediator on appeal process. The applicant is allowed to appeal in the court if resolution initiated by the business chamber is not satisfactory. CD 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.

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

Table 40: Summary of rating under PI-13

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

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

(i) Controls in the taxpayer registration system

In case of property tax, the Council has a database on buildings in the city. At the time of assessment, number of buildings in the city was nearly 49,354. However, only 4,200 buildings have been evaluated (nearly 8.5%). This reflects that large portion of potential taxpayers is not included in tax base. Each building has been assigned a building reference number (BRN). There is a revenue collection management information system (also called i-tax system). Under each BRN, pay-ids are provided to each owner/payer. The Council conducts an annual exercise of estimating the potential tax payers. Last assessment was conducted in August, 2014.

Trade officer of the CC have their own database of taxpayers of service levy. It is a manual database and not linked to any other database such as business license for better monitoring of tax compliance. This information is supplemented by the information provided by Tanzania Revenue Authority database for the council. TRA provides turnover of each business in the Council. The information is entered into an I-tax system.

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 City have TIN but small businesses do not have any TIN.

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

There is no regulation mandating the taxpayer to register with the Revenue Computerised Management Information System (RCMIS). Therefore, no penalties are provided in case the taxpayers do not register themselves with the council. However, the byelaws provide penalties that are applicable for non-payment of the required taxes.

Part II of the Mwanza CC byelaw provides for offences and penalties on taxpayers amounting TZS 50,000 or imprisonment for twelve months or both if the taxpayer:

(a) Fails to furnish a full and true return in accordance with these byelaws

(b) Fails to furnish, return, document, information or any particulars required to be furnished to the Authority within the time prescribed as required by those byelaws

(c) Fails to keep any record, books of accounts in accordance with the requirements of these byelaws

(d) Fails to produce any record or document for the examination in accordance with the requirements of any notice served on him under these byelaws

However, the Council could not produce any evidence of cases where taxpayers were convicted in line with the byelaw requirements. The penalty is not linked to the tax money concerned. Additionally, low collections in two of the last three financial years reflect that the effectiveness of these penalties are poor.

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

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

Table 41: 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	Revenue accountant and trade officer maintain database of taxpayers for service levy and property taxes. But these databases are also not linked to other databases in the Council. The Council supplements own

			databases with reference to TRA database which we understand is subject to various weaknesses.
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	D	Currently, the legislative framework does not provide for any penalty for non-registration with the City Council. Although there is a penalty for non-compliance to bylaws, the penalty amount is only TZS 50,000 (nearly 20 USD). The penalty is not linked to the amount of tax concerned and is too low and does not act as a deterrent and there is no evidence of its enforcement
(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 City Council, arrears for service levy are available. In the financial statements, it is reflected as revenue receivables. In FY2012-13 and FY2013-14, receivables under service levy were TZS 209 million and TZS 180 million respectively. In both of the years, the arrears were nearly 3% of total annual collections of the LGA. However, Annual Financial Statements does not provide details on any revenue receivables on Property Tax. As per the information shared by the LGAs, the receivables under the property tax was TZS 125 million in 2011-12 and TZS 137 million in 2013-14. Receivables in 2012-13 is not available.

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

As provided in Table 42 below, all taxes are collected by the Council directly. Neither property tax nor service levy is outsourced to collection agents. The revenue collection under these two items is made through all three methods i.e., cash, cheques, and direct transfer to LGA's own source revenue account. Cash is deposited within a day into the own source revenue account. Checks are collected at the council and are deposited daily. It is transferred to Own Source Revenue account on average within three days.

Table 42: Structure of taxes

Cesses	Who collects	Who evaluates	Frequency
Service levy	Service levy charged on services provided to the council: 1. Council deducts from payment to Business entity; and Service levy charged on other activities: 2.	MC at the beginning of the year	1. Automatic deduction on payment of council's bill for related works. 2. Cash, cheques and direct transfers to the Council accounts.
Property tax	• Direct by CC officials	• MC - Flat rate depending on the property nature.	• Cash, cheques and direct transfers to the Council accounts.

Section 39 (2) of the Local Government Finances Act, 1982 requires the Council not to spend directly 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, Road fund).

The assessment team was informed that twice per week transfers are made from own source revenue account to the spending accounts (i.e., Tuesday and Thursday). This is irrespective of requests made by sector departments, transfers are made only on the specified days. Therefore, the collection made under property tax and service levy is available for spending only with a gap of a week.

Management letters for 2011-12 and 2012-13 indicate deficiencies in compliance to Local Government Accounting Manual with regard to revenue management. Some of them are shown below:

Area	Issue
Revenue Management	Unconfirmed banking of Revenue collected from sales of plots TZS 19 million
Revenue Management	Property tax collection without revenue register (Non-compliance with Sect.4.3 of the Local Authority Accounting Manual)
Revenue Management	Discrepancies in cash book and bank-pay in slips
Revenue Management	Revenues received but not shown in the bank statement of the deposit account

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

Our discussions on the nature of taxes levied and present systems of collection deployed show that at the LGA level, at present, there are no formal assessment and billing systems as prevalent generally for direct taxes (eg. income tax, VAT). However, the financial statements do show that figures of receivables for service levy are captured by existing recording systems. Starting January 2015, RCMIS and bank statements are reconciled on a monthly basis which deals with recording and receipt of tax revenue. However, the internal control weaknesses highlighted in past audit reports on the controls over such receipt books and the overall absence of any system of arrears recording (except for service levy) is hindrances to any meaningful reconciliation efforts. No reconciliations are conducted between assessed, collected and received amounts neither on the same month nor on annual basis.

Table 43: Summary of rating under PI-15

Indicator		Rating	Brief explanation
PI-15 Effectiveness in 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, which was collected during that fiscal year (average of the last two fiscal years)	NR	Data available on tax arrears is not sufficient to compute collection ratio. Receivables under service levy were TZS 209 million and TZS 180 million respectively in FY2012-13 and FY2013-14 respectively. In both the years, the service levy arrears were nearly 3% of total annual collections of the LGA. Receivables under the property tax was TZS 125 million in 2011-12 and TZS 137 million in 2013-14. Receivables in 2012-13 is not available.
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B	Property Tax and Service Levy are available for spending through treasury on an average within a week.
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	D	No invoices are raised for receivable tax revenue under property taxes. Also, in the absence of arrear records, complete reconciliation (between tax assessments, collections, 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

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

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

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

It is understood from discussions with the CC that the cash flow forecasts are reviewed and updated for the remaining year during the mid-year review of the LGA budget. However, evidence of the revised cash flow forecasts could not be shared by the CC 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 City 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 City 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 CC, however, is largely dependent on the funds from the Central Government (85.6% of the total revenue of the City 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 City 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 City 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 LGFM 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.

Available feedback from Mwanza and our discussions suggest that virements are a regular activity and this is also borne out by the findings of internal and external auditors.

CAG in its management letter for FY2012-13 has noted concerns regarding virements. For example, CAG in its Letter points out that there were lack of supporting documents for funds transferred from capital grant to recurrent grants" amounting TZS 9.17 billion. CAG in its management letter for 2013-14 also notes that the funds amounting TZS 464 million for the year 2010-11, 2011-12 were transferred from Miscellaneous Account to Development Account, health account, general fund account and FDR without approval of the finance committee. However, there are no observations on the funds transferred during the financial year 2013-14 (reference period).

Table 44: Summary of rating under PI-16

Indicator		Rating	Brief explanation
PI-16 Predictability in the availability of funds for commitment of expenditures		**NR**	
(i)	Extent to which cash flows are forecast and monitored	D	At present, LGA do not do any cash forecasting including on relating to their own sources. Annually cash flow plans are shared with the Ministry of Finance but these are only funds requirements.
(ii)	Reliability and horizon of periodic in-year information to departments on ceilings for expenditure commitment	D	No advance intimation is provided to s 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	NR	It can't be rated as information is not available.

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

(i) Quality of debt data recording and reporting

As per section 11(1) of the Local Government Finance Act 1982, an 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 nodal ministry of local governments, i.e. PMO-RALG does not have outstanding debt data for LGAs. Each LGA processes fresh loan requests (only for projects involving capital investments such as construction of roads) to PMO-RALG for approval. The request is accompanied by last three years own revenues, schedule of loan payment and interest payments in the future. Post scrutinization and approval (if given), the request is sent to Prime Minister Office. However, PMO-RALG does not receive any information on whether loan has been approved/ disbursed or not.

As mentioned before, Mwanza CC has a debt 279 TZS million outstanding ending financial year 2013-14. The borrowing of the LGAs are included in monthly income and expenditure report discussed by Council Management Team as well in quarterly expenditure reports which are discussed at the full council level. The debt also forms part of the annual financial statements.

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

As per our discussion with Mwanza CC staff, there are eight bank accounts following government's order to rationalize the number of bank accounts kept by the Local Government Authorities. All accounts are required to be kept with National Microfinance Bank which has nation-wide coverage. These include (a) Own source collection cash account (b) Miscellaneous deposit cash account (c) Other charges cash account (d) development cash account (e) road fund cash account (f) personnel emoluments cash account (g) National Water Sector Development Programme and (h) Land rent collection 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 the lower level of governments. As per our discussion, Mwanza CC consolidates cash balances on a monthly basis.

(iii) Systems for contracting loans and issuance of guarantees

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

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

Section 11:

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

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

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

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

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

Section 12:

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

Table 45: Summary of rating under PI-17

Indicator		Rating	Brief explanation
PI-17 Recording and management of cash balances, debt and guarantees		**C**	
(i)	Quality of debt data recording and reporting	C	Mwanza CC had a debt ending financial year FY2013-14. But it is only 0.1% of GDP. Though the debt amounts are reflected in the annual financial statements, there are no regular reports on debt stock.
(ii)	Extent of consolidation of the government's cash balance	C	Mwanza CC 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. Hence, it is not applicable for Local Government Authorities. 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 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.

Based on our discussion with the Council and reports generated by them from HCMIS regarding Mwanza, it was found that payroll included data of employees/teachers well beyond the superannuation age/life expectancy. For example as of 20th of March 2015, one teacher in Mwanza CC was aged 114.72 years and one senior teacher was aged 60.14 years. It should be noted that these cases may not reflect any malpractices but it does show vulnerability of existing HCMIS in the context of internal controls in this area.

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

It is understood from discussions with PO-PSM as well with Mwanza CC officials that there is significant improvement in adherence to timelines since the roll-out of HCMIS. For new hires, transfers and promotions, City 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 cut-off date for monthly salary is 20th of the month, CC 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 CC officials, the entire process of updating personnel information in the System takes not more than 4-5 working days. Mwanza CC staff communicated to the assessment team that payments for salaries are made timely. At the maximum, the salary for the new recruits is processed by next month.

Based on our discussion with the Mwanza CC and review of the pending report generated from HCMIS for Mwanza CC, as of 30th June 2014 nearly 224 cases were pending at various levels which included inputs relating to arrears (199), change in name (1), promotion (15), transfer (5) and change in status (1). Majority of the cases were pending with the approver (i.e., PO-PSM) while some were pending with Human Resource Officer (HRO). A large portion of these cases belongs to the calendar year 2013 and these cases were pending at the time of assessment as well (i.e., March 2015).

Based on our discussion with Mwanza CC and reports generated, there are various cases of salary arrears. As on 30-June-2014, there were nearly 28 cases where salary was in arrears. Out of these cases, two were related to non-payment of revised salary with promotion and two related to lack of payment for new hires. These cases were pending as on 20-March-2015 as well. CAG in its management letter for 2013-14 notes cases of payment of salaries to non-existing employees.

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 other dimensions of this report, existence of long overdue arrears are 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 LGlevel, there are no audit trail 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 Municipal 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, IAG of the Tanzania conducted a payroll study for entire public sector examining July – September 2013 salary payments across the public sector. The report concluded that there are areas where anomalies are found. The current procedure requires each employee to provide one bank account to be entered into the HCMIS for payment of salary. However, the Report finds that across Tanzania, there were cases where payments were made to employees in the accounts which were not recognized by HCMIS (i.e., account which is not entered in the system).

While there is no specific annual payroll audit, Internal Audit, in its quarterly review reports on systems, is required to also audit payroll. Furthermore, the Controller and Auditor General normally covers payroll weaknesses in its annual audit. The Management letter of the CAG has pointed out to certain weaknesses resulting in payments to retired and deceased employees, missing “signed pay list” for salaries paid in earlier years by cash to new employees.

Table 46: 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, reflect 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 Municipal 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. Though there is no annual payroll audit exercise, the CAG and Internal Auditor do cover payroll under their respective audits.

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

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

In order to 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 Public Procurement Act, 2011 and corresponding regulations Public Procurement Regulations, 2013.

Public Procurement Act, 2011 and Public Procurement Regulations 2013

Application

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

Accessibility

The Act is freely accessible to the public on PPRA website. Information through website is one means of providing information at low cost to all those who might want it. However, this mode of public access is questionable given the low internet penetration[18]. 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 the Central Government, local governments and statutory bodies on issues related to procurement policies.

The Act also provides for establishment of Public Procurement Regulatory Authority (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.

[18] 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

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 PMU 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 PMU 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 in case of LGAs).

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 procurement and disposal to be conducted in a manner that maximizes competition and achieve economy, efficiency, transparency and value for money. Section 64 (1) of PPA 2011 mandates procuring entity to apply competitive tendering in line with the methods provided in related regulations 2013 which varies by value of procurement and the type of procurement. In the seventh schedule of the Procurement regulations 2013 (Table 47), methods for selection and limit of application for each contract of goods, works and non-consultancy services are provided.

Table 47: Method of selection as per Procurement Regulations 2013

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

Source: Public Procurement Regulations, 2013

Section 149 (1) provides for considering the international and national competitive tendering as primary method of selection of bidder as against other methods prescribed in the regulation. Section 149 (3) and (4) mandates the procuring entity to furnish a statement detailing the grounds and relied circumstances with a view to justify the use of the method where the default method is not used. A procuring entity may select an appropriate alternative method of selection only when (a) competitive tendering is not considered to be the most economic and efficient method of procurement (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 (PPAA). 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 LGAs 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 48 provides a broad overview of existing legal and regulatory framework against the standards set under this benchmark. It should be noted that the scoring on this dimension will be same across all LGA since the legal and regulatory framework is made at the Central Level

Table 48: Legal and regulatory framework

S. No.	Dimension	Meets requirement	PPA 2011	PPR 2013 (regulation)
1.	organized hierarchically and precedence clearly established	Yes	√ Box on PPA 2011	√
2.	Freely and easily accessible to public	Yes	√ Accessible through PPRA website	√ Accessible through PPRA website
3.	Applies to all procurement entities using govt. funds	Yes	√ applicable to all procurement and disposal by tender	√ applicable to all procurement and disposal by tender undertaken by

S. No.	Dimension	Meets requirement	PPA 2011	PPR 2013 (regulation)
			undertaken by "procuring entity"	"procuring entity" except for disposal of public assets by methods other than tendering
4.	Open competitive procurement as default method of procurement and defines clearly the situations in which other methods are to be followed and required justification	Yes	√ Section 64 (1) makes reference to PPR 2013	√ Section 149 makes it a default method and justification for deviation
5.	Public Access to all procurement information	No	X	X All except procurement plans and data on resolution of procurement complaints are required to be published in Journal and tender portal.
6.	Independent administrative procurement review process	Yes	√ Part IX: Disputes Settlement of 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 per section 165 of the PPR, 2013, a procuring entity can engage into minor procurement if (i) the value does not exceed the limit for minor value procurement prescribed in the Act (ii) price quoted is reasonable (iii) no advantage to a procuring entity is likely to be obtained by seeking further quotations or by using other methods of procurement and (iv) the contract for the provision of such goods, services or works may be a local purchase order.

As mentioned before, PPA 2011 and corresponding regulations provides for open competition as preferred method of procurement. In the last completed financial year FY2013-14, Mwanza CC procured goods and services worth TZS million 4,959.1. Out of these, only 24% of the procurement was done through open competition. The remainder 76% of procurement was undertaken through 'minor value procurement'. The Table below provides information on procurement by volume and value.

Table 49: Break-up of procurement in 2013-14 by method of procurement

Item	Goods	Works	Consultancy Services	Non-Consultancy Services	Disposal of assets by tender	Total
Procurement through tender process (competitive tender, competitive quotations, restricted tenders						
Number of contracts	Nil	13	Nil	16	Nil	29
Amount (TZS million)	Nil	1,048.8	Nil	151.4	Nil	1,200.2
Minor value procurements						
Number of Local Purchase Order	398	12	Nil	68	Nil	478
Amount (TZS million)	3,298.7	225.4	Nil	234.7	Nil	3,758.9
Total procurement						4,959.1

It is also noteworthy that the CAG in his Management Letter for FY 2012/2013 indicated a number of irregularities in Mwanza CC with regards to procurement including: expenditure of TZS 214.9 million which was approved contrary to procurement plan; irregularities on procurement of revenue receipt books costing TZS 24.7 million; questionable procurement of building materials and other irregularities in contracting amounting to TZS 1.1 billion.

CAG in its management letter for 2013-14 also noted various weaknesses relating to procurement. These relate to costly procurement of drugs (TZS 39 million), procurement from unapproved suppliers (TZS 18 million), procurement without competitive quotations (TZS 17 million), inappropriate recording of procurement (TZS 18 million), procurement of stationaries amounting TZS 37 million without tender board's approval.

(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 restrictions 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 Mwanza CC informed the assessment team that at the beginning of the current financial year, GPN was published on the Council's notice board as well as on PPRA's website. GPN is also published in local newspapers. Summary of contract awards are furnished to the PPRA which are published in its weekly journal.

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

(iv) Existence of an independent administrative procurement complaints system

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

In case the complainer is not satisfied with the decision of the Accounting Officer or there has not been any decision by the Accounting Officer, the PPA 2011 permits the complainer to submit an application to the PPRA. The procedures for review by PPRA are specified in PPA 2011. In case PPRA does not amicably settle the dispute, the application is then referred to 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 state “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, process of submission of the complaints. It also details out the actions to be taken by the appeal authority, timelines for reply post submission of the complaint. The act gives powers (Section 97 of PPA 2011) to the 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 were a decree of the court.

Table 50: 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 76% of the contracts which were procured through alternative methods of procurement, only local purchase order method was used. Given CAG’s observations on control lapses across years and lack of complete data if these procurements (other than open procurement) are justified, 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 procurement plans), 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 whether this covers at least 75% of procurement operations as required by the PEFA rating criteria and whether all

			such data was indeed made available to the public in a timely manner.
(iv)	Existence of an independent administrative procurement complaints system	D	As per the act, the authority is liable to collect revenues from service rendered. Accounting officer (also called Council Director) is the decision maker in the procurement process who is also the nodal person the procurement complaints at the LGA level. Rating D is warranted as the dimension does not meet criteria (ii) under this dimension which requires the body involved in procurement complain not to be involved in any capacity in procurement transactions or in the process leading to contract award decisions.

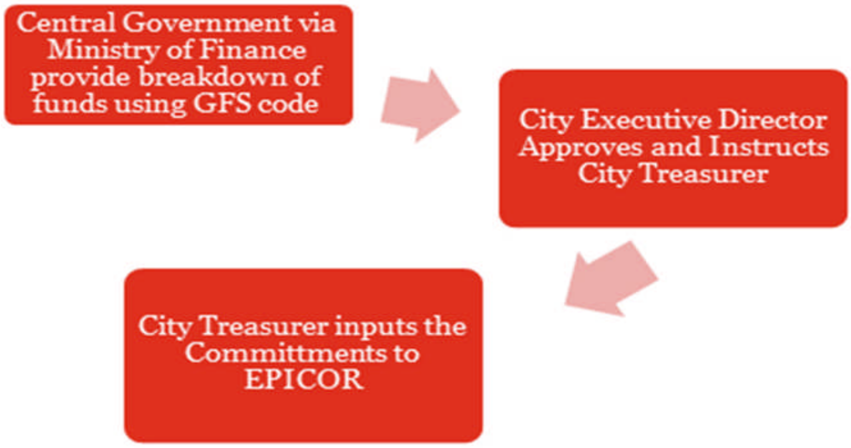
PI-20 Effectiveness of internal controls for non-salary expenditure

This indicator aims to assess controls relating to payments for capital expenditure, goods and services, casual labor, 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 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 is assessed separately under PI-4.



During our assessment, it was observed that Mwanza CC 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, we came to find out during the assessment that the procurement management module in EPICOR was not used effectively, though with certain limitations specifically with respect to reporting and reconciliations. Commitments were still made outside the EPICOR system, thus creating arrears. The LGA officials had sometimes issued Local Purchase Orders (LPO's) without any inputs in the computerized system. This causes indiscriminate issue of LPOs; LPOs being issued in no sequential order; and irregular booking of liabilities amongst other things.

Some of the issues identified connecting with commitment controls are explained below:

- As pointed out in PI-4, CAG in its audit report for FY2013-14 has highlighted under-reporting of the payables amounting nearly 2.4% of the total expenditure in FY2013-14. Poor systems to estimating payment dues affect the credibility of the controls over fresh commitments.
- The CAG in its management letter for FY2012-13 stated that the Council had spent a total expenditure of TZS 6.7 billion under "Supplies and Consumables" over and above the approved budget of TZS 4.6 billion resulting into an over spending by TZS 2.3 billion.

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

(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 Local Government Authorities

- ***Public Procurement Regulations, 2013 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 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 expenditure recording, Lawson for payroll management, PlanRep for budgeting and reporting, 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. CAG in its management letter reports that there is insufficient evidence of training provided to the staff operating the land rent software. On the compliance side, the CAG as well as the Internal Auditor in some of its previous audit reports have highlighted issues related to compliance with internal control rules. Table 51 shows comments given by the Internal Auditor in the report for the period July-September 2014.

Table 51: Comments by Internal Auditor related to Internal Controls, First Quarter 2014-15

Internal Audit Report	Issue	Details
First Quarter, 2014-15	Payment made without being properly authorized	TZS 64.7 million was paid to various payees without being authorized contrary to order no 10 (2) (a) of Local Authority Financial Memorandum of the year 2009, which requires "all expenditures to be lawful and properly authorized".
First Quarter, 2014-15	Missing supporting documents	TZS 678.7 million were improperly vouched contrary to Public Finance Regulation. Reg. 95 (4) of 2001 (Revised 2004) and Local Authority Financial Memorandum (LAFM) of 2009, order No 33 which requires all payments to be properly supported by accountable documents
First Quarter, 2014-15	Payment of expenditure as own source contribution without transfers from OSR A/C	TZS 89 million were spent from development account as own source contribution without the effect of transfer from own source collection account
First Quarter, 2014-15	Payments of goods which have not been received by user departments	Goods amounting to TZS 25,537,820/= were paid without being received by user departments

Internal Audit Report	Issue	Details
First Quarter, 2014-15	Existence of double payments to suppliers of goods and services	Payment for procured goods and services should be made when goods are delivered and received by respective user. As per the Internal Auditor's report, the same ordered goods and services amounting to TZS 14 million were paid twice.
First Quarter, 2014-15	Payments of un related items from Miscellaneous Account	Miscellaneous account is used to effect payments of specific funds deposited in particular period of time in a given financial year. However, as per the Internal Auditor's report, expenditure amounting to TZS 139 million were made through miscellaneous account for stationery, survey equipment, and fuel and city cleanliness operation without having specific sources of fund allocated for such expenses.

(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 points out notable errors, omissions, and understatements and overstatement of figures in the submitted financial statements for 2012/13. Table 52 shows select cases of non-compliances to rules.

Table 52: Select cases of weaknesses in internal controls

Area	Issue	Implication
Data integrity	Lack of control over entrance of personnel in the EPICOR room	Security of financial data recorded under EPICOR is at risk
Arrears	• Understatement of payables by TZS 1223.78 million • Unconfirmed payables amounting TZS 164 million	Lack of commitment control
Expenditure Management	• Lack of documentary evidence to justify existence of reported payables TZS 2.8 billion	The practice may cause difficulty to identify if the revenue collected has been banked timely as required by Order 50(5) of LGFM, 2009
Cash Management	Unaccounted cash with no details on purpose of expenditure	Internal check system is not effective

Area	Issue	Implication
Accounting	Bank account opened without obtaining approval: Non adherence of section number 15 of the "The Public Finance Act, 2001" and order number 6(a) of the Local Government Financial Memorandum, 2009	Possibility of misappropriation of public funds
Procurement	• Forged 'Out of Stock' approval from MSD to procure drugs from private supplier • Stationeries procurement without tender board approval TZS 37.3 million	Inefficiency in procurement
Internal control	Lack of payment vouchers for select expenditure items	Correctness/fairness of the expenditure may be difficult to gauge an
Recording	Expenditure charged to wrong codes 5458.88	Planned activities could not be implemented

Source: CAG Management Letter 2012-13, and Audit report for 2013-14

On closing of accounts on 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 record of error rate for the respective period. Therefore, it was difficult for this assessment to conclude on the error and/ or rejection rates and confirmation on the understanding of the rules and compliance with them.

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

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	D	Current expenditure control system i.e., EPICOR prevents entering into commitments before receipts of funds. However, cases of payment arrears and spending in various heads in excess of the approved budget as highlighted by CAG in FY2012-13 reflect that commitment control is not effective. The unreliability of the payables in the accounting system pointed out by the CAG

			and the serious implications it poses on the overall system of commitment controls which appear to be routinely violated has been factored in by us in this assessment.
ii.	Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	No evidence of a proper guidance for the council staff neither on the day to day operations nor on the complexities of operations in a computerized environment. In addition, findings from various reviews indicate serious 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, Mwanza CC have had widespread examples of significant divergences from the principles of transaction processing and recording; in addition given the nature of non-compliance to rules, CAG in FY2012-13 has given adverse opinion on financial transactions of the Mwanza CC and serious qualifications in his audit report for FY13-14

PI-21 Effectiveness of internal audit

Financial statements of every LGA should be audited internally by an Internal Auditor as stated in the Section 48 of the LGFA. Additionally, the LGFM (2009) provides the roles and responsibilities of the Internal Audit Unit (IAU).

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

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

Effectiveness of the internal audit for LGAs in Tanzania is further strengthened through ongoing capacity building initiatives by the Local Government Audit Section within the Internal Auditor General's (IAG's) Department in 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 Mwanza CC organisation structure. While the financial regulations are not explicit on the size of the IAU, in practice, it is headed by the Chief Internal Auditor who reports to the CD. Supporting the Chief Internal Auditor are three other audit staff, making the total number of staff in the Unit four, and thereby abiding to the country wide council requirement. Selection of these positions is done at the central level through PO-PSM, where they determined their required entry qualifications and progression criteria as they acquire further qualifications and on the job experience.

During our assessment, we observed that the IAF at Mwanza CC 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 current audit plan for FY2014-15 showed that it was risk based and drawn up based on a careful consideration of potential risk exposures of critical LGA areas. Table 47 below shows internal audit activities that were planned in Mwanza CC.

Table 54: Coverage as per Audit Plan

Quantity	Activity
100% (12 months)	Check bank reconciliation statements;
100% (12 months)	Visit ward and primary schools, TASAF and lower level projects;
100% (12 months)	Respond on external audit issues and consulting activities;
91.6% (11 months)	Surprise check on cash;
41.7% (5 months)	Auditing of development projects;
41.7% (5 months)	Financial and expenditure audit;
33% (4 months)	Carry out details payroll audit;
33% (4 months)	Examine receipts and payments;
25% (3 months)	Preparation of LAAC;
25% (3 months)	Budget process audit;
16.7% (2 months)	Audit planning and review;
16.7% (2 months)	Review of the existence and disposal of non-current assets;

Though a specific split between system based and transaction based audit was not readily available in the audit plans, the performance audit included areas and objectives that could be performed by a mix of verification of systems compliance as well as assurance that all transactions are evidence based and in line with laid down policies. A review of six recent quarterly internal audit reports and the nature of comments and observations mentioned in such reports showed on the whole, that about 56% of the focus was on systemic issues and the balance on transactions. It is noteworthy; that the low transactions coverage was in the third quarter which was below 42%. 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	3 (50%)	3 (50%)
1 October – 31 December 2013	2(50%)	2 (50%)
1 January – 31 March 2014	3 (58%)	2 (542%)
1 April – 30 June 2014	5 (60%)	4 (40%)
1 July – 30 September 2014	5 (70%)	4 (30%)
1 October – 31 December 2014	3 (50%)	3 (50%)

The substantial and pervasive control weaknesses mentioned by the CAG in his most recent external audit reports for the years FY2012-13 and FY2013-14 show that in spite of so called risk based approaches, the end results of improvements in internal controls has not materialised in Mwanza CC. Many of these control weaknesses have resulted in an adverse audit opinion in FY2012-13 and a qualified report in FY2013-14. These matters have also been referred to in our discussions on PI-20. There appears to be a need to make the internal audit quality and function effective since it is an integral part and a key driver of the control environment in the LGA.

The CAG's Management Letter also indicated that the Internal Audit Unit in Mwanza CC is understaffed and Council's management did not provide any responses in respect of internal audit recommendations provided by the Internal Audit Unit. This shows the relative lack of importance attached to this critical function at present.

(ii) Frequency and distribution of the reports

Para 14(7) of the LGFM requires the Internal Auditor to prepare and submit two (2) types of 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, 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.

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 CC, we observed that the Council prepared quarterly reports. We reviewed a total of 6 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 summarizes the challenges the IAU faced for the year.

We also noted that 5 out of the 6 IAU reports were submitted to the Council Director after the Full Council meetings that are held between the 10th and 15th of the following month after the end of the previous quarter, with only 1 out of 6 reports submitted timely. It was also brought to our attention that the report was distributed by the Council Director to other stakeholders such as IAG (following the very recent decision that sharing the report with PMO-RALG is through RAS where all regional reports are consolidated), CAG and RAS.

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

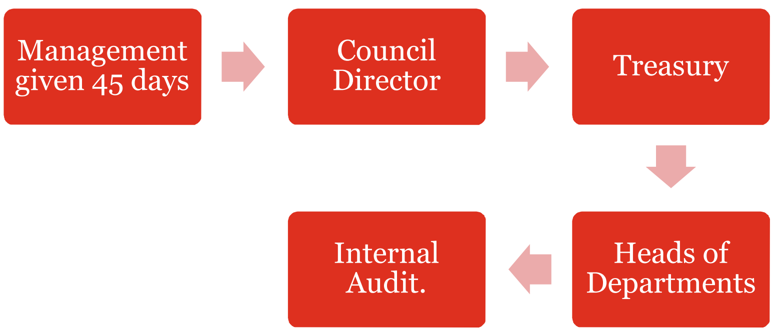
Table 56: Dates for distribution of Internal Audit Reports

SN	Period	Date submitted to Council Director	Date Council Director forwarded to CAG, PMORALG, RAS and IAG
1.	1 July – 30 September 2013	24 October 2013	24 October 2013
2.	1 October – 31 December 2013	23 January 2014	23 January 2014
3.	1 January – 31 March 2014	24 April 2014	24 April 2014
4.	1 April – 30 June 2014	12 August 2014	12 August 2014
5.	1 July – 30 September 2014	3 November 2014	3 November 2014
6.	1 October – 31 December 2014	5 January 2015	5 January 2015

(iii) Extent of management response to internal audit findings

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

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 Internal Auditor through Heads of Departments. Evidence contained in the Internal Auditor's reports indicated that the responses to findings are either delayed or sometimes not forthcoming at all. Delays in responding to internal audit comments lead to recommendations being repeated from one quarter and year to another. The Internal Auditor maintains a file of management responses. The file is sequentially numbered based on the responses.

Table 57: Status on recommendations

Quarter	No. of implemented recommendations from previous quarter	No. of recommendations still outstanding from previous quarter
1 July – 30 September 2013	3	Not available
1 October – 31 December 2013	4	3
1 January – 31 March 2014	5	7
1 April – 30 June 2014	4	12
1 July – 30 September 2014	3	8
1 October – 31 December 2014	4	11

It is clear from the above status that actions on recommendations are delayed. The CAG in his Management Letter for Mwanza CC has also indicated that the council management does not provide responses in respect of internal audit recommendations. On the whole the lack of or delayed responses to audit recommendations reflect the approach of the key functionaries to this critical oversight function. It is hardly surprising therefore to notice the substantive violations of basic internal controls as reflected in the CAG audit reports of the last 2 financial years.

Table 58: Summary rating for PI-21

Indicator	Rating	Brief Explanation
PI-21 Effectiveness of internal audit	**D+**	
(i) Coverage and quality of the internal audit function.	B	While there were targeted coverage of functional areas based on risk based plans that included both transaction and system based audits and sample audit reports showed considerable systems coverage of at least 50% there is scope to improve effectiveness of the function. Present practices do not record audit time usage e.g. time sheets and staffing issues require to be addressed.
(ii) Frequency and distribution of reports	B	Reports did not adhere to a fixed quarterly and annual schedule, but are issued regularly and are distributed to the Council, CAG, PMORALG, IAG and RAS. 5 reports for the first 6 quarters – 4 of 2013-14 and the first 1 of 2014-15 were submitted to the Council Director after 15^{th} of a month after the end of the quarter and thus were delayed.

		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	With a few exceptions, internal audit recommendations are usually been not addressed by the Council's Management. This has also been pointed out as one of the key observations in the CAG's Management Letter.

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

In line with requirement for Para 29(2) of the LGFM, it is understood from discussion that different expenditure accountants of the Mwanza CC carry out reconciliations between bank statements for individual accounts and cash books maintained through EPICOR on a monthly basis. Mwanza CC 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 19th and 20th March 2015 is shown in Table 59.

Table 59: Reconciliation status

S. No.	Name of the Account	Last completed Reconciliation month
1	Development Cash Account	28/02/2015
2	Own Source Revenue Cash Account	31/12/2014
3	Road Fund Cash Account	28/02/ 2015
4	NWSDP Cash Account	28/02/2015
5	Personal Emolument Cash Account	28/02/2015
6	Other Charges Cash Account	28/02/2015
7	Misc. Deposits Cash Account	28/02/2015

As seen from the Table above, Mwanza CC is generally regular in terms of preparing bank reconciliations, the latest being for February 2015 for six of its seven bank accounts. Our review of the bank reconciliation statements revealed that they were prepared in time and reviewed by the City Treasurer by the 10 March 2015. The assessment team noted that bank reconciliations were prepared on the EPICORE system, and that at detailed level and there were no unresolved differences between the council's cash account and the bank statements for all the seven accounts. The Council did not provide any compelling reasoning for the backlog on the Own Source Revenue Cash Account bank reconciliation.

It is noteworthy that the CAG provided an adverse audit opinion for Mwanza CC for FY2012-13. One of the attributes contributing to this adverse opinion was the fact that Mwanza CC had opened a bank account at Azania Bank without any explicit authority or approval. Furthermore, the Council transferred funds from its Development Account at NMB to the account opened at Azania Bank, thus clearly violating section 15 of the Public Finance Act, 2001. CAG's audit reports also indicate the existence of unaccounted receipt books, under-banking of revenue etc. which points to the need for greater emphasis to investigate and clear reconciliations of own source revenue bank accounts.

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

In terms of the provisions of Section 40 of the Local Government Finances Act (LGFA), LGAs are authorised to make advances and operate deposit and suspense accounts. However, we were informed that based on instructions issued by MoF, there is no usage of suspense accounts in LGA transactions at present including in Mwanza CC. Our discussions confirmed that staff advances for salaries were being given and these are also accounted for in the latest audited financial statements for FY2013-14. The norms for making personal advances to employees as prescribed by para 41 of the LGFM only covers (i) salary advances up to a maximum of 3 months 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 LGFM also allows special imprest which needs to be settled within two weeks failing which surcharge has to be levied.

Since FY2012-13, Mwanza CC has not issued any salary advances nor hold any suspense accounts. However, the CAG's Management Letter for FY2012-13, reported that at the end of the year TZS 52.9 million of imprest was not retired by Council staff. This was also not disclosed in the Council's Financial Statement FY2012-13 as indicated in the Management Letter.

CAG in its management letter for 2013-14 notes that staff advances and imprest amounting TZS 47.572 million and TZS 22.245 million were outstanding at the end of 2013-14 and 2012-13. respectively.

Table 60: Summary rating for PI-22

Indicator	Rating	Brief Explanation
PI-22 Timeliness and regularity of accounts reconciliation	**C**	
(i) Regularity of Bank Reconciliations	C	Bank reconciliations for all the bank accounts take place on a monthly basis at aggregate and detailed levels and are prepared within two weeks of the end of the previous month.

Indicator	Rating	Brief Explanation
		However, there is an exception for one of the bank accounts which had a two month backlog.
(ii) Regularity of Reconciliation and clearance of Suspense Accounts and advances	C	Reconciliation and clearance of suspense accounts and advances take place annually in general, within two months of end of year, but a significant number of accounts have uncleared balances brought forward.

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 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 education. This is provided in the local government district and urban authorities laws of 1982, and in the Education Act No. 25, 1978. PMO-RALG is responsible for the establishment, management and administration of primary schools 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.

There are a total of 101 primary schools in Mwanza CC comprising of 80 public and 21 private schools. In addition there are 54 secondary schools comprising of 30 public and 24 private schools. Of the 30 public secondary schools, five are boarding schools. The Council only provides counselling support to the private schools.

At the beginning of the financial year, Mwanza CC prepares a schedule of disbursements which is approved by the Council Education Officers, Council Treasurer and Council Director. Thereafter the Council transfers fund directly into the schools' bank accounts on a monthly/quarterly basis depending on when funds are received from the Treasury. Disbursements to schools fall under the following categories: (i) capitation grants (SEDP and PEDP); (ii) Capital Development Grant (CDG); (iii) Other Charges (OC); (iv) in-kind transfers which include books centrally procured by PMO-RALG; and (v) other allowances for meals (for secondary schools operating under boarding arrangements).

The Heads of Primary and Secondary Education Departments 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 entire capitation grants, once received, is disbursed to schools as per the proportions contained in the disbursements schedule which is prepared in accordance with the SEDP and PEDP guidelines. CDG is for expenditure relating to construction and rehabilitation, part of which is disbursed to schools and part is expended by the Council on behalf of the schools. OC is for teacher academic learning, stationery, funerals, transfers etc.

Several NGOs support primary and secondary schools in Mwanza City. For example in 2013:

- Plan International supported the construction of a hostel; pit latrines; 12 boreholes; donation of desks to a primary school; and construction of two classrooms for a nursery school;
- SOS International supported the construction of nine pit latrines in a secondary school. In 2014, SOS also supported rehabilitation of all classrooms for a primary school;
- The Contractors Registration Board supported the construction of a three-roomed laboratory for a secondary school;
- President Barack Obama, as part of his visit to Tanzania donated books for secondary schools;
- UNHABITAT supported the construction of pit latrines for a primary school.

In addition, books procured through “Radar Funds” received from the UK government in FY2011-12 and FY2013-14 were supplied to all schools in the City.

The assessment team was provided with details of transfers made to schools in FY2011-12, FY2012-13 and FY2013-14 covering both cash and in-kind transfers from the Council.

As regards transfers related to health expenditure, most of funds allocated by the Treasury to the council for primary health centres are not disbursed directly to the health centres; rather the Mwanza CC incurs expenditure on behalf of the primary health centres and transfers the procured items to the primary units. Funds disbursements to health centres are either as part of Health Basket Fund or Health Sector Development Grant using the guidelines provided in the respective programme documents. The Council also maintains a supplementary budget which is provided to hospitals, health centres and dispensaries during emergency situations. In addition, hospitals, health centres and dispensaries also receive direct delivery of medicines centrally from the Medical Stores Department.

Government owned hospitals, health centres and dispensaries collect user fees which are retained at the facility level and used in accordance with guidelines provided by the Council. Health facilities provide income report to Mwanza CC on a quarterly basis. Expenditure is incurred by the health facilities are after approval obtained from the Council. Therefore the Council is in a position to include health facilities' income and expenditure as part of its quarterly financial reports.

Like education, several NGOs support Mwanza CC in the health sector as well by providing in-kind benefits to health facilities. However, information on monetary value of the in-kind support to the health centres is not provided to the Council and therefore not captured in the Council's books.

Although the council has complete information on funds and in-kind transfers made to schools and health centres, it does not receive physical or financial reports from these institutions on how the funds are used. However, schools provide acknowledgement to the council on funds received by providing a cash receipts. The council is also involved in approving all expenditure prior to schools incurring them.

The council informed assessment team that resources received by the primary schools and primary health centers is put up on the respective notice boards. This is mandatory as per the Guidelines for local government reforms.

The current accounting system i.e. EPICOR, in Mwanza CC is not geared to capture in-kind resources received by service delivery units (specifically primary schools and primary health centers). Accordingly, there are no annual reports consolidating the non-cash resources received by the service delivery units. However, information on funds transferred by each school is available with the City Council.

The Council prepares and shares quarterly management information report (that is not generated through the accounting system) on the types of cash and in-kind transfers made to each schools and health centres with PMO-RALG.

In the last three years, there have not been any special surveys undertaken to collect data on resources to services delivery units.

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

Table 61: Summary of rating under PI-23

Indicator		Rating	Brief explanation
PI-23 Availability of information on resources received by service delivery units		**B**	
(i)	Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary	B	Our findings are • EPICOR does not capture all information at the individual service delivery level since each unit of service delivery is not defined as a cost centre (e.g. a particular

Indicator	Rating	Brief explanation
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.		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 reports are available but no consolidated annual report • PETS survey has examined systemic issues country-wide 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

Mwanza CC prepares in-year budget reports on a monthly basis on Microsoft Excel using information generated from the EPICOR system. Separate report for revenue and expenditure are initially generated providing actual information on revenue and expenditure. These reports are then consolidated which provides information for the month as well as cumulative to date and compares with the approved annual budget. Information pertaining to annual performance as a percentages and variance is also provided in the monthly reports. The reports however do not provide information on commitments. The in-year budget reports provide aggregated information for all the departments, lower level service delivery units as well as development projects. Since the basis for preparing the in-year budget reports is the EPICOR system, these reports conform to the GFS classification of expenditure and revenue as adopted centrally. The reports are prepared by the Revenue and the 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 is 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 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 Mwanza RAS and PMO-RALG.

(iii) Quality of information

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

Table 62: Summary of rating under PI-24

Indicator		Rating	Brief explanation
PI-24 Quality and timeliness of in-year budget reports		**C+**	
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	C	In-year budget reports are generated in line with the GFS 2001 classification of annual budgets. This allows for direct comparison to the original budget. However, the expenditure information does not include details on commitments.
(ii)	Timeline of the issue of reports	A	Reports by Mwanza CC are prepared on a monthly basis and are issued by 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 LGFM[19] 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 itemized schedules are not stipulated to form part of the published accounts but the LGFM also specifies that supporting schedules must be made available to the CAG for audit.

Results of our assessment of the last available audited financial statements for Mwanza CC for FY 2012-13 and underlying systems from the perspective of completeness is given in **Table 63**.

Table 63: Comments on audited financial statements

Topic	Comments
Components of financial statements	Based on the last financial year audited till the date of our visit it was noted the financial statements for 2012-13 include statements on: (i) financial position; (ii) financial performance; (iii) changes in net assets; (iv) cash flow. In addition, the following matters are included: • A Statement of Responsibility signed by the Accounting Officer containing affirmations on the compliance with internal controls, integrity of the financial statements and their compliance with IPSAS and the directives issued by the Ministry; • Notes to the financial statements; • Summary of significant accounting policies; • Statement of financial performance by function (key departments/service centres); • Comparison of budget and actual by nature (type of expense or income); • Comparison of budget and actual by function.
Consolidation of information	We noted that the accounting information reflected in the financial statements included those of all the departments of the Council and its wards, operating service delivery units and villages. Since the production of final accounts is centralized, aggregation of information is undertaken by the Council Treasurer based on accounting transactions incurred by

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

Topic	Comments
	units/wards. Based on our discussions, we understand that individual service delivery units (e.g. a single primary health care unit under the health department) are not considered as separate cost centres and financial statements cannot be generated centrally for such individual units. However their operations are integrated with the departmental expenditure and reporting within the overall accounting system.

The assessment team however observed that the CAG provided an adverse audit opinion on Mwanza CC's financial statements for FY2012-13 due to significant matters discovered by the CAG which led him to opine that the financial statements did not present fairly, in all material respects, the Council's financial position, financial performance and the cash flow in accordance with International Public Sector Accounting Standards (IPSAS) and Local Government Finances Act (LGFA) No. 9 of 1982 (revised 2000).

The assessment team further noted that the CAG provided a qualified audit opinion on Mwanza CC's financial statements for FY2013-14 due to a number of errors, omission and misrepresentations in the Council's financial statements including:

- Understatement of payables by TZS 1.2 billion;
- Payments made to unconfirmed creditors for TZS 215 million;
- Unconfirmed reported payables of TZS 164 million;
- Improperly vouched expenditure TZS 13 million.

The CAG also reported that twenty revenue earning receipt books (which were open) were not submitted to the CAG during the annual audit process. The CAG therefore could not confirm the revenue collected by the Council through these receipt books which may have been misappropriated. The CAG's scope of audit was also limited due to none availability of these receipt books.

(ii) Timeliness of the submission of the financial statements

Para 31(1) of the LGFM prescribes that the final financial statements must be properly compiled and submitted to the Full Council and thereafter to the CAG within 3 months from the end of the financial year. A comparative table of the compliance to timelines for the last 2 financial years are enclosed.

Table 64: Mwanza City Council: Submission timelines for financial statements

Activity	2012-13	2013-14
Approval by Full Council	30.09.2013	26.9.2014
Submission to National Audit office	30.09.2013	13.10.2014
Revised submission to National Audit Office	08.03.2014	06.01. 2015

We note that for FY2012-13, the financial statements were approved by the Councillors in the Full Council meeting held on 30 September 2013 and submitted to the CAG on the same date i.e. 30 September 2013. The CAG's management letter indicates that financial statements of Mwanza CC for the year ended on 30 of June 2013 were received on the statutory due date. However, it is noteworthy that financial statements initially submitted by Mwanza CC to the CAG on 30 September 2013 were retrieved and revised financial statements were resubmitted on 8 March 2014. This was due to the fact that the CAG pointed out numerous inconsistencies, errors and omissions in the initial submission.

(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. However, for FY2012-13 the CAG has provided an adverse audit opinion indicating that the statements of financial position, financial performance and cash flows does not present, in all material aspects, the information in accordance with IPSAS and Chapter IV of the LGFA. For the last accounting year completed FY2013-14, though the CAG has given a qualified opinion, the nature of qualifications are very 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 information available through our studies of national level assessments and discussions, IPSAS on cash basis is reported to be presently used for accounting by the Government of Tanzania. There are plans to move over to IPSAS on accrual basis in the near future. While LGAs are already on accrual basis of accounting the degree of compliance with IPSAS across the entire spectrum of transactions is not fully ascertainable in a study of this nature. In this connection, attention may be drawn to the text of the introduction to IPSAS which mentions as follows:

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

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

Table 65: Summary rating for PI-25

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

Indicator		Rating	Brief Explanation
(i)	Completeness of the financial statements	C	The Council received a qualified audit report for FY2013-14 due to significant errors, omissions, misrepresentations and inability to provide evidence and full documentation for the external audit.
(ii)	Timeliness of submission of the financial statements	B	The financial statements for the last audited year FY2013-14 were initially submitted to the external auditors on 13 October 2014 i.e. not within three months' time from close of the fiscal year. The revised statements were submitted 6 January 2015, i.e. within seven months of the end of the fiscal year.
(iii)	Accounting standards used	B	Standards applied are a mix of IPSAS as well as practices prescribed by the LGFA. In view of the qualifications subject to which the auditor has certified compliance 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 audit of accounts of LGAs in Tanzania is provided by the Constitution, certain statutes and other regulations of the CAG. The table below summarizes the key components of the framework.

Table 66: Regulatory framework for external audit

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

Document	Remarks
The Public Audit Act 2008, amended 2012	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 it is headed by the CAG.

Our review of the CAG audit report for Mwanza CC 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 approach and methodology is determined keeping in mind the prescriptions of the Regularity Audit Manual (RAM) depending on the circumstances. Though the emphasis appears to be on financial transactions backed up by a systemic review of underlying processes, based on our discussions with the Mwanza CC it was noted that Special Audits are also conducted by the CAG's office.

The CAG's Annual General Report on the Financial Statements of LGAs for Financial Year Ended 30 June 2014 indicates that the CAG conducted six special audits in FY2013-14 including one for Mwanza CC. Twenty three weaknesses were identified by the CAG for Mwanza CC indicating weaknesses in internal controls around the following areas: revenue collections; contracting; expenditure; procurement; funds transfer; and payroll.

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

The ambit of coverage for audit purposes is total –all LGAs, the entire aggregated LGA financial transactions including its departments and sub components comprising the wards, departments, and primary service units. However, keeping in mind the risk based approach, systematic sampling is adopted for each component of the financial statements and the methodology of sampling may vary. Based on our discussions with the NAOT, we were informed that in line with the Regulatory Auditing Manual (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 75 percent of the expenditure were covered during the audit assessments. We also note from the CAGs comments on the scope of audit in his audit report for Mwanza CC for FY 2012-13 and 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 Organization of Supreme Audit institutions (INTOSAI), the Africa Organisation 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.

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

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

Furthermore, Section 34(1) of the Public Audit Act mentions that the CAG shall express his professional opinion and submit the audit report to the President and Minister within a period of nine 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.

Although the Annual General Report on the financial statements of all LGAs for the year FY2012-13 was submitted by the CAG to the President on 28 of March 2014, the CAG's audit report for Mwanza CC was only received by the Council on 26 May 2014. The dates for submission of the LGA Reports to the National Assembly for the last few years were as follows:

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

Financial years	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 CC, the financial statement was submitted in September 2013 and the audited financial statement was submitted to the local legislature on 26-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 assessment revealed that Audit Committee meetings were held twice in FY2013-14 and twice in FY2014-15, however, these took place at irregular intervals. However, the assessment team was not provided with minutes of the Audit Committee meetings. The institutional structures for audit follow up though established by the statute and regulations have not fully ensured compliance by the LGAs.

It was noted from the CAGs Annual Report on Financial Statements for LGAs for FY2012-13 that in respect of the FY2011-12, for all the LGAs only 6% of the recommendations were implemented, 42% not implemented at all while another 52% was under implementation by the LGAs.

In absence of evidence of systematic follow up this dimension has been rated based on comments and repeat observations provided by the CAG in its audit reports. The notable weaknesses of the Audit Committee referred to by the CAG are also a specific pointer to the state of follow up in this regard.

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

Table 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 LGA after receipt of the final financial statements by CAG for audit. Mwanza CC submitted the final statements to CAG in September 2013. However, the audit report was submitted to the council on 26 May 2014, approximately two weeks after it was submitted to the National Assembly on 7 May 2014. This is contrary to the new law which states that the National Assembly will not consider any audit reports which have not been reviewed by the auditees and the Paymaster General.
(iii)	Evidence of follow up on audit recommendations	C	There is little evidence of systematic follow up or response to recommendations made by the CAG. Follow up comments and repeat observations provided by the CAG in its audit reports, are pointers that follow up mechanisms are non-functional.

PI-27 Legislative scrutiny of the annual budget law

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

(i) Scope of the Council's scrutiny

Mwanza City is governed by a City Council established under the LGUA 1982 and the Full Council is responsible to take all decisions relating to the LGA. The Full Council, which operates under the Chairmanship of the City Mayor, is the supreme body for legislative responsibilities. Under the Full Council there are three committees dealing with Finance, Administration and Urban Planning that deliberate on the budget proposals received and inputs from the City and Regional Consultative Committees are also considered. The final proposals are then forwarded to the Full Council for approval. The Full Council reviews both budget and the quarterly financial reports and annual financial statements. The assessment team reviewed the minutes of the council meetings and confirmed their coverage of the same.

(ii) Extent to which the 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 Municipal 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 responsibilities of the Finance Committee include consideration of the recurrent and development estimates of all committees and presenting them to the Full Council for approval.

In Mwanza CC, apart from the Finance, Administration and Planning Committee, there are also two other Committees: Education, Health and Water Committee; and Economy, Works and Environmental Committee. We note that though Section 42 of the LGUA mentions six distinct Committees, Mwanza CC has combined the functions of these into 3 operating ones. The overall proceedings of meetings are conducted in line with the provisions of Part IV of LGUA.

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

(iii) Adequacy of time for the 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 City Council to ensure that members of the Full Council receive budget documents within seven days before the date of the meeting.

The assessment team reviewed the minutes of the Full Council meeting and confirmed that approval of budget in 2013-14 was done by Finance Committees in significantly less than one month while Full Councils approved the budget within a day.

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

According to Para 18(3) of the LGFM, Council approval is not required where virements are between items within the same vote provided these items were part of the original budget, there are no virements from other charges to personal emoluments and 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 Councils 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 CC, virements are done after approval by the Finance Committee and Full Council and information on such virements are provided to PMORALG. Minutes of Full Council meetings that approved the viaments were also not provided to the assessment team and therefore an analysis on compliance to the virement rules and procedures adopted by the Council was not possible. Consolidated information on all virements in course of the year was also not made available to the assessment team and therefore we were unable to rate this dimension.

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.
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. However, the Council has not issued standing orders (as per the requirements of the LGDA) that lay down the composition and functions of these standing committees. As such adherence to the relevant legislation cannot be considered comprehensive.
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.

Indicator	Rating	Brief Explanation
iv. Rules for in year amendments to the budget without ex ante approval by Council	NR	Details of virements approval were not made available.

PI-28 Legislative scrutiny of external audit reports

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

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

Section 51(1) of the LGFA requires that a copy of the annual accounts and the audit report to be tabled before the 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 be provided to the CAG. Section 40(4) requires the CAG to comment on the actions taken in his next report.

The scrutiny of the LGA accounts is therefore at two levels: at the local level by the Councils; and at the country level the Annual Report of LGAs by the National Assembly. By the recent amendment to the Public Audit Act in 2012, the Council 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 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 Council. 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	Not available	28 March 2013	26 May 2014

	2010-11	2011-12	2012-13
Date of approval of audit report by Council	12 August 2012	20 August 2013	28 August 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 CAG's Management Letter for FY2013-14 identifies "ineffective performance of the Audit Committee" as one of the significant weaknesses in Mwanza CC. The CAG indicates that there was no evidence that the Audit Committee reviews the financial statements and reports prepared by the Council. The Management Letter further reports that there are no systematic mechanisms for the Council to take actions on recommendations provided by the Audit Committee. It is therefore clear that the Audit Committee is not functioning as required in Mwanza CC which creates adverse implications for the control framework, governance process and control environment within the Council. The CAG has asserted that one of the main reasons for this underperformance is because members of the Audit Committee have not been trained in their job functions.

At the national level the LAAC as one of the Parliamentary Standing Committee is expected to discuss the CAG reports with the related Accounting Officers and report at least once a year their findings and recommendations to the National Assembly for discussions and resolutions. The information related to nature and the frequency of the LAAC meetings to discuss the CAG audit reports has not been made available. However, the CAG Management Letter for FY2012-13, indicated that Mwanza CC was provided with four directives by LAAC in their time of Audit. Of these four, only two had been implemented and the other two were not implemented. Furthermore, comparison with the latest CAG Management Letter, could not been done in the time of drafting this report because the document was not provided by the council.

Available feedback based on secondary studies on functioning of Parliamentary Committees in Tanzania, the post audit processes of submission to the national assembly and the results of LAAC deliberations as available through its observations and recommendations on the LGA reports shows the basic institutional structures for review do exist. However the functioning of the Committee may be constrained by time and resources (common to many of the other Committees) and also the delays in information submission and responses[20].

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

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

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

At the national level, under the earlier provisions of the PAA (Section 40(3)), the responses to the legislative comments were to be taken into account before giving the consolidated responses by the Paymaster General. However based on the amendment of 2012, the PMG is under no obligation to do so. 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.

The Full Council reviewed the CAG report for 2012-13 on 22nd October 2014. However, the management letter for 2013-14 notes serious weaknesses in the audit committee responsible for review of the technicalities in the external audit reports. These include lack of review of design and implementation of internal control procedures for major areas including assets, expenditure, revenue and project management, lack of evidence supporting review by the committee on implementation of recommendations. CAG in its management letter for 2013-14 also notes that nearly 50% of the recommendations were implemented but 23% were under implementation and 27% were not implemented.

Table 71: Summary rating for PI-28

Indicator		Rating	Brief Explanation
PI-28 Legislative scrutiny of external audit reports		**C+**	
(i)	Timeliness of examination of audit reports by the Council (for reports received within the last three years)	B	Audit report was approved within six months of receipt by the Council for the last two years, though a date for receipt of the audit report for 2010-11 was not available.
(ii)	Extent of hearings on key findings undertaken by the legislature	C	This dimension has been assessed based on the severity of weaknesses observed by the CAG in the functioning of audit committee in the LGA.
(iii)	Issuance of recommended actions by the legislature and implementation by the executive.	B	Whilst recommendations are made by CAG and LAAC, only part are being implemented by the Council and various weaknesses are reported in audit committee functions.

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 Mwanza CC, it is understood that there are no direct donor funding. Hence, these three indicators are not applicable to Mwanza CC.

6. Government Reform Process

6.1. Recent and On-going Reforms

Over the last two decades, GoT's reform strategies have aimed at (i) strengthening systems and processes with a view to enhancing efficiency, effectiveness, accountability and transparency in Government; (ii) developing and strengthening infrastructure to improve access to service delivery in specific sectors; and (iii) promoting democracy and good governance[21]. 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

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

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

As part of the first three phases of PFMRP, GoT also established a number of regulatory bodies to provide oversight functions for effective implementation of PFM policies and guidelines. These included - the Tanzania Revenue Authority; the National Audit Office headed by the Controller and Auditor General; the Internal Auditor General's Department; the National Debt Management Committee; the Public Procurement Regulatory Authority; the Public Procurement Appeals Authority; the Public Procurement Policy Unit; the Oversight Body for Parasternal and Public Enterprises; the Commission of External Finance; the Enhanced Public Accounts Committee; and the Reform Coordination Unit[22].

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

[22] 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

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.

6.2. Institutional Factors Supporting Reform Planning and Implementation

Government leadership and ownership

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

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

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

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

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

The Joint Supervision Mission 2015[23] noted that the programme was making good progress and 43% of the milestones were achieved, and another 31% were on track. Though performance varied across the different KRAs, as regards the local government component, there was significant progress that included commencement of roll out of the revenue management system (i-Tax) and strengthening of quality and technical support by the Regions to LGAs in PFM areas such as preparation of financial statements, monitoring, ensuring audit compliance etc.

A Mid-Term Review of the PFMRP IV undertaken in September 2015 indicated that programme has a success story of achievement and on the whole was under good management and control. However, leadership and coordination mechanisms may not be working in an optimal manner[24]. 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

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

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.

Annexure.1 Data issues

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

The HLG-1 indicator analyses the planned and actual transfer of funds to LGAs and therefore supplements the analysis of the other 2 indicators by assessing how much of the budgetary performance has been impacted by deviations and timeliness of fund transfers from the Central Government to the LGAs.

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

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

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

Our conclusions based on further investigations are:

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

Annexure.2 Mapping of Key Weaknesses

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

Table 72: Mapping of Key Weaknesses

Sl	Topic	Key Weaknesses	Details	Key Stakeholder Responsible		
				LGA	PMO-RALG	MoF/GoT
1	Central Fund transfers	Predictability of fund transfers from the GoT is low	Uncertainties in the availability of quantum of funds, their composition and timing			
		Distortions in the formula based transfers to LLGs	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			

Sl	Topic	Key Weaknesses	Details	Key Stakeholder Responsible		
				LGA	PMO-RALG	MoF/GoT
			d. Lack of reliable forecasting through MTEF			
			e. Raising of manual LPOs outside the IFMS			
		Limited institutional capacity	Budget execution capabilities of LGA affected by:			
			a. Lack of the day to day operations guide to the LGA staff			
			b. Poor publicity of information on tax liabilities and administrative procedures			
			c. Lack of adequate supervision resources and capacity for project execution			
4	Internal controls and Accountability	Key weaknesses in internal control and oversight functions	Weaknesses in internal controls evidenced by:			
			a. Preparation of final accounting statements off line (outside EPICOR /IFMS)			
			b. Lack of reporting of expenditure by the LLGs in line with GFS classification			
			c. Weaknesses in Internal Audit such as lack of split in planned time for system and transaction audit; and absence of a structured system of follow up on recommendations for internal and external audits			
			d. Inefficient budget approval process due to short time provided			
			e. Weak controls in procurement processes.			
			f. Deficiencies in audit committee and nearly half of the recommendations for 2012-13 yet to be implemented as on March 2015.			
			g. Lack of timely reconciliation and consolidation of bank accounts.			

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 Mwanza City Council, Tanzania, dated 25th 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 Mwanza CC was submitted for review at different dates to the following reviewers:

i) Viviana Klein – KfW on 15 June 2015
ii) Vivek Misra – DFID on 15 June 2015
iii) Denis Biseko – WB on 15 June 2015
iv) PEFA Secretariat, Washington on 15 June 2015
v) Government of United Republic of Tanzania on 15 June 2015

3. *Review of final draft report*

The final draft assessment report was submitted to following reviewers in 16th May 2016 on the dates noted. This final draft report includes tables showing response to all comments raised by all reviewers.

i) Viviana Klein – KfW on 17th May 2016
ii) Vivek Misra – DFID on 17th May 2016
iii) Denis Biseko – World Bank on 17th May 2016
iv) PEFA Secretariat, Washington on 17th May 2016
v) Government of United Republic of Tanzania on 17th May 2016

4. *Additional information*

Date of establishment of the assessment Oversight Team (PEFA taskforce)	December 2013
Chairperson and Members of the Oversight Team	**Co-chairs** o Mr. Kagyabukama E. Kiliba – Deputy Permanent Secretary, PMO-RALG ***Members*** o Mr. R.L. Mkumbo – DPD, MoF o Mr. Shomari Mukhandi – ADLG (F), PMO-RALG o Mr. Deogratius Ruhanmvya (ADRA), PMO-RALG o Mr. M. Yangwe - (ADICT), PMO-RALG o Mr. Nyingi J. K. L. (LGRP II - Coordinator), PMO-RALG o Mr. Faraja Tarimo – ACGEN Division (Senior Accountant MoF)

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

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

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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 25, 2016

Annexure.4 Scoring Methodology under the PEFA Assessment Framework

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

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

As per the PEFA Field Guide, there are two scoring methodologies - M1 and M2. M1 is used for all single dimensional indicators and for multi-dimensional indicators where poor performance on one dimension of the indicator is likely to undermine the impact of good performance on other dimensions of the same indicator. For indicators with 2 or more dimensions, the steps in determining the overall or aggregate indicator score 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 loading4) in all of the last three years.
A. PFM Out-Turns: Budget Credibility		
PI-1	**Aggregate expenditure out-turn compared to original approved budget**	In no more than 1 of last 3 years has actual expenditure deviated from budgeted expenditure by amount equivalent to more than 5% of budgeted expenditure.
PI-2	**Composition of expenditure out-turn compared to original approved budget**	
(i)	Extent of the variance in expenditure composition during the last three years, excluding contingency items	Variance in expenditure composition exceeded 5% in no more than one of the last three years.
(ii)	The average amount of expenditure actually charged to the contingency vote over the last three years	Actual expenditure charged to the contingency vote was on average less than 3% of the original budget.

PI	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**	
(i)	Extent of monitoring public enterprises	All major AGAs/PEs submit fiscal reports to central government at least six-monthly, as well as annual

PI	Description	Criteria for "A" Rating
		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.
(ii) Predictability and Control in Budget Execution		
PI-13	**Transparency of taxpayer obligations and liabilities**	

PI	Description	Criteria for "A" Rating
(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.
(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.

PI	Description	Criteria for "A" Rating
(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 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**	

PI	Description	Criteria for "A" Rating
(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 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**	

PI	Description	Criteria for "A" Rating
(i)	Completeness of financial statements	A consolidated government statement is prepared annually and includes full information on revenue, expenditure and financial assets/liabilities.
(ii)	Timeliness of submission of financial statements	The statement is submitted for external audit within 6 months of the end of the fiscal year.
(iii)	Accounting standards used	IPSAS or corresponding national standards are applied for all statements.
(iv) External Scrutiny and Audit		
PI-26	**Scope, nature, and follow-up of external audit**	
(i)	Scope/nature of audit performed (including adherence to auditing standards)	All entities of central government are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues.
(ii)	Timeliness of submission of audit reports to legislature	Audit reports are submitted to legislature within 4 months of end of period covered & in the case of financial statements from their receipt by the auditor.
(iii)	Evidence of follow up on recommendations	There is clear evidence of effective and timely follow up.
PI-27	**Legislative scrutiny of the annual budget law**	
(i)	Scope of legislature's scrutiny	The legislature's review covers fiscal policies, medium term fiscal framework and medium term priorities as well as details of expenditure and revenue.
(ii)	Extent to which the legislative procedures are well established and respected	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees, and negotiation procedures.
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	The legislature has at least two months to review the budget proposals.
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.
PI-28	**Legislative scrutiny of external audit reports**	
(i)	Timeliness of examination of audit reports by the legislature	Scrutiny of audit reports is usually completed by the legislature within 3 months from receipt of the reports.
(ii)	Extent of hearings on key findings undertaken by the legislature	In-depth hearings on key findings take place consistently with responsible officers from all 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.

PI	Description	Criteria for "A" Rating
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.5Organizational Structure of Ministry of Finance and PMO-RALG, Government of Tanzania

Figure 4: Organizational Structure for MoF

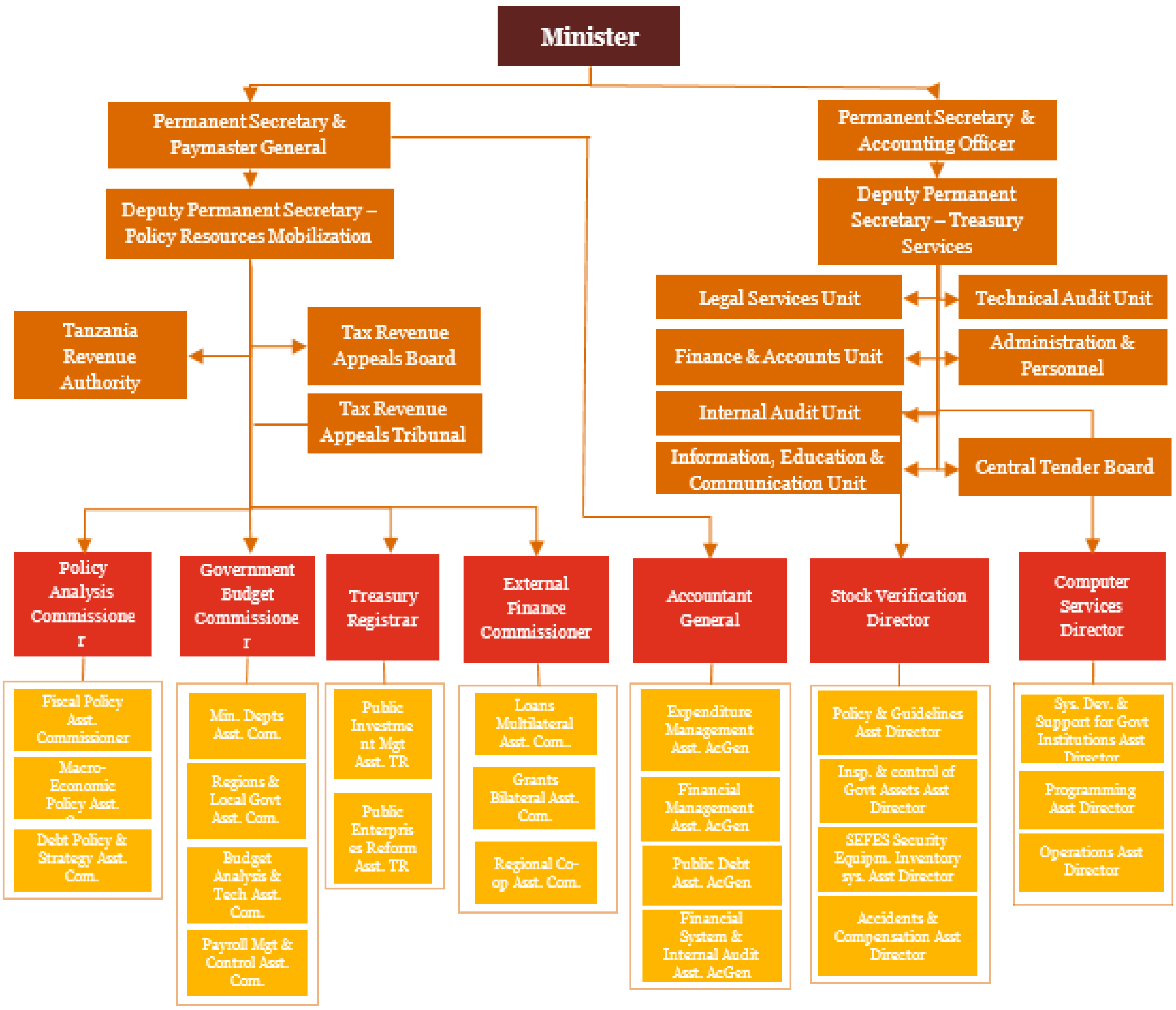
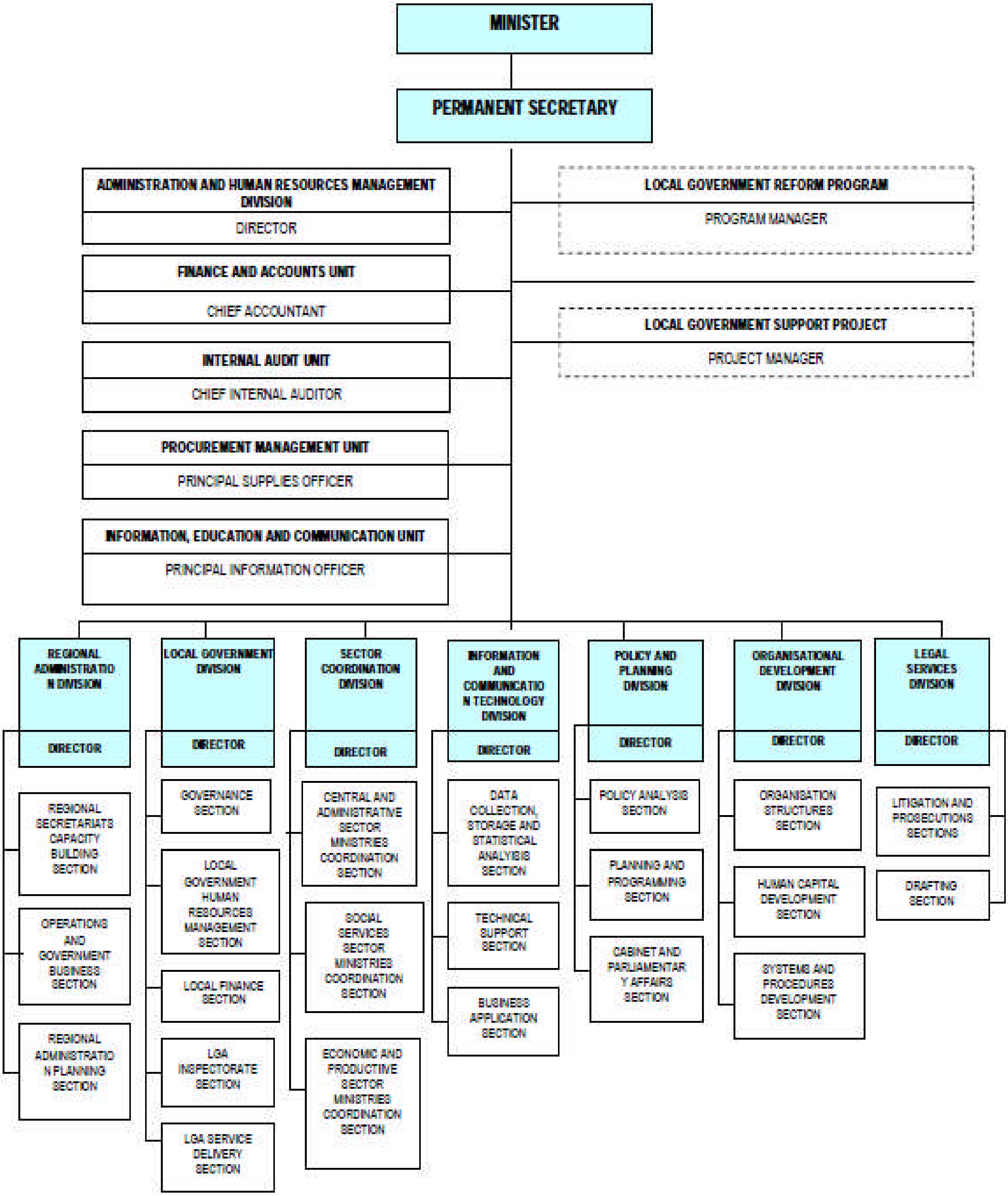


Figure 5: Organizational Structure for PMO-RALG



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 Mwanza City 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 various functions.

The budget is prepared on a cash basis. However, the actual revenue and expenditure as reflected in the Statement includes items such as amortization of capital grant/depreciation. Therefore, adequate adjustments have been made to calculate total revenue and expenditure of the Council.

Table 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 Expenditure[25]

	2011-12		2012-13		2013-14		Source	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Expenditure as per AFS	46096	49650	46757	49191	44067	40592	Sheet "BudVsActN"	
Deduct (-): Depreciation	0	3048	1683	1683	0	0	Sheet "BudVsActN"	
Deduct (-): Incorrect Capital Expenditure	0	9	14	14	0	0		
Add(+): Capital Expenditure	17040	2506	20179	13579	5858	6779	Sheet "BudVsActN"	
Adjusted Total Expenditure	63135	49098	65240	61074	49925	47371		

Table 76: Adjustment for Total Revenue

Item	2011-12		2012-13		2013-14		Source	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Revenue	46096	51943	46757	49191	44067	42009	Sheet "BudVsActN"	
Deduct(-): Recurrent Grants	30776	38861	37521	40114	36564	35439	Sheet "BudVsActN"	
Deduct(-): Amortization of capital grants	2219	2828	1733	1696	0	0	Sheet "BudVsActN"	
Add(+): Actual Receipts of Recurrent Grants	30776	38820	39521	51033	36564	33768	Sheet "BudVsActN"	Note 11 to the Financial Statement
Add(+): Actual Receipts of Capital Grants	17040	2527	20179	14883	5858	5365	Sheet "Capex"	Sheet "Capex"
Total Adjusted Revenue	60917	51601	67203	73296	49925	45703		

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

Annexure.7Screenshots for PI -1 and PI -2

7.1. PI-1 and PI-2

Table 1 - Fiscal years for assessment

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

Table 2 (In TZS)						
Data for year =	2011					
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Administration	1,532,814,607	1,869,296,215	1,192,025,198.46	677,271,017	677,271,017	57%
Human resource management and development	4,804,738,968	1,611,113,104	3,736,505,312.32	(2,125,392,209)	2,125,392,209	57%
Finance & Trade	4,535,616,180	2,634,872,232	3,527,216,372.02	(892,344,140)	892,344,140	25%
Agriculture,Livestock,Co-operative, Fisheries & Forestry	1,118,636,510	934,525,370	869,930,976.48	64,594,394	64,594,394	7%
Education & Culture	27,610,734,555	32,339,761,204	21,472,062,692.48	10,867,698,512	10,867,698,512	51%
Primary health services & Cleansing	4,665,684,141	5,675,651,966	3,628,366,430.43	2,047,285,536	2,047,285,536	56%
Works ,Water & Fire Rescue Services	5,558,339,585	2,902,778,873	4,322,558,525.11	(1,419,779,652)	1,419,779,652	33%
Urban Planning ,Tourism& Environment.	12,823,664,510	835,513,495	9,972,589,746.12	(9,137,076,251)	9,137,076,251	92%
Community development, gender and children	484,917,121	294,848,690	377,105,897.06	(82,257,207)	82,257,207	22%
allocated expenditure	63,135,146,177.0	49,098,361,150.5	49,098,361,150.5	0.0	27,313,698,916.5	
contingency						
total expenditure	63,135,146,177.0	49,098,361,150.5				
overall (PI-1) variance						22.2%
composition (PI-2) variance						55.6%
contingency share of budget						0.0%

Table 3 (In TZS)						
Data for year =	2012					
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Administration	1,811,094,155	1,811,094,155	1,695,444,577.93	115,649,577	115,649,577	7%
Human resource management and development	1,787,465,843	1,787,465,843	1,673,325,079.99	114,140,763	114,140,763	7%
Finance & Trade	3,038,418,191	3,038,418,191	2,844,396,374.01	194,021,817	194,021,817	7%
Agriculture,Livestock,Co-operative, Fisheries & Forestry	1,001,286,036	1,006,730,227	937,347,722.11	69,382,505	69,382,505	7%
Education & Culture	31,929,566,188	32,512,252,749	29,890,665,662.15	2,621,587,087	2,621,587,087	9%
Primary health services & Cleansing	5,852,668,874	6,443,996,805	5,478,939,723.58	965,057,082	965,057,082	18%
Works ,Water & Fire Rescue Services	4,486,853,957	5,250,010,843	4,200,340,546.81	1,049,670,296	1,049,670,296	25%
Urban Planning ,Tourism& Environment.	15,037,838,233	8,929,242,099	14,077,579,139.58	(5,148,337,041)	5,148,337,041	37%
Community development, gender and children	294,848,690	294,848,690	276,020,775.28	18,827,915	18,827,915	7%
allocated expenditure	65,240,040,166.9	61,074,059,601.5	61,074,059,601.5	0.0	10,296,674,081.2	
contingency						
total expenditure	65,240,040,166.9	61,074,059,601.5				
overall (PI-1) variance						6.4%
composition (PI-2) variance						16.9%

Table 3	2013					
	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	10,257,901,491	10,407,737,416	9733257684	-4182116549	4182116549	43%
Community Development	339,704,728	208,674,841	322,330,415.91	(113,655,574)	113,655,574	35%
Water	844,190,737	469,389,736	801,014,318.69	(743,826,628)	743,826,628	93%
Economic Affairs& Planning	1,230,854,392	332,435,717	1,167,901,931.48	(835,466,214)	835,466,214	72%
Environmental Protection	-	-	-	-	-	
Health	4,877,223,662	5,647,096,720	4,627,776,424.43	747,242,117	747,242,117	16%
Human Resource	494,441,539	879,265,418	469,153,160.95	410,112,257	410,112,257	87%
Education	24,507,980,937	23,836,455,221	23,254,512,043.04	253,488,337	253,488,337	1%
Finance and Trade	2,066,175,247	1,630,010,184	1,960,500,021.73	(330,489,837)	330,489,837	17%
Internal Audit Unit	53,945,750	38,867,161	51,186,676.55	(12,319,516)	12,319,516	24%
Forestry, Fisheries & Agriculture	1,082,313,428	117,431,949	1,026,958,145.2	-909,526,196.2	909,526,196.2	89%
Works	3,664,830,855	3,166,722,965	3477391853	-1185841951	118584195093.9%	34%
Urban Planning & Survey	505,321,106	637,371,634	479476288.8	123065345.1	123065345.1	26%
allocated expenditure	49,924,883,870.9	47,371,458,963.7	47371458964	-6779334409	9847150521	
contingency						
total expenditure	49,924,883,870.9	47,371,458,963.7				
overall (PI-1) variance						5.1%
composition (PI-2) variance						20.8%
contingency share of budget						0.0%

Annexure.8 Performance indicators summary

Table 77: PEFA performance indicators summary

Performance Indicators	Description	PEFA 2015 rating
HLG-1	Predictability of transfers from a higher level of Government	**NR**
(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	B
(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)	NR
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**
PI-6	**Comprehensiveness of information included in budget documents**	**C**

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

Performance Indicators	Description	PEFA 2015 rating
(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	B
(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**	**NR**
(i)	Extent to which cash flows are forecasted and monitored	D
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	D
(iii)	Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.	NR

Performance Indicators	Description	PEFA 2015 rating
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	C
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	D
(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	B

Performance Indicators	Description	PEFA 2015 rating
(ii)	Frequency and distribution of reports	B
(iii)	Extent of management response to internal findings	D
(iii) Accounting, Recording and Reporting		
PI-22	**Timeliness and regularity of accounts reconciliation**	**C**
(i)	Regularity of bank reconciliation	C
(ii)	Regularity of reconciliation and clearance of suspense accounts and advances	C
PI-23	**Availability of information on resources received by service delivery units**	**B**
PI-24	**Quality and timeliness of in-year budget reports**	**C+**
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	C
(ii)	Timeliness of issue of reports	A
(iii)	Quality of information	C
PI-25	**Quality and timeliness of annual financial statements**	**C+**
(i)	Completeness of financial statements	C
(ii)	Timeliness of submission of financial statements	B
(iii)	Accounting standards used	B
(iv) External Scrutiny and Audit		
PI-26	**Scope, nature, and follow-up of external audit**	**C+**
(i)	Scope/nature of audit performed (including adherence to auditing standards)	B
(ii)	Timeliness of submission of audit reports to legislature	B
(iii)	Evidence of follow up on recommendations	C
PI-27	**Legislative scrutiny of the annual budget law**	**D+**
(i)	Scope of legislature's scrutiny	C
(ii)	Extent to which the legislative procedures are well established and respected	C
(iii)	Adequacy of time for the legislature to provide a response to budget proposals	D

Performance Indicators	Description	PEFA 2015 rating
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	NR
PI-28	**Legislative scrutiny of external audit reports**	**C+**
(i)	Timeliness of examination of audit reports by the legislature	B
(ii)	Extent of hearings on key findings undertaken by the legislature	C
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	B
D. Donor Practices		
D-1	**Predictability of Direct Budget Support**	**NA**
(i)	Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)	NA
(ii)	In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	NA
D-2	**Financial information provided by donors for budgeting and reporting on project and program aid**	**NA**
(i)	Completeness and timeliness of budget estimates by donors for project support	NA
(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 78: List of people met

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

19.	Daria Justine Bujiku	Loans and Investment Financial Management Officer, PEFA counterpart	PMO – RALG
20.	Mustapha S Yusuf	Procurement Financial Management Officer	PMO – RALG
21.	Isack Jeremah	Assistant Director	PMO-RALG
22.	Dennis Bandisa	Assistant Director, Governance and Service Delivery Section	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.	Steven Benedict	Chief Internal Auditor	RS Lindi
28.	Munguatosha Macha	Financial Management Officer	RS Geita
29.	Fulgence Luyagaza	Accountant	Kinondoni Municipal
30.	Waziri Ally	Accountant	PMO-RALG
31.	Raheli Ntiga	Budget Officer	Budget Division, MoF
At the Council level			
32.	Faisal H Issa	Regional Secretary	Mwanza
33.	Jeremiah Mahinya	ACGEN Council Director	Mwanza City Council
34.	Kellan Ngombe	Council Treasurer	Mwanza City Council
35.	Kepha Mashimba	Economist	Mwanza City Council
36.	Stewart Shubi	Revenue Accountant	Mwanza City Council
37.	Abdul Mallambo	Education Officer - Primary	Mwanza City Council
38.	Upendo John	Education Officer - Secondary	Mwanza City Council
39.	Julieth Mawalla	District Health Officer	Mwanza City Council
40.	Godbless Urio	Internal Auditor	Mwanza City Council
41.	Acrey Biseko	Head of Procurement Management Unit	Mwanza City Council
PEFA Counterpart Team			
42.	Steven Benedict	PEFA Counter Part	Lindi Regional Office

43.	Daria Bujilu	PEFA Counter Part	PMO RALG
44.	Fulgence Luyagaza	PEFA Counter Part	Kinondoni Municipal Council
45.	Ally Waziri	PEFA Counter Part	Bagamoyo District Council
46.	Munguatosha Macha	PEFA Counter Part	Geita Region
47.	Chausiku Nyanda	PEFA Counter Part	PMO RALG

Annexure.10 List of Documents Referred to

1. Public Financial Management Reform Programme IV Strategy Document
2. Memorandum of Understanding between DFID (acting on behalf of Government of the United Kingdom of Great Britain and Northern Ireland) and The United Republic of Tanzania for Public Financial Management Reform Programme Grants
3. Terms of Reference for Public Expenditure and Financial Accountability Assessment of 12 LGAs in Tanzania
4. Local Government Financial Memorandum
5. Local Government Accounting Manual
6. Local Government Finance Act
7. Local Government (District Authorities) Act 2002
8. Local Government (Urban Authorities Act) 2002
9. Tanzania at a glance, 2012, National Bureau of Statistics, Tanzania
10. The Constitution of United Republic of Tanzania
11. Public Procurement Act, 2011
12. Local Government Authorities Tender Board (Establishment & Proceedings) Regulations (2014)
13. Public Procurement Regulations (2013)
14. Government Loans, Grants and Guarantees Act (1974)
15. Public Finance Act (2001)
16. Guidelines For The Preparation Of Annual Plan And Budget For 2014/15 In The Implementation Of The Five Year Development Plan 2011/12-2015/16 (Including Annexure 1)
17. Internal Audit Manual, 2013
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 Mwanza CC for 2012-13 and 2013-14
23. MTEF of Mwanza CC for 2014-15
24. Quarterly Internal Audit Reports for 2013-14 and 2014-15
25. Budget guidelines issued by Ministry of Finance for 2014-15
26. Budget instructions issued by Mwanza CC to LLGs, 2014-15
27. Reforming Tanzania's Public Sector, An Assessment and Future Direction, President's Office - State House, the United Republic of Tanzania, November 2013
28. Aide Memoire (Report), Joint Supervision Mission 2015, Public Financial Management Reform Programme (PFMRP)
29. Final Report, Mid-Term Review for the Public Finance Management Reform Program Phase Four Tanzania, September 2015, Ministry of Finance, the United Republic of Tanzania

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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