

The United Republic of Tanzania



Prime Minister's Office

Regional Administration and Local Government

**LOCAL AUTHORITY QUARTERLY
FINANCIAL REPORTS FOR
LGA REVENUES AND EXPENDITURES
AND
LGA DEVELOPMENT EXPENDITURES
INSTRUCTIONS FOR COMPLETION OF
THE REPORTING FORMS, FY 2009/10**

SEPTEMBER 2009

LOCAL AUTHORITY QUARTERLY FINANCIAL REPORTS FOR LGA REVENUES AND EXPENDITURES AND LGA DEVELOPMENT EXPENDITURES

TABLE OF CONTENTS

1. Overview of Local Authority Quarterly Financial Reports	1
2. LGA Revenue and Expenditure Report: Structure of the Reporting Forms	3
3. General Instructions on Completing the LGA Revenue and Expenditure Report	6
4. Specific Guidance on Completing the ‘Own Revenues’ Form	9
4.1 Own Source Revenues	9
4.2 Opening Balance / Closing Account Balances	10
5. Specific Guidance on Completing the ‘Transfers’ Form	12
5.1 Recurrent Block Grants	12
5.2 Sector Basket and Other Funds (Subventions)	13
5.3 Development Grant / Funds	15
5.4 Local Borrowing	17
6. Specific Guidance on Completing the ‘Expenditures’ and ‘Sectors’ Forms	18
6.1 Recurrent Expenditures	18
6.2 Development Expenditure	19
6.3 Surplus / Deficit	20
6.4 The Sectors Form	21
7. Completing the Quarterly Council Development Report	22
7.1 Structure of the Council Development Report	22
7.2 Structure of the Development Project Form	25
7.3 Development Project Form: Project description	27
7.4 Development Project Form: Project budget and details	27
7.5 Development Project Form: Financial progress	30
7.6 Development Project Form: Physical progress	30
8. Submission and Review Processes	31
8.1 Review of the Report by Council and Local Stakeholders	31
8.2 Submission to the Regional FMS and PMO-RALG	32
8.3 Further information	33

Appendix A. Own and Shared Revenue Sources	34
Appendix B. Local Government Expenditures: Cost Centres	38
Appendix D. Acknowledging Receipt of Report	40
Appendix E. Clarifications and Frequently Asked Questions (FAQ)	41

LOCAL AUTHORITY QUARTERLY FINANCIAL REPORTS

PREFACE

Purposes of the Local Authority Quarterly Financial Reports

As the backbone of the monitoring and reporting of LGA finances in Tanzania, local government authorities have been required to complete an electronic Council Financial Report (CFR) on a quarterly basis since 2006/07. The CFR reporting format is intended to enhance the transparency of local government finances by providing a standardized format for presenting financial information on a quarterly basis to the council and local community. Assuring transparency with regard to the financing of local governments in Tanzania is an absolute cornerstone in the process of making sure that local communities are empowered over their local governments. In fact, access to financial information at the local government level is particularly empowering, since local officials are closer to the communities and residents that they serve.

In addition, the CFR serves as a standardized mechanism for sharing and reporting LGA finance information with the regions and the center, allowing for the appropriate monitoring of LGA finances. Not only does transparency in local government finance allow local communities to hold their own local officials accountable directly, but central monitoring of local government finances provides local communities with a watchdog who can advocate on their behalf if local governments use their financial resources in an inefficient manner, or in a way that is inconsistent with the local priorities set forth in the local government budget.

Changes in the reporting forms compared to FY 2008/09

PMO-RALG has been systematically collecting and compiling quarterly LGA Finance Reports since FY 2005/06. Since FY 2006/07, local government authorities have been requested to submit their Council Financial Reports in electronic form in Excel. The quarterly Council Development Report was introduced in FY 2008/09. Improvements have been made to the Reporting Forms from time to time in order to improve the reporting process, and to enhance the level of detail on local finances contained in the quarterly reports. However, no substantive changes were made to the content of the CFR or CDR reporting forms from 2008/09 to 2009/10.

LOCAL AUTHORITY QUARTERLY FINANCIAL REPORTS

INSTRUCTIONS FOR COMPLETION OF THE REPORTING FORMS

1. Overview of Local Authority Quarterly Financial Reports

The Local Authority Quarterly Financial Reports provide a quarterly report of the finances of local government authorities in Tanzania. There are two reporting forms that have to be completed every quarter by each council: a quarterly report of LGA revenues and expenditures, as well as a quarterly report on council development expenditures. These instructions provide guidance in completing the reporting forms.

PMO-RALG collects and compiles these two Local Authority Quarterly Financial Reports from all Local Government Authorities (LGAs) in Tanzania Mainland each quarter. The primary purpose of these Local Authority Quarterly Financial Reports is to monitor and track local government finances in Tanzania, which represent an important share of public sector finances.

In order to enhance the transparency and accountability of local government finances, the Quarterly Financial Report should be presented to the Council committee responsible for finance each quarter along with the regular income and expenditure statement. The financial reports are shared with the Ministry of Finance and Economic Affairs (MOFEA) and will also be made public as part of PMO-RALG's LGA Consolidated Quarterly Financial Report and on the internet (www.logintanzania.net).

Sections 2-6 of this instruction manual discuss how to complete the Local Authority Quarterly Financial Report for LGA Revenues and Expenditures (also referred to as the 'Council Financial Report' or 'CFR'). Section 7 of this manual discusses how to complete the new Quarterly Council Development Report ('CDR'). Section 8 discusses the details of the submission and review processes.

As specified in the annual LGA Planning and Budget Guidelines, the completion of these financial reports is a standing requirement by PMO-RALG and the Ministry of Finance and Economic Affairs and forms part of the Government's regular financial reporting procedures. Completion of these reports is not a one-off activity or a special project.

Failure to complete the forms and to submit them to PMO-RALG as specified below may be noted as part of each Council's annual performance assessment by PMO-

RALG. As the reports are meant to accurately reflect the council's accounts, the Quarterly Financial Reports will also be reviewed as part of the annual audit by the Controller and Auditor General (CAG).

The Local Authority Quarterly Financial Reports allow the central government to make sure that local budget plans are consistent with national policies, including the National Strategy for Economic Growth and Poverty Reduction (MKUKUTA).



The reports also allow the central government to make sure that local finances are properly accounted for and that local governments execute their budgets as planned. Likewise, local communities are able to monitor local finances in order to assure that local financial decisions are made according to the preferences and priorities of the local community.

Which officer should be tasked with completing the reports?

Whereas the Council Treasurer is often in the best position to coordinate the preparation of the Council Financial Report and the Council Development Report, no single local government official readily has all the financial information required to complete the reporting forms. For instance, in many LGAs, it is the Council Planning Officer or the Council Economist who prepares the council's budget plan in PlanRep. Inclusion of accurate budget information is one of the important ingredients for a sound financial report.

In other cases, department heads may have information on sector-specific accounts or allocations that is required for the CFR or CDR. For instance, the Council Treasurer may have to consult the District Medical Officer in order to ascertain the allocation of drugs and medical resources received through the Medical Stores Department (MSD). Likewise, in many instances, the task of providing specific information on the physical implementation of development activities will involve consulting with the relevant department heads. As such, it should be recognized that completion of the Local Authority Quarterly Financial Reports is not exclusively the responsibility of the Council Treasurer. Indeed, the Report should be submitted to the local Council as well as to the Region and PMO-RALG by the Council Director, thus reflecting the combined inputs of the entire local government's executive leadership.

2. LGA Revenue and Expenditure Report: Structure of the Reporting Forms

A standard reporting format form is used for Local Authority Quarterly Financial Report in order to assure consistency in the data and to ensure that reports are comparable between local authorities. Local councils are required to complete the forms in the Excel template provided by PMO-RALG. The format of the Council Financial Reporting Form may change slightly from year to year.

Using a standardised reporting format eases the burden of LGAs in completing the forms, and also assists PMO-RALG in compiling and analysing council's financial data in order to produce the quarterly financial reports in a timely manner.

The Council's financial reporting form which has to be completed each quarter is composed of six Excel worksheets:

- the Cover Letter,
- the Checklist,
- the Own Revenues Form,
- the Transfers Form,
- the Expenditure Form and
- the Sectors Form.

Figure 2.1. Council Financial Report: Letter Form

1					
2	Council:	Select your council here -----			
3	Vote Code:	00000			
4	FY:	FY 2008/09			
5	Quarter	Q1			
6	Period ending:	September 30, 2008			
7					
8					
9					
10					
11					
12					
13					
14	Permanent Secretary				
15	Prime Minister's Office – Regional Administration and Local Government				
16	Attention: DLG Finance Section				
17	P.O. Box 1923				
18	Dodoma				
19	September 30, 2008				
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49					
50					
51					
52					
53					
54					
55					
56					
57					
58					
59					
60					
61					
62					
63					
64					
65					
66					
67					
68					
69					
70					
71					
72					
73					
74					
75					
76					
77					
78					
79					
80					
81					
82					
83					
84					
85					
86					
87					
88					
89					
90					
91					
92					
93					
94					
95					
96					
97					
98					
99					
100					

Please make sure that you use the Excel template for the current financial year.



Do not make any changes to the format of the reporting forms! Do not unprotect the worksheets or include any additional columns or rows in the tables. You might disturb the formulas and links included in the template.

Each of these forms will have to be submitted to PMO-RALG once completed. Please note that additional attachments may be required as well, as stipulated in these instructions.

Completing Cover Letter

The process of completing the council's quarterly financial report is initiated in a few easy steps. The first thing to do is to complete the cover letter and to save the Excel file with an appropriate name. The structure of the process is as follows:

1. Open the Excel file named "CFR 200910.xls". This file contains the empty template for the reporting forms. The workbook should open on the worksheet 'Letter' (see Figure 2.1).
2. As a rule, in the CFR report, you are required to complete the cells that are highlighted in light green. Most other cells in worksheets have been "protected" to prevent accidental changes to the worksheets. Excel will automatically calculate certain subtotals and totals.
3. Since a reporting form should be completed by the council for each quarter of the financial year, you will have to make a new Excel report for each quarter. In the 'Letter' worksheet, you should select your council's name and the current reporting quarter.
4. You can select your council's name from the drop-down menu by clicking on the cell "C2". Once you have selected your council name, Excel will automatically put the council name in the appropriate places in the reporting forms.
5. Then, you should select the appropriate quarter from the drop-down menu by clicking on the cell "C5". The options are "Q1" for the 1st quarter of the Fiscal Year (July to September); "Q2" for 2nd quarter (October to December), and so on. When you are submitting information on the council's Budget Plan at the beginning of the budget year, please select "Q1" (even though no information for Quarter 1 will be included).
6. Excel will automatically complete the actual date for the submission of your quarterly financial report in cell "B20" of the cover letter.

Saving and Naming the Excel File

Once the Letter worksheet has been completed, you may wish to save the Excel file under a new name. The file name should include the name of your council, as well as the reporting quarter (for instance, "CFR Arusha MC 200910Q1.xls").

To avoid the risk of losing the data which you enter, you are advised to create a backup of the file. You will have to save the Excel file on more than one computer or

make a copy of the file on a USB “flash drive” or CD-ROM. Making a backup will allow you to recover the data if you experience computer problems later.

Completing the Reporting Forms

Once you have selected your council name and reporting quarter, and saved the Excel file under a new name, you should click on the tab for the Own Revenues worksheet (“ownrevenues”) and complete the appropriate data in the designated light green cells following the detailed instructions in Section 4 of this manual. Then, click on the tab for the Transfers worksheet (“transfers”) and Expenditure worksheet (“expenditures”) and complete these forms according to the instructions in Sections 5 and 6. Be sure to save the file frequently and again after all the financial data has been completed.

Finally, verify the accuracy of your data and print all six worksheets (including the letter and checklist), in addition to preparing any supplementary information for submission as required. The forms should be submitted in hardcopy (duly signed by the council Director) as well as electronically whenever possible. Please, refer to Section 8 of these instructions for details on the submission requirements.

In addition to the Quarterly Council Financial Report, each local government authority should also submit the Council Development Report each quarter. Instructions for the completion of the Council Development Report are contained in Section 7.



Since the date included in the letter updates automatically, you should print out and sign the hardcopy of the report on the actual day of submission. (See Section 8 for submission and review instructions).

Reporting Using Plan-Rep

All Local Government Authorities in Tanzania are required to use PMO-RALG’s Planning and Reporting (Plan-Rep) software to prepare their annual plans and budgets. In addition, the Plan-Rep software has a reporting component that allows councils to report on the financial implementation of their budgets in accordance with the Objectives, Targets, and Activities contained in the budget plan.

Councils that use the reporting component of Plan-Rep can use Plan-Rep to prepare their Quarterly Financial Report, since most (but not all) of the information needed to complete the Quarterly Financial Report should already be entered by the council into the LGA Planning and Reporting System (Plan-Rep).

In order to avoid duplication and to facilitate the production of the Quarterly Financial Report, Plan-Rep has a feature that allows the relevant data to be easily exported, so that the user can simply cut and paste most of the required data from Plan-Rep into the Quarterly Financial Report. Please see the Plan-Rep documentation for this feature.

3. General Instructions on Completing the LGA Revenue and Expenditure Report

The report requires each council to complete the financial data in three forms / worksheets: *ownrevenues*, *transfers*, and *expenditures*. As shown in Figure 3.1, the basic column structure of each form is similar: the Own Revenue Form and Transfers Form have four data columns (Column A-D) while the Expenditures Form has six data columns (Columns A-F). All financial data should be entered in the light green cells of the Excel file. Columns and cells that are white are automatically computed by Excel.

Figure 3.1. Council Financial Report: Column Structure

	A	B	C	D	E	F	G	H
1								
2	Arusha Municipal Council (Arusha Region)							
3	Quarterly Financial Report As At: September 30, 2008							
4	All amounts in Tanzanian Shillings							
5								
6			Annual Estimate as per Approved Budget	Actual Collection/Received			Cumulative as % of Annual Estimate	
7	Own Source Revenues			Cumulative Amount, Previous Quarter	For the Quarter	Cumulative Amount, Year to Date		
8		A	B	C	D	E		
9	Local Taxes (Rates, Levies and Cesses)							
10	Property Tax	-	-	-	-	-	-	0.0
11	Land Rent	-	-	-	-	-	-	0.0
12	Produce Cess	-	-	-	-	-	-	0.0
13	Service Levy	-	-	-	-	-	-	0.0
14	Guest House Levy	-	-	-	-	-	-	0.0
15	Other Levies on Business Activity	-	-	-	-	-	-	0.0
16	Subtotal, Local Taxes	-	-	-	-	-	-	0.0

The Local Authority Quarterly Financial Report should be based on two sources of information: (1) the annual estimates as per the council's approved budget and (2) each quarter's income and expenditure statements, which draw on the trial balance from the general ledger of the council. The data entered in each of the forms should be extracted from the following sources:

Column A: Annual Estimates as per the Approved Budget

When reporting on the Council's Budget Plan at the beginning of the Financial Year, Column A should report the annual budget plan or the annual estimates as approved by the Council. The Annual Estimate figures reported in Column A should be taken from the Budget for the current financial year as approved by the local Council and incorporating any changes required, following scrutiny by PMO-RALG and the Ministry of Finance. As such, the figures in Column A should coincide with the council plan and budget figures submitted to PMO-RALG and the Ministry of Finance through Plan-Rep. As noted in the previous section, in order to avoid duplication, these figures can be extracted through Plan-Rep.

For Quarter 1 and subsequent reporting periods, any supplementary budget figures or budget virements approved by the Council should be incorporated in Column A for the quarter in which they are approved. Thus, unless changes are made to the council's budget plan, the figures presented in Column A should be the same in each quarterly report for the council.



Each council should verify that the figures in Column A are the same as during the previous quarter's report. In the case changes are made to the budget figures during the budget year compared to the previous quarterly report (for instance, as a result of virements approved by the council, or due to errors in the previous quarterly report) a separate page should be attached to the report submitted to PMO-RALG detailing the effect of the changes approved by the Council.

Columns B, C and D: Actual revenue collections / receipts / expenditures

Whereas Column A reflects budget amounts, Columns B, C and D should reflect actual budget outcomes. For instance, Column B in each form should reflect the total amount (in other words, the cumulative financial transactions) for the financial year up to previous quarter, as reported for previous quarter. Column C should contain the actual financial transactions (or actual financial outturns) for the current quarter. In turn, Column D in each form is computed automatically by Excel to reflect the total amount (or cumulative financial transactions) for the financial year to date. For instance, in the Revenue Form, Column B should indicate the total amount of revenues collected during the financial year up to the end of the previous Quarter, Column C should reflect revenues collections for the current Quarter, so that Column D will therefore indicate the total amount of revenues collected during the financial year up to the end of the current Quarter.

The actual collections / receipts or expenditures reported in Columns B, C and D in each form should be taken from the council's books of account. The amounts included in the report should not be drawn directly from the cash books of the council. Instead, these figures should be taken from the trial balance drawn from the general ledger of the council, which are also used to prepare the monthly income and expenditure reports which are prepared each month for the Council's Finance Committee.

Please note that the figures in Column B, C and Column D are closely related, and that the council should verify that the numbers reported in Column D match the trial balance drawn from the general ledger. In the report for the first quarter of each financial year, the amounts recorded Column B will equal zero for every row.



Each council should verify that the figures reported in Column B for each Quarter equal the cumulative actual outturns reported during previous quarter in Column D. Clarification should be provided in a separate attachment if the cumulative amount reported in Column B does NOT equal the previous quarter's cumulative outturn (as reported in Column D during the previous quarter). For instance, this may be the case if previous quarter's cumulative turnout was revised in the interim.

Column E: Performance Ratio

For the Own Revenue Form and the Transfers Form, the “Cumulative Amount as a Percentage of Annual Estimate” in Column E of the Revenue Report is calculated automatically as $\text{Column D} / \text{Column A} \times 100 \%$. This amount is sometimes referred to as the “budget performance” or “performance ratio”. If the council’s finances are executed exactly in accordance to the budget plan, the council’s performance ratio will equal 100% at the end of the financial year.

Column E: Outstanding Commitments (Expenditure Form Only)

For the Expenditure Form, Column E should reflect the outstanding commitments of the council. Outstanding commitments are financial commitments that are made by the council, which are not yet fulfilled. For instance, if a purchase was made by a council, but the invoice has not yet been paid, then this would constitute an outstanding commitment.

In time, councils will be able to generate the amount of outstanding commitments from the Epicor-based IFMS system. For now, the “Outstanding Commitments” in Column E of the Expenditure Report will be calculated manually by most councils and should include:

- Any orders placed or contracts signed which are expected to be delivered within the current financial year, but which are not yet paid from the council’s accounts. The amount included in the commitment should be the amount relating to the current year and therefore covered by the current estimates.
- Any invoices received and not yet paid.
- Any arrears of allowances or other staff overheads outstanding at the quarter end.

Columns D and E (Expenditure Form Only)

The “Cumulative Expenditure and Commitments to Date” shown in Column F of the Expenditure Form is calculated automatically as the addition of Columns D and E.

Similar to Column E in the other forms, the “Cumulative Expenditure and Commitments as a Percentage of Annual Estimate” in Column G of the Expenditure Form is calculated automatically as $\text{Column F} / \text{Column A} \times 100 \%$.

General Instructions

Note that all amounts are to be included in whole Tanzanian Shillings. Amounts may not include any fractions of Shillings or negative numbers. No “missing values” may be included in the tables. The unavailability of any data should be noted in a separate attachment to PMO-RALG as needed.

4. Specific Guidance on Completing the ‘Own Revenues’ Form

In the ‘Own Revenues’ Form of the quarterly financial report, the council should report the council’s budget plans and outturns with respect to its own and shared revenue sources, as well as information relating to the council’s account balances. The primary purpose of the Own Revenues Form is to monitor the own source and shared revenues that are collected by local authorities.

By providing a clear overview of own revenue sources collected by local authorities from local taxpayers, the Quarterly Financial Report allows both central authorities as well as local stakeholders to be aware of the levels of financial resources made collected locally from different sources.



Monitoring of own source revenues should assure that the revenues collected by local authorities are properly recorded in the local accounts. Monitoring should also assure that these resources are subsequently spent in accordance with the council’s annual budget plan, based on the preferences and priorities of the local community.

4.1 Own Source Revenues

Local authorities in Tanzania are permitted to collect a number of own and shared revenue sources. The revenue categories included in the Own Revenues Form are intended to capture the major sources and types of revenues as permitted by the Local Government Finances Act. The reporting form structures the permitted local revenue sources into one of four types of own source revenues:

- Local taxes (including rates, levies and cesses)
- Revenues from licences and permits
- Revenues from fees and charges
- Revenues from other sources (including fines, penalties, and revenues from the sale or rent of council property, and so on)



The list of permitted revenue sources is defined in the Local Government Finance Act (Schedule). Councils should not collect local revenues which are not included on this list.

The quarterly reporting form does not require councils to report revenue collections for each specific local revenue source; although the form includes separate rows for major revenue sources (such as the Service Levy), minor local revenue sources are summed into revenue categories. For instance, all cesses and rates on crops, produce, and other agricultural products should be recorded in the Revenue Form under the heading “Produce Cess”. Appendix A shows the list of all the local revenue sources permitted by the Local Government Finances Act, and indicates which local revenue items should be included under each heading in the form.

As indicated in Appendix A, local revenues collected from “Fees and Charges” are grouped into three categories: *Market fees and charges* (row 24), *Sanitation fees and charges* (row 25) and *Specific service fees* (row 26). Each council is asked to report the total amount of Specific Service Fees on row 26 of the spreadsheet, which should include Parking Fees and Central Bus Stand Fees.

In many councils, Parking Fees and Central Bus Stand Fees are the largest revenue items in the category *Specific Service Fees* (although a number of other revenue items are included in this category as well). Therefore, in addition, each council should separately report revenues from Parking Fees and Central Bus Stand Fees on rows 28 and 29 of the Revenue Form. Separately reporting the Parking Fees and the Central Bus Stand Fees on rows 28 and 29 will not cause the total revenues to be double-counted.



It is anticipated that the amount reported in “Other own revenues” should be small, as only own source revenue items that do not fit in one of the main categories listed are expected to be reported in “Other own revenues”. If the magnitude of “Other own revenues” is greater than 5% of total own source revenues, then details should be submitted to PMO-RALG as a separate attachment to the report.

4.2 Opening Balance / Closing Account Balances

Each council holds multiple bank accounts, which should be reconciled with the council’s books on a monthly basis. This section of the form contains details on the opening and closing cash balances for the reporting period in order to provide a complete picture of the local authority’s financial resources.

It should be noted that the column heading for this section are different that for the rest of the reporting form. The columns to be completed include:

- Opening Account Balance for Budget Year (Column B)
- Opening Account Balance for Quarter (Column C)
- Closing Account Balance for Quarter (Column D)

Account balances should be reported for the following specific accounts:

- General Account
- Development Account
- Deposit Account
- Education OC
- Health OC
- Roads OC
- Water OC
- Agriculture OC
- LGCDG Account
- TMAP (HIV/AIDS) Account

The list of accounts included in the form includes the major local government accounts. However, the list of accounts is not comprehensive as smaller (project) accounts are not included as separate line items in the report. Instead, the account balances for these accounts should be reported together as part of the line “All Other

Accounts” so that the form appropriately reflects the Total Account Balances for all council accounts. However, as part of the report for Quarter 4 of each year, councils are expected to submit an attachment with their report showing the exact closing balance for every council bank account.



NEW!

As part of the Council Finance Report for Quarter 4 of each year, councils are expected to submit an attachment that shows the closing balance for every bank account held by the council, including those accounts not listed individually on the CFR. In addition, the council should submit a breakdown by sector and programme of the balances carried forward as part of the Development Account (Account No. 2).

Naturally, the opening balance for every bank account for the next financial year should equal the closing balance reported for the previous financial year. These carried-forward balances should be re-budgeted as part of the budget for the following financial year in order to complete the unfinished development activities.

5. Specific Guidance on Completing the ‘Transfers’ Form

In addition to the own and shared revenue sources collected by local authorities, LGAs receive a number of intergovernmental fiscal transfers from the central government and development partners. The receipt of intergovernmental transfers should be reported as part of the ‘transfers’ form in the quarterly report. The reporting form separates intergovernmental fiscal transfers into three types of transfers:

- Recurrent block grants
- Sector basket funds and other subventions
- Development grants and funds

The primary purpose of the Transfers Form is to monitor the intergovernmental transfers that are received by local authorities. In addition, the *transfers* form also requires the local council to report information on its borrowing activities.

By providing a clear overview of the intergovernmental fiscal transfers received by local authorities, the Quarterly Financial Report allows both central authorities as well as local stakeholders to be aware of the levels of financial resources made available to each council from different sources.



Monitoring of intergovernmental transfers should assure that the transfers provided to local authorities are properly recorded in the local accounts (for instance, by matching locally reported amounts with Treasury disbursements). Monitoring should also assure that these resources are subsequently spent in accordance with the guidelines and conditions imposed on each transfer scheme.

5.1 Recurrent Block Grants

The majority of financial resources provided to local authorities in Tanzania come in the form of formula-based, recurrent block grants. These grants include sectoral grants for the ‘grant-aided’ sectors (primary education, local health services, agriculture extension and livestock services, local water supply and local road maintenance) and a General Purpose Grant (GPG). For FY 2008/09, lines were also added to the form to report block grants for Secondary Education. The allocation of these resources among local governments is determined based on allocation formulas. The use of these block grant resources is guided by instructions and conditions contained in the annual LGA Medium-Term Plan and Budget Guidelines issued by PMO-RALG.

The Transfers Form requires each council to report on the six recurrent grants provided directly by the Ministry of Finance (through the Regional Votes) to LGAs that should be included under these headings. The block grant amounts should be recorded to separately reflect the financial resources provided for Personal Emoluments (PE) under each block grant as well as the funds provided for Other Charges (OC) for each block grant.

For the PE share of each block grant, the amount reported for the transfer should reflect the gross PE amount, which includes salaries as well as the employment benefits, including deductions withheld by the Ministry of Finance on behalf of the LGA for LAPF and for the National Health Insurance scheme.

Generally, the OC share of each block grant amount to be reported will equal the amount of OC resources disbursed to each council. However, in some cases, the Ministry of Finance will make direct payments on behalf of LGAs from LGA transfer resources. For instance, this is the case for primary education examination fees. Payment of these fees on behalf of the council should be recorded for accounting purposes by the council both as a receipt of in-kind transfers, as well as an in-kind expenditure.

Note that grants for local administration and grants for the previous Compensation Grant are now included together in the “General Purpose Fund” category. Although some councils consider GPG resources as ‘own revenues’, the grant is in fact an intergovernmental transfer. Therefore, GPG resources should be recorded in the report as a transfer.



NEW!

In 2008/09, a number of small block grants was introduced for local departments. These small grants provide OC resources for local government departments, including grants for the Lands Department, the Natural Resource Department, the Internal Audit Department, and so on. For reporting purposes, these small grants should be included in the amount reported for the GPG (OC component).

5.2 Sector Baskets and Other Funds (Subventions)

In addition to the block grants provided to each council directly by the Ministry of Finance, councils receive some additional finances for recurrent purposes from various line ministries, as well as from PMO-RALG. These (non-block grant) transfers are referred to as subventions. Note that the category “Sector Baskets and Other Subventions” should *not* include any grants and funds provided for development purposes.

Under the heading ‘Sector Baskets and Other Subventions’, the council should report funds received from:

- Recurrent funding provided by Sector Basket Funds and Programmes (for instance, transfers from the Health Sector Basket Fund, and so on).
- Financial and in-kind resources provided by sector ministries for the funding of recurrent programmes which are delivered by the local council.
- Other resources provided by sector ministries, central government agencies or provided through PMO-RALG for the funding of recurrent local programmes (for instance, HIV/AIDS funding, Roads Fund transfers, etcetera).

In the Transfers Form, recurrent subventions (including sector basket funding and other funds received) should be summed into five categories:

- ***(Primary and Secondary) Education*** - Any recurrent resources provided to local governments in support of primary and secondary education delivery. For instance, capitation resources provided by the Ministry of Education and Vocational Training under the Primary Education Development Programme (PEDP) II.
- ***Health*** - Any recurrent resources provided to local governments in support of local health services; for instance, Health Sector Basket Fund transfers (HSBF) as well as the in-kind provision of drugs and medical supplies. (It should be noted that although HSBF resources are for recurrent purposes, the provision of these resources was recorded as development grants in the Local Government Budget Guidelines).
- ***Roads*** - Any recurrent resources provided to local governments in support of local road maintenance. For instance, resources from the Roads Fund provided to councils through PMO-RALG.
- ***HIV/AIDS*** - Any recurrent resources provided to local governments in support of HIV/AIDS prevention, care or treatment; for instance, funding provided from TACAIDS and/or PMO-RALG for this purpose. (It should be noted that although these resources are for recurrent purposes, the provision of these resources was recorded as development grants in the Local Government Budget Guidelines).
- ***Other Subventions***. Any other recurrent transfers not included elsewhere.



The deposit of resources in the council's account with the Medical Stores Department (MSD) for the purchase of drugs and medical supplies or the in-kind provision of drugs and medical supplies should be recorded in the council's books as a transfer received. The receipt of these resources should be recorded when MOHS&W informs the council that resources have been made to available to MSD for the council's use.

Subsequently, the use of these drugs should be recorded as an OC expenditure on health when the purchase of the drugs is made by the council from MSD.



In order for MDAs to comply with the government's policy of 'Decentralization by Devolution', each line ministry is currently reviewing its programs and budget plans together with PMO-RALG, in order to identify resources that should be devolved to the local government level in order to assure that 'finances follow function'. As a result, it may be possible that some of the resources previously provided as subventions will be incorporated into the sectoral block grants during FY 2007/08.



It is anticipated that the amount reported under “Other subventions” should be small. Thus, only fund / subvention items that do not fit in one of the main categories listed is expected to be reported under “Other subventions”. However, if the magnitude of that subvention is greater than 5% of total Sector Basket and Other Funds, then its details should be submitted to PMO-RALG as a separate attachment to the report

5.3 Development Grant / Funds

In addition to recurrent block grants and recurrent subventions, councils also receive transfers for the purpose of funding development activities. Under the heading of Development Grants and Funds, the council should report funds received from:

- Funding from the Local Government Development Grant (LGDG) System, including both Capital Development Grant (CDG) and the Capacity Building Grant (CBG).
- Sectoral windows of the LGCDG system, sectoral basket funds and other sectoral development programmes for the funding of development programmes (e.g., the District Agriculture Development Programme).
- General development resources provided by Central Ministries, Other Government Institutions, Development Partners, and NGOs, for the purpose of funding development programmes; for instance, TASAF funding.

Irrespective of what development activity the funding will be used for, development grants and funds should be reported by the source of the development funding. For instance, many councils receive development funds from PMO-RALG through the LGCDG system, as well resources from TASAF. Many other development resources provided to the local level are provided by sector-specific programmes, and should thus be reported by the sector-program for which they are intended. Listed sources of development funding include:

- Grants from the Local Government Development Grant (LGDG) system, which was previously referred to as the Local Government Capital Development Grant (LGCDG) System.
- Transfers from the Tanzania Social Action Fund (TASAF II).
- Education sector development programmes or funds for either primary or secondary education (for instance, development funding provided by the Ministry of Education and Vocation Training).
- Health sector development programmes or funds (for instance, development funding provided by the Ministry of Health and Social Welfare, or the Health Infrastructure Rehabilitation Fund).
- Local roads infrastructure development programmes or funds (for instance, development funding provided by the Ministry of Works).
- Water sector development programmes or funds (for instance, development funding provided by the Ministry of Water or the Water Sector Development Programme).

- Agriculture sector development programmes or funds (for instance, development funding provided by the Ministry of Agriculture or the Agriculture Sector Development Programme).
- Administration-related infrastructure programmes or development funds, including development resources provided for the construction of administrative buildings or the UNICEF Grant for Support of Social Planning and Budgeting.
- Other Development Grants / Funds.

It is possible that a council receives development funds from several different sector-specific development programmes. In this case, these resources should be summed up on the relevant reporting line for each sector.

Other development grants that are not sector-specific should be listed under “Other Development Grants / Funds”.



NEW!

In FY 2009/10, a total of TSh. 43.5 billion in additional development resources was allocated to councils with special needs, for instance, councils with extremely high poverty rates or councils located in remote areas of the country. Funding was provided for Council Buildings, Residential (Staff) Houses, Hostels, Solar Generators, Boats, and so on. These special allocations were made for the purpose of promoting economic development and improving local government services by attracting additional local government staff. For the current financial year, councils are asked to record these allocations as “Administration Development Grants.”



NEW!

The Local Government Budget Guidelines separately provide information on Development Budget Ceilings for LGDG – “Local” (i.e., Government) Funding and Development Budget Ceilings for LGDG – Foreign Funding. Treasury may also disburse foreign and local contributions to LGDG separately.

Councils should combine both these foreign and local portions of the LGDG and treat them as a single LGDG transfer. Likewise, LGAs should treat receipt of the local and foreign components of the District Agriculture Development Grant (DADG) as a single transfer. The same is true for the local and foreign components of the Health Sector Development Grant (/MAMM).



NEW!

In the audit of LGA accounts for FY 2008/09, the Accountant-General noted that some LGAs incorrectly record the provision of transfers to Lower Local Governments (LLGs) as expenditures. However, LGAs have been advised that such transfers –for instance, for locally implemented development activities under LGDG- should be recorded in the books of account as an advance or imprest. These funds should only be recorded as an expenditure after invoices and receipts have been received by the council and reconciled against the imprest.



It is anticipated that the amount reported under “Other Development Funding / Grants” should be small. Hence, only development grant item that does not fit in one of the main categories listed is expected to be reported under “Other Development Funding / Grant”. However, if the value of that development grant is greater than 5% of total Development Funds, then its details should be submitted to PMO-RALG as a separate attachment to the report.

5.4 Local Borrowing

If the Council has received any funds from lending institutions during the current quarter or previously during the year, then this should be recorded in the borrowing section provided in the Transfers Form.



Borrowing from any source other than the Local Government Loans Board (LGLB) should be approved in advance by PMO-RALG.



If loan funds are received from any source other than the Local Government Loans Board (LGLB), then details of the loan(s) should be submitted to PMO-RALG as a separate attachment to the report.

6. Specific Guidance on Completing the 'Expenditures' and 'Sectors' Forms

The primary purpose of the Expenditure Form is to monitor the amount of resources that is spent on different functions and activities. Councils are expected to report the details of their expenditures on the Expenditure Form. This form also provides details on the financial surplus or deficit of the council.



By providing a clear overview of local spending by function, the Quarterly Financial Report allows both central authorities as well as local stakeholders to be assured that the available local financial resources are properly being spent on local service delivery and infrastructure, and that local spending achieves the desired outcomes in an effective and efficient manner (value-for-money).

All local spending should be reporting based on the function or cost centre on which the resources are spent. A list of cost centres approved for local councils by PMO-RALG and MOF is provided in Appendix B. Expenditures should be recorded as belonging to one of the following sectors or cost centres:

Grant-aided sectors (concurrent functions):

- Primary Education (Cost centre: 507)
- Health (Cost centre: 508)
- Local Roads (Cost centre: 511B)
- Water (Cost centre: 510)
- Agriculture Extension and & Livestock Development (Cost centres: 505 and 506)
- Secondary Education (Cost centre to be determined)

Exclusive local government functions:

- Local Administration (Cost centres: 500, 501 and 502)
- Trade & Economic Affairs (Cost centre: 503)
- Works, excluding Roads (Cost centre: 511, except 511 B)
- Lands (Cost centre: 512)
- Natural Resources (Cost centre: 513)
- Community Development, Gender and Children (Cost centre: 514)
- Other Departments

6.1 Recurrent Expenditures



All local government spending can be categorised by its 'economic type'. Resources can be spent on Personal Emoluments (PE) or Other Charges (OC). Together, PE and OC are referred to as Recurrent Spending. Spending on development activities (such as capital infrastructure) is classified as development spending.

Recurrent expenditures should reflect local spending, regardless whether the spending is funded from own source revenues or intergovernmental fiscal transfers. Recurrent spending for each sector or cost centre should be reported separately as spending on Personal Emoluments (PE) and Other Charges (OC).

Reported spending on PE should only include gross salaries plus related employment benefits, such as employer's pension contributions. As discussed in Section 5.1 of these instructions, PE payments that are withheld by the Ministry of Finance on behalf of the LGA or local employees (such as LAPF contributions) should also be included in the amount recorded as PE spending. Additional payments to employees such as travel allowances should be included in OC.

Reported spending on OC should include spending of in-kind transfers. For instance, payment of examination fees by the Ministry of Finance on behalf of the council constitutes LGA spending, as does the use of medical stores that are provided to the council through an in-kind transfer.

Spending on "Local Administration" should not include spending that is linked to the administration of a specific sector (for instance, Education Administration). Sectoral administrative expenses should be reported under the relevant sectoral / departmental cost centre. The category "Local Administration" should be used in exceptional cases to sum up spending for all exclusive local government functions if the council is unable to disaggregate these different functions / cost centres in its General Fund account.

The category "Other Departments" should be used for activities that cannot be classified in any of the other cost centres.



It is anticipated that the amount of recurrent expenditures reported under "Other Departments" should be small. However, if the value of this spending category is greater than 5% of total recurrent expenditures, then its details should be submitted to PMO-RALG as a separate attachment to the report.

6.2 Development Expenditure

Although development activities are often funded from a variety of different sources, development spending should be reported by the sector, function or cost centre for which these resources are used.



Development spending should NOT be reported by the source of funding for the expenditure. This means that development spending that is funded from LGCDG, TASAF and other non-sectoral development funds should be matched with the functions and sectors on which these resources are spent. They should not be recorded as "Spending on LGCDG" or TASAF, or as "Other Sectors / Departments".

Only development expenditure items that do not fit in one of the main categories listed is expected to be reported under “Other Development Expenditures”.



It is anticipated that the amount of development expenditures reported under “Other Sectors /Departments” should be small. However, if the value of this spending category is greater than 5% of total development expenditures, then its details should be submitted to PMO-RALG as a separate attachment to the report.

In addition to the Council Financial Report, each council is also required to submit a quarterly Council Development Report, which provides details information on council development expenditures. Completion of this report is described in Section 7.

The information included on development expenditures in the Council Financial Report should match the development expenditure summary produced by the Council Development Report.

6.3 Surplus / Deficit

The budget surplus (or deficit) represents the excess of total resources available to the council (as noted in the Own Revenues Form and the Transfer Form) over total local expenditure (as noted in the Expenditure Form).

Excel will automatically calculate the local financial surplus or deficit. Where there is a deficit, the budget balance will be shown as a negative number (or in brackets).

A council’s surplus or deficit is computed following two different methodologies:

- Under the first approach (“Current FY”), the surplus or deficit is computed exclusively based on the resource inflows (revenues, transfer and borrowing) and outflows (expenditures) for the current financial year. Any balances brought forward are not taken into account.
- Under the second approach (“incl. B/B Forward”), the council’s surplus or deficit is based not only on the resource inflows and outflows for the current fiscal year, but also takes into the account balances brought forward from the previous financial year.



If all figures are computed correctly, the council’s budget surplus or deficit at the end of the quarter, taking into account the balances brought forward, should equal the total closing balance of all the council’s accounts.



It is anticipated that no deficit will be reported in the budget column. Deficits that occur at the end of the financial year (4th Quarter) should be supported by explanations as a separate attachment to the report.

6.4 The Sectors Form

A 'Sectors' worksheet has been added to the Council Financial Report for FY 2008/09. This new form requires councils to provide greater details on certain sectoral expenditures. For instance, councils are requested to provide a detailed break-down of Primary Education OC expenditures. In addition, councils are requested to provide a detailed break-down of expenditures on HIV/AIDS which are funded from TMAP, the Global Fund, and other recurrent subventions.

These additional details are required for proper sectoral monitoring, or in order to ensure that local government spending complies with grant conditionalities imposed by the central government or Development Partners.

Care should be taken that the sub-totals of detailed breakdowns provided in this worksheet match the sub-total(s) entered in the expenditure worksheet, wherever relevant.

7. Completing the Quarterly Council Development Report

In addition to the Council Financial Report (CFR), PMO-RALG introduced a quarterly Council Development Report (CDR) starting in FY 2008/09. The purpose of the CDR is to provide greater transparency on council development expenditures. Starting with FY 2009/10, PMO-RALG expects all councils to submit their Council Development Reports in a complete and timely manner.

7.1 Structure of the Council Development Report

The Council Development Report largely follows the same approach as the existing Council Financial Report which councils already complete on a quarterly basis. Just like in the Council Financial Report, the user is only required to complete the cells that are highlighted in light green. Excel will automatically calculate all subtotals and totals.

Because of the file size of the Excel file CDR 200910.xls, the file is often emailed as a 'zipped' or 'compressed folder':  CDR 200910.zip



You can access the compressed Excel file simply by double-clicking on the compressed folder and dragging the Excel file to a different folder or by opening the file and saving it under a different name.

Once you have completed your report, you can save a compressed version of your file by right-clicking the file name, and selecting 'Send To > Compressed Folder'.

The Excel-based Development Council Report workbook consists of several types of worksheets:

- A 'cover' worksheet
- A 'summary' worksheet, and
- A worksheet for every council development project, up to 100 projects (DP01-DP100)

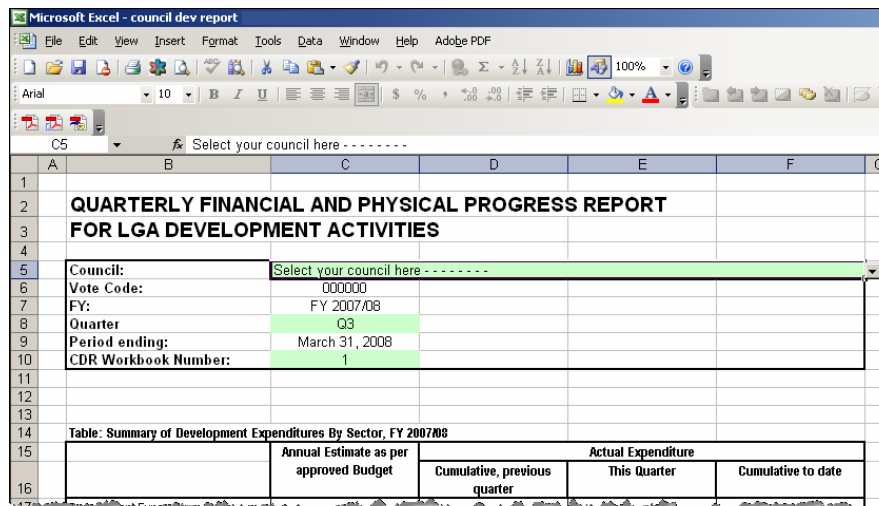
Completing the Cover Sheet

The process of completing the council's quarterly development report is initiated in a few easy steps. The first thing to do is to initialize the cover page and to save the Excel file with an appropriate name. The structure of the process is as follow:

1. Open the Excel file named "CDR 200910.xls". This file contains the empty template for development projects. The workbook should open on the worksheet 'Cover' (see Figure 7.1).

2. You can select your council's name from the drop-down menu by clicking on the cell "C5". Once you have selected your council name, Excel will automatically put the council name in the appropriate places in the reporting forms.
3. Then, you should select the appropriate quarter from the drop-down menu by clicking on the cell "C8". The options are "Q1" for the 1st quarter of the Fiscal Year (July to September); "Q2" for 2nd quarter (October to December), and so on.

Figure 7.1. Council Development Report: Cover Form



Unless you are using more than one CDR Excel workbook to prepare your council development report, the CDR workbook number should be set to value '1'. (The reason why you might need to use one more Excel workbook file to prepare CDR is discussed later). The user is not required to enter any further information on the 'cover' worksheet. The tables presented on the Cover worksheet summarize the data entered by the council in other worksheets, and cannot be modified.

Saving and Naming the Excel File

Once the Cover worksheet has been completed, you may wish to save the Excel file under a new name. The file name should include the name of your council, as well as the reporting quarter (for instance, "CDR Arusha MC 200910Q3.xls"). In order to distinguish the Council Development Report from the regular Council Finance Report, please include 'CDR' in the file name. If you use more than one Excel workbook (file) to complete your CDR, you should indicate the CDR worksheet number in the file name as well (for instance, "CDR2 Arusha MC 200910Q3.xls").

A Council Development Report should be completed by the council for each quarter of the financial year. While you will have to submit a separate report for each quarter, you do not have to start from scratch every quarter, since the report for Quarter 2 builds on the report for Quarter 1, and so on. Therefore, you would begin the report

for a subsequent Quarter by opening the report for the previous Quarter and saving it under a new name.

To avoid the risk of losing the data which you enter, you are advised to create a backup of the file. You will have to save the Excel file on more than one computer or make a copy of the file on a USB “flash drive” or CD-ROM. Making a backup will allow you to recover the data if you experience computer problems later.

Summary Worksheet

Once the user has selected the correct council name and the reporting quarter in the ‘cover’ worksheet, the user should complete all the required project information in the Development Project Forms, as instructed in the sections below. The workbook contains 100 Development Project Worksheets (named DP01-DP100). This number of worksheets should be adequate for most council to complete a form for every local development activity within the council within a single Excel workbook.

If the council has more than 100 development activities, then the council will have to use more than one CDR Excel workbooks. Any addition CDR Excel workbook should be consecutively numbered on the ‘cover’ page.

Once all the information on the development projects or activities is completed, the Council Development Report automatically pulls all data together in the summary tables contained in the ‘cover’ and ‘summary’ worksheets for easy presentation to the council and other local stakeholders.

Development Projects and Development Activities

*What constitutes one ‘development project’ or one ‘development activity’?
Different councils have used different standards.*

A development project can be defined to include the development of just one piece of infrastructure (for instance, a single classroom). A development project can also be specified to include the development of several related structures or development activities at one location (for instance, the construction of classrooms, teacher houses, latrines, and the purchase of desks and chairs for a single school). A single project can even be defined to include several related development activities within the same sector, but at different locations (for instance, the construction of several dispensaries in several different villages).



Since councils are required to prepare their annual budget plan in PlanRep, PlanRep is assumed to be the main information source for reporting the council’s planned development expenditures. Within PlanRep, councils first define their Objectives, Targets, and Activities. Then, in preparing the Development Budget, councils identify a funding source and a budget amount for each ‘Activity’. In these instructions, when referring to a ‘local development project’, we are technically referring to a development activity,

as defined in the council's budget plan. (Unfortunately, to make matters more confusing, PlanRep uses the term 'Projects' to refer to standardized national project classifications, rather than to local development 'projects'.)

For the purpose of reporting on development 'projects' using the Council Development Report, each development project in the CDR should thus reflect a budgeted Activity from the Council's Budget Plan.

In this regard, we should note that every Activity in PlanRep can only be associated with a single funding source. Thus, if the construction of several classrooms at the same primary school is funded by two different grants, then this activity will generally be budgeted in PlanRep as two separate development activities. In that case, the CDR will report on these activities as separate 'Development Projects' as well.

However, if in reality there are two or more funding sources for the same Activity (or 'Development Project'), then the council is only required to complete one CDR form for each Development Project (and report the main funding source).



NEW!

Some recurrent subventions and transfers are provided to LGAs through the Development Account (Account No. 2). For instance, the Treasury may treat disbursements from the Health Sector Basket Funds (which is intended for OC purposes) or HIV/AIDS resources (e.g., from the Global Fund) as development grants. However, since these resources are intended for recurrent purposes (and not for development activities), councils should not report on these expenditures as part of the Council Development Report.

Likewise, it should be noted that Road Fund transfers finance both recurrent expenditures (road maintenance) as well as some development expenditure (rehabilitation as well as new roads). Only development expenditures should be reported as part of the CDR.

7.2 Structure of the Development Project Form

Each Development Project Worksheet included in the Council Development Report has exactly the same format, and is numbered DP01 through DP100. Figure 7.2 shows the standard format for the Development Project Form. The form automatically updates the council name and the reporting quarter, as selected by the user in the Cover Form. The form also shows the serial number (DP number) for each development project. (Again, as noted above, it should be kept in mind that any reference to a Development Project in fact refers to a local development Activity, as defined in PlanRep).

As shown in Figure 7.2, each Development Form contains four sections:

1. Project description section (the top part of the form)
2. Project budget, details and outputs
3. Financial progress by quarter
4. Physical progress by quarter

As already noted, the same Excel file and DP worksheet can be used for every quarter during the same financial year, since much of the project information stays the same throughout the year. This reduces the council's effort in preparing the report every quarter, and makes it easier to match the council's budget plan with progress on the project's implementation during the budget year.

For each development project, the project description section as well as the section on project budget, details and outputs will not change from one quarter to the next. The only sections that will need to be updated each quarter are the section on financial progress and the section on physical progress. In fact, these sections are structured so that the user simply adds the progress (and the amount of spending) that took place during latest quarter. Then, the form automatically adds up spending from previous quarters in order to determine total (cumulative) spending for the project.

The next four sub-sections will describe the information that needs to be completed by the council in every section of the Development Project Form.

Figure 2. Council Development Report: Development Project Form

QUARTERLY FINANCIAL AND PHYSICAL PROGRESS REPORT FOR LGA DEVELOPMENT ACTIVITIES					
Report for FY 2007/08, Quarter 3					DP01
Project Type:	Select	Project Initiated:			Select
Name of Project:	...				
Council:	[No Council Selected]			Location: ...	
Description:	...				
Project Budget:		Project Details:		Main Project Outputs:	
Approved Council Budget:	0	Project (Activity) Code:	...	Number	Unit
Community Contributions:	0	Sector / Dept.:	Select	0	Select
Total Budget (incl Comm. Contr.):	0	HLG / LLG:	Select	0	Select
Main Funding Source:	Select	Mkukuta:	Select	0	Select
Co-Funding From Other Source:	Select	Objective:	...	0	Select
		Target:	...	0	Select
Financial Progress Report: Actual Expenditures					
Quarter	Actual Expenditure (Quarter)	Cumulative Expenditure	Performance Ratio (%)	Balance (TShs.)	Remarks Regarding Financial Progress
1	0	0		0	...
2	0	0		0	...
3	0	0		0	...
4	0				...
Physical Progress Report					
Quarter	Description of Implementation Progress	0-100%	Remarks Regarding Physical Progress		
1		
2		
3		
4		

7.3 Development Project Form: Project description

The top part of each Development Project Form contains the main project description. As already noted, the council name, reporting period (year and quarter), and the project's serial number for each Development Project Form are automatically completed on the top of each form.

Project type. The first item to be completed by the council is the nature of the project. The council is requested to identify which of the following four types best describes the project:

- Capital Infrastructure - New
- Capital Infrastructure - Rehabilitation
- Capacity Building
- Other (Project Planning / Implementation)

The category 'Project Planning / Implementation' should be used if the project only consists of the preparation/development or implementation/supervision of one or more other local development project, and if the planning or supervision is conducted as a completely separate activity.

Project initiated. The second item to be completed is to indicate when the project was started. Is this a new project (Current Financial Year), or was this project initiated before current Financial Year? This information will help to identify projects that were started in a previous financial year and completed during the next financial year.

Project Name, Location and Description. Please indicate a name for each development project, which will help identify the project. In addition, the council should indicate the location(s) of the development project (typically the ward or village), as well as a short description of the development project.

7.4 Development Project Form: Project budget and details

Below the project description section, the council is asked to provide information on the project budget, project details and project outputs.

Project budget. The council is first asked to indicate the *Approved Council Budget* for the development project in question. This amount should include the total amount of funding approved by the council, including any grant resources, any funding from own revenue sources, or any other funding that flows through the council's budget.

In addition, the council is asked to complete the expected amount of (monetary) *Community Contribution* (if any). The *Total Budget* is computed automatically by Excel as the sum of the approved grant funding plus the expected Community Contribution. The user should note that for the purposes of reporting on actual expenditures, the council should only report on the progress of funding that flows


through the council’s account. Community contributions that do not flow through council accounts may be reflected in the ‘Remarks’ section.

Next, the user is asked to report on the *Main Funding Source* for the development project (Cell C18). The user is only required to report the *main* funding source for each development project (i.e., the funding source that contributes the largest share of funding). This funding source is indicated in the council’s budget plan. Funding options in the Council Development Report include:

Local Development Grant Programme (LGDG)	Urban Development & Environ. Mgmt (UDEM)
PEDG (previously known as PEDP)	Participatory Forestry Mgmt (PFM/SWM)
Health Sector Development Grant / MAMM	Road Fund (Fuel Levy Fund)
District Agriculture Development Programme	PADEP/DASIP
District Irrigation Development Fund	Tanzania Social Action Fund (TASAF)
Rural Water Supply & San.Programme (RWSSP)	‘Other grant’
Local Gov. Transport Programme (LGTP/VTTP)	‘Own revenues’


It should be noted that some of the grant programmes including in the list of funding sources have more than one ‘window’. For instance, the LGDG system has a Capital Development Grant (CDG) as well as a Capacity Building Grant (CBG). In both cases, the user should simply select ‘LGDG’. (Note that in previous years, the LGDG was known as the LGCDG).

Likewise, the District Agriculture Development Programme includes several different windows, including the formula-based District Agriculture Development Grant, but also a capacity building window (A-CBG)_ and other earmarked grants (such as A-EBG). Again, in such cases, the user should merely indicate ‘DADP as the main funding source.



NEW! *As noted in Section 5, councils should combine the foreign and local portions of the LGDG and treat them as a single LGDG transfer. Likewise, LGAs should treat receipt of the local and foreign components of the District Agriculture Development Grant (DADG) as a single transfer. The same is true for the local and foreign components of the Health Sector Development Grant (/MAMM).*

Finally, each council is asked to indicate whether each project is co-funded (either during the current financial year, or during a previous year) from any other grant source. If, in practice, there are two or more funding sources for the same development project (or ‘Activity’), then the user should indicate ‘Co-funding from Other Source’ as ‘Yes’ in Cell D19. The user is only required to complete one CDR form for each Development Project.



If a project was initiated during a previous financial year, do not report the project budget for the entire project (including expenditures that were already made during the previous financial year). Please revise the project budget to reflect only the remaining portion of the project.

Project details. Next, the council is required to provide certain project details. Each project should be identified by its *Project (Activity) Code*. This is the unique project code that is assigned to each development project by PlanRep during the preparation of the council plan and budget. The council is also expected to indicate which sector the project will benefit, and whether the project is planned and executed by the District Council itself (i.e., the higher-level local government, or HLG), or whether the project is planned and executed below the district level, for instance by a Village Council (i.e., a lower-level local government, or LLG).

Furthermore, each council is asked to indicate whether the project falls within one of the MKUKUTA priority clusters (*Yes / No*), along with the *Objective Code* (in cell H18) and *Target Code* (in cell H19) for the development project. These codes should be consistent with the objectives and targets defined in the council’s annual budget plan (as contained in PlanRep).

Main project outputs. In order to establish whether the council is achieving value-for-money, the council is asked to report the main project outputs. The user should enter the number of units and select the type of outputs from the drop-down menu for up to five types of project outputs. Standard outputs which can be selected for capital infrastructure projects (either for new construction or for rehabilitation) include:

Classroom(s)	Borehole(s)	Paved road (km)	Machines / equipment
Latrine(s)	Shallow well(s)	Gravel road (km)	Generator / Solar
Desks / furniture	Piped water scheme	Other road (km)	Vehicle(s)
Hostel(s)	Market(s)	Bridge(s)	Other transportation
Hospital(s)	Dips	Culvert(s)	Other infrastructure
Clinic(s)	Veterinary clinic(s)	Trees / seedlings	
Dispensary(/ies)	Storage structure	Staff quarters	
Medical ward(s)	Irrigation scheme/dam	Office block	
Operating theatre(s)	Abattoir/slaughter hs.	Other building(s)	

For instance, a council may indicate that the expected outputs for a primary education development project includes the construction of 10 classrooms and 3 teacher houses (Staff Quarters) as well as the purchase of 400 school desks (Desks / furniture).

If the project description indicates that this is a Capacity Building Project, the user should identify the main project outputs to be either Skill Development (/Training); Technical Assistance; Professional Career Development; and/or Retooling. In the case of Skill Development / Training and Professional Career Development, the number of units should indicate the number of staff that benefit from the capacity building activity.

The user may choose to leave one, more, or even all, of the output lines blank, if appropriate. For instance, in the case of a *Project Planning / Implementation* (“*Other*”) activity, no direct project output (in terms of physical or capacity building outputs) is expected. If more than 5 different types of outputs are expected to result from a single project, please select the five most important outputs produced by the project for inclusion in the report.

7.5 Development Project Form: Financial progress

The third section of the Development Project Form provides the council with space to report on the progress on the financial implementation of each project during each quarter. A separate line is provided for each Quarter. Councils should report on the total amount of spending, which should include all spending from council accounts (including grant funding as well as funding from council's own resources). It should be noted that community contributions are not included in the total (quarterly or cumulative) expenditure amount. The cumulative expenditure amounts, the performance ratio as well as the remaining balance are computed automatically by Excel.

As already noted earlier, the section in the reporting form on financial progress is structured so that the user simply records the amount of spending that took place during each quarter by funding source. Then, the form automatically adds up spending from previous quarters in order to determine total (cumulative) spending for the project. Space is provided to make any remarks on the progress with respect to financial implementation.



In order to complete the Council Development Report for Quarter 3, each council should also report the spending that took place for each development project during Quarter 1 and Quarter 2. After all, cumulative (total) spending for each project is determined automatically by the form by adding up the spending that took place in all previous quarters.

Unless spending for the current Quarter and all previous Quarters is provided, the report shall be deemed incomplete.

7.6 Development Project Form: Physical progress

The final section of the Development Project Form provides the council with space to describe the progress on physical implementation for each project during each quarter. A separate line is provided for each Quarter.

In addition to a short description, the council is asked to indicate the progress on physical implementation on a scale from 0 – 100 %, where zero indicates physical implementation has not started, while 100 percent indicates the implementation has been fully completed. Further space is provided for the council to make any additional comments regarding the physical implementation of the development project.

8. Submission and Review Processes

After the accuracy of all data in the forms has been verified, the council should complete the 'checklist' worksheet. The Checklist provides a number of statements which should be reviewed and completed by the council to ensure that the report is completed accurately.

In the left-hand column, the response to each statement should be changed from 'Not Checked' to either 'True' or 'Not True' by the council official preparing the report. (As discussed below, the regional FMS will record his or her responses using the right-hand column before submitting the form to PMO-RALG).

Figure 8.1. Council Financial Report: Checklist

Council Finance Report - Checklist			
<i>Arusha Municipal Council (Arusha Region)</i>			
Quarterly Financial Report As At: September 30, 2008			
		Statement Checked by Council	Statement Checked by RFMS
BUDGET PLAN AND EXECUTION (GENERAL)			
1	The Budget Plan reflects the budget as approved by Council.	Not Checked	Not Checked
2	The Budget Plan is identical to the plan reported during previous quarter, except where variations have been approved by Council.	Not Checked	Not Checked
3	Information on budget execution is taken from the council's General Ledger - not from cash books.	Not Checked	Not Checked
4	The information contained in this report is consistent with the information reported to the Council, as part of the quarterly Income and Expenditure Statements.	Not Checked	Not Checked
OWN REVENUES			
5	All revenue collections are included in the correct revenue category (as defined in Appendix A of the instruction manual)	Not Checked	Not Checked
6	The category 'Specific Service Fees' includes all specific service fees, not just Parking Fees	Not Checked	Not Checked

Next, the council should print all six worksheets (including the letter and checklist) and prepare any clarifications and supplementary information for submission as required. The forms should be submitted in hardcopy as well as electronically whenever possible. Similarly, the council should print the Council Development Report for submission.

8.1 Review of the Report by Council and Local Stakeholders

As soon as the Quarterly Council Financial Report and the Council Development Report are completed, the reports should be submitted for review and discussion by

the council's Finance Committee along with the regular monthly income and expenditure statements which are submitted to the council.

Furthermore, the Quarterly Council Financial Report and the Council Development Report should be made available to the local community. At a minimum, the reports (including the complete CFR and the summary of the CDR) should be posted on the Council's public notice board.

8.2 Submission to the Regional FMS and PMO-RALG

As soon as completed, the Quarterly Council Financial Report (along with the Council Development Report) should be submitted –through the Regional Financial Management Specialist (FMS) - to the Permanent Secretary PMO-RALG, to the attention of the Director of Local Government. This should be done no later than the 15th of the month following the quarter end. The Regional FMS should also be provided a copy of the regular monthly income and expenditure statements which are submitted to the council.



NEW!

Not every region currently has a Regional FMS. In the absence of a regional FMS, ADLG(F) will assign a reporting coordinator for each region.

The hard copies of the forms that are submitted should be duly signed by the Council Director. An electronic copy of the form should also be submitted, either on a computer disk, by email, or on a flash drive.

The Regional FMS should record that the Quarterly Council Financial Report and the Council Development Report were received by the appropriate deadline. The FMS should immediately follow up with councils who fail to provide their reports by the deadline, so as not to risk missing their own deadline.



The Quarterly Financial Report should always be submitted by the deadline. There is no penalty for submitted the Report before the deadline!

It is acceptable for the report to be submitted electronically (through e-mail) before the deadline, although the Council is still required to submit a signed hardcopy of the report.

Subsequently, the Regional FMS will review the Quarterly Council Financial Reports and Council Development Reports for accuracy and will clarify and resolve any inconsistencies and outstanding issues, using a checklist as a guide in the review (Appendix C). The Regional FMS will also complete the Checklist form in the electronic version of the Council Financial Report. Each council will receive a response from the Region, either acknowledging receipt of the reports, or requesting further clarification or correction for the council's submission. Appendix D provides standard language for this acknowledgment.

The Regional Financial Management Specialist will then forward all Quarterly Council Financial Reports and Council Development Reports for the region to PMO-RALG no later than one month after the quarter's end. The reports may be submitted by email to PMO-RALG at **lgsp@pmoralg.go.tz**.

As a result, Quarterly Council Financial Reports and Council Development Reports should be submitted on a quarterly basis by the following deadlines:

	Submit Report to Regional FMS by	Region submits Reports to PMO-RALG by
Council Budget Plan	July 15	July 31
Report, Quarter 1	October 15	October 31
Report, Quarter 2	January 15	January 31
Report, Quarter 3	April 15	April 30
Report, Quarter 4 (prelim.)	July 15	July 31
Report, Quarter 4 (final)	September 30	October 15

Upon receipt by PMO-RALG, the Local Authority Quarterly Financial Reports will be consolidated and analysed by PMO-RALG's Directorate for Local Government, LGA Finance Section, to ensure that all financial reports are accurate and complete.

Note that the reports for Quarter 4 are submitted twice. The preliminary report for Q4 is filed two weeks after completion of the Quarter.



The Final Report for Q4 (and the financial year) is submitted at the same time as the council's final financial statements are submitted to the National Audit Office. This final report should reflect the same information as contained in the council's audited financial statement.

Once all Local Authority Quarterly Financial Reports have been consolidated and analysed for accuracy, they will be made publicly available on the Local Government Information (LOGIN) System at www.logintanzania.net.

8.3 Further information

This instruction manual and the current financial year's Excel Reporting Form are available for download from the internet at www.logintanzania.net. These files are posted in the Documents section of the web site.

If you have further questions regarding completing the Quarterly Financial Report, you should contact your Regional FMS. For further questions, contact the Permanent Secretary, PMO-RALG, attention: Assistant Director LGA Finance. The LGA Finance Section may be contacted by email at **lgsp@pmoralg.go.tz**.

Appendix A. Own and Shared Revenue Sources

I. Revenues from Local Taxes (Rates, Levies and Cesses)

Local Revenue Category	Local Revenue Items to be Included	LG Finance Act Ref.	Detailed revenue items (GFS code)
Property Tax	Property rates	4b	Property rates (40150)
Land Rent	Land rent	5d	Land Rent (81150)
Produce Cess		1 a, b	Beans Crop cess (50458), Charcoal produce cess (50462), Coffee Crop cess (50450), Cotton Crop cess (50452), Maize Crop cess (50456), Other export crop cess (50459), Other food crop cess (50460), Other produce cess (50463), Rice Crop cess (50457), Sisal Crop cess (50455), Tea Crop cess (50451), Timber produce cess (50461), Tobacco Crop cess (50453), Crop cess (-), Forest produce cess (-)
Service Levy	Service Levy	4a	Service Levy (51250)
Guest House Levy	Guest House Levy	4d	Guest House Levy (50750)
Other Levies on Business Activity	Fish Landing or Auction Levy	4c	Fish auction fee (90285), Fish landing facilities fee (90284)
	Other Levies on Business Activity	-	-



Local taxes (rates, levies and cesses) are (1) broad-based local revenue sources; (2) there is no quid pro quo involved in their collections; and (3) their primary function is to raise revenues for LGAs.

II. Revenues from Licences and Permits

Local Revenue Category	Local Revenue Items to be Included	LG Finance Act Ref.	Detailed revenue items (GFS code)
Licenses and permits on business activities	General Merchandise Business License	3d	Other business licence fees (50855)
	Intoxicating Liquor License	3e	Intoxicating liquor license fee (50851)
	Local Liquor License	3e	()
	Billboards and Posters License	3i	Permit fees for billboards, posters or (90156)
	Health Facilities Registration	3q	()
Permits on construction activities	Building Permit	3a	Building permit fee (90155)
	Scaffolding/Hoarding Permit	3t	Scaffolding / Hoarding permit fees (51050)
Licenses on extraction of forest products	Forest Products Extraction License	3g	Forest produce license fees (51052)
	Building Materials Extraction Licenses	3j	Building materials extraction license (51051)
	Muzzle Loading Guns License	3f	Muzzle loading guns license fees (51054)
	Hunting License	3p	Hunting licenses fees (51053)
	Commercial Fishing License	3c	Commercial fishing license fees (50850)
	Fishing Vessel License	3h	Fishing vessel licence fees (50951)
Licenses/permits on vehicles and transport.	Vehicle License	3l	Vehicle licence fees (50950)
	Taxi Registration	3k	Taxi license fee (50853)
	Commercial Vehicle Plying Permit	3s	Plying permit fees (50854)



Local licenses and permits consist of revenue instruments that have the following features: (1) Licenses and permits are issued for specific activities; and (2) while their primary purpose is typically regulatory, the revenues raised from these sources may exceed cost recovery.

III. Revenues from Fees and Charges

Local Revenue Category	Local Revenue Items	LG Finance Act Ref.	Detailed revenue items (GFS code)
Market fees and charges	Market Fees (for cattle, poultry and other livestock)	2a	Livestock market fee (90283)
	Market Stall Fees	6b(i)	Market stalls / slabs dues (90150)
	Open Market Fees	6b(ii)	Magulio fees (90151)
	Auction Markets (Minada) Fees	6b(iii)	Auction mart fees (90152)
Sanitation fees and charges	Refuse Collection (Industrial, Commercial or Residential)	2b	Refuse collection service fee (90288)
	Cesspit Emptying Charges	2d	Cesspit emptying service fee (90289)
	Clearing Blocked Drains Charges	2e	Clearing of blocked drains service (90290)
Specific service fees	Slaughter Charges	2c(i)	Abattoir slaughter service fee (90280)
	Meat Inspection fees	2c(ii)	Meat inspection charges (90153)
	Clean Water Service Charge	2h	Clean water service fee (90287)
	Health Facilities User Charges	2f	Health facility user charges (90286)
	Artificial Insemination Charges	2g	-
	Livestock Dipping Charges	2j	Livestock dipping service fee (90282)
	Land Survey Fees	3b	Land survey service fee (90154)
	Valuation Service Fees	3r	Building valuation service fee (90292)
	Parking Fees	3n	Parking fees (90298)
	Central Bus Stand Fees	3o	Central bus stand fees (90293)
	Tender Fees	3m	Tender fee (90157)



Local fees and charges are defined by the fact that (1) there is a specific quid pro quo, and (2) fees and charges are collected exclusively for cost recovery of the provided service.

IV. Revenues from Other Own Revenue Sources

Local Revenue Category	Local Revenue Items to be Included	LG Finance Act Ref.	Detailed revenue items (GFS code)
Fines and penalties	By-laws fines and penalties	6a	Fines, Penalties and Forfeitures (-)
	Stray animals penalty	6c	Stray animals penalty (100150)
	Other fines and penalties	6b	Other fines and penalties (100152); Share of fines imposed by (100151)
Income from sale or rent	Hire/rent of council housing	5a	Revenue from renting of houses (90296)
	Hire/rent of council plant, vehicles and other assets	5c	Revenue from renting of assets (90297), Entrepreneurial and Property Income (-)
	Bank interest and other investment income	5e	Dividends from non-financial public (80250), Dividends non-financial joint venture (80550), Dividends Other Domestic Property (80750), Dividends Private and Public (80450), Interest (81050)
	Insurance commission	2k	Insurance commission service fee (90295)
	Sale of fixed assets	-	-
	Sale of redundant stocks	-	-
	Sale of seedlings	2j	Sale of seedlings (90294)
Sale of building plans	2i	Revenue from sale of building plans (90291)	
Other own revenues	Other revenues	-	-
	Voluntary contributions and other	-	-



Other local revenue sources are local revenue sources that are not included in any of the previous local revenue categories. These other revenue sources include fines and penalties, interests, and dividends as well as income from (the sale or rent of) property, goods, or services.

Appendix B. Local Government Expenditures: Cost Centres

<p>500 Administration 500A General Administration 500B Policy and Planning 500C Legal 500D Internal Audit 500E Central Building Expenses 500F Civic Expenses 500G Information Technology</p> <p>501 Human Resource Mgmt & Dev 501A Human Resource Administration 501B Human Resource Management 501C Human Resource Development</p> <p>502 Finance 502A Finance Admin 502B Finance - Final Accounts 502C Finance -Expenditure 502D Finance Revenue 502E Finance Stores</p> <p>503 Trade and Economic Affairs 503A Trade & Economy Administration 503B Trade and Economy 503B Co-operatives and Marketing 503D Markets 503E Abattoirs</p> <p>505 Livestock 505A Livestock Administration 505B Livestock</p> <p>506 Agriculture 506A Agriculture Administration 506B Agriculture 506C Extension Services</p> <p>507 Education 507A Education Administration 507B Primary Education 507C Teacher Trainees 507D Adult Education 507E Cultural Office 507F Sports Grounds 507G Teachers Service Commission</p>	<p>508 Primary Health Services 508A Health Administration 508B Council Hospital 508C Voluntary Agency Hospital 508D Health Centres 508E Dispensaries 508F Community Health*</p> <p>510 Water 510A Rural Water Supply 510B Urban Water Supply</p> <p>511 Works 511A Works Administration 511B Road Services 511C Storm water Drainage 511D Fire Services 511E Buildings 511F Parks and Gardens 511G Mechanical 511H Street Lighting</p> <p>512 Lands 512A Lands Administration 512B Surveys and Mapping 512C Land Management 512D Valuation 512E Town Planning</p> <p>513 Natural Resources 513A N R Administration 513B Game 513C Fisheries Operations 513D Forestry Management 513E Beekeeping Operations</p> <p>514 Community Development, Gender &Children 514A Administration 514B Community Development, Gender and Children</p>
--	---

** Note that group 509 (Public Health) used in 2006/07 is now incorporated under 508F (Community Health)*

Appendix C. Check list for review of the Quarterly Financial Report

This appendix provides a checklist which will be used by Regional FMS and PMO-RALG to review and scrutinize Local Authority Quarterly Financial Reports.

Review of Budget Plan (July)

- Check that the appropriate reporting form is used (FY 2007/08), and that no modifications have been made to the form (e.g., no rows added).
- Check that the entries and totals in Column A of the Reporting Form match the council's approved budget.
- Whenever possible, check that the subtotals and totals contained in the council's Budget Plan match the subtotals and totals contained in the council's Quarterly Financial Report.
- Check that the budgeted amounts for recurrent block grants match the amounts contained in the central government's budget documents (Volume II of the Estimates).
- Check that the budgeted receipt of capital development grants match the amounts contained in the central government's budget documents (including LG CDG documents).

Review of Quarterly Financial Report (Q1 – Q4)

- Check that the appropriate reporting form is used (FY 2007/08), and that no modifications have been made to the form (e.g., no rows added)
- Check that the budgeted amounts in Column A are the same as the previous quarterly report. If there are differences in the Annual Estimates (for instance, as a result of virements made by the local council), these should be clarified by an attachment.
- Whenever possible, check that the subtotals and totals contained in the council's income and expenditure reports match the subtotals and totals contained in the council's Quarterly Financial Report.
- Check that none of the "Other" columns (e.g., "Other revenues", "Other Expenditures") is excessively large without additional explanation.
- In Quarter 1, check that Column B is zero for all entries in the report.
- In Q2-Q4, check that Column B (last quarter's amount) equals the total Cumulative Amount reported in Column D for the previous quarter.
- In Q2-Q4, check whether amounts in Column D have increased or stayed the same compared to previous quarter, but not reduced.
- Check whether or not recurrent budget figures (for expenditures and transfers) are within a reasonable range compared to the budget plan, around 25, 50, 75 and 100 percent of the budget plan for the respective quarters.

Review of Quarterly Financial Report, Q4

- In addition to the checklist for Q1-4, check at the end of each financial year (Q4) that the cumulative revenue and expenditure amounts and closing account balances should match the amounts reported as part of the council's audited financial statements.

Appendix D. Acknowledging Receipt of Report

The following is the suggested standard text for acknowledging receipt of a council's Quarterly Financial Report and/or the request for further clarification. The text of the letter may be modified by the FMS as required or appropriate.

Council Director
Council Name
Council Address

Dear Mr. / Ms. Director,

We are in receipt of the Council's Quarterly Financial Report for [Quarter, Financial Year]. The report was received on [date], which means that according to the reporting instructions, the report was submitted [on time / late].

We [thank you for the timely submission / regret the late submission] of the report.

After reviewing the Quarterly Financial Report, along with the clarifications which you provided, we concur that the Report provides an accurate summary of the council's finances. We will forward your Report to PMO-RALG without any modifications.

OR

After reviewing the Quarterly Financial Report, along with the clarifications which you provided, we have detected several issues that require follow up from your side, as noted on the attached list of queries. These issues will need to be corrected or clarified with all deliberate speed, so that your Report can be forwarded to PMO-RALG in a timely manner. Please respond to these queries no later than by [date].

Sincerely,

Regional Financial Management Specialist
Region Name
Address

Appendix E. Clarifications and Frequently Asked Questions (FAQ)

This appendix will evolve as feedback is received. The appendix will incorporate further clarifications and frequently asked questions that may be raised by local government officials in preparing their Quarterly Financial Reports.

- Clarification: At the beginning of a new Financial Year, the Quarterly Financial Report should be submitted containing only the budget plan for the coming financial year. This means that only Column A of each form should be completed.
- Clarification: At the end of each financial year (Q4), the cumulative amounts and closing account balance Q4 data should match the amounts reported as part of the council's audited financial statements.