

The United Republic of Tanzania



**Prime Minister's Office,
Regional Administration and Local Government**

**LOCAL AUTHORITY QUARTERLY
FINANCIAL REPORT
(REVENUES AND EXPENDITURES)**

**INSTRUCTIONS FOR COMPLETION OF
THE REPORTING FORMS, FY 2007/08**

JUNE 2007

LOCAL AUTHORITY QUARTERLY FINANCIAL REPORT (REVENUES AND EXPENDITURES)

INSTRUCTIONS FOR COMPLETION OF THE REPORTING FORMS

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LOCAL AUTHORITY QUARTERLY FINANCIAL REPORT

INSTRUCTIONS FOR COMPLETION OF THE REPORTING FORMS

1. Overview of Local Authority Quarterly Financial Reports

The Local Authority Quarterly Financial Report is a quarterly report of the finances of local government authorities in Tanzania. These instructions provide guidance in completing the reporting forms.

PMO-RALG collects and compiles Local Authority Quarterly Financial Reports from all Local Government Authorities (LGAs) in Tanzania Mainland each quarter. The primary purpose of the Local Authority Quarterly Financial Report 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 will also be made public as part of PMO-RALG's LGA Consolidated Quarterly Financial Report and on the internet (www.logintanzania.net).

As specified in the annual LGA Budget Guidelines, the completion of these financial reports is a standing requirement by PMO-RALG and the Ministry of Finance 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.

2. Structure of the Reporting Forms

A standard reporting format form is used for Local Authority Quarterly Financial Reports 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 four Excel worksheets:

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

Figure 1. Council Financial Report: Letter Form

The screenshot displays an Excel spreadsheet titled "Microsoft Excel - council fin report 200708". The spreadsheet is divided into columns A, B, and C. The data is as follows:

	A	B	C
1			
2		Council:	Select your council here -----
3		Vote Code:	000000
4		FY:	FY 2007/08
5		Quarter	Q1
6		Period ending:	September 30, 2007
7			
8			
9		Permanent Secretary	
10		Prime Minister's Office – Regional Administration and Local Government	
11		Attention: LGA Finance Section	
12		P.O. Box 1923	
13		Dodoma	
14			
15		Date:	April 9, 2007
16			
24		The Financial Report was prepared in accordance with the accompanying instructions.	
25			
26		To the extent that further clarification of the figures is warranted, such clarifications have been attached.	
27			
28			
29			
30			
31			
32			

The bottom of the spreadsheet shows a tab bar with four tabs: "letter", "ownrevenues", "transfers", and "expenditures". The "letter" tab is currently selected.

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.

In addition to the four reporting forms, the Excel template may contain additional worksheets that allow each council to print an overview or summary of the council's finances. However, these worksheets do not require user input.

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 "council fin report 200708.xls". This file contains the empty template for the reporting forms. The workbook should open on the worksheet 'Letter' (see Figure 1).
2. As a rule, in the Excel report, you are required to complete the cells that are highlighted in grey. 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.
6. Excel will automatically complete the actual date for the submission of your quarterly financial report in cell "B20".

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, "Arusha MC 200708Q1.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 when you have computer problems.

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 grey 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 again after all the financial data has been completed.

Finally, verify the accuracy of your data and print all four worksheets (including the letter), 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 7 of these instructions for details on the submission requirements.



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 7 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 Report

The report requires each council to complete the financial data in three forms / worksheets: *ownrevenues*, *transfers*, and *expenditures*. As shown in Figure 2, 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 grey cells of the Excel file. Columns and cells that are white are automatically computed by Excel.

Figure 2. Council Financial Report: Column Structure

	A	B	C	D	E	F
1						
2	Arusha Municipal Council (Arusha Region)					
3	Consolidated Quarterly Financial Report As At: September 30, 2007					
4	All amounts in Tanzanian Shillings					
5						
6	Own Source Revenues		Annual Estimate as per Approved Budget	Actual Collection/Received		Cumulative as % of Annual Estimate
7				For the Quarter	Cumulative to Date	
8			A	B	C	D
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

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. 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 and C: Actual revenue collections / receipts / expenditures

Whereas Column A reflects budget amounts, Column B should contains the actual financial transactions (or actual financial outturns) for this quarter. Column C in each form should reflect the total amount (or cumulative financial transactions) for the financial year to date. For instance, in the Revenue Form, Column B should reflect revenues collections for the Quarter, whereas Column C should indicate the total amount of revenues collected during the financial year up to the current Quarter.

The actual collections / receipts or expenditures reported in Columns B and C in each form should be taken from the council's books of account. That is, 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 and Column C are closely related. In the report for the first quarter of each fiscal year, the amounts recorded in each of these two columns should be exactly the same. For any subsequent quarter (Q2, Q3, or Q4), the cumulative amount reported in Column C should equal the previous quarter's total cumulative outturn (reported in Column C for the previous quarter), plus the additional amount of collections, receipts or expenditures for the new quarter (as reported in Column B for the current quarter).



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

Column D: Performance Ratio

For the Own Revenue Form and the Transfers Form, the “Cumulative Amount as a Percentage of Annual Estimate” in Column D of the Revenue Report is calculated automatically as $\text{Column C} / \text{Column A} \times 100\%$. 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 D: Outstanding Commitments (Expenditure Form Only)

For the Expenditure Form, Column D 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 D 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 E and F (Expenditure Form Only)

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

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

General Instructions

Note that all amounts are to be included in whole Tanzanian Shillings. For convenience, the council may round each amount to the closest TSh 1,000. 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. However, in many councils Parking Fees and Central Bus Stand Fees are the largest revenue items in the category *Specific Service Fees*. 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.



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 A)
- Opening Account Balance for Quarter(Column B)
- Closing Account Balance for Quarter (Column C)

Account balances should be reported for the following accounts:

- General Account
- Development Account
- Deposit Account
- Education OC
- Health OC
- Roads OC
- Water OC
- Agriculture OC

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. 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.

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). 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 include both the financial resources provided for Personal Emoluments (PE) as well as the funds provided for Other Charges (OC).

For the PE share of each block grant, the amount included in 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.

General, the OC share of the block grant amount will equal the amount of OC 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.

5.2 Sector Basket and Other Funds (Subventions)

In addition to the block grants provided to each council directly by the Ministry of Finance, councils receive 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. Under this heading, 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, subventions (including sector basket funding and other funds received) should be summed into five categories:

- **Education** - Any recurrent resources provided to local governments in support of primary 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. (Note that the in-kind provision of drugs and medical supplies should be recorded in the council’s books as a transfer received, as well as an expenditure on health).
- **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.
- **Other Subventions**. Any other recurrent transfers not included elsewhere.



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 Capital Development Grant System, including both Capital Development Grant (CDG) and the Capacity Building Grant (CBG).
- 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.
- Sector basket funds and other sectoral development programmes for the funding of development programmes (e.g., PEDP grants for classroom construction).

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 Capital Development Grant (LGCDG) System.
- Transfers from the Tanzania Social Action Fund (TASAF II).
- Education sector development programmes or funds (for instance, development funding provided by the Ministry of Education and Vocation Training or from the Primary Education Development Programme).
- 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.
- 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”.



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' Form

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):

- 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)

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 LPAF 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.

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.

7. Submission and Review Processes

After the accuracy of all data in the forms has been verified, each council should print all four worksheets (including the letter) and prepare any clarifications and supplementary information for submission as required. The forms should be submitted in hardcopy as well as electronically whenever possible.

7.1 Review of the Report by Council and Local Stakeholders

As soon as the Quarterly Financial Report is completed, the report 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 Financial Report should be made available to the local community. At a minimum, the report should be posted on the Council's public notice board.

7.2 Submission to Regional FMS and PMO-RALG

As soon as completed, the Quarterly Financial Report should be submitted –through the Regional Financial Management Specialist (FMS) - to Permanent Secretary PMO-RALG, to the attention of the Director of Local Government, not 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.

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 possible on a computer disk, by email, or on a flash drive.

The Regional FMS should record that the Quarterly Financial Report was 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 Financial Reports for accuracy and will clarify and resolve any inconsistencies and outstanding issues, using a checklist as a guide in the review (Appendix C). Each council will receive a response from the Region, either acknowledging receipt of the report, 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 Financial Reports for the region to PMO-RALG (with a copy to the relevant Zonal Reform Team) no later than one month after the quarter end.

As a result, Local Authority Quarterly Financial Reports should be submitted on a quarterly basis by the following deadlines:

	Submit Report to Regional FMS by	Region submit 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	July 15	July 31

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.

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.

7.3 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.

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>
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** 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 equals Column C for all entries in the report.
- In Q2-Q4, check that Column B (this quarter's amount) plus the total amount reported in Column C for the previous quarter (the total amount for previous quarters) equals the amount reported in Column C (new total amount).
- In Q2-Q4, check whether amounts in Column C 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.