

**AN ASSESSMENT OF FACTORS AFFECTING MANAGEMENT  
OF LOCAL GOVERNMENT CAPITAL DEVELOPMENT FUND  
IN TANZANIA:  
THE CASE OF SONGEA DISTRICT COUNCIL**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
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**2015**

**CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a Research Report titled: **An Assessment of Factors Affecting *Financial Management of Local Government Capital Development Fund in Tanzania***, in fulfillment of the requirements for the degree of Master of Business Administration (Finance) of the Open University of Tanzania.

.....

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Date .....

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**DECLARATION**

I, **Frank Thomas Ngonyani** do hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

**Signature**.....

## **DEDICATION**

I dedicate this work to my generous mother Romana Ngonyani for her inspiration. And to my loving brothers Erick and Godfray and my sisters Neema, Tumaini and Pendo who have been tolerant and missed my love during the entire period of attending the course and for their encouragement as well.

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## **ABSTRACT**

This study aimed at assessing the factors affecting the management of local Government CDF in Tanzania: the case of SDC. Respondents were in two categories: councilors and council officials including WEOs, VEOs, DED, CDT, DPLO, DHRO and other technical staff of SDC. They were obtained through purposive, simple and stratified random techniques. Data were gathered through questionnaires, interviews, observation and documentary reviews methods. The data were analyzed and processed both qualitatively and quantitatively using SPSS and Microsoft Excel programs. The findings of the study revealed that there were factors affecting the financial management of CDF leading to undesired performance in the society. These challenges included; poor management capacity and financial controls in managing CDF, shortage of qualified and competent staff in managing CDF, poor computerized financial management system and Underutilization of Integrated/ Financial Management System (IFMS/Epicor Accounting System) and poor project management and community participation in the CDF. Lastly, the study came out with various measures that can be taken into account in order to strengthen management of CDF in LGA(s). These measures include; setting and strengthening capacity building plans and strong implementation strategies, employing competent, faithful and experienced personnel, strengthening computerized/integrated financial management system, strengthening internal control system and internal audit functions, enhancement of project management and community participation in CDF, and serious actions should be taken by the council management and the government for those personnel found guilty of fraud of CDG.

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### LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ASDP	Agriculture Sector Development Programme
CAG	Controller and Auditor General
CBG	Capacity Building Grant
CDCF	Constituencies Development Catalyst Funds
CDF	Capital Development Funds
CDG	Capital Development Grant
CIUP	Community Infrastructure Upgrading Programme
CPA	Certified Public Accountant
DADG	District Agriculture Development Grant
DC	District Council
CDT	Council District Treasurer
DED	District Executive Director
DHRO	District Human Resources Officer
DMIS	Directorate of Management Information Systems
DPLO	District Planning Officer
EPICOR	Integrated Financial Management System
HLG	Higher Level Government
IFAC	International Federation of Accountants
IPSASs	International Public Sector Accounting Standards
IT	Information Technology
LAFM	Local Authority Financial Memorandum
LG	Local Government

LGAs	Local Government Authorities
LGCDG	Local Government Capital Development Grant
LGRP	Local Government Reform Programme
LGSP	Local Government Support Programme
LLG	Lower Level Government
MC	Minimum Condition
MTEF	Medium Term Expenditure Framework
NAO	National Audit Office
NBAA	National Board of Accountants and Auditors
NMSF	National Multi Sectoral Strategic Framework
PHSDP	Primary Health Service Development Programme (MMAM)
PLANREP	Computer Package for Planning and Reporting
PMORALG	Prime Minister's Office, Regional Administration and Local Government
PO-RALG	President's Office – Regional Administration and Local Government
PWC	Price Waterhouse Coopers
SDC	Songea District Council
SPSS	Statistical Package for Social Scientists
STATA	Statistics/Data Analysis
UDEM	Urban Development and Environmental Management
UDEMGR	Urban Development and Environmental Management Grant
URT	United Republic of Tanzania
USA	United States of America
VEO	Village Executive Officer
WEO	Ward Executive Officer

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter gives the background information, statement of the problem, objectives of the study, research questions, scope and significance of the study.

#### **1.2 Background Information**

The local government system in Tanzania has had a chequered history. Dating back to 1926 when it was established by the colonial government, the system has gone through changes which partly reflect the changing national philosophy concerning the economic and social development of the country. The most dramatic change occurred during the period 1972-1984 when the government abolished local government authorities along with all the institutions which were supporting the local government system. The present system of local government was reintroduced in 1984 after the enactment of the Local Government Act of 1982 (Ngwilizi, 2002).

In 1985, the Constitution of the United Republic of Tanzania was amended to effectively entrench local government in the country's system of governance. Despite these positive interventions, the reintroduced local government system did not meet the expectations of the people in terms of improved service delivery. Apart from the elected councilors, the new local government institutions inherited the problems which were facing the earlier system of decentralized government administration. As Ngwilizi (2002) notes, the system was a top down and local governments were tightly constrained by the central government bureaucracy. Central government line ministries through their regional administrative offices, continued to hold strong



powers to direct the affairs of local governments to the point of including local government budgets in the national budget. However, decentralization of government services failed to yield the improvements in the delivery of government services that were hoped for.

### **1.3 Local Government Reform Programme**

In the past few years, the world has witnessed countries, developing countries in particular, undertaking reform in their Local Government Authorities (LGAs) in various areas of operations. This being one of the aspects of the good governance philosophy, Tanzania has fully embarked on reorganizing the operationalisation of the Local Authorities for better delivery of services and effectiveness in the use of the resources (Bird, 2003). Following the formulation of the vision and subsequent Government endorsement of the Local Government Reform Agenda and the Policy Paper on Local Government Reform, the Local Government Reform Programme (LGRP) was developed and approved by the Government of Tanzania in 1999 to guide structured attainment of the declared vision of the future local government authorities. The overall objective of the LGRP is to improve the quality of and access to public services provided through or facilitated by local government authorities. Thus, the overriding goal of the reforms is to improve the effectiveness and efficiency of service delivery by increasing accountability and giving greater control over resource allocation and management of local government authorities (PMORALG, 2004a).

The Government of the United Republic of Tanzania (URT) together with its development partners and the World Bank are implementing a system for the provision of Capital Development Grants (CDG) to Local Government Authorities

(LGAs) through the Local Government Capital Development Grant (LGCDG) System (PMORALG, 2007a).

The overall objectives of the LGCDG system are:

- (i) To improve the access of communities, especially the poor to local services through expanding the physical stock of new and rehabilitated infrastructure;
- (ii) To enhance the delivery and management capabilities, productive efficiencies and financial sustainability of local governments;
- (iii) To provide a national system for the delivery of development grants to LGAs.

The LGCDG system has the Capital Development Grants (CDG), Capacity Building Grant (CBG) and Sector Grants, namely District Agriculture Development Grant (DADG), Urban Development and Environmental Management Grant (UDEM) and Capacity Building Grant (PMORALG, 2007a). CDG remains a non-sector specific grant distributed on a formula basis among LGAs and provides funds for investment in local infrastructure development to increase the stock of wealth and fight poverty at the local level. Investments in specific areas are based on the identified local needs expressed in the respective council Medium Term Expenditure Framework (MTEF) development plans and budgets. The needs are identified in a participatory manner from lower level local governments up to the district level. The corresponding investments should then comply with national policy provisions, community participation, poverty reduction and socio-economic development. The funds flow to local authorities through capital development grants and capacity building grants as well as sector specific grants integrated into the system (PMORALG, 2007a).

#### **1.4 Statement of the Problem**

The performance of Capital Development Funds depends on the effectiveness of the financial management system. The government of Tanzania has set various financial regulations on how the Capital Development Funds can be well utilized and managed. For example Constituencies Development Catalyst Funds Act 2009 (CDCF Act no. 16), Local Government Finance Act of 1982, LAFM orders of 2009, Local Government Financial Memorandum of 2009, and LGCDG Implementation and Operations Guide Releases. Apart from all those financial regulations that have been established by the Tanzanian government, still the CAG's annual audit reports show various financial mismanagement of CDF in the process of implementation of development projects by the different LGAs for both donor- funded and internally-funded development projects. As a result of this financial mismanagement, the targeted communities could not benefit from the projects. This threatens the efforts of development partners like donor countries and organizations in supporting Tanzanian development projects. For example, the major financial management weaknesses noted as for audited ASDP project 2012/13 include payments not properly supported shs. 470 661 014 for 25 LGAs (Songea district council being one of them) contrary to order no. 8(2) (C) of the LAFM, 2009. However, the figure has increased by shs.76 605 318.50 compared to previous year 2011/12 which had been shs.394 055 695.50 as inadequately supported payments (NAO, 2013). There are other more weaknesses and irregularities in financial management revealed by CAG's report in various financial years. These include the expenditure with missing payment vouchers, contrary to order no. 34(1) of the LAFM, 2009 and Section 45(5) of Local Government Finances Act of 1982, expenditure made out of the approved budget, contrary to order no. 17(2) and 18(1) of the LAFM of 2009, under release of

budgeted funds and other more financial management weaknesses as per CAG's Annual General Report on the Audit of the Financial Statements of Donor Funded Projects for the year ended 30 June 2013.

In addition to that, CAG has reported various intolerable financial management weaknesses on the management of Constituency Development Catalyst Fund (CDCF). CDCF was established by CDCF Act No. 16 of 2009 for the purpose of development projects in every electoral constituency. Examination of CDCF utilization and accountability revealed the following shortcomings:

Unspent balances of CDCF amounting to Shs.2 591 012 939, non preparation of CDCF reports for submission to PMORALG, and CDCF projects not initiated by community members Shs.195 599 000. These weaknesses are revealed in LGA despite the presence of various financial regulations set by the Government of Tanzania. There is little empirical evidence on the factors affecting the effectiveness of the financial management of Local Government Authorities.

Therefore, this study generally intended to assess the factors affecting the financial management of capital development funds in Local Government Authorities in Tanzania. Specifically, the study intended to find out whether or not current financial management systems in local government authorities were adequate to manage capital development funds, by looking at the ability of the LGA staff in managing capital development fund, availability of qualified staff and at the effectiveness of computerized financial management system in order to fill the knowledge gap that exists.

## **1.5 Objectives of the Study**

### **1.5.1 General Objective**

The main objective of the study is to assess the financial management of capital development funds in local government authorities in Tanzania.

### **1.5.2 Specific Objectives**

1. To study which guidelines guide Songea district council to manage CDF.
2. To identify factors affecting the financial management of CDF in Songea district council.
3. To find out the measures to be taken so as to ensure effective financial management of CDF in Songea district council.

### **1.5.3 Research Questions**

1. Which are the guidelines guiding Songea district council to manage CDF?
2. What are the factors affecting financial management of CDF in Songea district council?
3. What are the measures to be taken in order to ensure effective financial management of CDF in Songea district council?

## **1.6 Significance of the Study**

The study provides some valuable contribution to the existing literature on financial management of capital development funds specifically for the use of computerized financial management system to produce online reports, managing financial controls in the utilization of local government grants, and on availability of key qualified personnel in the local government authorities. The study will also be the basis for

further research related to financial management of local government capital development funds, by examining the effectiveness of financial management in a wider setting including the strength of personnel in the lower level government in managing capital development funds.

The findings of this study will be useful for planners and policy makers in formulating appropriate policies on access and utilization of government grants and local government authority financial controls to expand access to, and reduce irregularities in managing capital development funds. Moreover, the study will contribute to the improvement of management of capital development fund by local government authorities including allocation of financial resources and preparation of financial reports.

### **1.7 Scope of the Study**

The conduct of multiple case studies can require extensive resources and time beyond the means of a single student or independent research investigator (Yin, 1994). There are more than 133 Local Government Authorities in Tanzania but due to financial and time constraints, the study covered only one LGA in one district council of Ruvuma region, namely Songea district council.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In the preceding chapter, an attempt was made to define the need for this study. In this chapter, the literature relevant to financial management of capital development grants was reviewed. At the end of the chapter the researcher formulated the conceptual framework which will provide a guide for the fieldwork and data collection and analysis.

#### **2.2 Definition of Key Terms**

##### **2.2.1 Local Governments**

Local Governments are administrative offices that are smaller than a state.

The administration of the civic affairs of a city, town, or district by its inhabitants rather than by the state or country at large, or the governing body of a town or district.

(([http://dictionary.reference.com/browse/Local government](http://dictionary.reference.com/browse/Local%20government)). In the context of this study, local governments are independent legal entities governed by elected councils, with their own expenditure budget and revenue sources, and with the ability to borrow funds (Boex and Martinez-Vazquez, 2006)

##### **2.2.2 Intergovernmental Grants**

Intergovernmental Grants are sums of money transferred from one government to another, usually from the central government to state or local governments or from state to local governments, with the purpose for which it is to be expended specified by the granting government (Ulbrich, 2003).

### **2.2.3 Matching Grants**

Matching Grants are designed to encourage specific kinds of spending, instead of maintenance of effort requirements, matching grants require that additional dollars from the donor government must be matched in some proportion by additional local dollars spent for that particular purpose (Ulbrich, 2003).

### **2.2.4 Capital Development Grant**

Capital Development Grant means the grant provided to the council for the use in the improvement of infrastructure for the provision of services from the first and second schedule of the Local Government (District Authorities) Act, 1982 and the schedule of the Local Government (Urban Authorities) Act, 1982 and any amendments made thereto from time to time (URT, 2005).

### **2.2.5 Capacity Building Grant**

Capacity Building Grant means the grant provided to the council to develop its capacity to meet its statutory roles and responsibilities (URT, 2005).

## **2.3 Theoretical Literature Reviews**

### **2.3.1 Local Government Authorities**

Elected local governments were established in Tanzania under the local government Acts of 1982. In these Acts, local governments were given a wide range of powers and responsibilities. Local government councils are broadly responsible for the economic development, social development and physical planning of their local government areas. Specifically, local government authorities are given direct



responsibilities for the provision of primary education, primary health services, water supply, local roads and agriculture extension (Boex and Martinez-Vazquez, 2006).

### **2.3.2 The Structure of Local Government in Tanzania**

Basically, the local authorities are categorized into two groups: district and urban authorities. These authorities are generally of adequate size and have sufficient administrative capacity to operate efficiently and to ensure delivery of a range of public services assigned to them. The current structure also plays a facilitative role of the Regional Administrations as opposed to the hierarchical role that prevailed during the central government rule, as it gives the local government authorities greater control over their own affairs without regional interference (URT, 1982 Boex and Martinez-Vazquez argue that local governments may also receive capital grants from the central government, while donor funding both for recurrent as well as capital development activities is explicitly recognized as a possible source of local government funding. Local governments are expected to operate in a transparent manner and be accountable to their constituents, donors as well as higher government authorities.

### **2.3.3 Local Government Capital Development Grant**

Although the national system of formula-based capital development grants was not fully operationalized until 2005, the LGCDG was in fact developed virtually in parallel to the formula based recurrent grant systems. An important force behind the development and introduction of the capital development system was the World Bank funded local government support program which was intended to provide a

subset of local government in Tanzania with capital development funding as well as CBG (Boex and Martinez-Vazquez, 2006).

The LGCDG system was introduced in January 2005 for a selected number of LGAs, the World Bank's Local government support program funding modality did not become available until April 2005. As a whole, the LGCDG system became fully operational with the beginning of the 2005/06 fiscal year consistent with the principles upon which the recurrent transfer system is built, as well as the best practices distilled from Tanzania's various areas based local capital development programs (PMORALG, 2007b).

#### **2.3.4 CDG and Minimum Conditions for Access CDG**

The CDG component of the LGCDG system is available to finance a broad range of local capital investments in public infrastructures (including economic infrastructures such as roads and market as well as social infrastructure such as school and clinics) within the expenditure responsibilities assigned to the local government level. As such, the grant is a discretionary (non sectoral) capital grant that may be used either for new infrastructure rehabilitation or for the existing capital stock. Before local government can access capital development funds under the LGCDG, local authorities have to meet a set of performance requirements within six broad functional areas of financial management, fiscal capacity, planning and budgeting, procurement, functional processes and project implementation monitoring and evaluation capacity (Boex and Martinez-Vazquez, 2006). Each division is competing for dollars, but often without a greater deal of knowledge about what is happening in other divisions (Callahan and Brooks, 2004).

In fact, local government must meet minimum access requirements in each of these functional areas before being able to access CDG funding. These access conditions are intended to ensure that funds transferred to the local level are properly used in compliance with statutory and administration requirements.

### **2.3.5 Staff Qualifications and Availability**

There is also the need for technical assistance to local governments in several areas. Specifically, smaller local governments require assistance in areas such as accounting, treasury, tax administration, data processing and project evaluation. Shortages in the availability of qualified professional accountants and in the quality of potential recruits can seriously affect the production of quality financial information which is critical to investors. It can also affect business development and jeopardize economic growth. Better communication of the value of accountancy qualifications and career opportunities and reduction of the personal financial risks faced by accountants in practice and in business through liability reform are among the ways in which we can make the profession more attractive and address recruitment and retention issues (IFAC News, 2006).

Strengthening local government capacity in financial management is already a main component of the LGRP medium term work plan in addition to the more traditional emphasis on strictly improving local government accounting procedures and capabilities at the local level. The strengthening of local government financial management focuses on compliance with reporting requirement and accountability issues as well (Boex and Martinez-Vazquez, 2006).

Maintaining human resources is also important. Reward rates must be fair compared with rates for other jobs within the organization and with rates for the same or similar jobs in other organizations in the labour market. Properly designed incentive or merit pay systems can encourage high performance and a good benefits program can help attract and retain employees (Griffin, 2000).

### **2.3.6 Integrated Financial Management System**

Boex and Martinez-Vazquez (2006) report that since 1999 the government of Tanzania has also been pursuing the roll out of the EPICOR programme, a computerized financial management system originating from USA and customized for LGAs in Tanzania. Unfortunately, the roll out of EPICOR has not proceeded steadily. According to them, by 2005 only about a quarter of Local Governments had successfully put in place the computerized financial management systems. This also motivated the researcher to study the aspect of effectiveness of computerized financial management in managing capital development funds in Songea district council.

### **2.3.7 Community Participation in CDF**

At local government level, councilors are responsible for overseeing council activities and ensuring that councils are accountable for their spending and performance in service delivery and in implementing local plans, programmes and projects within the framework of national strategies and policies. Politicians in general play a role in shaping and reflecting public opinion on development and aid effectiveness in influencing development policy formulation and implementation (URT, 2006).

Local communities participate in formulating local government plans and in identifying, planning, implementing, monitoring and evaluating local development activities that are supported by the government and development partners. They contribute their own resources to develop activities and hence play an important role in creating sustainable development outcomes (URT, 2006). Planning is determining at a greater level of details what deliverables are necessary to complete the project and what resources such as people, materials and financial are needed to complete the project successfully (Callahan and Brooks, 2004).

### **2.3.8 Resources Allocation**

Pandey (2007) has discussed about the allocation of funds, increasing intervention of government on account of management inefficiency and failure, necessitated efficient and effective utilization of the firm's resources, including financial resources. The development of a number of management skills and decision making techniques facilitated the implementation of a system of optimum allocation of the firm's resources. As a result, the approach to, and the scope of financial management have also changed. The emphasis shifted from episodic financing to the financial management, from raising of funds to efficient and effective use of funds. Efficiency is more difficult to define when the parties have different objectives. From the standpoint of the donor government, a grant is more efficient if it directs more resources toward the desired objective. However, from the standpoint of the recipient government, efficiency means having the freedom to allocate resources in the way that will satisfy the desires of the citizens to whom it is accountable (Ulbrich, 2003).

### **2.3.9 Distribution of Resources between District Level and Lower Level Local Government**

The horizontal allocation formula adopted by the LGCDG systems for the allocation of CDG is based on three factors: population (70%), a poverty indicator (20%) and Land area (10%). According to the guidelines for the LGCDG systems, 50% of the CDG has to be set aside for priorities at the village or mtaa level (so called lower level LG). However, given the current lack of financial management capabilities of the lower level LG, at this stage no funds are transferred directly to the governments below the district level (Boex and Martinez-Vazquez, 2006).

### **2.3.10 Financial Controls**

Financial controls include internal audit, budgeting and financial reporting systems. Internal audit is a weak link in the chain of financial controls in public sector undertakings (Pandey, 2007). According to section 45 (4) of Local Government Act, 1982 and Local Authority Financial Memorandum (LAFM) 1997 orders 88, the LGA should make available its accounts in time to the Controller and Audit General of Tanzania (CAG) for his review.

### **2.3.11 Internal Audit**

Internal audit is an important component of financial controls. According to Pandey (2007), this element has not received its due attention at the hands of public sector undertakings management in terms of its location, organization, empowerment, resource allocation, staffing and performance. Mostly, this element is headed by an executive at the middle or senior level. The internal audit staff is not equipped adequately in terms of talents and no attention is paid to their capacity building.

## **2.4 Empirical Literature Reviews**

Fjeldstad et. al, (2006) researched on local government finances and financial management in six Tanzanian councils of Bagamoyo, Ilala, Iringa, Kilosa, Moshi and Mwanza. The coverage of the study was financial management, including budgeting, accounting and auditing, among many others. They found that fiscal autonomy was limited in district councils with respect to both revenues and expenditures. The bulk of the district councils' revenues were conditional grants from the central government. Also, they found that there were no effective mechanisms used by the councils to disseminate information on financial and fiscal affairs to the public, which raised the question whether such information actually reached the public. However, gaps between budgets and accounts provide an indication of the quality and realism of budgeting in the case councils. No trend can be derived from the data as the gaps between actual and estimates varied from year to year in all councils. The annual fluctuations were substantial and reflected weak budgeting. The main focus of the study was on the revenue generations which included transfers from central government and revenues from own sources.

Elias R.(2007) conducted research on financial management of local government projects in Kinondoni Municipal Council and found out that Community Infrastructure Upgrading Program(CIUP) project influenced management through having general meetings of every three months that generated errors and made new way forward for the betterment of the project. She found out that the project coordinator did not have financial management knowledge, staff members operated as municipal staff at the same time in the project. Also, CIUP project lacked necessary knowledge of advanced IT essential, for project management.

Fjeldstad et al (2007) researched on the local government reform in Tanzania 2002 – 2005 and observed that local government had overloaded planning systems, limited fiscal autonomy, but had some improvements in service delivery. There was improvement in service delivery, but local government had limited fiscal autonomy different from expectations. Local government fiscal reform was meant to decentralize fiscal autonomy in order for local government to have authorities to implement several projects and get its own revenues.

Malosha (2007) studied the Local Government Reform Programme and Budget Transparency in District Councils of Tanzania focusing on the case of Bagamoyo District Council. The study noted the low rate of awareness on the reform programme especially for rural residents. Also, the district authority was too dependent on central government allocations and, as a result, the district budget was unrealistic due to a high rate of budget deviation.

Community participation in the planning and budgeting processes is deemed to be very important in determining the priorities of the community (Farrant and Clarke, 2002), and this is highly questionable in the case of Tanzania. Consultation and involvement of local authorities in the planning and budgeting processes is limited and the lower levels of government such as village governments are, to a large extent, excluded. Indeed, this hinders true community participation (Muro, 2005). Although the communities do participate in some decision making by identifying priorities that are important in their areas, the needs of the lower governments are not always taken into account higher up, where they are not represented. Moreover, even at the level of local government their participation is still minimal as most of the



priority activities actually originate from the central government (Hoddinott, 2002). Most LGAs in Tanzania are heavily reliant on intergovernmental transfers from the central government (World Bank, 2002). Removal of some sources of revenue in LGAs in recent years has necessitated such unhealthy reliance. The fact that the LGAs are unable to collect adequate revenues to meet the expenditure for activities within the councils is another factor for this reliance. Intergovernmental transfers are offered under stringent conditionalities strictly for specific uses. It is believed that offering such conditional grants is one effective way for the central government to ensure that its national priorities are reflected at the local level of expenditure (Kihanga and Maziku, 2006).

## **2.5 Gaps in the Literature**

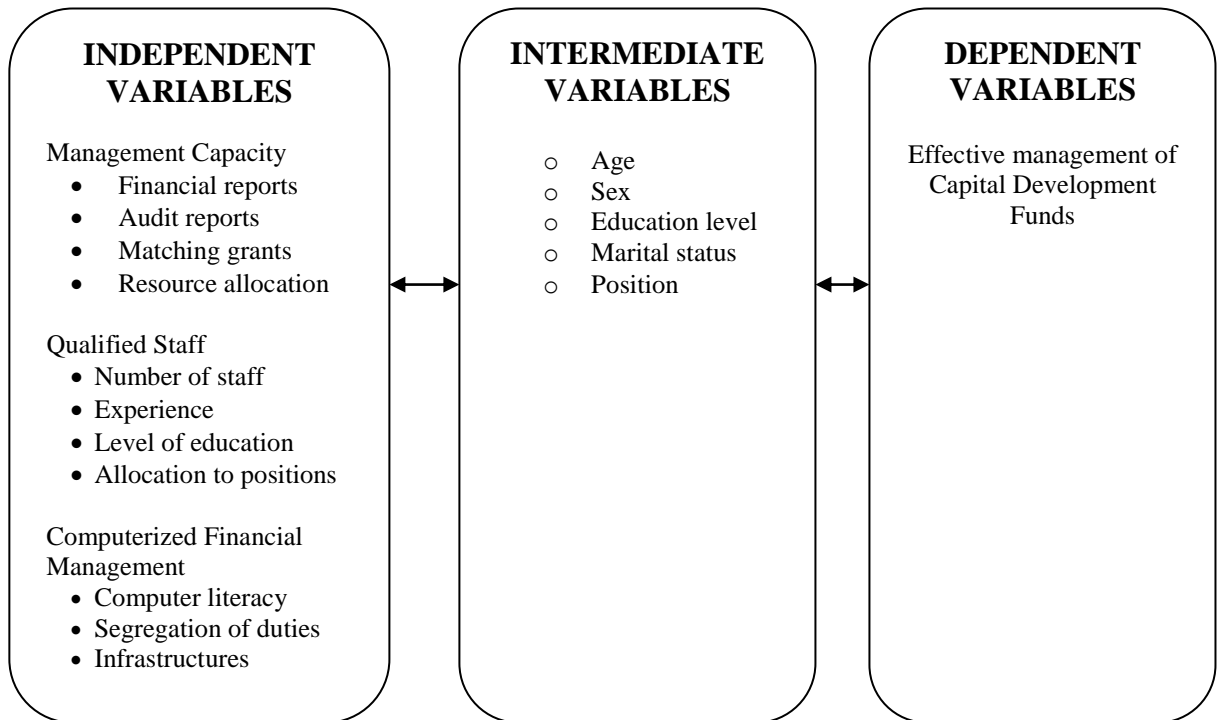
Apart from the study done by Fjeldstad et al (2006) on financial management, little comprehensive study has been done regarding variables that contribute to management of capital development funds, like computerized financial management and qualifications of staff. Elias (2007) conducted a study in Kinondoni Municipal Council and found out several shortcomings despite the fact that the council was amongst those that accessed capital development funds.

By considering the aforementioned empirical studies, therefore, it can be observed that financial management of local government capital development funds especially in terms of available staff and computerization have yet to be covered. It is within this context that the researcher was motivated to study how capital development funds are managed in those areas with the hope to assist LGAs eliminate or minimize problems that made them fail to meet minimum conditions set by LGSP.

## **2.6 Conceptual Framework**

The conceptual framework adopted by the researcher depicts some important variables that contribute to the ideal financial management. Management of capital development funds depends on the variables within the management capacity, qualified staff and computerized financial management. Management capacity has such variables as financial reports, audit reports, matching grants and resource allocation. Whereas the staff qualifications include their number, experience, level of education and allocation to their positions, the computerized financial system is viewed to include variables such as computer literacy, segregation of duties and infrastructures. Availability of qualified staff and computerized financial management are mutually interdependent whereby computerized accounting need to have enough staff with computer literacy so as to practice segregation of duties. Staff workers with high level of education and experience are in a position to produce quality financial information leading to good internal and external audit reports. Therefore, management capacity depends on the availability of qualified staff and infrastructures to facilitate the use of computers. The totality of interdependence of these variables is indispensable in realizing the effectiveness of management of capital development funds in the LGAs. Figure 2.1 below shows the interrelationships of the variables.

**Figure 2.1: Conceptual Framework for Management Variables of Capital Development Funds**



Source: Researcher's Conceptualization and Synthesis of Literature

This conceptual framework is going to be used in this study by the researcher in formulating questionnaires, interviews, checklist for observation and in documentary review process that will help to answer the research questions and reach conclusion.

(Appendices B - E

## **CHAPTER THREE**

### **MATERIALS AND METHODS**

#### **3.1 Introduction**

While chapter two provides the basis for understanding what was known about the problem stated in chapter one, this chapter deals with the methodological procedures through which the data pertinent to the research problem was collected. It presents the description of research design, study area, sample and sampling techniques. It also provides an overview of instruments or methods for data collection, validation of instruments, and analysis procedures together with ethical issues of research.

#### **3.2 Area of the Study**

Songea district council was selected for in-depth studies. Specific reason for this selection was based on the reality that Songea district council is not advanced enough to manage the capital development funds. Also, the ability of fund management in various financial years differs from middle level fund management ability to poor or lower level fund management ability. This was evidenced by various audit reports and performance reviews of various financial years. Most of the audit reports of SDC shows many financial irregularities as it has been explained under the statement of the problem of this report.

#### **3.3 Research Design**

According to Kombo and Tromp (2006), research design can be regarded as an arrangement of conditions for collection and analysis of data in a manner that aimed to combine relevance with the research purpose. Also Yin (1994) defines research design as a plan that guides the investigator in the process of collecting, analyzing

and interpreting observations. It is a logical model of proof that allows the researcher to draw inferences concerning causal relations among the variables under investigation. The research design also defines the domain of generalizability that is whether the obtained interpretations can be generalized to a larger population or to different situations.

This study used the case study design. Reasons for selecting the case study includes, among others, that the need to generate knowledge on the effectiveness on the financial management of local government development funds. This design enabled the researcher to get respondents' behaviour and expectations which could not be predicted in getting a deep understanding of their reasoning. This design provided an in-depth or detail information about a phenomenon under the study investigation. It is also expected that the design will facilitated the investigation of characteristics of a particular contemporary phenomenon (management of capital development funds in LGAs) within its real life context using a multiple source of evidence. Also, there was a provision for using different data collection methods such as questionnaires, interviews, observations and documentary analysis.

### **3.4 The Target Population, Sample and Sampling Procedures**

#### **3.4.1 The Target Population**

Research population refers to an aggregate of the people, things or elements the researcher has in mind from which one can obtain information and draw conclusions. Population is a group of individuals who have one or more characteristics in common that are of interest to the researcher (Best and Khan, 2006). For this study, the target population from which the researcher drew the sample comprised of various

stakeholders in Songea district council. They covered eight categories: councilors, , WEOs, VEOs, DED, CDT, DPLO, DHRO and other technical staff from different departments under the DED such as Education, Internal audit, Finance, Land, Agriculture etc. The choice was based on the fact that each category was engaged and implicated in the local authority activities in different ways.

Councilors provided their views about the monthly and quarterly financial and physical reports, allocation of resources and awareness of the LGRP. WEOs, VEOs provided their views on how their people participated in the development activities, and in co-funding projects and also provided information about financial and physical reports. DED provided information on the staffing, availability of the proper DED, about staff's job descriptions, availability of Certified Public Accountant (CPA) in safeguarding local authority resources and if the computer hardware and software were available to meet the needs of the local authority. CDT provided some information on the availability of the integrated financial management system and if the council was able to provide financial report online, the amount of LGCD funds received by the councils and the status of the audit opinions for the six years from financial year 2007/2008. DHRO provided information on the staff experiences, qualifications, organization structure and if there were overlaps among the tasks that were performed by staff members. DPLO informed about the amount of LGCD funds received by the SDC and the amount contributed as co-funding, the involvement of the community in the development activities, if the districts prepare physical reports and submit on time. Some technical staff provided information on the effectiveness of the internal audit unit, preparation of physical and financial reports in time, their views on districts that obtained qualified audit reports.

### 3.4.2 Sample of the Study

Best and Kahn (2006) define a sample as a small proportion of a population selected on the basis of its characteristics for observation enabling the researcher to make certain inferences about the population from which the sample was drawn. The sample for this study included 55 respondents comprising 10 councilors, 11 WEOs, 10 VEOs, 1 DED, 1 CDT, 1 DPLO, 1 DHRO and other 20 technical staff all from SDC as indicated in Table 3.2 below formed part of total respondents.

**Table 3.1 Composition of the Technical Staff**

<b>Department</b>	<b>Number of respondent</b>
Legal	1
Internal Audit	1
Health	1
Agriculture, Irrigation & Cooperative	1
Trade	1
Education	2
Planning	2
Finance	9
Administrative	1
Water	1
<b>Total</b>	<b>20</b>

Source: Field Data, 2014

**Table 3.2 below indicates a summary of composition of the respondents' sample.**

**Table 3.2 Summary Composition of the Respondents' Sample**

Categories of Respondents	Expected	Actual Respondents		
		Male	Female	Total
Councilors	10	6	4	10
WEOs	11	8	3	11
VEOs	10	6	4	10
DED	1	1	0	1
CDT	1	0	1	1
DPLO	1	1	0	1
DHRO	1	1	0	1
Other technical staff	20	12	8	20
<b>Total</b>	<b>55</b>	<b>35</b>	<b>20</b>	<b>55</b>
<b>Percentage (%)</b>		<b>63%</b>	<b>36%</b>	<b>100%</b>

Source: Field Data, 2014

### **3.4.3 Sampling Techniques**

Sampling technique is a procedure used to select some elements of a population in such a way that it represents actual characteristics of the total population (Cohen, 2000). In this case study, purposive, simple and stratified random sampling techniques were employed. DED, CDT, DPLO, DHRO, and councilors were purposively selected by virtue of their positions. Technical staff from various departments were obtained randomly.



### **3.5 Data Collection Methods**

Data was obtained from both primary and secondary sources. Various documents from donors, governments and organizations in form of reports such as assessment and audit reports, workers registers were reviewed to capture secondary data. On the other hand, primary data was obtained by using questionnaires, interviews and observation methods. According to Gillham (2004) no one kind or source of evidence is likely to be sufficient (or sufficiently valid) on its own. The use of multiple sources of evidence, each with its strengths and weaknesses is a key characteristic of a case study research.

#### **3.5.1 Documentary Review**

Documentary review involves the process of going through different types of documents so as to get useful information for the study (Cohen, 2000). Workers' seniority list was reviewed to gather information on staff qualifications and experiences, while assessment reports were reviewed to obtain the performance results of SDC. Periodic financial reports were also reviewed to appraise quality and means of preparation of report that is manual or online. Lists of wards and villages were obtained to gather information about wards and villages. Moreover, audit reports and audit management letters were reviewed to determine the status of the audit opinions from NAO whether it was a clean audit report, qualified or adverse audit report.

### **3.5.2 Questionnaires**

A questionnaire is a method of collecting data by asking people to respond to exactly the same set of questions. They are often used as part of a survey strategy to collect descriptive and explanatory data about opinions, behaviors and attributes (Saunders et al, 2003). For the purpose of this study, the researcher used questionnaires to obtain information from DED, CDT, DHRO, DPLO, WEOSs, VEOs, and the technical staff. The nature of the questions included both the open and closed-ended questions.

### **3.5.3 Observation**

The researcher used field observation to confirm the availability of positioned staff and check the availability and functioning of computers for integrated financial management system. By making a field visit to the case study “site”, one creates the opportunity for direct observations (Yin, 1994). A checklist was used to obtain the required data.

### **3.5.4 Interviews**

Interview schedules used consisted of semi-structured, open and closed-ended questions. Information from councilors about the awareness of the LGRP in the lower level and their views on the resource allocation was obtained through this method. Interviews are an essential source of evidence because most case studies are about human affairs. These human affairs should be reported and interpreted through the eyes of specific interviewees and well informed respondents can provide important insights into a situation (Yin, 1994).

### **3.6 Data Analysis Procedures**

The study used quantitative and qualitative research procedures in data analysis. The two methodological procedures were used in order to counter shortcomings from each technique (Saunders et al, 2003). The nature of the study also necessitated the use of both approaches to answer the research questions. Questionnaires for primary data were processed and analyzed using SPSS and Microsoft Excel. The advantage of these methods is that they are easy to use and easy to understand.

### **3.7 Validity and Reliability of Instruments**

The validation of the instrument is the process of establishing document evidence. This provides high degree of accuracy that specific process consistently produces a product meeting its predetermined specifications and quality attributes (Cohen, 2000). This study used multiple instruments for data collection, which are questionnaires, interviews, observation and document review for reaching and crosschecking information. Instruments were carefully prepared and the expert advice of the supervisor was sought. Also, the researcher discussed the instruments with fellow MBA students. Moreover, the researcher used multiple sources of information including district staff workers, councilors, and reviewed documents. Data were also processed and analyzed using SPSS, and Microsoft Excel to avoid complexity and ensure accuracy.

### **3.8 Ethical Considerations**

It is acknowledged that any research that involves human beings needs to consider ethical aspects. Ethical concerns emerge as one plans his/her research seeks to access organizations and individuals, collects, analyses and reports his/her data. In the

context of the research, ethics refers to the appropriateness of one's behaviour in relation to the rights of those who become the subject of the work or are affected by it (Saunders et al, 2003). The ethical procedures in this study were observed. This included obtaining research clearance letters that formalized the carrying out of the study and introduced the researcher to the respondents. The clearance letters were obtained from the office of Vice Chancellor (VC) of the Open University of Tanzania through the Director of Ruvuma Regional Center, and Regional Administration Secretary (RAS) of Ruvuma, and finally District Administrative Secretary (DAS) of Songea district councils through the DED.

Respondents were informed about the purpose of the study and were requested to participate freely. Respondents were assured that all information obtained from them would be treated confidentially and used specifically for this study.

## **CHAPTER FOUR**

### **FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

In chapter three, methodological procedures underlying data collection and analysis has been discussed. This chapter analyzes, presents and discusses the findings relevant to the problem stated in chapter one. The chapter examines the effectiveness of the district councils in managing the LGCDF of Songea District Council, the extent of technology use in managing capital development funds and the availability of qualified staff in managing capital development funds. The research findings are presented in the light of the research questions identified in chapter one basing on the independent variables identified in chapter two. As explained in chapter two, the conceptual framework was used in this study by the researcher in formulating questionnaires, interviews, checklist for observation and the documentary review process would help to answer the research questions.

#### **4.2 Profile of Respondents**

Presented findings in this section are about respondents' demographic characteristics; namely sex/gender, age, level of education/number of years attended school , and marital status.

##### **4.2.1 Sex of the Respondents**

Findings suggest that, a big number of respondents in SDC were Men. Women were not in the forefront in taking positions and leadership in councils, wards and villages as shown in table 4.1 below.

**Table 4:1 Gender of Respondents**

<i>Categories of Respondents</i>	<i>Gender</i>		
	<i>Male</i>	<i>Female</i>	<i>Total</i>
Councilors	6	4	10
WEOs	8	3	11
VEOs	6	4	10
DED	1	0	1
CDT	0	1	1
DPLO	1	0	1
DHRO	1	0	1
Other technical staff	12	8	20
<b>Total</b>	<b>35</b>	<b>20</b>	<b>55</b>
<b>Percentage (%)</b>	<b>63.6%</b>	<b>36.4%</b>	<b>100%</b>

Source: Field data, 2014

From the table 4.1 above gender representations in SDC for the sampled population for female category was logically low. With this picture, it is evident that women should be empowered and sensitized to take part in leadership so that they may take part in major decisions for development of their institutions and community at large.

#### **4.2.2 Age of the Respondents**

The age of respondents was categorized into three main groups in order to assess how age influenced the financial management awareness, productivity and the level of participation. It was observed that the age group involved more in fund

administration in SDC was that of the age from 30 to 50 equal to 67.30%. The main suggested reason was that, the group was economically more active and responsible in economic participation than other groups. Findings also show that the youth group which fall under the category of 18-30 years of age did not have many positions in financial decisions and administration in SDC as they counted for 7.3%. It also show that few number of respondents aged above 50 have positions, in financial decisions and administration in SDC compared to age group of 30 to 50. Hence, more sensitization should be made to attract more aged community to share their experience in the process of financial management of capital development funds and in the implementation of development projects. Table 4.2 below summarizes the age of respondents.

**Table 4.2: Age of Respondents**

Age Category	Frequency	Percent	Valid Percent	Cumulative Percent
Between 18 and 30	4	7.3%	7.3%	7.3%
From 30 to 50 years	37	67.3%	67.3%	74.6%
Above 50 years	14	25.5%	25.5%	100.0%
<b>Total</b>	<b>55</b>	<b>100%</b>	<b>100.0</b>	

Source: Field data, 2014

### 4.2.3 Education Level of Respondents

The researcher was interested to find out the education levels of the respondents because it was the key factor for financial management of CDF and participation in capital development projects. It was observed that, most of respondents had education level below first degree. In most cases, the rural respondents like VEOs,

some WEOs and some councilors had standard seven, certificate and diploma levels of education. There were few respondents with degree level of education. None of the respondents surveyed had a master's degree. This was attributed to by the fact that most graduates preferred to work in urban areas where there are highly paying jobs. Table 4.3 below summarizes the education level of respondents.

**Table 4.3: Education Level of Respondents**

EDUCATION LEVEL	RESPONDENTS	
	Frequency	Percent
Standard seven	3	5.5%
Form Four	7	12.7%
Form Six	1	1.8%
Certificate and Diploma	27	49.1%
Advanced Diploma and Degree	14	25.5%
Postgraduate Diploma, Masters and Above	3	5.5%
<b>Total</b>	<b>55</b>	<b>100%</b>

Source: Field data, 2014

#### **4.2.4 Marital Status of Respondents**

The section includes single, married, divorced, widow/widower. Findings of the study on marital status of respondents indicate that large proportion of respondents was concentrated in married status. Of the respondents surveyed 32(58.2%) were married, 13(23.6%) were single and whereas divorced and widow status were 6(10.9%) and 4(7.3%) respectively as shown in table 4.4 below. Table 4.4 below indicates that the majority of the respondents surveyed were married and participated



actively in financial management and implementation of development projects. Their active participation was due to family obligations such as fees for schools, water bills, medical and clinical services for both children and wives.

**Table 4.4: Marital Status of Respondents**

MARITAL STATUS	RESPONDENTS	
	Frequency	Percent
<b>Married</b>	<b>32</b>	<b>58.2%</b>
<b>Single</b>	<b>13</b>	<b>23.6%</b>
<b>Divorced</b>	<b>6</b>	<b>10.9%</b>
<b>Widow and Widower</b>	<b>4</b>	<b>7.3%</b>
<b>Total</b>	<b>55</b>	<b>100%</b>

Source: Field data, 2014

### **4.3 Management of CDG at SDC**

#### **4.3.1 SDC's management structure**

The Council operates under the directives of the Full Council under the Chairmanship of the Council's Chairperson, who is a supreme head of board for legislative responsibilities. Under the Full Council, there are three Committees which are directly answerable to it. The District Executive Director is responsible for the day-to-day activities of the Council. According to Sect.33 of the Local Government Finances Act No.9 of 1982 (revised 2000), the Director is also the Accounting Officer of the Council.

The organization structure of the Council has positions of Internal Auditor and Legal Officer with responsibilities of advising the Director on matters falling under their jurisdiction. In addition, the organization structure provides functional departments namely: Administration and Personnel, Finance and Trade, Health and Sanitation, Primary Education, Secondary Education, Water and Irrigation, Agriculture and Co-operatives; Livestock and Fisheries, Planning, Statistics and Environment, Works and Fire Rescue, Community Development, Social Welfare and Youth.

Out of those named departments, the Departments of Planning, Statistics and the department of finance are the departments or offices that are directly involved in the management of CDF/CDG for all development projects that SDC implements. The other departments are involved in financial management of CDF depending on the nature or type of development project implemented. For example, if the project was class construction for a secondary school, the department of secondary education is also directly involved in the financial management and implementation of projects the same to water, so water department

#### **4.3.2 Sources of Fund and Amount of Money Received as CDF Per Year.**

The Council has two main sources of funds: Internal revenue sources and external revenue sources. Internal revenue sources include collection of public funds through taxes, fees, licenses and charges. On the other hand, external revenue sources include grants from the Central Government and donations from Donor Communities.

During the years 2012/13 and 2011/12, the Council had a total sum of Shs. 19 131 032 162 and 18 982 746 699 respectively and in which CDF is amounting to 3 361

157 631 (18%) in the year 2012/13 and 4 463 512 334 (23.6%) in the year 2011/12 as shown in the table 4.5 below.

**Table 4.5: Total Funds Available During the Year.**

Source of Fund	Amount (Tshs)	%	Amount (Tshs)	%
	2012/13		2011/12	
Internal Revenue Source	768 636 134	4	319 636 348	2
Recurrent grants	15 001 238 397	78	14 123 608 380	74
Development grants	3 361 157 631	18	4 463 512 334	23.6
Other sources	-		75 989 637	0.4
Total Funds Available	19 131 032 162	100	18 982 746 699	100

Source: Field data, 2014

From the table 4.5 above SDC received funds from the 4 main sources of fund namely internal revenue source, recurrent grants, Development grants and other source of funds. SDC received more funds for recurrent grants than other sources. For example table 4.5 above shows that 78% of the total fund in financial year 2012/13 was for recurrent grants, 18% for Development grant, and 4% from internal revenue source. The total fund that SDC received in 2012/13 was Tshs 19131 032 162.

#### **4.3.3 General Guidelines/ Regulations Governing the Management of CDF.**

Songea District Council was established under Sect. 5 of the Local Government Act No. 7 of 1982. Besides the Act, the Council operates within the framework of the following instruments:-

- Local Government Finances Act No.9 of 1982 (revised 2000);
- Local Government Financial Memorandum 2009;
- Public Procurement Act No.21 of 2004 and its Regulations of 2005;
- The Local Government Authorities Tender Board's (Establishment and Proceedings) Regulations, 2007. All these guidelines/instruments or regulations are there to guide LGAs in managing CDG and ensure the proper financial management of public funds in local government authorities.

#### **4.4 Factors/Challenges Facing Management of CDF at SDC**

With this question, the researcher wanted to get what respondents would identify as the main challenges facing management of CDF at SDC and then propose the way forward for a more fruitful management of CDF. Questionnaires were given to respondents whereby multiple responses were carefully identified and weighted. Also, interview, documentary review and observations were employed. The problems are almost normally distributed. Identified challenges are discussed hereunder.

##### **4.4.1 Poor Management Capacity on Financial Controls in Managing Capital Development Funds.**

Management capacity can be measured by various variables as per researcher's conceptual framework. These include audit reports, financial reports, resource allocation and co-funding capacity. Therefore, this challenge was evidenced by the factors such as the status of audit opinions of the districts made by the Controller and Audit General (CAG) from NAO, the quality and timeliness of financial reports, the fairness of allocation of financial and human resources within the local authority and

the capacity of the district council in co-funding. Respondents for the questionnaire, and interview questions relating to this variable included DED, CDT, DPLO, DHRO, technical staff, and councilors. Information was obtained through questionnaires, documentary reviews, interviews and observation methods.

#### 4.4.1.1 Audit Reports

The general observation from the findings indicates that the status of the audit opinions was noted to have been fluctuating from one financial year to another. For example, the status of the current audit opinions of financial period ended July, 2013 was that SDC had clean audit opinion, but in 2011/2012 SDC had qualified opinion. In the year 2010/11 SDC had adverse audit opinion. Table 4.6 below shows the status of audit opinions of SDC for financial periods starting 2007/08 to 2012/13

**Table 4.6 Audit General Opinions for Songea District Council**

	Financial Periods					
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Audit Opinion</b>	Clean (Unqualified)	Qualified	Clean (Unqualified)	Adverse	Qualified	Clean (Unqualified)

Source: Documentary Data, 2014

**Clean (Unqualified)** – Clean audit opinion issued when financial statements were presented fairly in all material respects. Therefore from the table 4.6 above the financial statements of the SDC in financial years 2007/08, 2009/10 and in 2012/13 were presented fairly in all material respects.

**Qualified** – Qualified audit opinion is issued when clean opinion cannot be issued but due to the disagreement with management or limitation of scope is not so material. Hence from the table 4.6 above the CAG could not issue clean opinion to SDC due to the disagreement with management or limitation of scope in financial years 2008/09, and in 2011/12, instead CAG issued qualified audit opinion.

**Adverse** - Adverse opinion is issued when the effect of disagreement with management has a material and pervasive effect on the financial statement. From the table 4.6 above in financial year 2010/11 CAG issued adverse opinion to SDC because the disagreement with management or limitation of scope had material and pervasive effect on the financial statements of SDC.

Note that the researcher observed that each audit opinion even clean issued by the CAG was also issued with emphasis on the matters that the management must take into consideration and be aware when using the SDC's financial reports and audit report. For example, though in the financial year of 2012/13 the SDC obtained the clean audit opinion, but still the CAG highlighted the following matters that were revealed as the shortcomings occurred during his auditing process. CAG in his audit report that gave SDC clean (unqualified) audit opinion 2012/13 (page 9) said that:

*“Without qualifying my opinion, I draw the attention of the users of this report on the following matters: 1. Procurement not approved by the Council's Tender Board Tshs.24 366 850. Results of audit test checks revealed that payments amounting to Tshs.24 366 850 were made for procurement of fuel and other consumables, without the Council's Tender Board approval.*

*2. Inadequate control over payment of wages Tshs.16 245 000*

*Employees' contracts which are used as a support of wages are not signed by DED and the Chairpersons of the Councils also they were not included in the approved budget of the Council.*

*3. Shortage of 280 employees.*

*The Council aggregate employees level is 1749 but the review of human resources management revealed that, there are 1469 employees resulting into a shortage of 280 employees.*

*4. Salaries to non-existing employees amounting to Tshs.14 402 545.37*

*Review of personal emoluments noted that during the year Shs.14 402 545.37 was paid to ex-council employees i.e. retired, deceased and absconded employees.*

*5. Unsupported building costs of Tshs.5 236 998 711*

*Buildings with reported value of Tshs.5 236 998 711 owned by the Council had no title deeds to substantiate the Council's ownership.*

*6. Expenditure incurred without budgetary provision Tshs.75 469 427.90*

*The Council made payments amounting to Tshs.75 469 427.90 to various payees to meet various official activities but the same amount was not included in the annual budget (MTEF) for the financial year 2012/2013.*

*7. 20% General Purpose Grant not transferred to villages Tshs.29 780 045.80*

*During the financial year 2012/2013, the Council received Tshs.328 900 229 to cover for abolished taxes and was supposed to pay Shs.65 780 045.80 (20%) to the village administration offices to support development activities but only Shs.36 000 000 was paid to respective villages leaving a balance of Shs.29 780 045.80 unpaid.*

*Also, in 2009/2010 though the CAG issued clean opinion to SDC, he further issued other matters to the public on page 8 of his audit report, by saying that:*

*“I further draw the attention of users of this report to the following matters that relate to my responsibilities in the audit of the financial statements that:*

- *Non-performance of Internal Audit*

*When assessing the internal audit unit of the Council for the financial year ended 30th June, 2010, we noted that the Internal Audit has not performed and finalized all the planned audits for the said financial year.*

- *Inadequate Performance of Audit Committee*

*The Council’s audit committee does not have an audit committee charter and no report has ever been copied to audit.*

- *Insufficient Information Technology Control Environment*

*When assessing the IT Environment of the Council for the financial year ended 30th June, 2009, we noted that the entity has no IT master/strategic plan and the entity has no guideline available to enable them to classify data.*

- *Procurement of Goods/Services worth Shs.23 43 500 without competitive quotations.*

- *A sum of Shs.5 996 218 was paid to various selected garages in respect of maintenance and repair of the Council’s motor vehicles without being supported by the inspection reports filled in by a competent mechanical technician/ engineer who is supposed to identify defective parts and recommend repair methods and identify the kind of maintenance to be carried out.*

- *There was procurement of goods worth Shs.1 700 000 by using imprest which is contrary to Reg. No.68 (4) of PPR which emphasizes competitive quotations”*

Therefore, this revealed that getting clean audit opinion does not mean that the council manage the grants efficiently one hundred percent. Now, those emphasized matters are considered as management weaknesses in management of CDF in SDC.



#### **4.4.1.2 Allocation of Financial Resources**

The study revealed that SDC allocated capital development funds to its wards according to predetermined plans and priorities of the wards. The allocation of CDG was also based on the population available in each ward. One DPLO during the interview pointed out that; (translated): “ *SDC allocates funds to the wards depending on the wards’ predetermined plans and priorities, and moreover we consider preliminary preparation of the specific ward itself through the man power and financial contribution from the ward or village community. For example, brick laying and construction of foundation for the case of classrooms construction projects.*” (16.12.2014)

According to the councilors interviewed, they thought there had been fair allocations of funds to their wards, though this differed with the views of the VEOs who thought that the allocation of funds was unfair. The priorities of most of the wards were secondary schools equipped with enough laboratory facilities. This was done purposely to meet the requirement of the central government of having at least one community secondary school in each ward. However, it was observed that the impact at the village level was that, some VEOs felt that they were left with minimal amount to cater for the direct village projects since secondary school projects were at ward level.

Councilors saw the allocation of funds as being done fairly towards their wards since they discussed the allocations in their council meetings and came with the consensus. At village level, some VEOs found that the criteria for allocating the funds basing on

the size of the population was unfair since the amount sent to their villages for development activities was minimal compared to their needs. Hence, they thought that the funds could be allocated equally to all villages and the estimations of the projects could relate to the market prices of the materials.

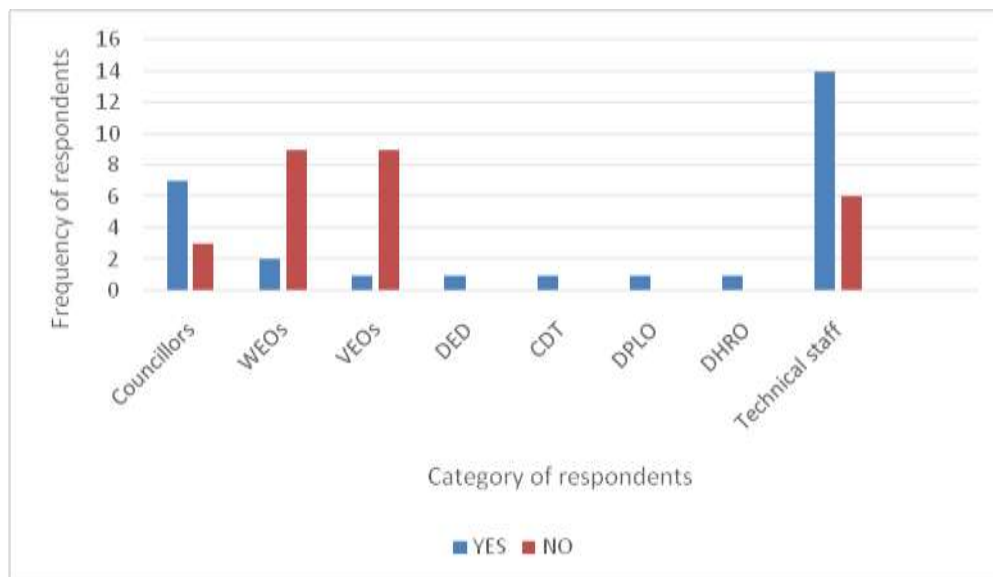
Most of the VEOs interviewed indicated that the allocation of funds for development projects in the village was not fair at all. This was because the funds given to the villages were very small and most of them did not come on time as a result many of development projects were not completed on time. Most of the projects especially the construction projects were very expensive for villagers in terms of contributions and labour force in brick- making and construction.

Also, some VEOs complained that some class buildings were of very poor quality and they will never last long because they received very little contribution or support from the SDC. For example, in a certain building project in Peramiho “A”, the village was supposed to build a classroom and SDC contributed only Tshs.2 000 000/=. As a result much of the efforts for contributions come from villagers. This resulted in the poor quality of the school buildings.

In most of these building projects also the support from the SDC came too late i.e they were delayed resulting into too long time for the projects to be accomplished. Therefore the society did not get the service desired on time. During an interview with VEO of Peramiho “A” ward said (translation): *“It’s unfair because in most of the class building projects that are delegated to us (VEOs) for implementation we receive insufficient amount of fund from the SDC and in most cases this little support*

*is delayed too. They do not come in time. At one time my village received Tshs.2 000 000/=only. Therefore, in most cases when we implement these projects, we (VEOs) use many efforts to mobilize villagers man power and financial contributions. But we sometimes get great challenges in mobilizing contributions from the villagers because some of them refuse to contribute by claiming that it is too much. At the end of the day, the losers are people /villagers because they get poor quality classrooms, and do not get required services on time. The government must do some changes because in the villages, villagers contribute much in development projects but in cities and towns people do not contribute as much as villagers do". (Researcher's Translation, 22.11.2014). The Figure below 4.1 indicates the response of respondents on the fairness of allocation of CDF in various wards;*

**Figure 4.1 Fairness on Allocation of Resources**



Source: Field Data, 2014

#### **4.4.1.3 Timely Preparation and Accuracy of Financial Reports**

It could be inferred from the findings that SDC prepared monthly and quarterly financial reports and submitted them to the council committees for discussion. It was noted that SDC had integrated financial management system in place but they could not use it fully to produce financial reports online. This is because on one hand they produced financial reports online and they produced financial report manually on the other. Therefore, though financial reports were prepared, they sometimes took much time to prepare since they were done manually thereby affecting the accuracy and speed of delivery of the figures through omission or addition and timely provision of the reports. During an interview with one accountant at SDC- it was revealed that; *“Epicor system enables us to produce financial reports online. Mmmh..., but sometimes we produce them manually. (Researcher’s Translation 19.12.2014)”*

The observation of the accountant indicates that the quality of financial reports is affected by lack of explanation of variance between the planned activities versus actual activities and budgeted amount versus actual amount. SDC’s financial reports were prepared using both online and manual ways. This could affect the accuracy and consistency of the financial reports because it took more time in the preparation of financial report manually than using computerized system. This also affected the delivery time, the risks of omissions or additions were very high, and corrections were not easily done. Also, it pressurized workers as a result of being too time bound. This agreed with the findings of Local government fiscal review (PMORALG, 2004b) whereby it was reported that there was much differences between expenditure reporting requirements and the reporting formats for local government expenditures. However, in CAG’s annual general report on the Financial Statements of Local Government Authorities for the financial year ended 30<sup>th</sup> June,

2011, it was reported that there was improper preparation and presentation of financial statements. The submitted draft of financial statements for 60 Councils had various irregularities such as errors, omissions, understatements and overstatements of figures, non-disclosures, and improper disclosures (NAO, 2012). Furthermore, in case of Projects Implementation Reports the CAG reported that, following the agreement between Parliament, National Audit Office and PMO-RALG and in accordance with the reference letter No.2/CA.26/215 dated 10/11/2010 from PMO-RALG to the accounting officers, the LGAs were required to submit the LAAC reports to the CAG along with the financial statements before or on 30<sup>th</sup> September, each year. My follow up on adherence to the agreement for sampled councils revealed that, out of 133 sampled councils, five (5) councils did not submit their project implementation reports contrary to instructions issued by PMO-RALG, fifteen (15) councils did not submit their project implementation reports within the statutory due date (on or before 30<sup>th</sup> September 2011) for the period between 67 to 108 days. Also, fifteen (15) councils submitted substandard project implementation reports (NAO, 2012). Table 4.7 below shows number and percentage of respondents who agreed by saying “YES” there was timely preparation and accuracy of financial reports of the SDC and who disagreed by saying “NO” there is no timely preparation and accuracy of financial reports of SDC.

**Table 4.7 Timely Preparation and Accuracy of Financial Reports Response**

Respondents	YES		NO	
	Number	Percentage (%)	Number	Percentage (%)
Councillors	2	20	8	80
WEOs	4	36	7	64
VEOs	3	30	7	70
DED	1	100	0	0
CDT	1	100	0	0
DPLO	1	100	0	0
DHRO	1	100	0	0
Technical staff	7	35	13	65
<b>TOTAL</b>	<b>20</b>	<b>36.4</b>	<b>35</b>	<b>63.6</b>

Source: Field Data, (2014)

#### **4.4.1.4 Co-funding Capacity of District Councils**

With regard to the capacity of the SDC in co-funding, it was found out that 40% of the respondents surveyed from the SDC were of the view that their wards and villages had capacity in co-funding of district councils. Table 4.8 below shows the capacity of the district in co-funding the projects.

**Table 4.8 The Co-funding Capacity**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Yes	22	40	40	40
No	30	54.5	54.5	94.5
Don't know	3	5.5	5.5	100
<b>Total</b>	<b>55</b>	<b>100%</b>	<b>100</b>	

Source: Field Data, 2014

This implies that SDC had an average capacity of co-funding. This was confirmed during the interview with councilors who claimed that this was contributed by the central government when it abolished some of the reliable sources of local authorities' own source of revenues. In 2003, the government abolished development levy, several local taxes and some of business license fees for enterprises below a given size. This also concurred with the findings of Fjeldstad et. al (2006) in financial management of local government authorities. They found out that there are continued to be a substantial degree of ambiguity over the role that local governments should play in a decentralized system of government as central government agencies continued to have substantial control over local government activities. For example, although LGAs are legal entities which vote on their own budgets, central government allocations to LGAs (which comprise over 80 percent of LG resources) are included on line item basis.

Similarly, local government fiscal review (2004b) reveals that local government authorities see their already small revenue base shrinking even further and find it

increasingly difficult to collect own source revenues in order to deliver local services to their communities outside the centrally-funded priority sectors. This should be seen to be reducing local government autonomy, accountability and poses a potential threat to the sustainability of local capital investments. This is also supported by Kihanga and Maziku (2006) and World Bank (2002) that most LGAs in Tanzania are heavily reliant on intergovernmental transfers from the central government. Removal of some sources of revenue in LGAs in recent years has necessitated such unhealthy reliance. The fact that the LGAs are unable to collect adequate revenues to meet the expenditure for activities within the councils is another factor for this reliance.

During the interview with the VEOs on how they contributed and participated in the implementation of capital development activities, most VEOs replied that villagers contributed in kind by making bricks, fetching water, providing physical labour, cleaning sites, offering land for building the facilities, digging trenches for water projects and contributing small amount of cash due to poor status of most villagers. One VEO from Peramiho during interview pointed out: *Due to the poor income of the majority in our villages, the government could have increased the amount of funds for development activities to enable us finish the development projects. Also, the fund should be brought to the villages in order and on time to enable us finish the projects on time.* (Researcher's translation 21.11.2014)

To encourage village people to contribute is a good way of empowering the community and creating ownership of the projects. But, the amount which was supposed to be contributed was too high and frequent for most of the villagers. Poverty was further compounded when wards and villages could not access LGCD



funds for some projects. It could be better if the contribution in cash could have been maintained at reasonable amounts and village leaders to emphasize more in kind contribution than cash.

Also, the CAG in his annual general report on the financial statements of local government authorities for the financial year ended 30<sup>th</sup> June, 2011 reported that the issue of *Laxity in Revenue Management* by revealing that, a total of 682 revenue receipt books from 36 councils were noted missing and therefore they were not availed for audit verifications. Hence, auditors could not ascertain completeness of revenue collections. This amounted to limitation of scope of the audit.

- During the financial year under audit, out of the selected audited Councils, 47 Councils had a sum of Tshs.4 227 984 618 being revenue from collecting agents which had not been remitted to the Councils.
- Laxity in internal control and monitoring of revenue collection resulting in non-collection of own sources revenue amounting to Tshs.8 332 985 545 from various tax payers accruing from 22 tested Councils.
- Property taxes amounting to Tshs.2 328 276 795 equivalent to 44% of the budgeted amount of Tshs.5 085 350 996 was not collected by 14 LGAs.(NAO,2012)

#### **4.4.2 Shortage of Qualified and Competent Staff in Managing Capital Development Funds**

This challenge involved variables like shortage of qualified and competent staff, lack of work experience and competence of the existing staff, low level of education, and

poor allocation to positions. Therefore, the researcher aimed at identifying the availability of qualified personnel with required competences, experience and required level of education in key departments in the SDC, the satisfaction of staff in relation to the strength of the organization structure in meeting organization needs and likelihood for changes in organization structure in foreseeable future. Respondents to this question included DED, CDT, DPLO, DHRO and other technical staff. Information was obtained through questionnaires, interview and observations and documentary review. With regards to staff qualifications, it was observed that Songea district council had District Executive Director (DED) and Council District Treasurer (CDT) positions with relevant minimum qualifications. The DED of SDC held a Masters, degree in economics, while the CDT held a Postgraduate Diploma in Accountancy.

The researcher wanted to investigate the qualifications of accounting and finance staff in order to find if they had staff with CPA qualifications and master's degree among the accounting and finance staff. It was found out that there were no staff with CPA qualifications and master's degree among the accounting and finance staff. It was also found out that there were no enough number of trained accountants who were capable of maintaining books of accounts and preparing periodic financial reports as per required accounting standards. It was observed that most of the available accountants especially those with certificates, diplomas, advanced diplomas and some with degrees were not competent in preparing financial statements and periodic reports as per required accounting standards. This was due to lack of experience and lack of in-house training and it was observed that only few accountants are involved in preparation of final accounts and others are not

participating leading to lack of reporting experience to those who do not participate. Table 4.9 below shows the professional qualifications of finance department staff in SDC

**Table 4.9 Professional Qualifications of Finance Department Staff**

	Qualification/Number of staff							
	CPA (T)	MBA	Postgraduate Diploma	Degree	Advanced Diploma	Diploma	Certificate	Total
Number of staff	0	0	2	2	3	2	4	13
Percent (%)	0	0	15.4%	15.4%	23%	15.4%	30.8%	100%
Cumulative percentage	0	0	15.4%	30.8%	53.8%	69.2%	100%	

Source: Field Data, 2014

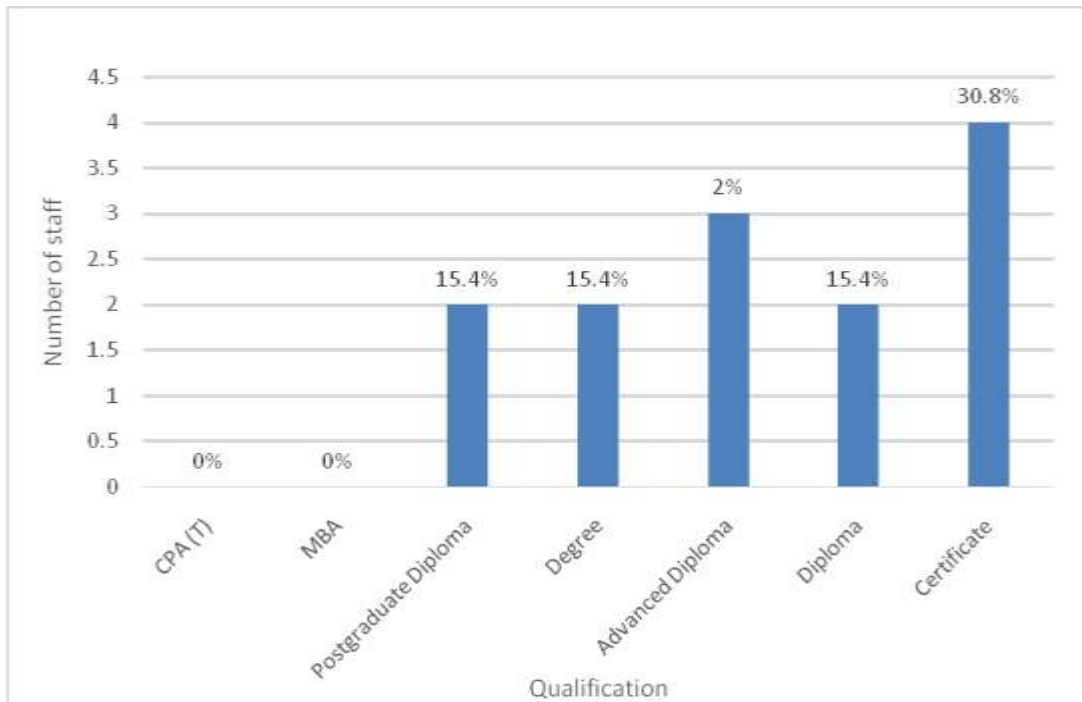
As indicated in Table 4.7 above, SDC did not have accountants with CPA (T) and MBA holders. Also percentage (30.8%) of accounting and finance staff were certificate holders, followed by those with advanced diploma 3 staff (23%). There were 2 staff (15.4%) with postgraduate diploma, and 2 staff with degree as well as 2 staff with diploma. This portrayed that highly qualified staff were not available for smooth program implementation and smooth management of CDG.

The CAG in his annual general report on the Financial Statements of Local Government Authorities for the financial year ended 30<sup>th</sup> June, 2011 reported the issue of improper preparation and presentation of financial statements. His report stated that;

*“The submitted draft financial statements for 60 Councils had various irregularities such as errors, omissions, understatements and overstatements of figures, non-disclosures, and improper disclosures. The magnitude of total errors and omissions in the draft of financial statements was understatement of Tshs.187 064 788 252 which is 16% of the total expenditure and overstatement of Tshs.118 967 438 259 which is 10% of the total expenditure. Due to the significance of errors and omissions, the councils re-submitted the revised financial statements for audit purposes which limited the completion of audits. The number of changes and adjustments made indicates the lower level of competency of the councils’ accountants in the preparation of financial statements” (NAO, 2012).*

The presence of the highly qualified, competent and experienced staff was vital for improving the whole system of finance department in the LGAs. The availability of qualified workers staff was expected to facilitate the district councils toward the preparation of periodic financial reports, maintenance of books of accounts and other finance activities, but SDC lacked the necessary contributing factor for managing or securing LGCD funds.

**Figure 4.2 Professional qualifications of finance department staff in SDC.**



Source: Field Data, 2014

#### **4.4.3 Poor Computerized Financial Management System and Underutilization of Integrated/ Financial Management System (IFMS/Epicor Accounting System)**

This challenge involved shortage of computer literacy, computer infrastructures as well as segregation of duties. The researcher aimed at finding out the effectiveness of the integrated financial management system in SDC and also investigated the presence or absence of IT master plan, IT department, and number of computers that were used for processing accounting transactions. Respondents for this question included DED, CDT, and other technical staff. Information was obtained through questionnaires, interviews, observations and documentary reviews.

The findings indicate that the number of staff workers who were capable of utilizing computerized financial system (EPICOR) to process accounting transactions in the SDC did not exceed five. It was observed that the existing computer hardware and software did not meet the organization needs.

The study also revealed that SDC had in place integrated financial management system but they did not use it effectively. Even though accounting staff used computer to prepare payment vouchers, they sometimes produced financial reports manually. It was noted that the accounting staff who attended training on how to use EPICOR system were not ready to train their fellow accountants and they had no initiatives to conduct in-house training. This limited the capacity of other staff to maximize the use of EPICOR leading to underutilization of the system.

During an interview with one junior accountant at SDC she had this to say:

*Some of our fellow accountants attended training on using EPICOR system, in order to understand how to use it. We are also trying to learn it from them but it seems they are not ready to train us to use the system so that the system can be used effectively.*

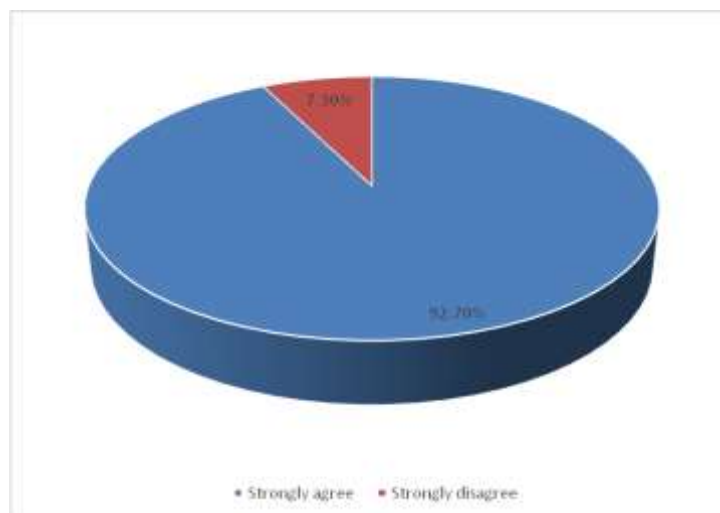
*But we are trying to force them in some cases especially when they need help from us in performing certain tasks when they are overworked* (Researcher's translation

15.10.2014. The problem of the implementation of EPICOR program was observed by Boex and Martinez-Vazquez (2006). Who found that the roll out of EPICOR had not proceeded at a very steady pace. By 2005 only about a quarter of LGAs had successfully put in place the computerized financial system. This has been supported by more recent survey in 2007 (PMORALG, 2007b) which reported that out of over thirty sample councils visited, not a single council reported that their EPICOR

system was fully in operational. It was generally noted that there was inadequate support IT consultants for training EPICOR system. It was also found out that a number of computers collapsed because of the virus. This resulted in most LGAs maintaining a manual accounting system in parallel to EPICOR. Consequently, this discouraged the purpose of using the integrated financial management system.

Also CAG supported the challenge of underutilization of IFMS/Epicor accounting system by saying that: *“We noted during the assessment of accounting systems that, many Councils’ IFMS/Epicor accounting package are either not in operational or their utilization was still at low levels. Also, we noted lack of refresher and user training on IFMS/Epicor. Epicor was not in compliant to IPSASs and Implementation of Epicor Version 7.2 did not fully meet the LGAs requirements.”* (NAO, 2012)

**Figure 4.3 Views of Respondents on Underutilization of Integrated/ Financial Management System**



Source: Field Data, 2014.

From the figure 4.3 above out of 55 respondents that were contacted by the researcher 51(92.7%) respondents agreed that Computerized/Integrated Financial Management System of the SDC was poor and underutilized in terms of computer literacy, IT infrastructure and Segregation of duties. Also, only 4 (7.3%) respondents disagreed with the view of poor and underutilization of SDC's computerised/Integrated FinancialManagement System.

#### **4.4.4 Weak Internal Control System and Internal Audit Function.**

The challenge of weak internal control system and internal audit function involved the various variables including ineffective internal audit function and audit committees, risk management and fraud prevention and control. The researcher aimed at finding out the effectiveness of the internal audit function and audit committee, risk management and fraud prevention and control in SDC. Respondents to this question included DED, CDT, and other technical staff. Information was obtained through questionnaires, interviews, observations and documentary review.

The general picture of the findings indicates that there was ineffective internal audit function and audit committees, lack of risk management, lack of fraud prevention and control plans. This was also supported by CAG's annual general report on the Financial Statements of Local Government Authorities for the financial year ended 30<sup>th</sup> June, 2011 which reported the issue of ineffective internal audit function and audit committees. He pointed out that: "Our review indicates that despite efforts made to strengthen the Internal Audit function, there are still capacity gaps that need to be addressed in order to make the internal audit function more effective. Audit committees are still not effective. There is also no Audit charter that would give the



function strategic direction. It was also noted that the units have outdated internal audit manuals to guide staff on the work methodology and procedures. We also observed that in some LGAs, internal audit reports are acted upon by the management while in others they are not regularly produced. In some LGAs, internal audit staff is too few to adequately meet the needs of the LGAs given their size and geographical coverage.

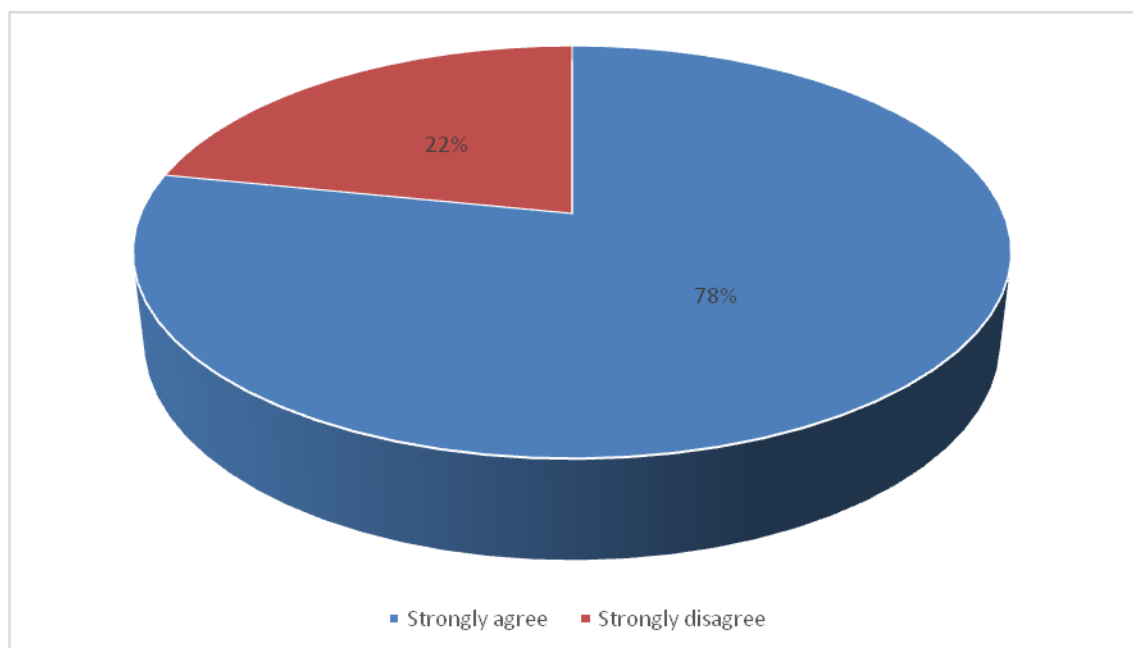
With the automation of accounting processes and the introduction of IFMS – Epicor Version 9.05, the need for a strong internal audit function to mitigate the associated risks of computerized accounting environment is crucial” (NAO, 2012) On the issue of lack of risk management policy and procedures CAG argued that:

The Councils are expected to manage the key risks specific to their environment which includes controls relating to risks that may have a material impact on the councils’ financial statements. The audit review of a sampled 73 LGAs revealed that they lacked Risk Management Framework and had not undertaken recent risk assessment to identify the existing and emerging risks as a result of the changing environment and methods of services delivery and the risk management policy and procedures were not established. (NAO, 2012).

In case of lack and poor fraud prevention and control plans CAG also argued that: Fraud assessment of the selected sample of 68 LGAs disclosed that the Councils’ management had not documented and approved fraud prevention plans and there were no processes that had been put in place by the Councils’ management for identifying and responding to the risk of fraud in the councils. In addition, the indicators of red flags such as inefficient performance of audit committees,

ineffective internal audit function, missing payment vouchers, instances of revenue not banked, payment without supporting documents, misstatement of financial statements, missing revenue receipt books. payment of salaries to ghost workers were viewed as symptoms of fraud. The nature of the indicators of fraud noted above impaired the internal control systems hence there was a high risk of concealing management fraud and/or employees' fraud at various managerial and/or operational levels of the councils respectively. Inadequate fraud control management might lead to fraud not being prevented and detected by the council management (NAO,2012). Percentage of respondents who agree or disagree with challenge is shown in the figure 4.4 below.

**Figure 4.4 Views of Respondents on Weak Internal control system and internal audit functions.**



Source: Field Data, 2014

From the figure 4.4 above, out of 55 respondents contacted by the researcher, 43 (78%) respondents agreed that Internal Control System and Internal Audit Function of the SDC was weak in terms of variables including ineffective internal audit function and audit committee, risk management and fraud prevention and control. Also only 12 (22%) respondents disagreed with the view of weak internal control system and internal audit function of SDC.

#### **4.4.5 Poor Project Management and Community Participation in CDG.**

Project management involved the structures, processes and tools to determine achievable time, cost and quality targets as the first step, to ensure that targets are met.

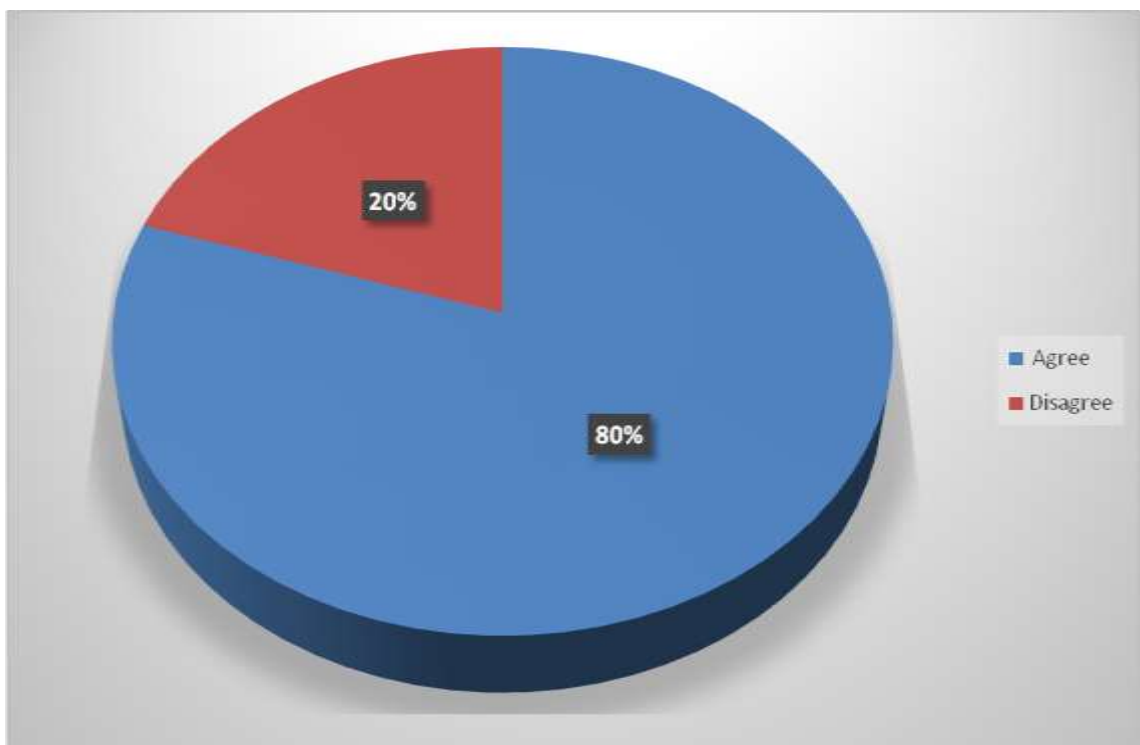
The findings on project management indicate that supervision and monitoring of projects implementation was inadequate. There was poor workmanship on other projects which were not constructed according to prescribed standards. There were delays in completion of the projects within agreeable time frame and some completed projects were not put in use.

Weak supervision and monitoring and significant additional costs were more likely to arise due to delays of the completion of some projects.

A sample of three development and donor funded projects of NMSF, PHSDP and LGCDG showed a slow pace of implementation with large unspent balances of Tshs.1 04 364 692 for NMSF (41 Councils), Tshs.5 848 929 864 for PHSDP (48 Councils) and Tshs.15 541 946 695 for LGCDG (74 Councils). The underperformance implied that a significant number of planned activities of the same magnitudes was partially or not implemented at all. As such, the earmarked

services/benefits that councils intended for the community had been delayed. This might also bring about budget revision in future to accommodate possible price fluctuations due to the effect of inflation. (NAO, 2012).

**Figure 4.5 Views of Respondents on Poor Project Management and Community participation Mobilization in CDG.**



Source: Field Data, 2014

From the figure 4.5 above out of 55 respondents contacted by the researcher 44 (80%) of the respondents agreed that project management and community participation and mobilization in SDC was weak in terms of achievable time and costs, quality targets, community mobilization and participation. Only 11 (20%) of the respondents disagreed with the view of Weak Internal Control System and Internal Audit Function of SDC.

**Table 4.10: Summary of the Challenges Facing Management of CDF at SDC**

<b>Challenges</b>	<b>Components</b>	<b>Strongly agree</b>	<b>Strongly disagree</b>
Poor management Capacity	i.Audit reports ii.Financial repots iii.Resource allocation iv.Co-funding capacity	48 (87.3%)	7 (12.7%)
Insufficient Staff Qualification	i.Number of staff ii.Experience iii.Level of education	40 (72.7%)	15 (27.3%)
Poor Computerized Financial Management.	i.Computer literacy ii.IT infrastructure iii.Segregation of duties	51 (92.7%)	4 (7.3%)
Weak Internal Control System and Internal Audit Function.	i.Internal audit function, and audit committee ii.Risk management iii.Fraud prevention and control	43 (78.2%)	12 (21.8%)
Poor Project Management and community participation.	i.Achievable time and costs ii.Quality targets iii.Community mobilization and participation.	44 (80%)	11 (20%)

Source: Field data, 2014

#### **4.5 Measures for Ensuring Effective Management of CDF at SDC**

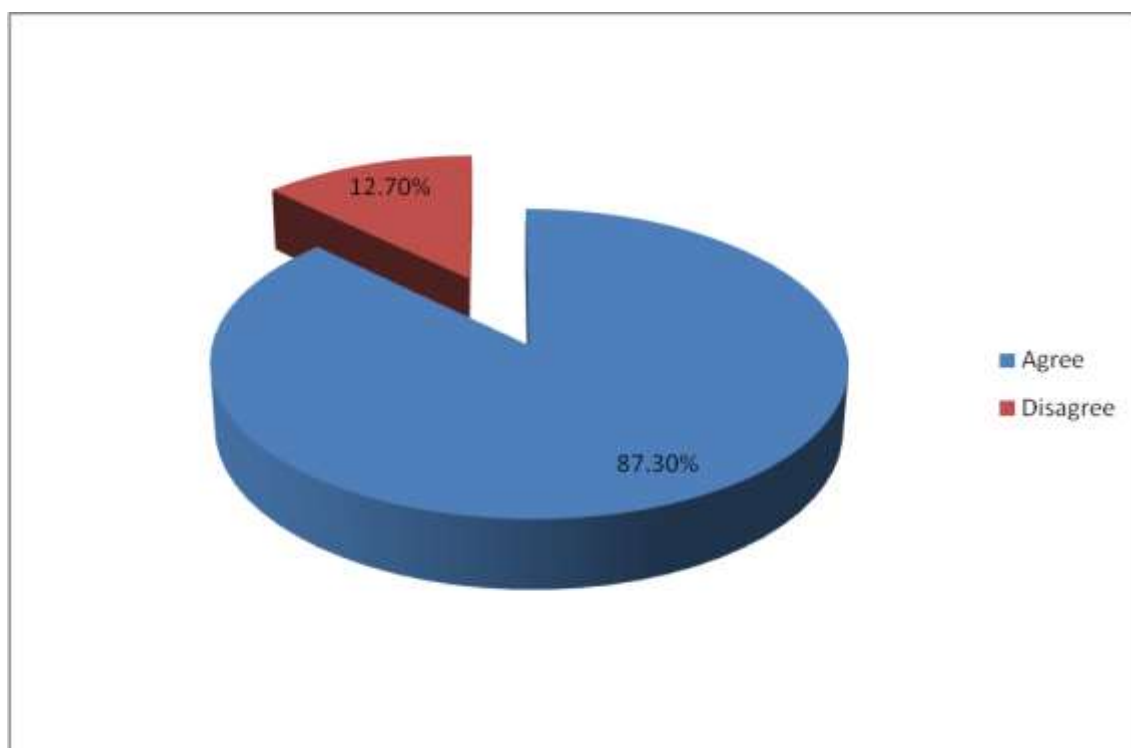
In this question, the researcher wanted to get what respondents would identify as measures to be taken in order to ensure effective financial management of CDF in

Songea district council. Questionnaires were given to respondents whereby multiple responses were carefully identified and weighted. Also interview, documentary review and observation were involved. Identified measures are discussed hereunder.

#### **4.5.1 Setting and Strengthening Capacity Building Plans and Strong Implementation Strategies.**

The study observed one of the challenges affecting financial management of CDF in Songea district council as poor management capacity. Hence, the district council had to set and strengthen their capacity building plans and strong implementation strategies. This would help to equip the financial management skills of the responsible personnel resulting in clean audit reports, timely and accurate financial reports, proper resource allocation as well as fruitful co-funding abilities. In addition to that, some respondents pointed out that accounting officer of SDC with his team should adhere to the audit recommendations. CAG also commented on *follow-up of the previous years' audit recommendations* by saying that; *“There were significant matters reported in my previous year's audit reports which were either partly implemented or not implemented at all as highlighted in chapter three (3) of this report. The Local Government Authorities should exert more efforts to ensure that the outstanding previous years' audit matters are timely implemented to bring efficiency in the operations of the LGAs”*. (NAO, 2012)

**Figure 4.6 Views of Respondents on Setting and Strengthening Capacity Building Plans and Strong Implementation Strategies as a Measure to Ensure Effective Management of CDF at SDC**



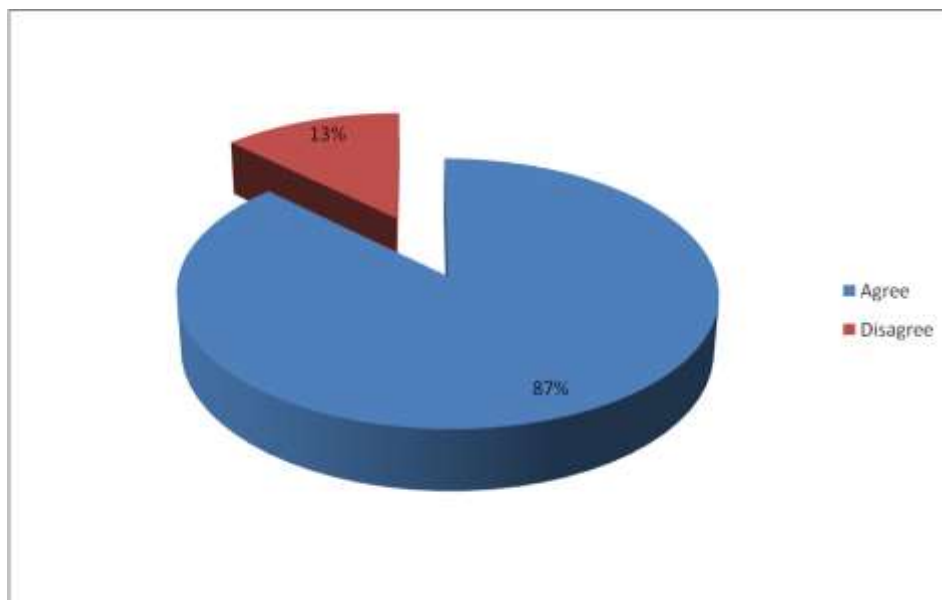
Source: Field Data, 2014

Figure 4.6 above shows that out of 55 respondents contacted in this study by the researcher, 48 respondents equal to 87.30% of all respondents suggested or agreed that SDC should set and strengthen capacity building plans and set strong implementation strategies as a measure to ensure effective management of CDF at SDC while only 7 respondents equal to 12.70% of all respondents did not suggest this as one of the measures. The reason for this suggestion was that it was observed that there were weak capacity building plans which lacked strong implementation strategies that lead to grievances to some technical staff who missed support from SDC for capacity building and career development in terms of fees and other college or training expenses. This demoralized their job performance.

#### 4.5.2 Employing Competent, Faithful and Experienced Personnel

It was recommended by some respondents that the government should employ competent, faithful and experienced personnel in sensitive positions in Songea district council for example, in the accounting and finance department who can be able to ensure SDC's CDF were safeguarded. It was also recommended that SDC must have CPA(T)s who could help proper preparation of accounting reports which could reduce or avoid various irregularities such as errors, omissions, understatements and overstatements of figures, non-disclosures and improper disclosures. These could be able to facilitate adherence to accounting and reporting standards as well as facilitate smooth program/project implementation and smooth management of grants. This view was suggested by 48 respondents out of 55 sampled population as illustrated in the figure 4.7 below.

**Figure 4.7 Views of Respondents on Employing Competent, Faithful and Experienced Personnel as a Measure to Ensure Effective Management of CDF at SDC**



Source: Field Data, 2014



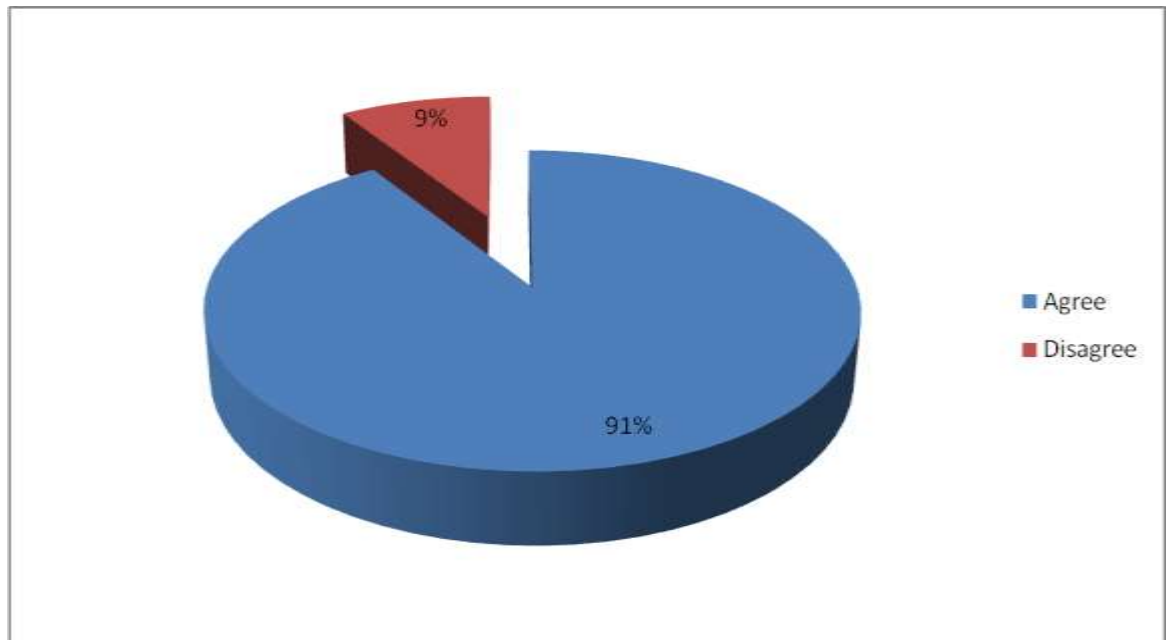
Figure 4.7 above shows that out of 55 respondents contacted in this study by the researcher, 48 respondents equal to 87% of all respondents suggested or agreed that, SDC should employ competent, faithful and experienced personnel as a measure to ensure effective management of CDF at SDC while only 7 respondents equal to 13% of all respondents did not suggest this as one of the measures.

#### **4.5.3 Strengthen Computerized/Integrated Financial Management System.**

This was suggested by most of the respondents from the sampled population. Out of 55 respondents contacted in this study by the researcher, 50 respondents suggested or agreed that, SDC should strengthen Computerized/Integrated Financial Management system which amount to 91% of the total respondents of the study. Most of them mentioned one or two or three of the following actions as means of strengthening Computerized/Integrated Financial Management system.

Management should ensure that more staff are trained on the EPICOR system, the IFMS System is fully implemented by communicating with the Treasury and the consultants for more training on the application of the system, the council must have IT master/Strategic plan, the council must have IT section/department for easy and quick repair and maintenance of computer system in case of computer failure, the council must have enough computers so as to meet the needs of the organization especially in accounting and finance department. Only 5 respondents amounting to 9% of the total respondents disagreed with this as one of the measures to ensure effective management of CDF at SDC.

**Figure 4.8 Views of Respondents on Strengthening Computerized/Integrated Financial Management system as a Measure to Ensure Effective Management of CDF at SDC**



Source: Field Data, 2014

#### **4.5.4. Strengthen Internal Control System and Internal Audit Function.**

It was suggested by the respondents that SDC should strengthen internal audit control system in terms of internal audit function and audit committee, risk management framework, policy and procedures and fraud prevention and control plans. Under this measure the CAG recommended the following measures discussed below.

##### **4.5.4.1 Independence of Internal Audit Units**

Internal audit is a key source of independent and objective advice on the council's risk framework and internal control. It can play an important role in assessing the adequacy of both the financial systems that underpin a council's financial statements,

and the preparation process. The effectiveness of internal audit is enhanced when the internal function is operationally independent from the activities it audits and reviews. This helps to ensure internal audit acts in an objective, impartial manner and avoids any conflicts of interest or inherent bias or undue external influence. Operational independence is enhanced to the Heads of Internal Audit Units when reporting to the Audit Committee and be accountable to the Accounting Officer.

#### **4.5.4.2 Risks Management Framework**

The LGAs need to regularly monitor and update their risk management framework to ensure that it is an effective element of LGA's processes and procedures to deliver services to its community. Councils and their audit committees need to be aware that while the external auditors may include some review of risk management in the audit plan, it will not necessarily be a thorough review of the adequacy or effectiveness of the risk management framework.

The Councils should ensure that risk management plans are in place and they are monitored and reported on regularly. In the absence of active plans, the councils were not in a position to respond in a timely way/manner to risks which might have adverse effects on their operations. The effective audit committees can play a pivotal role in monitoring and assessing Councils' risk management activities. This would be significantly enhanced by effective internal audit function.

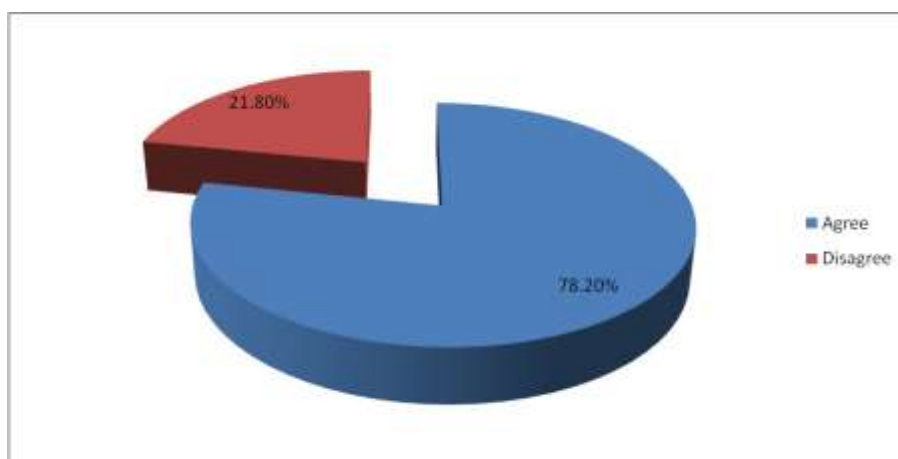
#### **4.5.4.3 Audit Committee**

With the implementation of IPSASs there was a significant change in the disclosures required in the financial statements. The audit committee should be given/ provided

sufficient opportunity to review the un-audited financial statements before being submitted to auditors. Furthermore, training should be provided to elected members so as to become more engaged with the context of the financial statements so that members are better placed to challenge officers on reported figures. There is scope to improve the effectiveness of the Audit Committee and increase clarity in additional scrutiny roles.

These matters require prompt and effective management attention because they represent significant risks that may prevent LGAs from achieving their objectives at the required or reasonable level of performance. The Councils, in collaboration with Internal Auditor General's Department and PMO-RALG should put in place a comprehensive programme to address the issues related to internal control and governance framework I have identified. The programme should set clear objectives, milestones and time schedule for delivery. (NAO, 2012)

**Figure 4.9: Views of Respondents on Strengthening Computerized/Integrated Financial Management system as a Measure to Ensure Effective Management of CDF at SDC**



Source: Field Data, 2014

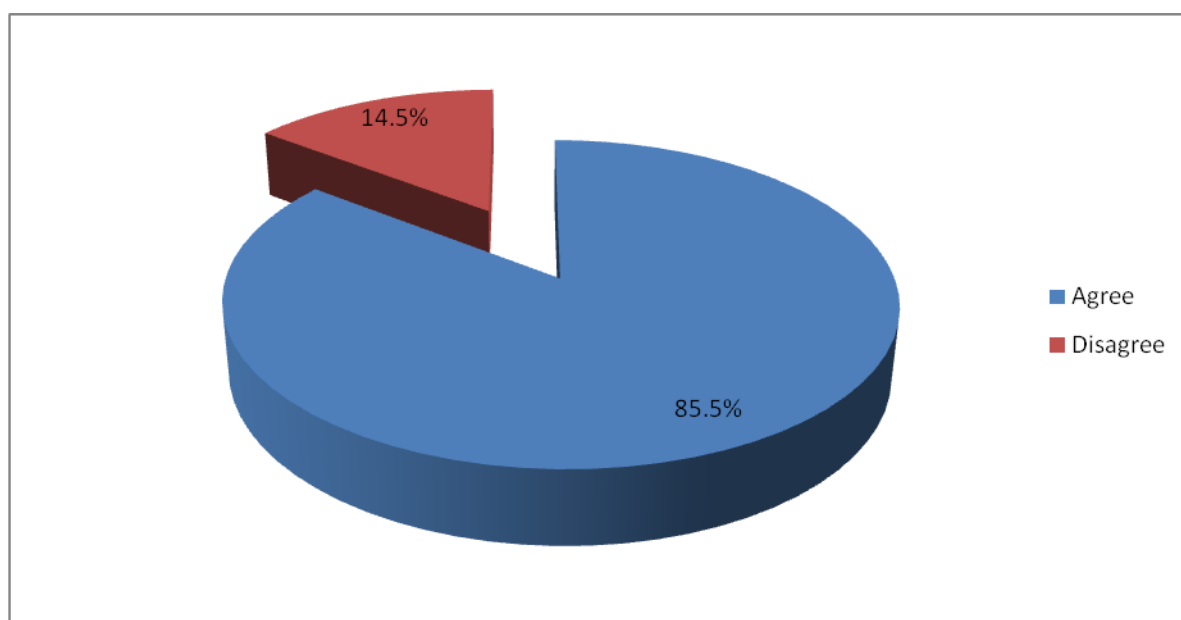
Figure 4.9 above shows that out 55 respondents, 78.2% of all respondents equal to 43 respondents contacted in this study in one way or another agreed with the view that SDC should strengthen computerized/integrated financial management system as a measure to ensure effective management of CDF at SDC while only 21.80% of all respondents equal to 12 respondents did not suggest this as one of the measures.

#### **4.5.5 Enhancement of Project Management and Community Participation.**

Respondents of this study suggested that SDC should ensure that development projects were effectively managed so that they could bring desired results to the society. Also it was suggested that the community or fund beneficiaries should be involved in the process of choice of the project to implemented so as to capture effective community participation for smooth project implementation.

Councils' management should strengthen periodical M&E mechanism which will ensure that follow up is strengthened and noted challenges are quickly solved for smooth implementation of planned projects and timely use of the completed projects. Information on funds transferred to LGAs should be released as soon as funds have been transferred to councils. This information should have a clear clarification on the purpose of the transferred funds. Timely disbursement of approved funds is important to ensure that planned activities are implemented smoothly and timely (NAO,2012). The figure 4.10 below shows the degree of acceptance of this view by respondents. The figure indicates that 85.5% of all respondents amounting to 47 respondents agreed with the view of enhancement of project management and community participation as one of the measure to ensure effective management of CDF at SDC.

**Figure 4.10 Views of Respondents on Enhancement of Project Management and Community Participation as a Measure to Ensure Effective Management of CDF at SDC**

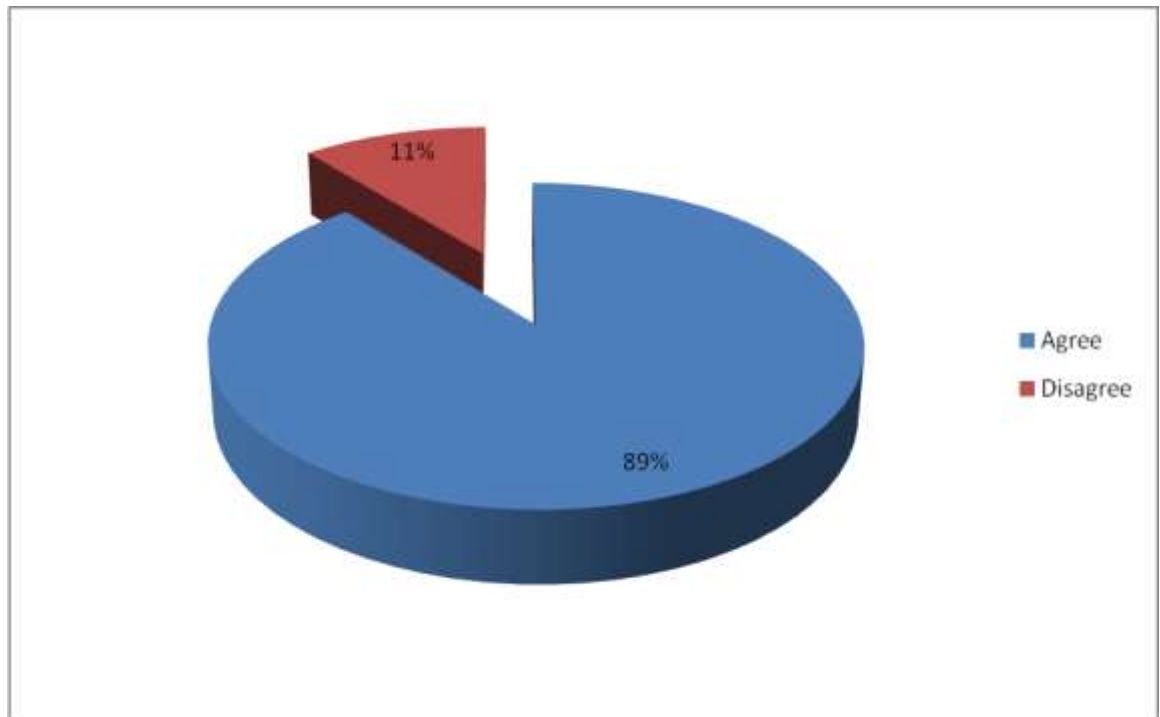


Source: Field Data, 2014

#### **4.5.6 Serious Actions should be taken by the Council Management and the Government to Personnel Found Guilty of Fraud of CDF.**

According to the respondents surveyed it was suggested that serious actions could be taken against the personnel who acted against the financial regulations as lesson to those who committed fraudulence to SDC's CDF and thereby helping them to adhere to SDC's financial regulations. Figure 4.11 below shows that out of 55 respondents contacted 49 respondents equal to 89% of all respondents suggested that serious actions should be taken by the council management and the government to those personnel found guilty of fraud of CDF so as to ensure effective management of CDF at SDC while only 6 respondents equal to 11% of all respondents did not suggest any thing.

**Figure 4.11 Views of Respondents on Taking Serious Actions to Personnel Found Guilty of Fraud of CDF as a Measure to Ensure Effective Management of CDF at SDC**



Source: Field Data, 2014.

Source: Field data, 2014

#### **4.6 Conclusion**

According to the findings of this study, it has been found that the challenges identified contributed much to the failure of the SDC council to manage the CDF that was intended for economic growth and reduction of poverty in the society. Local government finance is an important and integral part of the public finances of Mainland Tanzania today. In fact, about one out of every five shillings spent in the public sector is spent at the local government level. As a result, a sound system of local government finance and intergovernmental relations are key factors in ensuring that the public sector provides an enabling environment for economic growth and

reduction of poverty in line with MKUKUTA and Tanzania Vision 2025. Accurate and up-to-date information on local government finances is critical in order for local government officials to improve the quality of local services as well as for communities to hold central and local government officials accountable for the funding of local government service delivery.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This study was an attempt to explore the effectiveness of financial management of CDF specifically on availability of qualified staff, effectiveness of finance department, co-funding capacity and level of technology utilization in the SDC. This chapter provides the summary of the findings, conclusion and practical recommendations, for policy and for further studies.

#### **5.2 Summary of the Findings.**

The study has revealed the following key findings in relation to its three research questions;

First, the study has revealed that financial management of SDC operates within the framework of instruments(guidelines) namely Local Government Finances Act No.9 of 1982 (revised 2000), Local Government Financial Memorandum 2009, Public Procurement Act No.21 of 2004 and its Regulations of 2005, The Local Government Authorities Tender Board's (Establishment and Proceedings) Regulations, 2007. All these instruments or regulations are there to ensure the efficient financial management of public funds in local government authorities so that CDF can bring desired results to the community.

Second, the study has revealed factors or challenges that force the fund administrators to operate against those financial regulations leading to undesired results of CDF to the society. These challenges include:

First, poor Management Capacity on Financial Controls in Managing Capital Development Funds, as it has been evidenced by the status of audit opinions of the SDC made by CAG from NAO, poor quality and timeliness of financial reports, the bias of allocation of financial and human resources within the local authority and the capacity of the district council in co-funding. The findings also revealed that the districts SDC had low capacity in contributing to the capital development funds this resulted from the low collection of locally generated revenue.

Second, shortage of qualified and competent staff in managing capital development funds, as evidenced by shortage of qualified and competent staff, lack of experience and competence to the existing staff, low level of education especially for accounting and finance staff. Specifically SDC was found to have not received service from the Certified Public Accountant in safeguarding organization's resources and in managing capital development funds who could have produced necessary skills and knowledge to ensure smooth management of the grant, because it was found out that there were no staff with CPA qualification and master's degree among the accounting and finance staff.

Third, poor computerized financial management system and underutilization of Integrated/ Financial Management System (IFMS/Epicor Accounting System); involving shortage of computer literacy, computer infrastructures as well as segregation of duties, absence of IT master plan, IT department, also a number of computers that are used for processing accounting transactions. Little number of staff who are capable of utilizing computerized financial system (EPICOR) to process accounting transactions in the SDC. It was observed that the existing computer

hardware and software did not meet the organization needs. For the time being SDC hired IT expert from the Regional Commissioner's office in case of system breakdown for maintenance and repair of the computer systems. The findings revealed that the integrated financial management system was yet to be fully implemented as evidenced at SDC that did not use it efficiently as some of their reports were prepared manually. Also, a large number of accounting staff was not capable of mastering the system fully. This Underutilization of integrated financial management system increased the workload to the district council. And hence it could affect quality and timely delivery of financial reports and, therefore, the whole operation system of the finance department as well. SDC prepared financial reports which are jeopardized by the shortage of adequate and appropriate technology and skill in district councils, thereby affecting accuracy and quality of those reports.

Fourth, weak internal control system and internal audit function, including ineffective internal audit function and audit committees, lack of risk management and fraud prevention and control plans. The study also found out that the internal auditors' efficiency was at risk as they did not have their own official transport and their own budget and had to depend much on heads of departments whom they were supposed to audit. Auditor independence increases efficiency leading to reducing induced financial malpractices.

Fifth, poor project management and community participation. The study revealed that supervision and monitoring of projects implementation was inadequate, poor workmanship on other projects which were not constructed according to prescribed

standards, delays in completion of the projects within agreeable time frame and some completed projects were not put to use.

Sixth and it was suggested that various measures could be used by fund administrators in order to operate according to financial regulations so as to bring desired results of CDF. These measures include; strengthen capacity building plans and set strong implementation strategies, employing competent, faithful and experienced personnel, strengthen computerized/integrated financial management system, strengthen internal control system and internal audit function, enhancement of project management and community participation, and serious actions should be taken by the council management and the government to those personnel found guilty of fraud of CDF.

### **5.3 Conclusion**

On the basis of the findings above, the following conclusion are made.

First, LGA(s) did not have special regulations relating to single or specific council only governing the management of CDF; instead all councils use general laws and regulations governing the management of CDF/CDG.

Second, the financial management of the CDG in LGAs in Tanzania is weak. This defeated CDG's purpose as some of the villagers with great need of some social services could still fail to access those funds due to financial irregularities and deficiencies in some given conditions.

Third, the study suggests that there are a number of factors/challenges contributed to these financial management weaknesses in LGAs in Tanzania. And a number of measures to the challenges are to be incorporated to solve the challenges. These include the following:

(a) Effectiveness of financial management of CDF in LGA(s) is affected by poor management capacity on financial controls in managing CDF that needs LGA(s) to strengthen capacity building plans and set strong implementation strategies.

(b) Effectiveness of financial management of CDF in LGA(s) is affected by shortage of qualified, competent and faithful staff in managing capital development funds that needs the government to employ qualified, competent, faithful and experienced personnel who can manage and account for CDG with great integrity. For example insufficient staff skills in accounting and finance department especially the lack of well experienced Certified Public Accountant (CPA (T)) in safeguarding organization's resources and in managing capital development funds who could have produced necessary skills and knowledge to ensure smooth management of grant.

(c) Using minimum conditions for accessing local government capital development funds adversely affects the poorest village communities who do not contribute to the reasons that are based upon qualified wards from accessing LGCD funds. This further accelerates uneven development among and between the wards and villages.

(d) Effectiveness of financial management of CDG is affected by the lack of effective use of computer technology (Integrated Financial Management System) for speed, accuracy and appropriateness in the output of financial reports. This is

contributed by insufficient availability of computer software and hardware, skills needed to use computer technology and unreliable support in case of computer failure. Therefore, for timely delivery of financial reports with some reasonable degree of accuracy and the IT system and personnel has to be in place or improved. Generally the government of Tanzania should strengthen Computerized/Intergrated Financial Management system in its LGAs.

(e) Weak internal control system and internal audit function. The internal auditors' high degree of dependence on other departments also poses great risks towards the management of CDG leading to weak internal control system and internal audit function. This requires the LGAs to strengthen internal control system and internal audit function.

(f) Poor project management and community participation is also a challenge towards effective management of CDF in LGA(s) in Tanzania. The LGA(s) should ensure enhancement of project management and effective community participation so as to ensure the intended community acquire the intended purposes of the CDF.

(g) In most cases little or sometimes no serious actions were taken by the council management and the government to those councils' personnel found guilty of fraud of CDF. In this case serious actions should be taken by the councils' management and the government at large to those personnel found guilty of fraud of CDF so as to ensure financial regulations are honored by every staff in LGA(s).

In a nutshell, the study concludes that, although the LGCD funds were introduced to stimulate competitive development in the councils, but poor financial management of these funds defeated its purpose as even some of those wards as well as villagers with great need of some social services could still fail to access these funds due to financial irregularities or malfunctioning of the financial regulations and policies.

#### **5.4 Recommendations**

Based on the findings of the study, the following recommendations are made:

##### **To Government (PMORALG)**

Tanzania Development Vision 2025 emphasizes the need for empowering local governments and communities and promoting broad based grassroots participation in the mobilization of resources, knowledge and experience with a view to stimulating initiatives at all levels of society (PMORALG, 2005). Based on that vision, it is recommended that close follow up should be made by the Prime Minister's Office and the Ministry of Finance on the performance of CDF in local government councils to enable citizens to secure and maximize the benefits from those funds by bearing in mind that about one out of every five shillings spent in the public sector is spent at the local government level. Also serious actions should be taken by the government to those personnel found guilty of fraud of CDF by the Prime Minister's Office and the Ministry of Finance.

##### **To the District Councils**

The study recommends that the district councils through their functional departments of development, administration and finance must set special regulations relating to a

specific council only governing the management of CDF, instead of using general Laws and regulations governing the management of CDF/CDG.

The study also recommends that the district councils through their functional departments of development and administration have to strengthen their capacity building plans and set strong implementation strategies. The study recommends that the district councils have to plan for recruiting IT personnel to enhance the utilization of technology in the council. The IT personnel could conduct in house training, harmonize the existing computer packages like EPICOR and provide immediate assistance in case of computer failure.

The study also recommends that SDC's departments of development, administration, internal audit and finance should strengthen internal control system and internal audit function. In order to increase the independence of internal audit units, the districts should set aside the budget for the department and also provide reliable transport to enable them to visit their area of jurisdiction.

The study also recommends that for the districts with integrated financial management system should use it efficiently and effectively so as enable the districts to prepare periodic financial reports in time and accurately and minimize possible risks. Also the management of SDC should enhance in-house training of EPICOR system application accounting staff who are not familiar with the system application.



**To the Community**

Capital Development projects should be devised to sensitize on the importance of using efficiently and effectively the limited resources directed to them by the government so that they can get high-quality infrastructures. The aim of the government is to promote good governance, local autonomy and ensure citizen participation in improving the welfare of their communities. Therefore, the community should be sensitized on participating in the development activities in their localities.

**5.5 Recommendations for Further Studies**

- (i) The study can be conducted on the differences in the councils' income generating capabilities taking into account designing block grants of local authorities by considering councils with low capacity of collection of revenues from own sources.
- (ii) The study can be conducted on the effectiveness of the internal audit units in the local government authorities.
- (iii) The study can also be conducted on the availability and qualifications of personnel in the LGAs to manage the capital development funds.

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**APPENDICES**

**Appendix A: DECLARATION OF CONFIDENTIALITY**

**THE OPEN UNIVERSITY OF TANZANIA**

***DIRECTORATE OF RESEARCH, PUBLICATIONS AND POSTGRADUATE***

***STUDIES***

P.O. Box 23409,

Dar es Salaam, Tanzania

<http://www.out.ac.tz>

**DECLARATION OF CONFIDENTIALITY**

**To:** The District Executive Director of Songea District Council

I, FRANK T. NGONYANI, with Registration number HD/B/387/T.13, of the Department of Accounting and Finance, Faculty of Business Management, Open University of Tanzania, declare that, I will maintain secrecy and confidentiality, and will not use any data and information obtained from your organization in the course of my research for any purpose other than for my academic endeavors.

Signature..... (student)

Date .....

Countersigned by:

Name: Dr. Damas K. Mbogoro (Supervisor)

Signature ..... (Supervisor)

Date .....



**Appendix B: Questionnaires**

Dear Sir/Madam,

The aim of this Questionnaire is to get information and opinion from you regarding the financial management of capital development funds.

**1.0 SECTION A: BACKGROUND CHARACTERISTICS**

1.1 Name of the organization/ District .....

1.2 Sex of respondent (a) Male  (b) Female

1.3 Marital status (a) Single  (b) Married  (c) Divorced   
(d)Widow/Widower

1.4 Age.....

1.5 Position .....

1.6 Department .....

1.7 What is your level of education.....

1.8 How long have you been working with SDC.....

**2.0 SECTION B: MANAGEMENT OF CAPITAL DEVELOPMENT FUNDS (CDF)**

2.1 Which offices/officers are involved in management of CDF/CDG? Mention.  
.....  
.....

2.2 How much money on average received as CDF?  
.....

2.3 What are the sources of CDF that SDC receives?

.....  
.....

2.4 What are general Laws and regulations governing the management of CDF/CDG?

.....  
.....  
.....

2.5 Do you have special regulations relating to SDC only governing the management of CDF? Yes  No  ,

If yes, Mention;

.....  
.....

2.6 Which are major projects that have been funded by CDF and their performance?

.....

**3.0 SECTION C: CHALLENGES AFFECTING FINANCIAL MANAGEMENT OF CDF.**

3.1 What are the general challenges affecting financial management of CDF in SDC?

Mention;

(i).....

...

(ii).....

(iii).....

.....

(iv).....

.....

(v).....

**3.2.0 Challenges in Management capacity.**

**3.2.1 Financial Reports**

i. Does the district prepare physical and financial reports in time?

Yes  No

ii. Are there times when the Local Authority utilizes capital development funds for other pressing activities different from agreed work plan?

Yes  No

iii. If yes how many times has that happened?

Once ..... Twice ..... More than twice .....

iv. Give reasons (in No.

ix).....

v. Does the SDC do project evaluations?

Yes  No

vi. Do the projects achieve their objectives with reasonable amount of funds? Yes

No

Explain:

.....

vii. Does the district council pay regular visits to the wards in order to see the

implementation of various projects included in the work plan? Yes  No

**Audit Reports**

i. Does the council have in place an effective internal audit department? Yes

No

ii. What are SDC’s audit reports opinions in six (6) years?

(Fill in: *Clean, Conditional or Adverse*)

2012/13.....2011/12 .....

2010/11..... 2009/10. ....

2008/09 .....2007/08 .....

iii. Do the audited financial statements become public records by exposing them to responsible authorities? Yes  No

**Matching Grants**

i. Does the community contribute to capital development projects

.....

ii. Does SDC have capacity in co-funding?

Yes  No  I don’t know

iii. Why does the local authority manage/fail to release co-funding in time?

**3.2.2 Resource Allocation**

i. Are the central government grants which are sent to the district allocated to all wards fairly?

Yes  No

ii. What are general Laws and regulations governing the allocation of CDF/CDG to different wards?

.....

iii. Do you have special regulations relating to SDC only governing the allocation of CDF to different wards? Yes  No

If yes; Mention;

.....  
.....

iv. What are the factors affecting fair allocation of CDF to the wards in SDC?

**3.3.0 Challenges in Staff Qualification**

**3.3.1 Number of staff, Experience, Level of education and Allocation to positions**

i. How many staff members do you have in Accounting and finance department/ your department?

.....

ii. Are staffing levels sufficient to get the job done in a timely manner? Yes    
No

iii. Does the finance/your department have a clearly defined organogram? Yes    
No

iv. Does the current organization structure meet local authority needs? Yes    
No

v. Does each staff member have job descriptions? Yes  No

vi. Do the positions and titles of staff members accurately describe their functions and responsibilities? Yes  No

vii. Is staff performance evaluation conducted? Yes  No

viii. Does the SDC have a capacity building plan? Yes  No

ix. How does the capacity building grant benefit you and your colleagues?

.....

x. Does the organization get or have service from a Certified Public Accountant (CPA) in safeguarding organization's resources? Yes  No

**3.4.0 Challenges in Computerized Financial Management (Computerization)**

**3.4.1 Computer Literacy, Segregation of duties, and IT infrastructures.**

i. Does the council have IT master/Strategic plan? Yes  No

ii. Does the local authority have IT section/department? Yes  No

iii. How many computers do you have for financial system?  
.....

iv. What type of accounting system does SDC currently use to process accounting transactions? .....

v. How do you rate the performance of the current accounting system in terms of speed and accuracy?  Poor  Average  Good  Very good

I don't know

vi. How many staff members use computer for processing accounting transactions?  
.....

vii. Is there any overlap among tasks being performed by one or more staff in computerized financial system?

viii. Does the financial system allow users to produce financial reports online?

Yes  No

ix. Do computer hardware and software meet the needs of the organization? Yes  No

x. What measures are in place to overcome computer system failure?  
.....

**4.0 SECTION D: MEASURES TO OVERCOME THE CHALLENGES  
AFFECTING FINANCIAL MANAGEMENT OF CDF.**

What should be done to deal with challenges so as to improve the adequacy of funds management in SDC so as to improve the current situation of financial management of CDF

.....  
.....  
.....  
.....

**Thank you for your cooperation**

**Appendix C: Interview Schedule**

Dear Sir/Madam,

The aim of this interview is to get information and opinion from you regarding the financial management of capital development funds.

District .....Ward .....

Level of education ..... Sex .....

Age.....

Marital status.....

How long have you been working with SDC.....

1. How does SDC manage CDF?
2. What are the factors affecting effective financial management of CDF in SDC in terms of management capacity, Staff qualification, and computerized Financial Management?
3. What are the measures to be taken in order to ensure effective and adequacy financial management of CDF in Songea district council?



**Appendix D: Checklist for Observation**

1. Position of the District Executive Director
2. Position of the Council District Treasurer
3. Existence and Position of the Internal audit unit
4. Availability of computer hardware for integrated financial management system
5. Availability of computer software programme for integrated financial management system
6. Availability of financial reports that were prepared online

**Appendix E: DOCUMENTARY REVIEW**

The following documents were reviewed;

- Workers' seniority list; to gather information on staff qualifications and experiences,
- Assessment reports; to obtain the performance results of each district council.
- Periodic financial reports; to appraise quality and means of preparation of report that is manual or online.
- Lists of wards and villages; was obtained to gather information about wards and villages.
- Audit reports; to determine the status of the audit opinions from NAO whether it was a clean audit report, qualified or adverse audit report.

### Appendix F: Estimated Research Budget

The research Project budget is estimated to Tshs.1,668,000/= (one million eight hundred eight thousand only)as shown in the following breakdown.

<b>ACTIVITY</b>	<b>PAGE</b>	<b>COST PER UNIT (Tshs.)</b>	<b>NO. OF UNITS</b>	<b>TOTAL (Tshs.)</b>
Photocopy of Questionnaire: Members	4		100	20000/=
Proposal writing	60	Typing 500@ page Printing 200@ page		168 000/=
Data Collection	Transport, meals and honorarium costs; 10villages, and 11 wards.	Transport 10 villages @ 10 000/= Wards 11 @10 000/= Meals 7 9days @ 5000/= Honorarium 55 respondents @ 10 000/=		805 000/=
Data entry, analysis and verification.				300 000/=
Report typing/writing	100	Typing 500@ page Printing 200@ page	5	350 000/=
Binding		5000/=	5	25000/=
		<b>TOTAL</b>		<b>1 668 000/=</b>

### Appendix G: Work Plan for Undertaking Research 2015

The following Chart shows the work plan of the Research Project.

ACTIVITY	TIME FRAME
Identification of the Research Topic	December,2013 – January2014
Literature Review	Jan.2014 - April.2014
Documentation of Research Proposal	April2014 - May, 2014
Submission of Research Proposal	May, 2014
Incorporation of the Comments of the Supervisor	May,2014 -August,2014
Dissemination of Questionnaire.	August, 2014
Data Collection	August,2014 – December 2014
Data entry and Analysis	December2014- March 2015
Submission of Research report draft1	April 2015
Incorporation of the Comments of the Supervisor	April 2015- May 2015
Submission of Research report draft2	May 2015
Incorporation of the Comments of the Supervisor	May 2015- July 2015
Submission of Research draft3	July 2015
Incorporation of the Comments of the Supervisor	July 2015- August 2015
Submission of Research draft4	August 2015
Incorporation of the Comments of the Supervisor	August 2015
Submission of the Final Research report	September, 2015

Date:.....

Signature:..... (Student)