United Republic of Tanzania

Ministry of Finance

JICA Development Study

Support for Capacity Building on Public Financial Management

Final Report

Summary Report

June 2007

Japan International Cooperation Agency

Ernst & Young SN Global Solution

PREFACE

In response to a request from the Government of the United Republic of Tanzania, the Government of Japan decided to conduct the Study for Component 4 (Treasury Management and Accounting) of Public Financial Management Reform Programme (hereinafter referred to as "the Study") and entrusted the study to the Japan International Cooperation Agency (JICA).

JICA selected and dispatched a study team headed by Mr. Akihiro NAKAGOME of SN Global Solution Co., Ltd. to Tanzania, eight times between August 2005 and May 2007.

The team held discussions with the officials concerned of the Government of the United Republic of Tanzania, and conducted field surveys in the related areas of Component 4. Upon returning to Japan, the team conducted further studies and prepared this final report.

I hope that this report will contribute to the capacity building of Public Financial Management and to the enhancement of friendly relationship between our two countries.

Finally, I wish to express my sincere appreciation to the officials concerned of the Government of the United Republic of Tanzania for their close cooperation extended to the team.

June, 2007

Tadashi Izawa

Vice-President

Japan International Cooperation Agency

Mr. Tadashi Izawa
Vice-President
Japan International Cooperation Agency

Letter of Transmittal

Dear Sir,

We are pleased to submit herewith the final report for "*Development Study of Support for Capacity Building on Public Financial Management*".

The Public Finance Management (PFM) is recognized as an important policy agenda for successful implementation of poverty reduction, sustainable development and economic growth in the developing world. The Government of United Republic of Tanzania (GOT) is implementing the Public Financial Management Reform Programme (PFMRP) along with the implementation of Poverty Reduction Strategy Paper (PRSP) and National Strategy for Growth and Reduction of Poverty (NSGRP or MKUKUTA). JICA Consultant Team worked with Accountant General's Department (ACGEN), which is the component manager of PFMRP Component 4 and provided technical cooperation for capacity building on the PFM and effective implementation of the PFMRP.

In the Development Study, the JICA Consultant Team conducted the situation analysis on the PFM with the theoretical approach of document and interview surveys and the empirical approach of the analysis of lessons learnt from the JICA Support Activities. Based on the situation analysis, the JICA Consultant Team formulated recommendations for the capacity building on the PFM and the effective implementation of the PFMRP.

We wish to take this opportunity to express the sincere gratitude to the officials of your Agency, the Ministry of Foreign Affairs for their kind support and advice. We also would like to show the appreciation to the officials of ACGEN, MDAs/LGAs, and JICA Tanzania Office, and the Embassy of Japan in Tanzania for their kind cooperation and assistance throughout the field survey. Finally, We hope that the recommendations of the Study Team will contribute to further capacity building on the PFM and the effective implementation of the PFMRP.

Very truly yours,

Akihiro Nakagome
Team Leader
Study Team for the Development Study of Support for Capacity Building on Public Financial Management in the United Republic of Tanzania.

Japan International Cooperation Agency

Development Study Support for Capacity Building on Public Financial Management

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Executive Summary

I   Background

The Public Finance Management (PFM) is recognised as an important policy agenda for successful implementation of poverty reduction, sustainable development and economic growth in the developing world. The Government of United Republic of Tanzania (GOT) is implementing the Public Financial Management Reform Programme (PFMRP) along with the implementation of Poverty Reduction Strategy Paper (PRSP) and National Strategy for Growth and Reduction of Poverty (NSGRP or MKUKUTA).

Japan International Cooperation Agency (JICA) conducted "Development Study of Support for Capacity Building on Public Financial Management" from July 2005 to June 2007, as a technical cooperation within the PFMRP framework. JICA Consultant Team worked with Accountant General's Department (ACGEN), which is the component manager of PFMRP Component 4 and provided technical cooperation for capacity building on the PFM and effective implementation of the PFMRP.

In the Development Study, the JICA Consultant Team conducted the situation analysis on the PFM with the theoretical approach of document and interview surveys and the empirical approach of the analysis of lessons learnt from the JICA Support Activities. Based on the situation analysis, the JICA Consultant Team formulated recommendations for the capacity building on the PFM and the effective implementation of the PFMRP.

II   Situation Analysis on Public Financial Management

At first, the JICA Consultant Team conducted the situation analysis on the PFM of the GOT, particularly the ACGEN, in views of institutional development, capacity building, and business process.   The ACGEN provides the back-office services to the government sector in the area of

treasury management, debt management and internal audit. The ACGEN plays the key role for the capacity building of the PFM as it provides a variety of training programmes for the accountants and internal auditors of the Ministries, Departments and Agencies (MDAs) and Local Government Authorities (LGAs). In the Development Study, eleven key issues were identified in regard to the PFMRP Component 4.

✓ Key Issue 1: Improve and maintain the quality of back-office services of the ACGEN in regard to the PFM;

✓ Key Issue 2: Facilitate the data flow among stakeholders;

✓ Key Issue 3: Improve the efficiency of business operations at SSU (Systems Support Unit);

✓ Key Issue 4: Establish the skill standards of the ACGEN staff;

✓ Key Issue 5: Collect the basic information to facilitate formulating training programmes;

✓ Key Issue 6: Expand training for the LGA staff;

✓ Key Issue 7: Improve the effectiveness of internal audit at MDAs/LGAs;

✓ Key Issue 8: Improve and maintain the quality of system support of the ACGEN;

✓ Key Issue 9: Prepare for adoption of the International Financial Reporting Standards;

✓ Key Issue 10: Strengthen the information security measures;

✓ Key Issue 11: Apply information technology for improvement of institutional management.

III   JICA Support Activities

In response to the key issues stated above, the JICA Consultant Team formulated and implemented the JICA Support Activities. The JICA Support Activities consisted of nine training programmes in the priority area of information systems and internal audit.

✓ Component 1: Training of IFMS end-users for the LGA staff

✓ Component 2: Training of user support skills for the SSU staff

✓ Component 3: Training of analytical skills for the SDU (Systems Development Unit) staff

✓ Component 4: Training of accounting skills for the SDU staff

✓ Component 5: Training of information security management for the SDU staff

✓ Component 6: Training of utilisation of information systems for the SDU staff

✓ Component 7: Introductory training of internal audit for the internal auditors of the MDAs/LGAs

✓ Component 8: Intermediate training of internal audit for the internal auditors of the MDAs/LGAs

✓ Component 9: Advanced training of internal audit for the Central Internal Audit Unit staff

The training courses were carried between September 2006 and March 2007, and national training institutions were subcontracted by the JICA Consultant Team for the implementation of the training courses. A total of 145 personnel attended the group training, and 34 sites of MDAs/LGAs were visited for the in-service training. Since the JICA Support Activities were implemented as a part of PFMRP activities in the FY (financial year) 2006/7, the JICA Consultant Team regularly shared the progress of the JICA Support Activities with the ACGEN.

IV   Recommendations

After the theoretical situation analysis on the PFMRP and the empirical analysis of lessons learnt from the JICA Support Activities, the JICA Consultant Team formulated 14 recommendations for the capacity building on the PFM and the effective implementation of the PFMRP.

Recommendation 1: Improve the function of Audit Committee

The Public Finance Regulatory of the Public Finance Act (2001) stipulated the establishment of Audit Committee at the MDAs/LGAs, but there are some MDAs/LGAs where the Audit Committee is non-existent or non-functional. It is recommended that all MDAs/LGAs establish an independent Audit Committee which functions to check the implementation of the effective measures in response to the recommendations by the internal auditors.

Recommendation 2: Improve support for the internal audit at the MDAs

There is a need to improve the capacity of the newly established Central Internal Audit Unit in order to provide the effective support to the internal audit of the MDAs. It is recommended that the Central Internal Audit Unit improve its support capacity for the internal audit at MDAs and conduct monitoring and provision of advices for the improvement of the internal audit functions at MDAs.

Recommendation 3: Appoint the key personnel of internal audit training at MDAs/LGAs

A variety of training courses were implemented as the JICA Support Activities and it is necessary to ensure that the training participants apply the knowledge gained from the training courses to the internal audit at the MDAs/LGAs. It is recommended that each MDA/LGA appoint the key personnel of the internal audit training to ensure the effect of such training courses at the workplace.

Recommendation 4: Increase the status of the internal audit

The MDAs/LGAs should formulate and implement the measures in response to the recommendations by the internal auditors. In this regard, the MDAs/LGAs should recognise the role and importance of the internal audit. It is thus recommended to increase the status of internal audit as a part of the business improvement process.

Recommendation 5: Improve the support for the internal audit at the LGAs

While the Prime Minister's Office - Regional Administration and Local Government (PMO-RALG) supervises the internal audit at LGAs, the ACGEN has provided the training courses to the internal auditors of the LGAs. It is recommended that the PMO-RALG and the ACGEN establish the framework to share the information and provide more efficient support to the LGAs.

Recommendation 6: Improve the capacity of SSU

SSU provides the LGAs with the system support of the IFMS, and it needs to improve the capacity in accordance with the on-going roll out of IFMS. It is recommended to accelerate the capacity building and the infrastructure development of the SSU so as to improve the capacity to support the sustainable operation of the IFMS at the LGAs.

Recommendation 7: Conduct the internal audit workshop for the senior management of the MDAs/LGAs

According to the questionnaire survey of the JICA Support Activities, there is a need to increase the awareness on the role and importance of the internal audit at MDAs/LGAs. In particular, senior management of MDAs/LGAs is supposed to formulate and implement the measures in response to the recommendations by the internal auditors. It is recommended that an internal audit workshop be held so that the senior management will recognise the role and importance of the internal audit.

Recommendation 8: Formulate the skill standards for the internal auditors and the system support staff

A variety of training courses are currently implemented for the capacity building on the PFM, and the JICA Support Activities also provided the training courses for the internal auditors and the systems support staff of the ACGEN. It is recommended that the skill standards for the internal auditors and the systems support staff be developed to facilitate the development of the systemised training programmes.

Recommendation 9: Improve the training courses on accounting for the LGAs

At the LGAs, the personnel have fewer opportunities to attend training programmes. One of training components in the JICA Support Activities taught the issues of the local government accounting to the

SDU staff, and this topic is also useful for the LGAs. It is recommended that the similar course be prepared and conducted for the LGAs.

Recommendation 10: Increase the application skills of the DWH users

The data warehouse (DWH) has been installed for the multifaceted analysis of the IFMS financial data and effective policy making and budget preparation, but the end users have not effectively utilised the DWH. It is recommended that DWH users provide themselves with the supplemental training to leverage the effective application of the DWH.

Recommendation 11: Collect the basic data of the internal audit and the accounting at MDAs/LGAs

The accurate and comprehensive data on the MDAs/LGAs is essential to formulate an appropriate action plan for the capacity building on the PFM. It is recommended to establish a mechanism to collect basic data of the internal audit and accounting regularly for the efficient planning.

V   Conclusions

The JICA Consultant Team expects that these recommendations will be included in the PFMRP action plan for further improvement of capacity on the PFM.

Chapter 1 Profile of the Development Study

Background

The Public Financial Management (PFM) plays an important role for the successful implementation of national agenda of poverty reduction, sustainable development and economic growth in the developing world. For the Government of the United Republic of Tanzania (GOT), the General Budget Support (GBS) is provided by 14 development partners (DPs), and it consists about 20% of the Government finance. It is an important issue for both the GOT and DPs to reduce the fiduciary risk of the GBS, and it is expected that the PFM ensures the appropriate utilisation of fund. In the late 1990s, the Ministry of Finance (MOF) of the GOT embarked upon the Public Financial Management Reform Programme (PFMRP) in cooperation with some DPs in order to strengthen the PFM reform activities. The PFMRP came into the second phase of a five-year programme in the Financial Year (FY) 2004/5.

The Japan International Cooperation Agency (JICA) conducted "JICA Development Study for Support of Capacity Building for Public Financial Management" (hereinafter referred to as "the Development Study") in response to the request from the MOF of the GOT. The JICA Consultant Team provided technical cooperation for the effective implementation of PFMRP activities and capacity building on the PFM. The Development Study aimed to assist the Accountant General's Department (ACGEN), which is the Component Manager of the PFMRP Component 4 "Treasury Management and Accounting".

Schedule of JICA Development Study

The Development Study was conducted from July 2005 to June 2007, and its schedule is shown in Figure 1.1. The Development Study consisted of three phases. In the first phase, the JICA Consultant Team conducted document and interview surveys for the situation analysis on the PFM of the GOT. In the second phase, the JICA Consultant Team and the ACGEN formulated and implemented the JICA

Support Activities, and subsequently analysed the lessons learnt from them. In the third phase, the JICA Consultant Team formulated recommendations on capacity building of the PFM and effective implementation of the PFMRP.
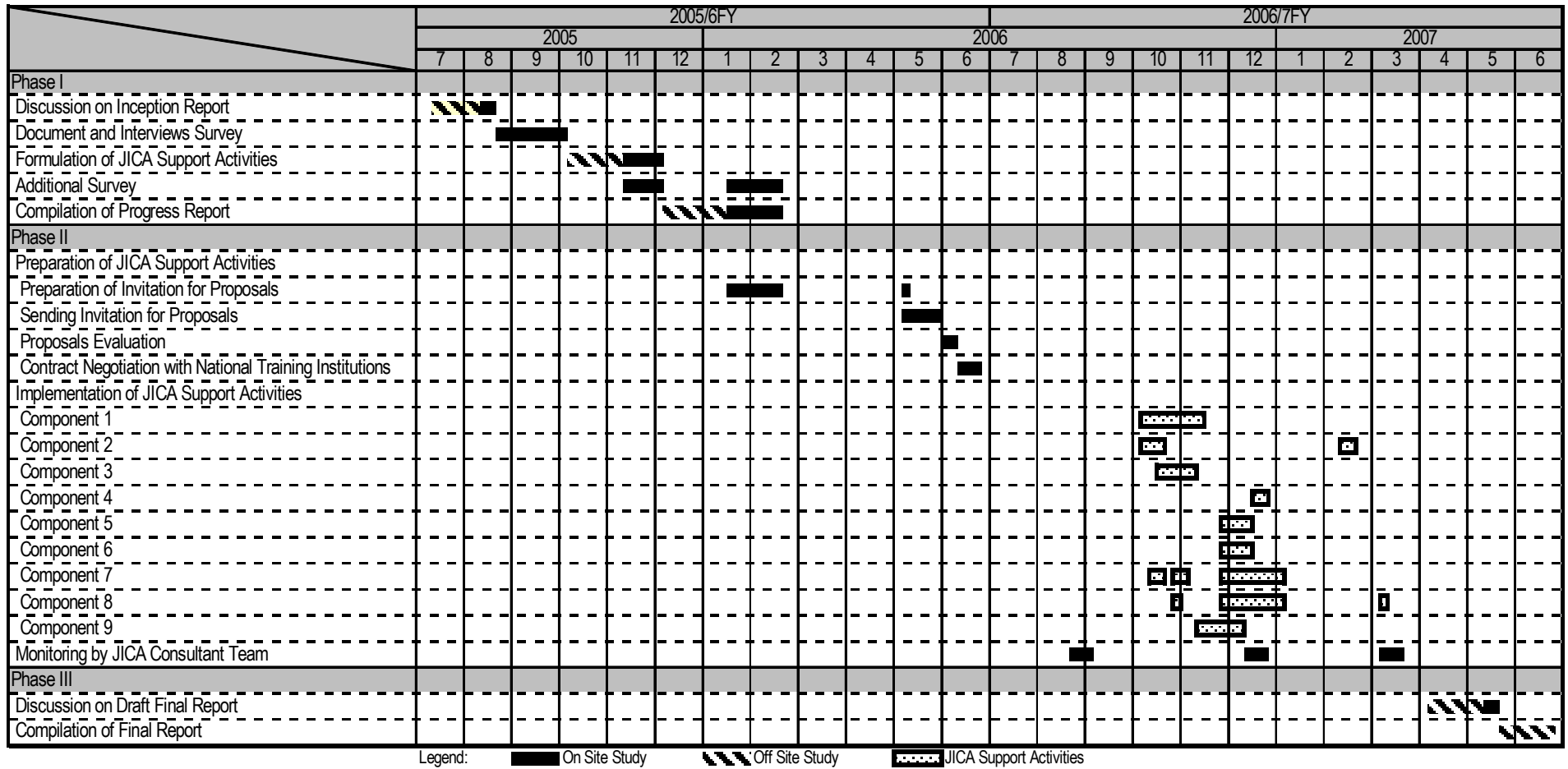
	2005/6FY												2006/7FY											
	2005						2006												2007					
	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6
Phase I																								
Discussion on Inception Report	▨■																							
Document and Interviews Survey		■	■																					
Formulation of JICA Support Activities				▨	■																			
Additional Survey					■		■																	
Compilation of Progress Report						▨	■																	
Phase II																								
Preparation of JICA Support Activities																								
Preparation of Invitation for Proposals							■				■													
Sending Invitation for Proposals											■													
Proposals Evaluation												■												
Contract Negotiation with National Training Institutions												■												
Implementation of JICA Support Activities																								
Component 1																▦								
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Component 8																	▦ ▦				▦			
Component 9																	▦							
Monitoring by JICA Consultant Team														■				■			■			
Phase III																								
Discussion on Draft Final Report																						▨■		
Compilation of Final Report																							▨	

Legend: ■ On Site Study ▨ Off Site Study ▦ JICA Support Activities

Figure 1.1   Schedule of JICA Development Study

Methodology

In the Development Study, the JICA Consultant Team applied theoretical and empirical approaches to analyse the information, and formulated the recommendations on capacity building of the PFM and effective implementation of the PFMRP.

Also, the JICA Consultant Team adapted the following approaches in the Development Study.

✓ Consistency with PFMRP framework

✓ Coordination with Development Strategy

✓ Continuous Improvement of Business Process

Chapter 2 Situation Analysis

The JICA Consultant Team conducted the document and interview surveys, and identified 11 key issues on the capacity building on the PFM.

Key Issue 1: Improve and maintain the quality of back-office services of the ACGEN in regard to the PFM

The ACGEN functions as the 'back-office' of the PFM for the GOT, as it has provided the GOT with the infrastructure and capacity building necessary for the PFM and facilitated the operations of accounting at MDAs/LGAs. Therefore, the improved quality of the services provided by the ACGEN will significantly contribute to more effective and efficient operations of the MDAs/LGAs.

Key Issue 2: Facilitate the data management among stakeholders

There are two important aspects on the data management for the ACGEN to facilitate the effective PFM. First, the ACGEN needs to maintain accurate and comprehensive data, and the main issues include: (a) insufficient capability of many MDAs/LGAs to capture data into the systems accurately and timely; (b) failure to capture some accounting data; and (c) unreliable infrastructure to operate the systems at some MDAs/LGAs. The ACGEN has formulated and implemented some countermeasures for these issues. Second, the ACGEN needs to provide financial data required by the stakeholder timely. The ACGEN administrates the application systems for the PFM, such IFMS and CS-DRMS which facilitate producing reports of financial data. In addition, the data warehouse (DWH) has been installed to facilitate multifaceted analysis of the financial data by the policy makers of the GOT, and there is a need to improve the skills of end users to leverage the DWH for policy formulation and budget preparation.

Key Issue 3: Improve the efficiency of business operations at SSU

The LGAs play an important role on the PFM as substantial amount of the development fund is allocated to the LGAs along with the implementation of the Local Government Reform Programme (LGRP) and consequent decentralisation process. The roll out of the IFMS to the LGAs is carried out in phases, and all LGAs will be equipped with the IFMS by the FY 2007/8. It is anticipated that the roll out of the IFMS to the LGAs will increase the demand of the systems support, which is provided by the Systems Support Unit (SSU) of the ACGEN. Thus, there is an urgent need to strengthen the workforce of the SSU. Also, it is necessary to streamline the operations of the systems support and establish a mechanism to deliver the efficient systems support with a small number of supporting staff.

Key Issue 4: Establish the skill standards of the ACGEN staff

A variety of training programmes are carried out in the PFMRP and the ACGEN formulates a training plan annually. It is important that the training courses should be designed to meet the duties and level of the trainees. For this purpose, the skill and training requirements by level of staff should be established and documented so as to ensure appropriate training courses developed and provided to the ACGEN staff.

Key Issue 5: Collect the basic information to facilitate planning training programmes

The situation analysis based on the comprehensive information facilitates planning of the training programmes appropriate to the duties and level of trainees. In this regard, it is anticipated that the basic data necessary for training should be collected and maintained in a database to facilitate efficient and effective planning of the training programmes by the management staff.

Key Issue 6: Expand training for the LGA staff

At the LGAs, the personnel have fewer opportunities to attend training programmes due to geographical and financial constraints, in comparison with the MDAs. It is necessary to expand

training for the LGA staff to support the sustainable PFM. The training courses for the LGAs should contain basic subjects in consideration of the skill levels of the trainees.

Key Issue 7: Improve the effectiveness of internal audit at MDAs/LGAs

The GOT has implemented the policy to leverage the internal audit at the MDAs/LGAs in recent years. There are two key issues to improve the effectiveness of internal audit at MDAs/LGAs. First, there is a need to improve the capacity of internal auditors to ensure quality of the internal audit. Second, there is a need to raise the awareness among senior management at MDAs/LGAs on the role and importance of internal audit, so as to ensure that the recommendations by internal auditors will be appropriately considered for the improvement of business operations.

Key Issue 8: Improve and maintain the quality of system support of the ACGEN

SDU/SSU provides the systems support to the end users of the MDAs/LGAs, and their functions have been strengthened along with the roll out of IFMS. However, they still sometimes need to dependent on the systems developer to solve the problems due to the insufficient support capacity. The improvement of the support capacity of SDU/SSU will facilitate self-reliant and efficient delivery of the support services by SDU/SSU, which will have a positive impact for the improvement of operations at the MDAs/LGAs.

Key Issue 9: Prepare for adoption of the International Financial Reporting Standards

The International Financial Reporting Standards (IFRS) was formulated by the International Accounting Standards Committee (IASC) and it has been widely adopted around the world, while the International Public Sector Accounting Standards (IPSAS) was formulated for the public sector accounting on the basis of the IFRS. In Tanzania, the IFRS is in the process of adoption and the IPSAS will be introduced in phases from the MDAs. However, few accountants of the GOT have deep

understanding of the IFRS/IPSAS and thus there will be a need to conduct a training or workshop before adoption of the IPSAS.

Key Issue 10: Strengthen the information security measures

There is a need to strengthen the information security management as the information security threats are widening, such as computer virus, spy-wares, computer fraud, and cracking. Also, the awareness of the IFMS users on the information security is also essential to improve the security, and SDU/SSU is expected to play a role to educate the security issues as a part of the systems support.

Key Issue 11: Apply information technology for improvement of management

The information technology is utilised at the ACGEN for the critical systems for treasury management and debt management as well as the general use like document production and Internet access, and there will be more areas to utilise the information technology to improve the operations of the ACGEN, such as communication and decision making. The Wireless Wide Area Network (WAN) of the IFMS covers most of the government buildings in Dar es Salaam and such a network infrastructure should be used effectively for the inter-ministerial communication. The information technology should also be utilised to accumulate and share the knowledge among staff for the effective and efficient decision making.

Chapter 3 JICA Support Activities

Formulation of JICA Support Activities

The JICA Support Activities were formulated by JICA Consultant Team and ACGEN in three steps. Firstly, information systems and internal audit were selected as the priority areas for the JICA Support Activities. Secondly, nine training courses among the priority area were formulated as the Components of the JICA Support Activities. Finally, institutional framework and tentative schedule of the JICA Support Activities were formulated.

The JICA Consultant Team considered the six conditions of the JICA Support Activities as follows:-

✓ Condition 1: The JICA Support Activities should facilitate mitigating the fiduciary risk.

✓ Condition 2: The JICA Support Activities should be designed and implemented in accordance with the PFMRP framework.

✓ Condition 3: The JICA Support Activities should have an immediate effect at workplaces.

✓ Condition 4: The JICA Support Activities should harmonise with other PFMRP activities.

✓ Condition 5: The JICA Support Activities should effectively utilise the national and foreign resources.

✓ Condition 6: The JICA Support Activities should have a sustainable effect.

Institutional Framework of JICA Support Activities

The national resources were utilised as much as possible in the JICA Support Activities in line with the PFMRP framework and policy of Tanzanian ownership of the programme. The training contents were outlined jointly by the ACGEN and the JICA Consultant Team, and they were detailed jointly by the ACGEN and the national training institutions (Learn IT, Mzumbe University, NBAA), which were sub-contracted by the JICA Consultant Team. The institutional framework of the JICA Support Activities is described in Figure 3.1.
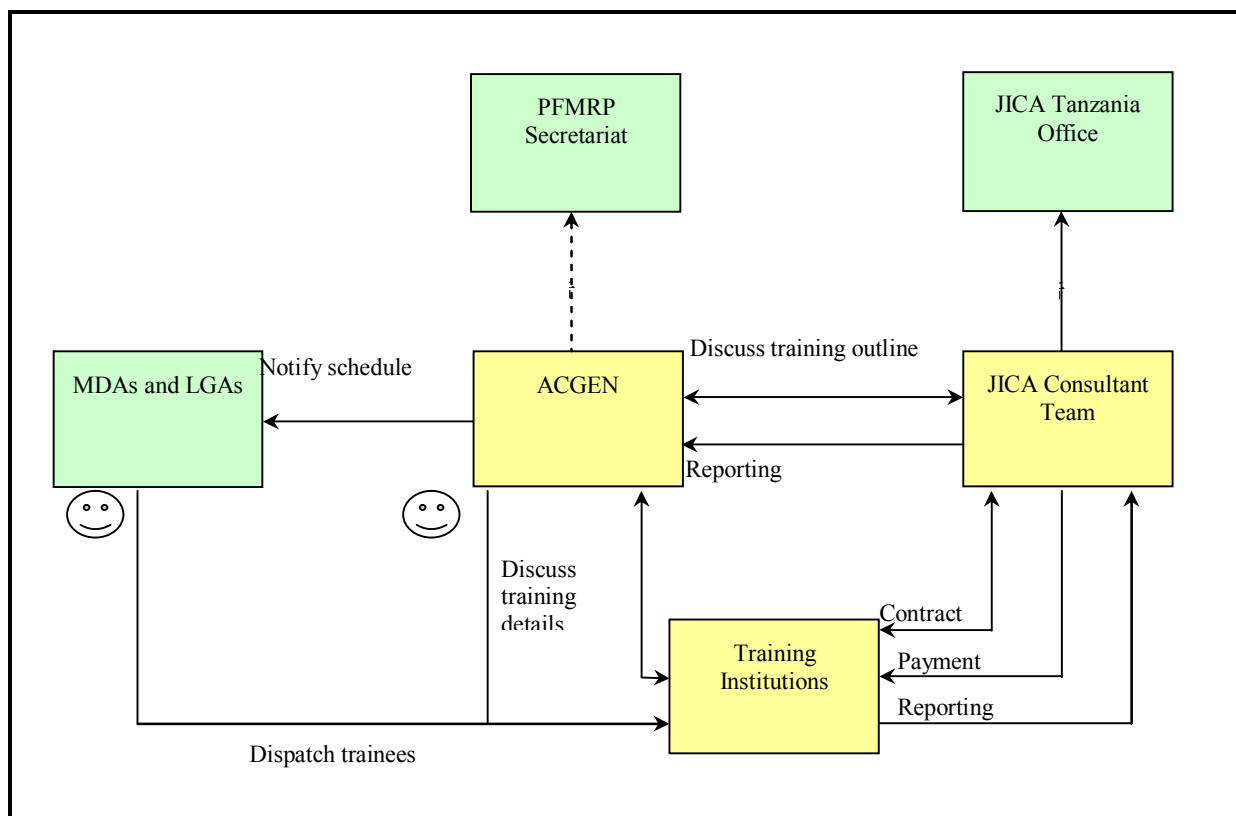
Figure 3.1   Intuitional Framework of the JICA Support Activities

Progress of JICA Support Activities

The JICA Support Activities consisted of nine training courses, including six information systems courses and three internal audit courses. The progress of the JICA Support Activities is summarised in Table 3.2.

Table 3.2   Progress f JICA Support Activities

Lot	Name	Recipients	Number	Institution	Period
Lot A	1. Training of IFMS end user	Accountants of LGAs	15	Learn IT	From 2 October, 2006 to 24 November, 2006
	2. Training of user support skills	SSU staff	20	Learn IT	From 2 October, 2006 to 19 October, 2006
	2. In-service training of user support skills	SSU staff	5 sites	Learn IT	From 5 February, 2007 to 9 February, 2007
Lot B	3. Training of analytical skills	SDU staff	15	Learn IT	From 18 October, 2006 to 10 November, 2006
Lot C	4. Training of accounting	SDU staff	15	NBAA	From 18 December, 2006 to 22 December, 2006
Lot D	7. Introductory training of internal audit (Group 1)	Internal Auditors of MDA/LGA	24	Mzumbe Univ.	From 11 September, 2006 to 22 September, 2006
	7. Introductory training of internal audit (Group 2)	Internal Auditors of MDA/LGA	25	Mzumbe Univ.	From 25 September, 2006 to 6 October, 2006
Lot E	8. Intermediate training of internal audit (Group 1)	Internal Auditors of MDA/LGA	12	Mzumbe Univ.	From 24 October, 2006 to 28 October, 2006
	8. Intermediate training of internal audit (Group 2)	Internal Auditors of MDA/LGA	16	Mzumbe Univ.	From 5 March, 2007 to 9 March, 2007
Lot D/E	7 & 8. In-service training of internal audit	Internal Auditors of MDA/LGA	29 sites	Mzumbe Univ.	From 30 November, 2006 to 3 January, 2007
Lot F	5. Training of information security (ESAMI)	SDU staff	1	NBAA	From 27 November, 2006 to 15 December, 2006
	6. Training of utilisation of information systems (ESAMI)	SDU staff	1	NBAA	From 27 November, 2006 to 15 December, 2006
	9. Advanced training of internal audit (ESAMI)	Internal Audit Unit staff	1	NBAA	From 13 November, 2006 to 8 December, 2006

Component 1: Training of IFMS end users for the LGA staff

The Component 1 was the training of IFMS end users for the LGA staff. The roll out of the IFMS is rapidly progressing as 47 LGAs were newly equipped with the IFMS in the FY 2006/7. The IFMS end user training was scheduled for the staff of LGAs where the IFMS would be installed, and the Component 1 covered some participants of such training. The training programme included the subjects of computer literacy and accounting procedures for about two weeks each, as some participants did not have sufficient experience of using personal computers and the business process would be significantly changed after the installation of the IFMS.

Component 2: Training of user support skills for SSU Staff

The Component 2 is the training of use support skills for SSU staff. It aimed to enable all SSU personnel to provide the efficient and effective systems support to the increasing number of IFMS end users at the LGAs, and consisted of the group training and the in-service training. The group training focused on IT Services Management module of Epicor which would be installed at five SSU sites in near future. For the in-service training, five lecturers of the training institution visited the SSU offices and studied the working environment and business process at the SSU.

Component 3: Training of analytical skills for the SDU staff

The Component 3 is the training of analytical skills for the SDU staff. The training course focused on the concept and theory of business analysis and data analysis, so that SDU staff would be able to acquire the analytical skills to understand the issues of end users and provide more effective solutions. The SDU staff learnt the Unified Modelling Language (UML), which is a de-facto standard for object oriented systems development in the training course.

Component 4: Training of accounting skills for the SDU staff

The Component 4 is the training of accounting skills for the SDU staff. It focused on the accounting knowledge practically useful for the systems support, so that SDU staff would be able to understand the issues of end users and provide more effective solutions. The training programmes introduced a variety of topics on the accounting at LGAs where the IFMS roll-out was on-going.

Component 5: Training of information security management for SDU Staff

The Component 5 is the training of information security management for the SDU staff. SDU staff attended the ESAMI (Eastern and Southern Africa Management Institute) group training about the information security. The training consisted of three topics, namely, risk analysis, information security policy and legislations. The IFMS information security policy is being formulated by the SDU and the training participant has applied her knowledge gained from the training course.

Component 6: Training of utilisation of information systems for the SDU Staff

The Component 6 is the training of utilisation of information systems for the SDU staff. SDU staff attended the ESAMI group training about the record management. In the group training, the training participant had an opportunity to interact with the trainees from other African nations and he felt that the computerisation of the GOT was still behind, except the financial management. After the training course, he is compiling a proposal for computerisation of Pensions Office where all data is manually processed.

Component 7: Introductory training of internal audit for the internal auditors of the MDAs/LGAs

The Component 7 is the introductory training of internal audit for the internal auditors of the MDAs/LGAs. Along with the reorganisation of internal audit functions and massive recruitment of internal auditors at the MDAs/LGAs, the introductory training of internal audit was necessary to

provide the newly recruited internal auditors of MDAs/LGAs with the basic skills required for their duties. The Component 7 consisted of the group training and the in-service training. The training institution conducted a similar course of the group training in the past and it revised the contents and duration to improve the effectiveness of the training. For the in-service training, five lecturers of the training institution visited a total of 29 sites where the training participants work and they studied the internal audit process at the MDAs/LGAs and provided advices to the training participants.

Component 8: Intermediate training of internal audit for the internal auditors of the MDAs/LGAs

The Component 8 is the intermediate training of internal audit for the internal auditors of the MDAs/LGAs. The intermediate training courses aimed to improve the effectiveness of internal audit and focused on 'soft skills' such as the presentation, reporting and team management. The Component 8 consisted of two modes of training, namely, group training and in-service training like the Component 7.

Component 9: Advanced training of internal audit for the Central Internal Audit Unit staff

The Component 9 is the advanced training of internal audit for the Central Internal Audit Unit staff. Central Internal Audit Unit personnel attended the ESAMI group training course for the management of internal audit functions. The training participant felt that the training course was useful for his duties as it contained a lot of interesting topics such as good governance. After the training course, he has drafted the strategy plan of Central Internal Audit Unit.

Evaluation of JICA Support Activities

The JICA Consultant Team evaluated the JICA Support Activities in terms of efficiency, effectiveness, impact, relevance and sustainability.

(1)   Efficiency

The cost incurred by the JICA Consultant Team for the JICA Support Activities consisted of the remunerations of the training institutions (including overhead and administrative expenses incurred), the transportation cost and per diem of the training participants. When estimating the cost of the JICA Support Activities, the JICA Consultant Team referred to the training cost in the past and the GOT regulation of the transportation and per diem for the civil servants. As a result, the total amount of the actual expenditure of the JICA Support Activities was 30,038,000 JPY (about 306 million Tsh).

The JICA Support Activities utilised the national resources and infrastructures which were readily available to ensure the efficient and sustainable assistance. For example, the contents of the Component 7 were based on the past one week training course conducted by Mzumbe University.

(2)   Effectiveness

All components of the JICA Support Activities were implemented. For the number of training participants, seven components met the target in the initial plan. However, the Component 7 was attended by 49 people (82%) while the initial target was 60, and the Component 8 was attended by 28 people (93%) while the initial target was 30, because of logistic problems and cancellation by some training candidates.

According to the questionnaire and interview survey with the training participants, all components met the needs of training participants for their duties.

(3)   Impact

In general the impact of training programmes can be accessed after a certain period. However, the JICA Support Activities aimed to provide the skills necessary for the duties of training participants, and some indications of positive impacts have already been observed. For example, the ACGEN

personnel who attended the ESAMI group training courses are engaged in formulating improvement plan in their respective spheres.

(4) Relevance

The JICA Support Activities were designed and implemented to meet the target of the PFMRP action plan. For example, the performance indicators of the PFMRP Component 4 in the FY 2006/7 included the number of staff trained in the internal audit skills and the number of staff trained in the IFMS. In this regard, the JICA Support Activities provided the internal audit training (Component 7, 8 and 9) to a total of 78 personnel, and the IFMS training (Component 1 and 2) to a total of 35 personnel.

(5) Sustainability

The JICA Support Activities utilised the national resources and infrastructures readily available, and thus the GOT will be able to implement the similar activities by themselves in the future. Also, the ACGEN has already formulated and implemented some training programmes by themselves to incorporate the lessons learnt from the JICA Support Activities such as internal audit training courses.

Lessons Learnt from the JICA Support Activities

The lessons learnt from the JICA Support Activities are summarised in three aspects; (1) key issues and JICA Support Activities; (2) institutional framework; (3) aid modality.

(1) Key issues and JICA Support Activities

(1-1) Key Issue 1: Improve and maintain the quality of back-office services of the ACGEN in regard to the PFM

The Components of 1 (training of IFMS end users), 7 (introductory training of internal audit) and 8 (intermediate training of internal audit) were provided to the MDAs/LGAs staff. The participants from

the MDAs/LGAs responded in the questionnaire survey that the training courses provided met their needs. It is anticipated that the MDAs/LGAs will request further services from the ACGEN in the future.

(1-2) Key Issue 2: Facilitate the data flow among stakeholders

The Components of 3 (training of analytical skills) and 6 (training of utilisation of information systems) provided SDU personnel with the training related to the data flow. It is anticipated that the participants of these components will apply the knowledge gained from the training courses in their duties, such as development of interface between IFMS and CS-DRMS, computerisation of Pensions Office.

(1-3) Key Issue 3: Improve the efficiency of business operations at SSU (Systems Support Unit)

The in-service training of the Component 2 (training of systems support skills) clarified the insufficient capacity of the SSU in terms of human resources and physical infrastructure. It is thus necessary to accelerate the improvement plan of the SSU along with the roll out of the IFMS to all LGAs.

(1-4) Key Issue 4: Establish the skill standards of the ACGEN staff

Many participants of the Components of 7 (introductory training of internal audit) and 8 (intermediate training of internal audit) answered in the questionnaire survey that the course duration should be extended because there were many subjects contained in the short period of the training courses. The contents should be reviewed and updated if necessary for the future training courses as it is observed that some subjects were duplicated between the two components of the internal audit training.

(1-5) Key Issue 5: Collect the basic information to facilitate formulating training programmes

The Component 7 (introductory training of internal audit) and 8 (intermediate training of internal audit) provided the training to the internal auditors of MDAs/LGAs where ACGEN contacted to notify the training schedule. However, there was a communication problem in the beginning as some MDAs/LGAs had no contract person or failed to provide feed back to the ACGEN. Therefore, it is necessary to establish a mechanism for the ACGEN to collect the basic information accurately and comprehensively from the MDAs/LGAs.

(1-6) Key Issue 6: Expand training for the LGA staff

The Components of 1 (training on IFMS end users), 7 (introductory training of internal audit), 8 (intermediate training of internal audit) were attended by the LGA staff, who responded in the questionnaire survey that the training course met the needs for their duties. It is necessary to provide further training as requested by the LGAs in future.

(1-7) Key Issue 7: Improve the effectiveness of internal audit at MDAs/LGAs

There were three kinds of training courses by level for internal audit in the JICA Support Activities, namely, the Components of 7 (introductory training of internal audit), 8 (intermediate training of internal audit), 9 (advanced training of internal audit). Many participants indicated in the interview and questionnaire surveys that the appropriate measures are not always taken in response to the recommendation by the internal auditors. For the effective internal audit functions, it is important for the senior management of each MDA/LGA to recognise the role and importance of the internal audit and implement appropriate measures in response to the recommendations by internal auditors.

(1-8) Key Issue 8: Improve and maintain the quality of system support of the ACGEN

The Components of 2 (training of systems support skills), 3 (training of analytical skills), 4 (training of accounting skills), 5 (training of information security management), and 6 (training of utilisation of information systems) provided training to the SDU/SSU staff. They are expected to apply the knowledge gained from the training courses in their duties so as to improve the quality of systems support.

(1-9) Key Issue 9: Prepare for adoption of the International Financial Reporting Standards

No component of the JICA Support Activities was meant for this key issue, and there will be a need to implement an activity for this key issue.

(1-10) Key Issue 10: Strengthen the information security measures

The participant of the Component 5 (training of information security management) has started formulating the IFMS security policy for the MDAs.

(1-11) Key Issue 11: Apply information technology for improvement of institutional management

The Component 6 (training of utilisation of information systems) was attended by the SDU staff. There are a variety of group training courses offered by many training institutions to meet this key issue and it is necessary to establish the training standards and system support staff should attend the training courses.

(2)   Consideration of institutional framework

The ACGEN has already provided plenty of training programmes in the PFMRP. Therefore, the JICA Consultant Team discussed with the ACGEN only the outline of the training programmes, while the training participants and schedule was decided by the ACGEN. Since all components were implemented according to the initial plan, it has empirically proved that the ACGEN has the sufficient capacity as an implementing agency.

(3)   Consideration of aid modality

Since late 1990s, many development programmes have adapted new aid modalities as the aid coordination framework in Tanzania, such as GBS, sector programmes, basket fund, etc. On the other hand, there is often a criticism against the project-type assistance that the information on the project is not disclosed and the recipient country fails to allocate the local cost and human recourses necessary to achieve results from such project. In response to the criticism to the project-type assistance, the JICA Consultant Team shared the information of the JICA Support Activities timely with the ACGEN and other stakeholders. For example, the expense of the JICA Support Activities was reported to the ACGEN on a quarterly basis in accordance with the reporting cycle of the PFMRP.

The project fund is one of the main financial sources of the PFMRP together with Government budget and PFMRP Basket Fund, and it is effectively utilised for the implementation of the PFMRP activities. The important thing for the development partners to promote the PFMRP is to apply a variety of aid modalities according to the situation and needs of the recipient countries, rather than to restrict their aid to a certain modality. If the project-type assistance is provided within the framework of the development programmes like the PFMRP, it is important to take special care of sharing information with the stakeholders, improving the efficiency of aid delivery, and respecting the ownership of the recipient country, so as to overcome the weakness of the project-type assistance.

Chapter 4 Recommendations

Summary of Recommendations

Following the situation analysis of the PFM of the GOT, the JICA Consultant Team formulated 14 recommendations on the capacity building of the PFM and the effective implementation of the PFMRP in the future. The recommendations are summarised in Table 4.1.

Table 4.1 Summary of Recommendations

	Area	Recommendation	Expected Output	Action Plan	Owner
1	Institutional Development	Improve the function of Audit Committee	Increased effectiveness of the internal audit	1.1 Conduct the situation analysis of the Audit Committee	ACGEN
				1.2 Establish the Audit Committee at all MDAs/LGAs	MDAs, LGAs
				1.3 Increase the number of external human resources as the member of the Audit Committee	MDAs, LGAs
				1.4 Improve awareness on the role and importance of the Audit Committee	ACGEN
				1.5 Compile the 'Audit Committee Handbook'	ACGEN
				1.6 Conduct the follow-up survey	ACGEN
2	Institutional Development	Improve support for the internal audit at the MDAs	Improved functions of the internal audit at the MDAs	2.1 Improve the support capacity of the Central Internal Audit Unit	ACGEN
				2.2 Develop and improve the training programmes for the internal auditors of the MDAs	ACGEN
				2.3 Provide the in-service training to the internal auditors of the MDAs	ACGEN
3	Institutional Development	Appoint the key personnel of internal audit training at the MDAs/LGAs	Increased effectiveness on the delivery of the internal audit training	3.1 Appoint the key personnel for the internal audit training	MDAs, LGAs
				3.2 Provide the training to the key personnel of the MDAs/LGAs	ACGEN
4	Institutional Development	Increase the status of the internal audit	Improved institutional framework of the internal audit	4.1 Increase the awareness on the role and importance of the internal audit at the MDAs/LGAs	ACGEN
				4.2 Review the status of the internal auditors	MDAs, LGAs

	Area	Recommendation	Expected Output	Action Plan	Owner
5	Institutional Development	Improve the support for the internal audit at the LGAs	Institutional framework to support the sustainable internal audit functions at the LGAs	5.1 Establish an institution to provide the internal audit support to the LGAs	PMO-RALG
				5.2 Establish a mechanism to share information on the internal audit between the PMO-RALG and the ACGEN	PMO-RALG, ACGEN
6	Institutional Development	Improve the capacity of SSU	Increased capacity to support the sustainable operations of the IFMS at the LGAs	6.1 Increase the SSU workforce and provide the necessary training	ACGEN
				6.2 Improve the infrastructure at the SSU offices	ACGEN
7	Capacity Building	Conduct the internal audit workshop for the senior management of the MDAs/LGAs	Increased awareness among the senior management of the MDAs/LGAs for the improved effectiveness of internal audit	7.1 Prepare and organise the internal audit workshop for the senior management of the MDAs/LGAs	ACGEN
				7.2 Conduct the follow-up survey	ACGEN
8	Capacity Building	Formulate the skill standards for the internal auditors and the systems support staff	Improved efficiency and effectiveness on the delivery of the training programmes to the internal auditors and the systems support staff	8.1 Formulate the skill standards and training standards of the internal auditors	ACGEN
				8.2 Formulate the skill standards and training standards of the systems support staff	ACGEN
				8.3 Review and update the skill standards and training standards	ACGEN

	Area	Recommendation	Expected Output	Action Plan	Owner
9	Capacity Building	Improve the training courses on accounting for the LGAs	Improved capacity on the PFM at the LGAs	9.1 Review the training programmes for the LGA staff	PMO-RALG, ACGEN
				9.2 Provide the training programmes to the LGA staff	PMO-RALG
10	Capacity Building	Increase the application skills of the DWH users	Improved capacity to utilise the DWH for more effective policy and budget preparation	10.1 Identify the skills required for the effective DWH operations	PAD, Govt. Budget Dept.
				10.2 Review the utilisation of the DWH	ACGEN
11	Business Process Improvement	Collect basic data on the internal audit and the accounting at MDAs/LGAs	Improved planning on the internal audit and the accounting	11.1 Collect the basic information on the internal audit and the accounting regularly from the MDAs/LGAs	ACGEN, PMO-RALG
				11.2 Manage and share the information	ACGEN, PMO-RALG

IV   Recommendations

After the theoretical situation analysis on the PFMRP and the empirical analysis of lessons learnt from the JICA Support Activities, the JICA Consultant Team formulated 11 recommendations for the capacity building on the PFM and the effective implementation of the PFMRP.

Recommendation 1: Improve the function of Audit Committee

The Public Finance Regulatory of the Public Finance Act (2001) stipulated the establishment of Audit Committee at the MDAs/LGAs, but there are some MDAs/LGAs where the Audit Committee is non-existent or non-functional. It is recommended that all MDAs/LGAs establish an independent Audit Committee which functions to check the implementation of the effective measures in response to the recommendations by the internal auditors.

✓   Conduct the situation analysis of the Audit Committee;

✓   Establish the Audit Committee at all MDAs/LGAs;

✓   Increase the number of external human resources as the member of the Audit Committee;

✓   Improve awareness on the role and importance of the Audit Committee;

✓   Compile the 'Audit Committee Handbook';

✓   Conduct the follow-up survey;

This recommendation should be implemented as soon as possible, and the expected output is the increased effectiveness of the internal audit.

Recommendation 2: Improve support for the internal audit at the MDAs

There is a need to improve the capacity of the newly established Central Internal Audit Unit in order to provide the effective support to the internal audit of the MDAs. It is recommended that the Central

Internal Audit Unit improve its support capacity for the internal audit at MDAs and conduct monitoring and provision of advices for the improvement of the internal audit functions at MDAs.

✓ Improve the support capacity of the Central Internal Audit Unit;

✓ Develop and improve the training programmes for the internal auditors of the MDAs;

✓ Provide the in-service training to the internal auditors of the MDAs;

This recommendation should be implemented as soon as possible, and the expected output is the improved functions of the internal audit at the MDAs.

Recommendation 3: Appoint the key personnel of internal audit training at MDAs/LGAs

A variety of training courses were implemented as the JICA Support Activities and it is necessary to ensure that the training participants apply the knowledge gained from the training courses to the internal audit at the MDAs/LGAs. It is recommended that each MDA/LGA appoint the key personnel of the internal audit training to ensure the effect of such training courses at the workplace.

✓ Appoint the key personnel for the internal audit training;

✓ Provide the training to the key personnel of the MDAs/LGAs;

This recommendation should be implemented in the medium term, and the expected output is the increased effectiveness on the delivery of the internal audit training.

Recommendation 4: Increase the status of the internal audit

The MDAs/LGAs should formulate and implement the measures in response to the recommendations by the internal auditors. In this regard, the MDAs/LGAs should recognise the role and importance of the internal audit. It is thus recommended to increase the status of internal audit as a part of the business improvement process.

✓ Increase the awareness on the role and importance of the internal audit at the MDAs/LGAs;

✓ Review the status of the internal auditors;

This recommendation should be implemented in the medium term, and the expected output is the improved institutional framework of the internal audit.

Recommendation 5: Improve the support for the internal audit at the LGAs

While the Prime Minister's Office - Regional Administration and Local Government (PMO-RALG) supervises the internal audit at LGAs, the ACGEN has provided the training courses to the internal auditors of the LGAs. It is recommended that the PMO-RALG and the ACGEN establish the framework to share the information and provide more efficient support to the LGAs.

✓ Establish an institution to provide the internal audit support to the LGAs;

✓ Establish a mechanism to share information on the internal audit between the PMO-RALG and the ACGEN;

This recommendation should be implemented in the medium term, and the expected output is the institutional framework to support the sustainable internal audit functions at the LGAs.

Recommendation 6: Improve the capacity of SSU

SSU provides the LGAs with the system support of the IFMS, and it needs to improve the capacity in accordance with the on-going roll out of IFMS. It is recommended to accelerate the capacity building and the infrastructure development of the SSU so as to improve the capacity to support the sustainable operation of the IFMS at the LGAs.

✓ Increase the SSU workforce and provide the necessary training;

✓ Improve the infrastructure at the SSU offices;

This recommendation should be implemented as soon as possible, and the expected output is the increased capacity to support the sustainable operations of the IFMS at the LGAs.

Recommendation7: Conduct the internal audit workshop for the senior management of the MDAs/LGAs

According to the questionnaire survey of the JICA Support Activities, there is a need to increase the awareness on the role and importance of the internal audit at MDAs/LGAs. In particular, senior management of MDAs/LGAs is supposed to formulate and implement the measures in response to the recommendations by the internal auditors. It is recommended that an internal audit workshop be held so that the senior management will recognise the role and importance of the internal audit.

✓ Prepare and organise the internal audit workshop for the senior management of the MDAs/LGAs;

✓ Conduct the follow-up survey;

This recommendation should be implemented as soon as possible, and the expected output is the increased awareness among the senior management of the MDAs/LGAs for improved effectiveness of internal audit.

Recommendation 8: Formulate the skill standards for the internal auditors and the system support staff

A variety of training courses are currently implemented for the capacity building on the PFM, and the JICA Support Activities also provided the training courses for the internal auditors and the systems support staff of the ACGEN. It is recommended that the skill standards for the internal auditors and the systems support staff be developed to facilitate the development of the systemised training programmes.

✓ Formulate the skill standards and training standards of the internal auditors;

✓ Formulate the skill standards and training standards of the systems support staff;

✓ Review and update the skill standards and training standards;

This recommendation should be implemented as soon as possible, and the expected output is the improved efficiency and effectiveness on the delivery of training programmes to the internal auditors and the systems support staff.

Recommendation 9: Improve the training courses on accounting for the LGAs

At the LGAs, the personnel have fewer opportunities to attend training programmes. One of training components in the JICA Support Activities taught the issues of the local government accounting to the SDU staff, and this topic is also useful for the LGAs. It is recommended that the similar course be prepared and conducted for the LGAs.

✓ Review the training programmes for the LGA staff;

✓ Provide the training programmes to the LGA staff;

This recommendation should be implemented as soon as possible, and the expected output is the improved capacity on the PFM at the LGAs.

Recommendation 10: Increase the application skills of the DWH users

The data warehouse (DWH) has been installed for the multifaceted analysis of the IFMS financial data and effective policy making and budget preparation, but the end users have not effectively utilised the DWH. It is recommended that DWH users provide themselves with the supplemental training to leverage the effective application of the DWH.

✓ Identify the skills required for the effective DWH operations;

✓ Review the utilisation of the DWH;

This recommendation should be implemented as soon as possible, and the expected output is the improved capacity to utilise the DWH for more effective policy and budget preparation.

Recommendation 11: Collect the basic data of the internal audit and the accounting at MDAs/LGAs

The accurate and comprehensive data on the MDAs/LGAs is essential to formulate an appropriate action plan for the capacity building on the PFM. It is recommended to establish a mechanism to collect basic data of the internal audit and accounting regularly for the efficient planning.

✓ Collect the basic information on the internal audit and the accounting regularly from the MDAs/LGAs;

✓ Manage and share the information;

This recommendation should be implemented as soon as possible, and the expected output is the improved planning on the internal audit and the accounting.

"JICA Development Study for Support of Capacity Building on the Public Finance Management" was conducted from July 2005 to June 2007 as a technical cooperation within the PFMRP framework. In the Development Study, the JICA Consultant Team conducted the situation analysis on the PFM with the theoretical approach of document and interview surveys and the empirical approach of the analysis of lessons learnt from the JICA Support Activities. Based on the situation analysis, the JICA Consultant Team formulated recommendations on capacity building on the PFM and effective implementation of the PFMRP.

Successful implementation of PFMRP is an important agenda for the GOT and the development partners, as many development programmes have adapted new aid modalities as the aid coordination framework. A number of PFMRP activities have been implemented in the areas of institutional development, business process and capacity building and the GOT has attained a certain progress of the improvement of the PFM. It is anticipated that the recommendations of the JICA Consultant Team will further improve the PFMRP and contribute to the capacity building on the PFM.