

ARE THERE ANY CHALLENGES FACED BY FINANCE DEPARTMENTS IN LGAS: A CASE OF DODOMA MUNICIPAL, TANZANIA.

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Abstract:-

The main objective of the study was to examine the challenges faced by local government Authorities in Dodoma Municipality. Particularly, challenges facing finance departments of local government authorities in the course of presenting financial information.

The study employed an explanatory case study research design, cross-sectional survey design and applied a triangulation of methods to collect both qualitative and quantitative data. A total of 90 respondents were involved in responding to both questionnaires and questionnaire interviews. Data analysis was done through SPSS.

Key findings of the study unveiled that finance departments of local governments sustained many challenges including political pressures, lack of professional qualified staff.

Keywords: - *Local government, Finance department, professional staff.*

1. INTRODUCTION

In the last decades, many public sector entities worldwide have been resorting to information and communication technologies for service improvement, innovation and participation processes, as a means to promote transparency and accountability – especially through more information disclosure – and responsiveness towards citizens and other stakeholders (Tweedle, 2005).

However, Kolthari (2004), ascertain that today all of Europe and nearly 100 countries around the world require or permit the use of International Financial Reporting Standards (IFRS), and many more are on the stage of doing so, and yet, the increased use of IFRS around the world is a fairly recent phenomenon.

According to Sunder (1997), accounting statements are the resources of accounting information simply because they give information about the operating performance, cash flow and financial position (balance sheet) of an entity which are useful to stakeholders. However, the attributes of utility, reliability and transparency are primary factors which determine the quality preparation and presentation as well as interpretation of financial statements (Choi, 2007).

Moreno and Singer (2005) in their study found that in most developing countries transparency on the preparation of the financial statement is questionable and sometimes being interfered by politicians.

Therefore, due to its necessity, organizations need to be very transparent in financial matters so that they can be able to be motivated at time of contributing their funds to the development of such organization or place (Yan, 2004). Furthermore, Matthew (2005), portrays that LGAs lack key information on financial matters to promote an informed consultative relationship between citizens.

Due to frequent changes in accounting policies and treatment, there is a need for the management of institutions both private and public to be transparent on the accounting policies and principles adapted in preparation of the financial statement (Elliot, 2006).

The overriding objective of local government reforms in Tanzania has been to improve the quality of and access to public services provided by local governments through the preparation of quality financial statements.

However, James (2001) argues that accounting standards will enhance transparency, comparability, facilitate capital formation which is reliable, comparable and consistent.

Many organizations in Tanzania face problems in preparation of financial statements, across the country there has arisen several complaints about the information provided in the prepared financial statements to end users (Bert, 2006). Furthermore, it was argued that effectiveness is not well established during preparation of final accounts hence leading to inappropriate analysis and interpretation of such data provided to users and all stakeholders (ibid, 2006).

In Tanzania, the financial reports are guided by the National Board of Accountants and auditors (NBAA) as professional accountancy body established under the accountants and auditors (Registration) Act No. 33 of 1972 was ended by the Act No. 1995 (Killagane, 2006). However, experience shows that the application of the accounting principles, concepts such as going concern, accrual basis, materiality and aggregation and consistency are distorted by personal views and biases of accounting system of an organization. These affect the truth and quality of the information presented (Bert, 2006).

1.1 Objective of the study.

To examine the challenges faced by financial departments in LGAs

1.2 Significance of the study

The findings of this study will enable various stakeholders including community, government officers, politicians, planners and policy makers to realize the reality of the way transparent financial statements aid financial management.

1.3 LITERATURE REVIEW

Skills, knowledge and experience of staff

According to Elliot (2006) stipulates that, in assessing and selecting staff for the financial statement team, it is important that the team collectively possesses the appropriate capabilities and knowledge to prepare the financial statements. These include an understanding of practical experience in preparing financial statements of a similar nature and complexity a sound understanding of accounting standards and practice, financial reporting and accountability, and legal and reporting requirements appropriate technical knowledge, including knowledge of relevant systems. An understanding of basic audit processes and standards are useful for liaison with external auditors relevant knowledge of the business of the entity ability to prepare good financial statement working papers an understanding of government-specific requirements ability to apply professional judgment, and an appreciation of the financial statement closing procedures, systems of risk management, internal controls, and financial management policies and procedures.

However William(1993) ascertain that, an alternative for addressing identified gaps may include engaging contract staff with the necessary knowledge and skills; arranging additional training to enhance staff proficiencies; and eliminating some roles, tasks or responsibilities through reprioritization or the re-engineering of processes.

1.4. Components of financial statement

According to IASI (10), (2010), a complete set of financial statement is composed of:

Statement of financial position (Balance Sheet)

Is a formal statement showing the financial position of an entity as of a particular date the balance sheet presents the three elements of financial position namely assets, liabilities and equity.

Statement of comprehensive is a formal statement showing the performance of the entity for a given period of time the performance of the entity is primarily measured in terms of the level of income earned by the entity through the effective and efficient utilization of its purpose. This income performance is known as the results of operations of the entity.

Statement of changes in equity

It explains the changes in an entity's equity over the reporting period. This statement shows the profit or loss for the period, item of income and expense for the period that is recognized directly in equity, showing, the effects of changes in accounting policies and corrections of errors recognized, capital transactions with owners and others that are required by accounting standards generally accepted in a certain country.

A cash flow statement

Rather than setting out separate standards for presenting the cash flow statement, IAS 1.111 refers to IAS 7 Statement of Cash Flows.

1.5. The notes to financial statements

Is integral part of the financial statements? They present information about the basis of preparation of the financial statements and the specific accounting policies used; disclose any information required by financial reporting standards that is not presented on the face of the balance sheet, income statement, statement of changes in equity, or cash flow statement; and provide additional information that is not presented on the face of the balance sheet, income statement, statement of changes in equity, or cash flow statement that is deemed relevant to an understanding of any of them (IASB).

1.6. Practice of financial statements in developing countries

Developing countries also have a remarkable experience on transparency of financial statements. Good examples may be drawn from Asian countries that have examined transparency across 434 Firms from 12 Countries and tested country level variability in explaining variation in financial transparency(tweedle, 2005) Transparency was measured using checklist of 228 and 441 items from IFRSs in 2002.In the case of India transparency gained a lot of momentum in the corporations that have no choice but to make their operations transparent and be open to their stakeholders and also to the entire community. Therefore, transparency is needed in all the activities of the organization. Transparency can be categorized as active transparency and forced transparency, based on the firm's attitude towards disclosure. India being one of developing countries in transition needs to work on many fronts to improve government budgeting and financial accountability. Therefore India has been facing challenges in practice, such as poor financial environment and networking, establishing external and internal controls and ineffective financial auditing.

1.7. Tanzania Experience of transparency in financial statements

The experience of Tanzania has shown government efforts towards transparency of FS through financial and banking reforms, the reforms were guided by principles of Good governance which relies on three interdependent characteristics; transparency, accountability and integrity. These three traits underline the importance and need for timely and accurate information, which, recursively, requires a willingness to share information, i.e. openness or transparency (URT. 2011) Annual reports from local government Authorities and parliamentary budget discussions have indicated common weaknesses in preparation and presentation of financial statements. In many cases some districts have been declared having "qualified financial report" meaning that the Auditor General is not satisfied with the accuracy of the accounting of public money allocated to the district

Another aspect of weaknesses of financial statements is corruption and fraud in handling and reporting of government resources, which has been monitored by PETS (Public expenditure tracking system) operations in the country. In addition there is lack of involvement of all stakeholders in budget preparation. There is no transparency and accountability in reporting financial information to the citizens.

2.0. MATERIALS AND METHODS

2.1. The Area of Study

The study was carried out in Dodoma Municipal Council as shown in figure 2 for convenience reasons. According to Kothari (2004) convenience is enough justification to select an area for study as well as subjects to be included in the study.

2.2. The Research Design

This is a plan on how to go about the research. According to Robert (1994) a research design is a framework or blue print for conducting the research project. It specifies the details of the procedures necessary for obtaining the information needed to structure and/or solve research problems. In this study, a holistic explanatory and crossectional survey case study design were adopted.

2.3. Target Population

The study population is the total number of units under the research focus. It is a total collection of elements about which the researcher wishes to make some inference (Schindler and Cooper, 2006). For the purpose of this study, the target population was officers in the finance department of Dodoma Municipal Council and other officers in ward and street level.

2.4. Sample Size

The sample size is a small part selected from a larger whole in which the researcher is interesting in gaining information and drawing conclusion (Babbie, 1992). In estimating sample size, the following formula was used:

$$n = \frac{(Z_{\alpha/2})^2 P(1-P)}{\epsilon^2}$$

Whereby; n = sample size, P= Percentage of local government workers involving in financial department and ϵ = Maximum error: since P is not known for the study population, its value is assumed to be 50% as it ensures maximum sample size (Amin, 2005). By using a confidence interval of 95% for the estimated population proportion, maximum error of 10% and a nonresponse rate of 5%, a final sample size involved in a study were 80 local government workers in ward and street level and other 10 key informants from the municipal finance department to make total of 90 respondents.

The study sampled ward executives and street/village executive officers and Municipal financial department staff because they have adequate information on the issue relating to financial performance...

2.5. Sampling technique

simple random sampling technique was used for this study as it include Village executive officers, ward executive officers and municipal financial department staff therefore they were independent from each other.

2.6. Data Collection Methods

Open ended questions had the purpose of gathering as much information as the respondent had whereas the latter were to control the diversity of responses and simplify the analysis of findings. The questionnaire contains questions on personal profile of the respondents and questions on the specific objectives in order to get the appropriate respondents.

2.6.1. Interview

An interview is the technique of data collection that involves oral questions to respondents either individually or in groups (Kothari, 2004). This method gives a chance to communicate face to face with respondents and it provides chances to clarify issues. In this study both structured and unstructured interview were used to obtain information.

2.7. Data Processing

The data obtained from the respondents and other key informants were categorized, assigned with numerical values basing on the objectives of the study before analysis was done.

2.8. Data analysis

Mngarah (2008) defines data analysis as a process of systematically searching through and arranging the interviews, transcripts, field notes and other materials that a researcher accumulated to increase his or her understanding of them, and to enable the researcher to present what he discovered to others. Data analysis was done using both the Statistical Package for Social Sciences (SPSS) and Microsoft Excel.

3.0. RESULTS

Demographic Information of the Respondents

Participants in this study were categorized into two groups. In the first category, were the 80 ward and village (street) officers in different positions. Their task was largely limited to filling in questionnaires. The second category comprised of 10 key informants. These were officers in the municipal financial department. Their participation was broader as they were involved in both questionnaire interviews and in in-depth discussions of the subject in question.

This section presents the profiles of the 80 participants in the first category. The personal profile information include information on sex, age in years, level of education, level of employment in the local government and the working experience one had in the job. The profiles of the 10 participants in category two, however, were not captured to allow them spend all effort in discussing the details of the subject matter.

Table 3.1 Sex of the Respondents

Sex of respondents	Frequency	Percent
• Males	38	47.5
• Females	42	52.5
Total	80	100

Source: Field work survey, 2013

Table 3.2: Distribution of the Respondents by Age

Age of Respondent	Frequency	Percent
• Below 25 Years	2	2.5
• 25 – 30 Years	16	20
• 31 – 40 Years	20	25
• 41 – 50 Years	38	47.5
• Over 50 Years	4	5
Total	80	100

Source: Field work survey, 2013

Table 3.3: Distribution of the Respondents by their Level of Education

Level of Education	Frequency	Percent
• Secondary education	22	27.5
• Certificate / Diploma	26	32.5
• Graduate	32	40
Total	80	100

Source: Field work survey, 2013

Table 3.4: Distribution of the Respondents by their Level of Local Government

Level of Local Government	Frequency	Percent
• Village / Street	18	22.5
• Ward	62	77.5
Total	80	100

Source: Field work survey, 2013

Table 3.5: Distribution of the Respondents by their Working Experience

Working Experience	Frequency	Percent
• Less than 5 Years	18	22.5
• 05 – 10 Years	36	45
• 11 – 15 Years	10	12.5
• 16 – 20 Years	8	10
• Above 20 Years	8	10
Total	80	100

Source: Field Work survey, 2013

Table 3.6. : Advantages of Transparency

Advantages	Frequency	Overall Percent	Individual case (%)	Ranks
Reduction of financial mismanagement	62	32	77.5	1
Increase of ward and public participation	43	23	53.8	2
Local government officers become more accountable to their people	39	20	48.8	3
Transparency promotes better and informed policy decisions	30	16	37.5	4
Improved access to sources of finance	7	4	8.8	5
It encourages other people to contribute more and to work hard	4	2	5	6
Transparency encourages trustfulness of both leaders and other stake holders to their government	4	2	5	6
It helps to encourage WEOs to do well their work	2	1	2.5	8
Total	191	100	238.9	

Source: Field work survey, 2013

By using multiple response analysis, it was found out that the overall percentages were 62(32%) for reduction of financial mismanagement, 43(23%) for increase of ward and public participation, 39(20%) for local Government officers become more accountable to their people and 30(16%) for transparency promote better and inform policy decisions. The percentage indicated that all the advantages were perceived to be accepted whereby reduction of financial mismanagement, increase of ward and public participation and local government officers become more accountable to their people ranked high. The individual case percentages were 62(77.5%) for reduction of financial mismanagement, 43(53.8%) for increase of ward and public participation, 39(48.8%) for local Government officers become more accountable to their people. It was observed that these percentages 77.5%, 53.8% and 48.8% were higher than overall percentages, implying that the respondents highly valued the advantages especially the first, second and third.

3.7. Reduction of Financial Mismanagement

Transparency makes people know the revenue and expenditure of their councils. This makes them easily query expenditures that violate financial regulations. Moreover, people can relate the worth of projects and activities with set out budgets for their implementation. It is also possible to compare expenditures and project progress. Such transparency reduces questions and limits loopholes for both misallocation and misappropriation of public funds. Many 62(77.5%) of respondents, for instance, observed that tracking the progress of many projects was difficult because they did not know how much money was allocated to them and how many phases they would take before completion. It was thus difficult to understand even the correctness of their municipal financial statements. In effect, people remained complaining passively that projects spent too long time to accomplish. As regards this, one respondent had this to say:

"We are leaders, but we don't know what is happening in the council. When we ask why a project takes too long to complete, they say the budget is small. But we don't know the amount. How can I trust that the budget is small? Some people are saying maybe they are doing business with municipal money, that's why projects are not undertaken. If they tell us, we shall not blame them".

3.8. Transparency Promotes Better Policy Decisions

Transparency provides an opportunity to residents to be better informed about their communities. A better informed resident helps create a better dialogue with government, and particularly local government officials. These results in better policy decisions and citizens are not surprised by the actions of their government. Similarly, with the public being aware of the existing policies and background to how and why decisions are made, the municipal staff and officials spend little time on the history of issues, and more time on what to do next. In this manner, conflicts between the public and their municipality find no place. This advantage was well presented by one participant as follows:

"Last year the municipality had to use police force to dismiss small business holders around Marengo market. The police had to maintain their presence for days before business holders surrendered. Such clashes would have not happened if people had been well involved in the decision, and budgets set for their reallocation to a safe market place."

3.9. Improving Access to Sources of Finance

Many government lenders and credit agencies have a strong interest in transparency. Serious government commitment to transparency can improve access to both commercial and concessional finance. This advantage matches with the findings by the International Monetary Fund (IMF) that suggest a significant positive correlation between transparency and access to finance (IMF, 2000).

3.10. Challenges Faced by Financial Departments in LGAs

The objective of this study was to examine the challenges faced by financial departments in local government authorities. The objective was pursued in belief that shortcomings in the department underlie most in transparency in local government authorities.

Like for the previous objective, questions in this section allowed multiple responses. Respondents could therefore identify as many challenges as they knew. In effect, the total of responses may not tally to the number of participants. Table 4.10: summarizes the findings for this objective.

Table 3.11: Challenges Facing the Finance Department in LGAs

Challenges	Frequency	Overall (%)	Individual Case (%)	Ranks
Limited access to development finance	58	16	73	1
Political influence and pressures	53	14	66	2
Lack of experts	46	12	58	3
Little knowledge on accounting and finance principles like IFRS	45	12	56	4
Conflicts of interest with CDA	44	12	55	5
Lack of transparency and accountability on revenue collection and expenditure	39	11	49	6
Corruption	37	10	46	7
Transfer challenges from EPICOR to IPSAS	25	7	31	8
Delay of funds	23	6	29	9
Total	370	100	463	

Source: Fieldwork Survey, 2013

By using Multiple Response Analysis, it was observed that overall percentages were 58(16%) for limited access to development finance, 53(14%) for political influence and pressures and 46(12.4%) for lack of experts. The percentage indicated that all the challenges were perceived to face finance department in the preparation and presentation of financial statements whereby limited access to development finance, political influence and pressures and little knowledge on accounting and financial principals like IFRS ranked high. The individual case percentages were 58(73%) for limited access to development finance, 53(66%) for political influence and pressures and 46(58%) for lack of experts. It was observed that these percentages 73%, 66% and 58% were higher than overall percentages, implying that the respondents highly gave priority especially the first, second and third.

3.12. Limited Access to Development Finance

It was noted that sources of finance for local governments were highly limited. This impaired local government capacity to provide adequate social and infrastructural services to their citizens. It was learned, for instance, that the recent rationalization of local government taxes and, in particular, the abolition of the local development levy in 2004, implied that many councils, including Dodoma municipality, in the short run, lost 40-50 percent of their own generated revenues. This raised concern among stakeholders at both the local and central levels that the financial autonomy of local authorities is undermined and that some council may move towards bankruptcy. However, the reform also represented an opportunity for local governments to implement much needed reforms of their revenue systems and to look at new approaches for revenue enhancement and cost saving. Unfortunately, this has not been achieved by many types of council, Dodoma inclusive because of the shortage of fund.

Related to this, is the crippled capacity of the Local Government Loans Board (LGLB). This is the only central government body serving as a source of loan capital finance to local government authorities for investment purposes. Despite the incapacity of this board to provide adequate loans, local governments are not allowed to source external funds unless approved by prime minister's office; regional administration and local government. This has worsened financial difficulties already sustained by local governments. As regards this, one participant from the municipal finance department observed:

"Sometimes we (Dodoma Municipality) don't have money for projects. For the whole year we only pay salaries, allowances, fuel, stationery, trips and other small expenditures (recurrent expenditures). We don't have enough money to improve the infrastructure."

3.13. Political Influence and Pressures

Another major challenge facing local governments' finance departments was identified as political influences and pressures. Many financial decisions and policies are taken with some political influence behind. It was, for instance, marked that sometimes in central government high profile officials interfere the affairs of local governments. As a case, it was learned that some current massive road construction in the municipality had some central government interference. As a result, resources like money were allocated at the expense of other social services and utilities.

At the municipal level, it was identified that sometimes funds are allocated or projects erected in certain areas depending on the influence of one or more ward councilors in the area. Sometimes local politicians in the municipal council lobby each other to have projects erected in their areas. As regards this, one respondent, for instance, had the following observation; *"Ward councilors are politicians. Their decisions in the council are what dictate what the municipality does for the planning period. As they are politicians, many of their decisions are driven by politics. Sometimes they undertake short-term projects only to please their voters, foregoing important ones with long-term benefits for the people"*.

Similar findings were unveiled by Susana and Patrícia (2001). In their findings, politics and other institutional structures were found to dwarf municipal transparency.

3.14. Lack of Qualified Competent Staff

Local governments lack qualified and competent staff to manage the books of the local governments. It is common knowledge that some staff members of local government councils are not recruited solely on the basis of the possession of requisite knowledge and experience. It was thus learned that many local government staff in the finance department lack professional accounting knowledge. Many only possess basic certificates, diplomas and few have degrees. Most of these, however, are not certified by either national or international boards of accounting. As a result, many employees in the finance department of the municipality are either not trained or semi-trained in professional accounting. For that reason, it was identified that many did not abide by the principles laid down by International Financial Reporting Standards (IFRS) and the National Board of Accountants and Auditors (NBAA). These findings match with the National Bank of Romania's (2011) views. The bank observed that if users of financial statements required at least minimum knowledge for them to understand audit and financial reports, more so then is this required for finance and accounting professionals. Many respondents observed that many employees who develop themselves through further studies and acquire CPAs (Certified Public Accountants) seek better jobs in central government institutions or private organizations. This has contributed to making many local government councils earn dirty documents from the Controller and Auditor General (CAG). One respondent had this to say;

"Many workers in the finance department use the municipality as a training ground. When they acquire CPAs and Master's Degree they go to TRA, BOT, and other places. They no longer want to work for the municipality."

Although there is shortage of staff in financial accounting, the municipal has inadequate resources to provide professional training. As well, there are elements of corruption and low capacity of retaining the qualified staff in finance.

3.15. Corruption and Lack of Transparency and Accountability

Lack of transparency and accountability on revenue collection and expenditure was identified as another problem facing local government finance departments. Council's funds are viewed as government nobody's funds. Account books are falsified, and funds embezzled with reckless abandoning. Nobody is held accountable and audit reports have become politicized and are of less utility to enforce transparency and accountability in the local council areas in the country.

It was also observed that corruption was becoming widespread in local governments. Local government accounts are not properly kept. Subventions from the central government are viewed by most council chairpersons and councilors as part of their share of the "national cake". Consequently, no body raises any alarm. As regards this, one respondent observed: *Today some levies intended for the municipality are paid in individual pockets. For example, very often fines are levied from those held running unlicensed businesses, but this source of revenue is not accounted for and it is unknown where this money ends up! Sometimes their property is seized but after no time the stores are empty and no money collected is seen in any municipal financial records."*

3.16. Conflicting Interests with CDA

Many participants, especially those in the finance department were of the opinion that the presence of the Capital Development Authority (CDA) limited the sources of finance for Dodoma Municipality. It was learned that some internal sources of funds such as house and land levies and sales of plots belonged to CDA and not Dodoma municipality, despite the fact that the same belonged to councils elsewhere in Tanzania. Participants blamed the authority as limiting the capacity of municipal council to provide adequate social and infrastructural services to the people of Dodoma. The following, was a remark from one respondent.

"These CDA are collecting a lot of money. Many sources of finance for councils have been given to CDA. This is a very unique case which is not found elsewhere in the country. They seize peoples' plots and resell them at high prices without compensation to original holders, they collect house and land levies everywhere in the municipality. They don't provide social services. People hate them, and they even hate the municipality because of them."

3.17. Transfer challenges from EPICOR to IPSAS

As part of integrated financial management system, Dodoma Municipality was formerly using EPICOR accounting software in its transactions. Recently, the municipality turned to IPSAS. IPSAS, which stands for International Public Sector Accounting Standards, is a set of standards used by public sector entities in the preparation of financial statements. Since these standards are based on IFRS issued by the International Accounting Standards Board (IASB), of which it has been identified earlier that the municipality lacks experts; the new system has been a challenge to adopt by many staff in the finance department. Many participants from the department complained the municipality had not provided significant training on the new system.

3.18. Delay of Funds from the Central Government

While local governments have their own sources of finance, most local government financing comes from the central government. The central government, for instance, funds most local government salaries and many recurrent grants in agriculture, health, water, roads and other areas. The central government through the ministry of finance also extends grants for development expenditure for local governments.

Unfortunately, however, these funds and grants are not provided on time. Worse still, sometimes they are provided in halves. Like other councils in Tanzania, this has dwarfed the capacity of Dodoma municipality to provide adequate social and infrastructural services to the people.

4. Conclusion

Finance is very important in the running of organizations, particularly, governments. Local governments have a number of functions to carry out. Consequently, their finances need to be efficiently managed and judiciously utilized. Financial management is about efficiency matters. It is about affective use of available financial resources, it is about financial alertness. Efficient financial management is necessary for successful execution of projects and delivery of quality services at the local levels. Efficiency in financial management in any organization is always achieved through organizational determination to pursue excellent performance. It entails self-discipline on the part of top, middle, and low level managers in the organization. If this is achieved, then local governments will excel in their purpose of providing local people with quality services and infrastructure.

4.0. Challenges Faced by Finance Departments in LGAs

Findings on this section disclosed that local governments' financial departments face a range of challenges. Most of these challenges emanate from financial shortages, politics, corruption, low expertise in the field of financial management and lack of transparency and accountability. Specifically, however, challenges to financial departments in LGAs were identified as follows:

- (i) First, it was observed from findings that sources of funds for local governments were limited. Among the measures blamed to have had substantially limited the access of finance to local governments, was the registration that abolished the local development levy in 2004. According to statistics, this step alone reduced local government finances by 40 to 50% of all internally generated revenues. Worse still, the capacity of the Local Government Loans Board to issue loans to councils is very low. The two have highly impaired the capacity of local governments to adequately serve citizens through the provision of quality services and physical infrastructure.

- (ii) Political influences and pressures were also observed to obstruct the functions of financial departments in local governments. It was learned that because the main decision makers in councils are ward councilors, who are politicians, many of their decisions had some political bearing and influence. Sometimes priorities and projects are undertaken depending on who has the most influence among others. Exacerbating the problem, it was further noted that sometimes even central government politics would dictate affairs of local governments. Such political influences and pressures, both at local and central level affected the ability of local governments to provide quality and efficient services.
- (iii) Another challenge was that local governments' finance departments lacked competent and qualified staff. Many of their staff had basic training with certificates, diplomas and degrees without career qualifications, particularly CPAs. It was further disclosed that many of those who took steps to study and acquire CPAs immediately sought alternative jobs in better paying central government or private institutions. This made remaining workers in the finance departments of LGAs lack appropriate training to tackle day to day challenges of finance.
- (iv) Corruption and lack of transparency and accountability were other challenges dwarfing the efficiency of finance departments of LGAs. It was found out that some officials in local governments were of the view that local government funds were their share of the national cake. As a result, misappropriation, misallocation and other fraudulent practices marred local government finances at the expense of the masses.
- (v) Other challenges facing financial departments of LGAs were delay of funds from the central government and transfer challenges from EPICOR to IPSAS. Particularly for Dodoma, the conflict of interest between the municipality and the Capital Development Authority (CDA) was cited to limit the sources of finance for the municipality.

The purpose of municipal councils, like other local government councils in Tanzania, is to provide quality delivery of services in key sectors, notably education, health, water and roads, and also to provide the physical infrastructural support for the aforementioned services. However, in regard with the finding of this study local leaders are informed but not completely involved in plan preparations. In most cases the preparation of financial statements not adhering to the accounting standards (IAS), thus not consistency with accepted principles that guide transparency. If local governments are to adequately fulfill their purpose of providing social and infrastructural support to their local citizens, then it is inevitable that prompt and well informed measures be taken to ensure transparency, not only in preparation, but also in reporting and translation of financial statements.

5.0. Recommendations

In connection with the findings of the study, this section provides recommendations which are classified into two parts, namely; recommendations to the local governments and to the central government.

5.1: Recommendations to the local governments

- (i) *Citizens should be involved in decision making in their local governments:* this increase their commitment and readiness to contribute for the development of their councils. Important also, is that it will minimize conflicts between citizens and their government as the former will not be shocked by the decisions of their government.
- (ii) *Local governments should train their staff in the finance departments to professional career education such as CPAs and remunerate them accordingly:* in order to carry out their duties professionally, local councils should develop their staff into CPAs. Seminars and forms of short courses should be used to keep the finance department staff always updated in new accounting packages. To keep competent staff and avoid turnover, attractive remuneration and other benefits that match those provided elsewhere should be extended to these staff.
- (iii) *All local government preparation and reporting of financial information should abide by the generally accepted principles of both NBAA and IASB:* this will help to control fraudulent practices and avoid dirty documents from the controller and auditor general.
- (iv) *Local governments should establish firm mechanisms enough to ensure transparency and accountability in their financial affairs:* transparency will make people aware of the affairs of their local governments. Also, it will help in monitoring the implementation and progress of different projects and activities in the municipality. This will also make people in positions duly exercise their powers in delivering expectations, short of which, they will easily be held answerable. Further, transparency and accountability will increase sources of financing. It has been identified, for instance, that many donors and lenders are interested the transparency of governments.
- (v) *Local governments should erect and run projects that will extend their revenue base to reduce dependence on the central government:* different projects such as hotels and renting holes should be planned and executed to increase finances of local governments. In effect, this will reduce their dependence on central government financing.

5.2. Areas for Further Research

Given the limitations of this study, further studies are recommended on the same subject area, but using a case study approaches or other that will allow the inclusion of many different categories of local government councils in the details. This will widen the applicability of the findings as district, town and city councils will also be included. Therefore, the following topics are suggested for further research:

- (i) Assessment of use of EPICOR for financial statements in LGAs in Tanzania
- (ii) Determination of training need for quality financial statements in LGAs in Tanzania
- (iii) An evaluation of relationship between GAAP and its acceptance by accounts department for the attainment of transparency in Local Governments.

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