

**Evidence-Based Governance in the
Electronic Age**

Case Study

**Financial Records and Information Systems
in Tanzania**

This case study has been prepared by the International Records Management Trust and does not reflect the views of the World Bank nor the Government of Tanzania.



***A World Bank/International Records Management Trust
Partnership Project***

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INTRODUCTION

- 1 *Evidence-Based Governance in the Electronic Age* is a three-year project delivered in partnership between the World Bank and the International Records Management Trust. It involves coordinating a global network of institutions and organisations to facilitate the modernisation of information and records systems.
- 2 Records, and the information they contain, are a valuable asset that must be managed and protected. Records provide the essential evidence that a particular action or transaction took place or that a particular decision was made. Records support all business functions and are critical to the assessment of policies and programmes, and to the analysis of individual and organisational performance. Without reliable records, government cannot administer justice and cannot manage the state's resources, its revenue or its civil service. It cannot deliver services such as education and health care. Without accurate and reliable records, and effective systems to manage them, governments cannot be held accountable for their decisions and actions, and the rights and obligations of citizens and corporate bodies cannot be upheld.
- 3 New technologies provide great potential to improve services and efficiency, but the evidence base upon which governments depend must continue to be protected and preserved. For initiatives such as e-government and e-commerce to be successful, governments must have access to information that possesses certain crucial characteristics: the information must be available, accurate, relevant, complete, authoritative, authentic and secure.
- 4 The aim of the *Evidence-Based Governance* project is to make records management a cornerstone of the global development agenda. The challenge is to rebuild and modernise information and records management systems in parallel with complementary measures to improve the broader environment for public sector management. The project represents a major opportunity to integrate records management into global strategies for good governance, economic development and poverty reduction.
- 5 During the first phase of the project, studies were carried out within the World Bank and in a range of countries to explore the requirements for managing personnel, financial and judicial records in a hybrid, electronic/paper environment. This report is one of thirteen case studies that illustrate the issues involved. The studies have been supplemented by findings derived by a global discussion forum involving senior officials and records and archives professionals. The knowledge gathered through these means is providing the basis for the development of assessment tools to measure the quality of records and information systems in relation to clearly defined functional requirements and benchmarks. The project will develop tools for use in the three areas of study: personnel, financial and judicial records systems. Ultimately, the information gathered will also help to define the requirements for global capacity building for managing electronic records.

- 6 The case studies have been chosen to represent differences in geographic regions, administrative structures and resource environments. The countries chosen to examine the management of financial records were Nigeria, Tanzania, Chile and Vietnam. These countries give a broad geographical spread and represent different degrees of development in financial reform and the use of electronic records.

Terms of Reference and Methodology

- 7 This report covers a visit to Tanzania by Ray Bennett and Kelly Mannix from 5 to 10 May 2002, to examine the management of financial records and to test a prototype of the assessment tool.
- 8 The case study represents a snapshot in time. The observations it contains were current as of May 2002. Since then, new developments and improvements have taken place on a regular basis and therefore the case study does not represent the situation at present. It is hoped that the findings in this report will highlight issues that will continue to arise in many other situations.

Acknowledgements

- 9 The Trust wishes to express gratitude to the staff of the World Bank's Tanzanian Country Office, particularly Vedasto Rwechungura (Program Officer) and Evelyn Kapya (Records and Library), and to the secretarial staff Tauhidah El-Busaidy and Gloria Sindano, for their assistance in making the arrangements for the visit. Grateful thanks are also extended to all the officials who kindly made themselves available and provided much valuable information during the visit. A full list of people consulted is at Appendix A.

EXECUTIVE SUMMARY

- 10 The Government of Tanzania has focussed on improving fiscal performance and instituting structural reforms. The Bank approved the Country Assistance Strategy in June 2000 focussing on higher economic growth, poverty reduction and institutional reforms, which conforms with the Government's main strategic directions. In November 2001, the Bank agreed that Tanzania was eligible for irrevocable debt relief under the Enhanced Heavily Indebted Poor Countries Initiative framework. A range of bilateral donors are also active in public sector reform and capacity building. (paras 32 to 35)
- 11 For the past five years reports by the Controller and Accountant General on the central and local government accounts have drawn attention to the serious lack of accountability for public funds. More recently measures have been taken to address these problems. Other reports on the management of financial records have highlighted the importance of ensuring that the management of financial records is included in financial management reform initiatives. (para 39 to 40)

- 12 Government accounting and financial reporting had previously been governed by the Exchequer and Audit Ordinance of 1961 and implemented through financial orders. The introduction of the computerised Integrated Financial Management System (IFMS) between 1998 and 2000 necessitated the implementation of The Public Finance Act in February 2001, which replaced the 1961 Ordinance and provided for the control and management of public finances as well as the role and responsibilities of the Controller and Auditor General. The Act and related Regulations came into force with effect from 1 July 2001. The Public Finance Regulations 2001 set out guidance for the maintenance of accounting records and the specification of retention periods. (paras 41 to 48)
- 13 The Auditor General has drawn attention to the serious lack of accountability for tens of millions of Tanzanian Shillings due to unvouched and improperly vouched expenditure. He has repeatedly emphasised to accounting officers the importance of ensuring that complete documentary evidence is maintained for all payments. (paras 49 to 51)
- 14 Government accounting and auditing are in the transition stage from paper to electronic record-keeping, and there have been problems finding supporting paper records for computerised accounts. The relevant staff are undergoing training. (para 52)
- 15 Visits were made to the Ministries of Finance, Works, Health and Education and although there have been improvements in the management of paper-based financial records, there are no disposal schedules for financial records. This causes problems in storage and tracking of documents. (paras 53 to 57)
- 16 Financial sector reforms in Tanzania have been under way since 1992. The Integrated Financial Management System (IFMS) was developed in 1996 as part of the Civil Service Reform Programme in order to strengthen the capacity of ministries, departments and agencies to improve expenditure management. Customised versions of the accounts payable, accounts receivable, general ledger, cash management and purchase order modules have been installed for Government ministries located in Dar es Salaam and now all central government budgetary expenditure is implemented through the system. (paras 58 to 60)
- 17 A WAN (wide area network) links all ministries, with the exception of the Ministry of Defence, to a central server at the Ministry of Finance. Modules have also been installed at 19 sub-treasuries, but communications and system support problems have hampered the system's effectiveness in these areas. Extending the system to regional offices and more remote areas requires secure and reliable communications. VPN (Virtual Private Network) technology is being considered for the secure transfer of data from the central server to remote sites. (paras 61 to 66)
- 18 The introduction of the IFMS has demanded extensive training for staff across all government ministries and at different levels of staffing, incurring high overheads. The training has relied heavily on external funding. (paras 67 to 72)

- 19 System security requirements have addressed application, technical and personnel risks. Further system security against viruses is also being implemented. (paras 73 to 74)
- 20 There are a number of significant records and information issues that could usefully have been considered as part of the initial concept of IFMS. No retention periods or disposal schedules have been incorporated in the system. The business process analysis was conducted after the system was purchased, and as a result, there is a risk that the system will not adequately support and integrate with existing business processes and information flows. The Ministry of Finance is dependent upon Soft-Tech Consultants, a private company, to manage the system. (paras 64 to 65 and 75 to 78)
- 21 A Records Management Project funded by the UK Department for International Development from 1996 to 2001 included the disposal of unwanted files, the restructuring of records management systems and training of records personnel. Unfortunately, accounting records were excluded from the project. The legal and regulatory framework for the management of records was updated to provide clear and comprehensive powers to oversee records management across the Government. The lack of a records centre in the National Archives for storage of inactive files until their retention period has expired has led to congestion problems in registries. (paras 79 to 82)
- 22 Legislation introduced in January 2002 established the Records and Archives Management Department (RAMD) to 'provide the proper administration and better management of public records and archives throughout their lifecycle'. The Act assigns to the heads of public offices responsibility for the management of records from their creation to disposition. RAMD has clear and comprehensive powers to oversee current records management across the Government and is in the process of promulgating regulations under the new legislation. (paras 83 to 85, Appendix C)
- 23 RAMD staff have had no training in managing financial records, and no member of staff has been assigned responsibility for providing guidance to ministries and departments in this area. There are plans, however, to train senior staff who will then cascade knowledge to the lower levels in ministries and departments and for the assignment of specific staff for financial records management. (para 86)
- 24 RAMD will require additional resources to fulfil these plans and to meet the new legislative mandate. The Director of RAMD has requested additional funds. (paras 87 to 88)
- 25 Draft records retention schedules for six ministries, were drawn up in July 2001 by Records Appraisal Teams and submitted to RAMD. Preparations are under way for prepare retention schedules for a further five ministries and eventually for local government. The development of records retentions schedules is a major breakthrough. The proposed periods are not always consistent with the Public Finance regulations and there is a need to ensure that there are no conflicting instructions between the schedules prepared by RAMD for government financial records and the requirements in force under existing legislation and regulations. (paras 89 to 92, Appendix D)

- 26 While electronic records are not specifically mentioned in the Records and Archives Management Act 2002, they are covered in the Act's definition of records. RAMD recommended the exclusion of a specific reference to electronic records because the supporting legislation, referring specifically to electronic records as evidence, had yet to be defined. RAMD has sent several staff for introductory training in electronic records management and is developing an electronic records management policy. (paras 93 to 94)
- 27 The Public Finance Regulations 2001 do not make specific provision for electronic records, but the Accountant General is required to issue instructions to safeguard accounting records and documents including those stored in electronic or other non-traditional media. The issues of the long-term preservation of records and data generated by the IFMS has yet to be addressed. (paras 95 to 96, Appendix E)
- 28 The Government of Tanzania could take steps to improve the management of financial records, including constructing a new records centre facility, training RAMD staff in the management of financial records and aligning draft retention schedules for financial records with Public Finance Regulations. (paras 97 to 105)

BACKGROUND INFORMATION

- 29 Tanzania, in East Africa, occupies some 945.1 thousand square kilometres and has a population of approximately 34 million. Tanzania's GNP currently is \$US 9.3 billion. It is one of the poorest countries of the world with a per capita income estimated to be about US\$ 280 a year. This is a severely resource constrained, highly-indebted society with some 12.5 million Tanzanians living in abject poverty on less than US\$ 0.5 per day. As of 1997, the population density of the country rested at 38 persons per square kilometre and the GNI was around \$US 280 per capita.
- 30 The economy is heavily dependent on agriculture (primarily coffee, cotton, tea, cashew nuts, sisal, maize, rice, wheat, cassava and tobacco), which accounts for about 45 percent of GDP, provides 85 percent of exports and is by far the largest employer. Topography and climatic conditions, however, limit cultivated crops to only a small fraction of the land area. Industry accounts for some 16 percent of GDP and is mainly limited to processing agricultural products and light consumer goods. The mining sector, especially gold, has seen rapid development and large foreign investment in recent years. Tourism has also shown significant growth in recent years. The service sector and the informal sector are an increasingly important source of employment.
- 31 The Government is a unitary republic based on multiparty parliamentary democracy. All state authority in the United Republic is exercised and controlled by the Government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar. Each central government has three organs: the Executive, Judiciary and Legislature that have powers over the conduct of public affairs. The Executive comprises the President, the Vice-President, the President of Zanzibar, the Prime Minister and the Cabinet Ministers. The official language is Swahili

- 32 The current government has focused on improving fiscal performance and instituting structural reforms. These reforms encompass:
- building administrative capacity for improving development management
 - maintaining a stable fiscal stance and using public resources more efficiently
 - promoting the private sector by deregulating investments and divesting parastatals through the Presidential Parastatal Sector Reform Commission (PSRC), an autonomous organ. Currently the PSRC is also dealing with vital issues of retrenchment, debts, utility regulation and promotion of consultative mechanism between government and the private sector.
 - providing greater support for primary education and basic health care, and reducing allocations for low priority activities
 - supporting the development of basic infrastructure, especially to give impetus for rural agricultural development
 - restructuring the financial sector to respond to the needs of the private sector.
- 33 Tanzania's poverty reduction agenda has the following key policy objectives:
- reducing income poverty
 - enhancing human capabilities, survival and well being
 - achieving and sustaining a conducive development environment.
- 34 In November 2001, the World Bank agreed that Tanzania was eligible for irrevocable debt relief under the Enhanced Heavily Indebted Poor Countries Initiative framework. The Country Assistance Strategy (CAS) for Tanzania, approved in June 2000, focuses on higher economic growth, poverty reduction and institutional reforms to improve governance. This conforms to the Government's main strategic directions: adherence to macro stability, increased private sector participation in the economy, a renewed emphasis on rural development and improved delivery of social services.
- 35 A number of bilateral donors are active in public sector reform and capacity building. These development partners have confirmed support amounting to about US\$1 billion annually for the next three years towards poverty reduction and pro-poor growth.

MANAGEMENT OF FINANCIAL RECORDS

- 36 Many countries around the world are in the process of strengthening their democratic institutions. More generally, public disquiet and awareness of widespread corruption on virtually every continent has focused attention on the need for institution building, especially the need for greater financial accountability.

- 37 Public sector accountability, particularly financial accountability, is also a high priority on the bilateral and multilateral donors' aid agenda. Donor and lender agencies are *de facto* stakeholders in financial management reforms through the provision of funding in the form of grants or loans for many public sector projects. However, they are just beginning to recognise the need to strengthen records management systems as part of wider institutional capacity building and policy reforms.
- 38 Well-maintained records provide a basis for achieving Tanzania's financial reform objectives. They are the essential resource for accountants preparing financial reports on the management of state resources. These reports enable parliament and the public to see how financial resources have been accounted for and managed. Well-maintained records also permit independent auditors to give the public assurance that the financial reports are credible. They underpin good financial management and accountability and serve the needs of politicians, bureaucrats and citizens. They are also a fundamental means of demonstrating accountability to donors and lenders.
- 39 The maintenance of good financial records is essential for the accountability of the World Bank's and other donors' support. Donors will expect to see good governance at all levels and proper accountability as a condition of their support. The reports of Tanzania's Controller and Auditor General have for many years made reference to substantial amounts of unvouched and improperly vouched expenditure resulting in the failure of accounting officers to demonstrate proper accountability for public funds.
- 40 A previous report on the management of financial records in Tanzania¹ has highlighted the importance of ensuring that the management of financial records is included in financial management reform initiatives. It also noted that the Financial Regulations had not kept pace with the progressive computerisation of financial management functions, that there were no generic disposal schedules for financial records and that responsibility for managing financial records was fragmented.

Financial Legislation and Regulations

- 41 In the past, government accounting and financial reporting were governed by the Exchequer and Audit Ordinance (1961) and implemented through financial orders. The introduction of a computerised Integrated Financial Management System (IFMS) between 1998 and 2000 (see paragraphs 58 to 78) rendered this financial legislation, and the related regulations, out of date. The Public Finance Act, 2001 was passed by the National Assembly in February and received presidential assent in April 2001. This Act replaces the 1961 Ordinance and provides for the control and management of public finances and defines the role and responsibilities of the Controller and Auditor General. The Act and related regulations came into force with effect in July 2001.

¹ *From Accounting to Accountability: Managing Financial Records as a Strategic Resource Tanzania: A Case Study* [infoDEV No. 257-980121] IRMT March 2001. *Records Management Project – Project Completion Report* IRMT October 2001.

- 42 Sections 137 to 140 of the Public Finance Regulations, 2001 (reproduced at Appendix E) set out guidance for maintaining and preserving accounting records. In addition to emphasising the importance of keeping accounting documents in an orderly manner, the regulations specify retention periods for account books and records ranging from three years to ‘indefinitely’.
- 43 The Public Finance Regulations contain other detailed requirements concerning the nature and control of financial records, for example:
- the vouching and control of receipts (sections 64 and 65)
 - payments (section 84 to 86)
 - the need for an audit trail (section 120)
 - Treasury cash books (section 126)
 - standard forms (section 136).
- 44 The Public Procurement Act (2001) and related regulations (Selection and Employment of Consultants and Procurement of Goods and Works) contain rules about the maintenance and retention of procurement records. Under Section 30 of the Act, records of procurement proceedings must be kept for not less than five years from the date of completion of the contract.

Role of the Accountant General

- 45 The Accountant General’s Department is a division of the Ministry of Finance. The Accountant General, as Assistant Paymaster General, reports directly to the Permanent Secretary, Ministry of Finance, who, in his statutory role, is Paymaster General. An organisation chart for the Ministry of Finance and the responsibilities of the Accountant General are shown at Appendix B.
- 46 The Accountant General’s Department and 20 regional sub-treasuries service the 40 or so ministries and departments of central government. The ministries and departments submit supply and development appropriation accounts to the Accountant General’s Department. The regional sub-treasuries, which oversee payments and revenues outside Dar es Salaam, submit regional accounts to the Accountant General’s Department².
- 47 In 2000 there were 117 local government authorities, comprising 25 urban and 92 rural authorities. The urban councils were Dar es Salaam City Council, Mwanza City Council, 12 municipalities and 11 town councils³. This study does not cover financial management and records systems in local authorities.

² Report of the Controller and Auditor General for the Financial Year ended 30 June 2000. Unusually for Audit Reports those for Tanzania are neither dated nor signed.

³ Report of the Controller and Auditor General on Local Authority Accounts for the Period ended 31 December 2000.

Role of the Auditor General

- 48 The Auditor General produces two audit reports each year, for central government to 30 June and for local government to 31 December. These accounts must be submitted to the Auditor General by 31 October 2001 and presented to Parliament by 30 April 2002. The local government accounts for the year ended 31 December 2001 should have been available by 31 March 2002, but were reported to be four or five months delayed. Therefore, the latest audited accounts were for central government for the year to 30 June 2000 and for local government for the year to 31 December 2000.
- 49 The Auditor General has provided figures from audit reports for the total amounts of unvouched and improper expenditure for the five year period 1995/96 to 1999/2000. Unvouched expenditure is expenditure for which there is no payment voucher or other documentary evidence to substantiate the authenticity of the expenditure. Where a payment voucher exists but is not supported by other documentation such as a local purchase order, invoice, muster roll, or receipted payroll, the expenditure is treated as improperly vouched. In all cases of inadequate vouching, the authenticity of the expenditure incurred and the purpose for which the payments were made cannot be ascertained, and fraud or misappropriation of the sums involved cannot be ruled out.
- 50 Figures for unvouched and improper expenditure are provided in the following table:

Central Government	T Shs million				
	95/96	96/97	97/98	98/99*	99/00
Wholly unvouched	1,344	6,005	5,465	15,690	2,234
Improperly vouched	13,903	25,676	40,363	82,191	54,866
Total	15,247	31,681	45,828	97,881	57,100

*included 'Treasury National Accounts' figures of wholly unvouched (9,340) and improperly vouched (36,191); comparable figures were not given for other years.

- 51 Year after year the Auditor General has emphasised to accounting officers the importance of ensuring that complete documentary evidence is maintained for all payments to demonstrate proper accountability for public funds spent. Similarly, he has similarly drawn attention to the large number of payments made on the strength of proforma (or sample) invoices (for example, T Shs 1,044 million in the year ended 30 June 2000). It is difficult to verify the propriety of much of this expenditure in the absence of adequate supporting documentation. In his report on the 1999/2000 central government accounts, the Auditor General stated that more efforts are needed to drastically reduce the number of these questionable payments. The problem of unvouched, improperly vouched and proforma invoices has also been reported in relation to the local authority accounts.

- 52 Government accounting and auditing are in the transition stage from paper to electronic record-keeping, and accounting and auditing staff are undergoing relevant training. The main problem encountered during the audit of the computerised accounts has been to find the supporting paper records kept by the sub-treasuries.

Financial Record-keeping in Ministries and Departments

- 53 The following observations on the management of paper-based financial records were made during visits to a sample of accounts sections who process and record receipts and payments. They indicate a range of issues relating to record-keeping. The management of electronically generated records is discussed later in the report.

Ministry of Finance

- 54 Substantial quantities of non-current financial records with no ongoing value await disposal action within the Ministry of Finance, but the process of dealing with these records has been initiated. Records in the Cash Office are in a state of disorder but more space is planned in a new building due to be completed in the 2002/2003 financial year. Some records held in the Ministry of Finance store are more than 20 years old and there are instances of documents dating from the 1950s and 1960s. A decision is needed on the destruction of these records.

Ministry of Works

- 55 While the IFMS appeared to be operating satisfactorily in the Ministry of Works, some payment vouchers were not being returned to the Ministry for payment. There are difficulties in tracking and locating records in the storage area due in part to insufficient space which was the result in turn of failure to destroy unwanted records.

Ministry of Health

- 56 The Ministry of Health's records storage areas were still very congested, although an exercise to removed non-current records from the system has helped. Financial records are transferred to storage areas after audit. Records dating from 1996/1997 are still in the system and salaries control sheets, needed for evidence of pension contributions, date back to 1984.

Ministry of Education

- 57 Following the introduction of a payments list generated by the Integrated Financial Management System, there had been a noted reduction in the number of missing vouchers encountered by the Ministry under the previous manual system. Vouchers dating back to 1994/95 are retained in the Ministry's accounts section.

INTEGRATED FINANCIAL MANAGEMENT SYSTEM (IFMS)

- 58 Financial Sector reforms in Tanzania have been under way since 1992. While large parts of the financial management system continue to be paper-based, the Government has been progressively computerising various aspects of its financial management functions and moving from a manual accounting system toward a computerised system. In the past, ministries, departments and agencies (MDAs) originated and effected their own payments through a decentralised system, and this inhibited control of public resources. Performance in the financial sector has improved significantly as a result of computerisation. Nevertheless, there are still gaps, and reform is ongoing.
- 59 The Integrated Financial Management System (IFMS) was initially introduced as part of the Civil Service Reform Programme in 1996 in order to strengthen expenditure management. By 1999, all 43 of the MDAs had been incorporated into the system, and the 12 revenue collection points of the Tanzania Revenue Authority in Dar es Salaam were brought on-line in July 2001. Customised versions of the accounts payable, accounts receivable, general ledger, cash management and purchase order modules have been installed for ministries in Dar es Salaam. As a result, all central government budgetary expenditure is now implemented through the system. This Tanzania Government initiative has involved multi-donor funding.
- 60 The IFMS, has strengthened the capacity of the MDAS to record, monitor and control expenditure; to achieve more efficient processing of government transactions; and to monitor expenditures against budget. It has also allowed the Government to introduce standardised coding to facilitate monitoring and racking of expenditure through the budget system. It generates comprehensive monthly monitoring reports on commitment, expenditure and arrears.
- 61 A WAN (wide area network) links all ministries, with the exception of the Ministry of Defence, to a central server at the Ministry of Finance. Modules have also been installed at 19 sub-treasuries, but communications and system support problems have hampered the system's effectiveness in these areas. Extending the system to regional offices and more remote areas will require secure and reliable communications, and VPN (Virtual Private Network) technology is being considered for the secure transfer of data from the central server to remote sites.
- 62 As of June 2000 the WAN consisted of a database server, a CITRIX server, a switch mechanism that connects to the system over 100 Ministry of Finance personal computers. Beyond the firewall there were more than 80 PCs in various MDA Local Area Networks (LANs). A terminal server linked to the central servers provided access via telephone lines to 19 sub-treasury LANs, 28 local authority LANs⁴ and 19 Tanzania Revenue Authority LANs. Other functional areas of finance are not yet integrated with the IFMS. For example, debt management uses the Commonwealth Secretariat Debt Recovery and Monitoring System (CS-DRMS).

⁴ As noted in the Joint World Bank – DFID Country Financial Accountability Assessment (CFAA) report for Tanzania Mainland (2001), the scheduled implementation in the local authorities did not correspond with the phasing of local government reform projects.

- 63 Eventually all thirteen regions will be linked to the central server using VPN. Currently there is not the available bandwidth to allow the transmission of large volumes of data from the regional offices to the central server.
- 64 Soft-Tech Consultants has provided support in system design and implementation and has continued to provide administrative and end-user support. The IFMS is an SQL database supported on a windows NT platform. The software is EPICOR (PLATINUM). During system implementation, 20 new government positions were created to work with the Soft-Tech staff, to support implementation and training and eventually to provide onsite support. During implementation, Soft-Tech provided the bulk of the support, visiting sites on a daily basis and resolving problems. Within a month the WAN was operating on a stable basis.
- 65 The business process analysis was not conducted prior to tender but was a phase of implementation after the EPICOR (PLATINUM) software was selected. The analysis was carried out by the application support teams working with the suppliers and local technical support. The goal was to determine how the transactions would be processed and the roles and responsibilities of staff throughout the process. The approach was to work from the top down, selecting the key functions of the system and then developing the business processes for each transaction performed against each function.
- 66 The business process analysis determined the accountability of those involved in each transaction and was used to develop controls to maintain the accuracy, reliability and integrity of the data that would populate the software. It defined system gaps and customisation requirements, determined reporting needs and defined the Chart of Accounts, or the required accounting transactions.
- 67 The introduction of the IFMS has demanded extensive training for staff of the Ministry of Finance and other ministries, departments and agencies. System training has been provided by Soft-Tech and in-house system administrators and has been largely donor dependent. System training has been delivered in a tiered approach, beginning with the Accountant General and key Treasury staff. Within ministries, the permanent secretaries, chief accountants and department heads have been trained.
- 68 The Ministry of Finance is reliant upon Soft-Tech due to a lack of trained staff within the Ministry to perform, operate and maintain the IFMS. This in large part is a question of pay. Government employees with IT skills can earn considerably more in the private sector. Invest in building capacity to maintain the system in-house
- 69 The introduction of the IFMS has required a high overhead in training across all government ministries and at different levels of staffing. This training, and the basic computer literacy training that has had to accompany it, has relied primarily on external funding. As a result training has had to be limited to key users.
- 70 In addition to training in the IFMS, many users have required basic computer literacy training. Prior to the IFMS implementation, some staff of the Ministry of Finance were already using MS Office Suite products and were conversant with MS Access and MS Excel. The Accountant General's Department is developing training manuals for each system module that will be available to all users. A new Accounting Manual is

being revised to reflect the changes in the IFMS. The goal is to have an operations manual provided to all system users by July 2002.

- 71 The National Audit Office does not have user access to the IFMS for audit purposes. There is one terminal for the Auditor General's Department is used to manage the Audit Office's own accounts. The National Audit Office staff has received computer literacy and computer audit training at the South African Development Corporation Supreme Audit Institution, but have not yet received IFMS specific training. Thus the audit procedures remain paper based to verify expenditure against the printout reports from the IFMS.
- 72 Three hundred central audit staff have been trained in computer audit began two years earlier with help from the Swedish International Development Agency (SIDA). This training is to be extended to staff in the regions when a telecommunications link to the audit headquarters in Dar es Salaam has been established. The audit of Integrated Financial Management System is 'around the system' (using input and output documents) and yet computer-assisted audit techniques are not yet used. The Accountant General's noted that audit staff are seriously behind in their audit of electronic records despite the introduction of training over the past two years. Many have been in post for years and have found it difficult to assimilate new computer systems.
- 73 System security requirements have addressed application, technical and personnel risks. User administration has been limited to a few key individuals and each user has a unique user ID with a confidential password that must be changed periodically. To provide further system security against viruses and unauthorised access, full virus protection has been installed, and floppy disk or A drives have been disabled. A secure firewall has been implemented. Internet use has been strongly discouraged.
- 74 A set of manual controls has been established to ensure ongoing business activity in the case of power outages while full back up procedures were implemented to include offsite storage. Back-ups of all system data are conducted on a weekly basis, and tapes are overwritten every six months. In addition, monthly back-ups are maintained for one year, while quarterly system back-ups are maintained for longer periods.
- 75 There are a number of significant records and information management issues that should have been considered as part of the initial concept of the IFMS:
- 76 No retention periods or disposal schedules have been incorporated into the system. Records retention is treated as an IT rather than a records management issue.

System Weaknesses

- 77 The fact that the business process analysis was conducted after the system was purchased means that the system may not be compatible with work processes, and the functionality may not be best matched to the information needs. This was illustrated when the budget module installed to generate the budget books for the 2000/01 financial year was withdrawn for revisions. Subsequent evaluations noted that the software for the budget module, while compatible with the rest of the system, did not

offer optimum functionality for the transactions and processes required to generate the budget.

- 78 The link between the existing paper records processes and the IFMS was not specified. Without conducting a thorough business process analysis of all financial functions and transactions prior to system implementation there is always a risk that the system will not adequately support and integrate with existing business processes and information flows.

ROLE OF THE RECORDS AND ARCHIVES MANAGEMENT DEPARTMENT

- 79 The Government of Tanzania has recognised for some time that there are serious problems associated with the management of public records, particularly financial records, as revealed by successive Reports of the Controller and Auditor General (see paragraph 51). Between 1997 and 2001, with support provided by the UK Department for International Development (DFID), the International Records Management Trust worked in partnership with the Tanzania National Archives on a records management improvement programme. The key objectives of the programme were to:

- identify and remove from current records systems records which are no longer in active use and establish efficient registry systems in selected ministries
- train staff in selected ministries in the appraisal, ‘decongestion’ and restructuring of records and records systems
- develop records retention and disposal schedules
- prepare a scheme of service for a records management cadre
- strengthen the capacity of records management staff
- establish a viable legal and organisational framework for records management.

- 80 The project was successful in addressing infrastructure and capacity issues and also in greatly improving the management of subject filing systems in central government registries. Unfortunately, accounting records were excluded from the scope of the project.

- 81 The project team urged that a records centre be constructed to which semi-current files could be transferred and stored at relatively low cost to await their ultimate disposal through destruction or permanent preservation in the National Archives. The National Archives has not yet been able to secure funding for the construction of the records centre, and this is seriously undermining its achievements. Though inactive files had been separated from active files and placed in special boxes provided by the National Archives, the lack of a central facility in which they can be kept until their retention period has expired has led to large and increasingly unmanageable accumulations of boxes of semi- and non-current records in registries.

- 82 These boxes have created a new congestion problem in the registries, as well as hampering retrieval of non-current information. The establishment of a records centre is a key issue for the future.

Records and Archives Management Act

- 83 New legislation, introduced in January 2002, repealed the National Archives Act 1965 under which the Records and Archives Management Division operated within the Civil Service Department (CSD). The Act establishes the Records and Archives Management Department (RAMD) to 'provide the proper administration and better management of public records and archives throughout their lifecycle'. The functions of the new department are set out at Appendix C. The Act covers all public records in central government and local authorities, the records of public corporations and parastatal organisations, and certain specified company and private records.
- 84 The Act assigns to the heads of public offices responsibility for creating and maintaining adequate records and record-keeping practices from creation to disposition. RAMD is responsible for assisting and inspecting public offices and for ensuring compliance with records management standards. It also has responsibility for making arrangements for training records staff in public offices.
- 85 The new legislation gives RAMD clear and comprehensive powers to oversee current records management across the Government. RAMD is in the process of promulgating regulations under the new Archives legislation.
- 86 RAMD staff have had no training in managing financial records, and no member of staff has been assigned responsibility for providing guidance to ministries and departments in managing financial records. The Director reported that there are plans to train Directors of Administration and Personnel (DAPs), Principal Administration Officers and Chief Accountants in financial records management and that they would then cascade knowledge to the lower levels in ministries and departments. There are also plans to assign specific responsibility for financial records management across government to a member of RAMD staff.
- 87 However, RAMD will require additional resources if it is to fulfil these plans and to meet new legislative mandate. The complement of professional staff engaged on records management activities has increased from three graduates in 1997 to 12 in May 2002, and the Director hopes to increase this number to 16 by mid-2002. Implementing the new Act will also depend heavily on the appointment of a clearly designated officer as a Principal Records Officer in each ministry to be responsible for records management. These key appointments are in turn dependent upon approval of the proposed scheme of service for the records management cadre.
- 88 To carry out RAMD's new role, the Director has requested additional funds, over and above those required for ongoing functions, to support the following activities:
- further training of records staff in RAMD and government ministries

- monitoring and evaluation of records management throughout government
- upgrading of registries (office space and facilities)
- providing additional records storage in the regions, for example, the establishment of a regional records centre in Dodoma, Tanzania's new capital city.

Records Retention Schedules

- 89 Draft records retention schedules were drawn up in July 2001 by a Records Appraisal Team and submitted to the then Records and Archives Management Division. The Team worked in six ministries and grouped records into four broad categories, each of which consist of series and sub-series: Administration, Finance, Human Resources and Ministry specific functions. The development of records retention schedules presents a major breakthrough in the Government Tanzania agreeing the schedules. Preparations are in hand to prepare retention schedules for a further five ministries, and eventually local government.
- 90 The retention periods proposed for financial category of records are shown at Appendix D. The proposed schedules are being submitted for comment to the Permanent Secretary, CSD, the Ministry of Finance, the Controller and Auditor General, the Chief Parliamentary Draftsman and Directors of Administration and Personnel of all ministries.
- 91 The proposed periods do not appear to be consistent in all respects with the Public Finance Regulations. For example, the regulations state that establishment and salary records must be kept indefinitely for determining officers' and widows' pensions and terminal benefits, whereas this is not a requirement for any salary records listed on the Retention Schedule 4.2 Finance Section (Appendix D). Furthermore the Public Finance Regulations state that all classes of account books and records 'may not be destroyed without the approval of the Accountant General and the concurrence of the Controller and Auditor General'. This is not a requirement of the Retention Schedule 4.2.
- 92 Clearly, there is a need to ensure consistency between the retention schedules for government financial records, as prepared by RAMD, and the requirements for keeping financial records already in force under existing legislation and regulations. Where necessary, amendments to the schedules and regulations need to be considered so that there are no conflicting instructions.

ELECTRONIC RECORDS MANAGEMENT

- 93 Records are defined in the Records and Archives Management Act (2002) as 'recorded information regardless of form or medium created, received and maintained by any institution or individual in the pursuance of its legal obligations or in the transaction of its business and providing evidence of the performance of those obligations or that business.' While electronic records are not specifically mentioned, they are covered in

this definition of records. RAMD recommended the exclusion of a specific reference to electronic records because the supporting legislation, referring specifically to electronic records as evidence, has yet to be defined. There is a widespread belief within government that electronic records were not admissible as evidence in a court of law.

- 94 RAMD has sent seven of its staff for introductory training in electronic records management and is developing an electronic records management policy. The department is also conducting a survey of electronic records management policies, programmes and procedures as the basis for developing professional standards and practices.
- 95 While the Public Finance Regulations (2001) do not make specific provision for electronic records, Section 137(1) (see Appendix E) requires the Accountant General to issue instructions 'specifying the precautions which may be taken in particular cases to safeguard accounting records and documents and in particular those which have been stored on electronic or other non- traditional media'. Moreover, the regulations specify that where accounting data is recorded or stored on 'electronic or other non-traditional material by a mechanical or electronic device', that is, computer-based accounting systems, the Accounting Officer must obtain the prior approval of the Accountant General for the system and changes made to it⁵. There is also a requirement for hard copies to be made of all accounting information subject to inspection.⁶
- 96 The issue of the long-term preservation of records and data generated by the IFMS has yet to be addressed. Data is to be stored online for three years. This is a significant gap in the system. Retention periods need to be defined for each type of transaction, based on business and user needs. Unless retention and disposal requirements are determined and set out in agreed schedules, it will be difficult to enforce systematic disposal of records, and the costs involved in migrating non-essential records between software and hardware environments will be significant.

RECORDS AND INFORMATION MANAGEMENT: KEY ISSUES

- 97 The Government has successfully implemented reforms in the areas of financial management and records management, but these have not been linked.
- 98 The Public Finance legislation and the Records and Archives Management legislation, taken together, can provide a legal and regulatory framework for managing financial records. The key issues is whether the resources allocated to records management will be sufficient to provide the necessary capacity and facilities to maintain an efficient paper and electronic record-keeping systems that will meet the audit requirements for sufficient and reliable evidence to support the government accounts.

⁵ Public Finance Regulations, 2001 Section 118.

⁶ Public Finance Regulations, 2001 Section 123.

- 99 A new record centre facility is vital to an effective records management programme. RAMD needs to train members of its staff in the management of financial records provides guidance in the management of financial records across government.
- 100 Sufficient resources should be available to ensure that the RAMD can fulfil its new legislative mandate and consequential additional duties.
- 101 There should be a designated officer within each ministry, called a Principal Records Officer, who will be responsible for records management.
- 102 The scheme of service for the records management cadre needs to be agreed and put in place.
- 103 The retention periods proposed in the draft retention schedules for financial records need to be should be aligned with the Public Finance Regulations.
- 104 A programme of work is needed to remove and process inactive financial records from active records systems in MDAs.
- 105 The RAMD should be in a position to assist government departments to manage electronic records effectively.

LIST OF PEOPLE CONSULTED

Civil Service Department

Mr Peter Mlyansi, Records and Archives Management

Ministry of Finance

Mr Bedda H Katani, Assistant Commissioner, Budget Division
Mr Ezakial Mkosya, Chief Accountant
Ms Tamika Mwakaheya, Principal Establishment Officer
Mary Majula, Principal Administration Officer
Mr F Mganga, Director of Administration and Personnel, Treasury

Accountant General's Department

Ms Blandina S J Nyoni, Accountant General

National Audit Office

Thomas M Kiama, Controller and Auditor General
Edwin M Rweyemamu, Auditor and Personal Assistant to Controller and Auditor General

Ministry of Works

Mrs Moricia Mzimdiki, Chief Accountant

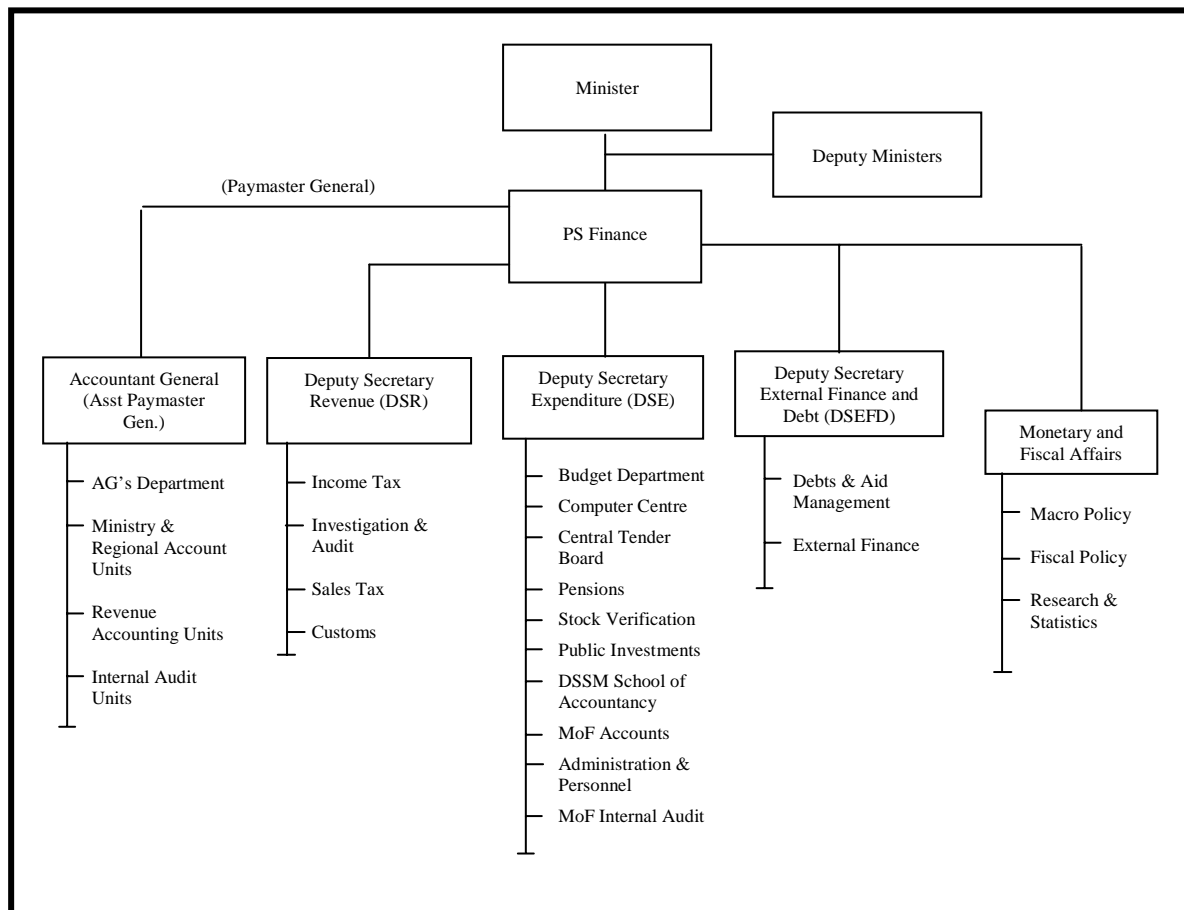
Ministry of Health

Mrs Omeriga Mangi, Chief Accountant
Ms Miriam Mbegu, Principal Administrative Officer

Ministry of Education

Mr Josiah Shimwela, Chief Accountant
Mr Sinforoza Baitwa, Assistant Accountant
Mr Khamis, Cashier

MINISTRY OF FINANCE ORGANISATION CHART



Source: Tanzania Case Study: Implementation of an Integrated Financial Management System in the Government of Tanzania, June 2000

**FUNCTIONS OF THE RECORDS AND ARCHIVES MANAGEMENT
DEPARTMENT**

(Section 6 (1) of the Records and Archives Management Act, 2002)

The Department shall contribute to the efficiency, effectiveness and economy of the Government of the United Republic by:

- (a) ensuring that public offices follow good record-keeping practices;
- (b) establishing and implementing procedures for the timely disposal of public records of no continuing value;
- (c) advising on best practices and established standards in record-keeping in the public service; and
- (d) establishing and implementing procedures for the transfer of public records of enduring value for preservation in the National Archives or such other archival repository as may have been established under this Act.

The Department shall preserve and make available for consultation public records selected for preservation in the National Archives or any other archival repository under the control of the Director.

The Department shall occupy and utilise such buildings as may be necessary for the discharge of its functions and these shall include a records centre or centres for the proper keeping of semi-current records. Public offices may set up their own records centre for the proper keeping of semi-current records, subject to the approval of the Director who shall have a right to inspect such centres.

The Department shall be entitled to receive one copy of every publication produced by the parliament, government and higher courts of the United Republic and of every publication and dissertation produced on the basis of archival research carried out in the United Republic, without making any payment in respect of such publications and dissertations.

DRAFT RECORDS RETENTION SCHEDULES

Civil Service Department Report of the Records Appraisal Team of Records Retention Schedules, July 2001

Section 4.2 Finance

Records Series	Records Sub-series	Records Type	Format	Originating Office	Retention Period	Conditions	Transfer to RAMD
AUDIT	Audits	Audit documents	Paper	All ministries	5 years subject to auditing		
	Audits Queries	Correspondence	Paper	All ministries	1 year		
	Audits Reports	Reports	Paper	All ministries	Permanent at (CAG)	5 years in other ministries	
	Inspections	Correspondence	Paper	All ministries	5 years		
	Audits Procedures	Procedures	Paper	All ministries	1 year		
LOAN AND GRANTS	Personal Loans	Correspondence	Paper	All ministries	1 year		
	Personal Grants	Cards	Paper	All ministries	1 year		
	Loan Cards	Correspondence	Paper	All ministries	2 years		
	National Loans	Correspondence	Paper	Finance and other	Permanent Ministry of Finance	5 years in other ministries	
	National Grants	Correspondence	Paper	All ministries	Permanent Ministry of Finance	5 years in other	

Records Series	Records Sub-series	Records Type	Format	Originating Office	Retention Period	Conditions	Transfer to RAMD
PAYMENTS	Payments	Correspondence	Paper	All ministries	5 years subject to audit		
	Imprest	Correspondence	Paper	All ministries	5 years subject to audit		
	Payment of Bills	Correspondence	Paper	All ministries	5 years subject to audit		
	Payment Procedures	Procedures	Paper	All ministries	1 year		
	Dishonours Cheques	Cheques	Paper	All ministries	1 year		
	Contract Payments	Payments	Paper	All ministries	5 years subject to audit		
	Payment Warrant	Correspondence	Paper	All ministries	5 years subject to audit		
	Payment Authorisation	Correspondence	Paper	All ministries	1 year		
	Bank Reconciliations	Bank Statements	Paper	All ministries	1 year		
	Payment Evaluation	Evaluations	Paper	All ministries	5 years	Subject to audit	

Records Series	Records Sub-series	Records Type	Format	Originating Office	Retention Period	Conditions	Transfer to RAMD
	Stale Cheques	Cheques	Paper	All ministries	1 year		
	Cash Requisitions	Correspondence	Paper	All ministries	1 year		
	Cash Summaries	Cash Summaries	Paper	All ministries	1 year		
	Batch Control Forms	Forms	Paper	All ministries	1 year		
BANKS AND BANKING ACCOUNTS	Banks	Correspondence	Paper	All ministries	3 years		
	Banking	Records	Paper	All ministries	2 years	Subject to audit	
	Currency	Correspondence	Paper	All ministries	Permanent Ministry of Finance	5 years other ministries	
	Bank Accounts	Correspondence	Paper	All ministries	2 years		
	Bank Deposits	Records	Paper	All ministries	2 years	Subject to audit	
	Account Signatories	Correspondence	Paper	All ministries	1 year		
	Money Transfers	Records	Paper	All ministries	2 years	Subject to audit	
	Accounts Correspondence	Correspondence	Paper	All ministries	5 years		

Records Series	Records Sub-series	Records Type	Format	Originating Office	Retention Period	Conditions	Transfer to RAMD
	Telephone Accounts	Correspondence	Paper	All ministries	2 years	Subject to audit	
FINANCIAL PROCEDURES	Financial Procedures	Procedures	Paper	All ministries	1 year		
ALLOWANCE	Allowances	Correspondence	Paper	All ministries	2 years	Subject to audit	
SALARIES AND BENEFITS	Salaries	Correspondence	Paper	All ministries	3 years	Subject to audit	
	Payrolls	Payrolls	Paper	All ministries	2 years	Subject to audit	
	Fringe Benefits	Correspondence	Paper	All ministries	3 years		
	Salary Returns	Records	Paper	All ministries	2 years	Subject to audit	
	Salary Administration	Correspondence	Paper	All ministries	2 years		
	Salary Payments	Correspondence	Paper	All ministries	3 years		
	Salary Reviews	Correspondence	Paper	All ministries	Permanent - CSD	5 years other ministries	
	Salary Reviews	Correspondence	Paper	All ministries	Permanent - CSD	5 years other ministries	
	Salary Deductions	Records	Paper	All ministries	3 years		
	Salaries/Wages/Rates	Correspondence	Paper	All ministries	Permanent - CSD	5 years other ministries	

Records Series	Records Sub-series	Records Type	Format	Originating Office	Retention Period	Conditions	Transfer to RAMD
SALES	Auctions	Correspondence	Paper	All ministries	1 year		
	Sales	Correspondence	Paper	All ministries	1 year	Subject to audit	
BUDGET AND EXPENDITURE	Expenditure Notification	Records	Paper	All ministries	1 year		
	Budget	Records	Paper	All ministries	Permanent in the Ministry of Finance	5 years other ministries	
	Vote Control	Records	Paper	All ministries	1 year		
	Estimates of Expenditure	Records	Paper	All ministries	2 years		
	Warrant of Funds	Correspondence	Paper	All ministries	1 year	Subject to audit	
	Expenditures	Records	Paper	All ministries	1 year	Subject to audit	
	Statements of Expenditure	Summary of Records	Paper	All ministries	1 year	Subject to audit	
	Reallocation of Warrants	Correspondence	Paper	All ministries	1 year	Subject to audit	
	Budget Surveys	Reports	Paper	All ministries	Permanent MOF	5 years other ministries	
	Stocks	Lists	Paper	All ministries	2 years	After stock verification	

Records Series	Records Sub-series	Records Type	Format	Originating Office	Retention Period	Conditions	Transfer to RAMD
REVENUE	Revenue Receipts	Records	Paper	All ministries	1 year	Subject to audit	
	Revenue Estimates	Plans	Paper	All ministries	2 years		
	Rent Demands	Correspondence	Paper	All ministries	1 year		
	Revenue Areas	Records	Paper	All ministries	1 year	Subject to audit	
	Revenue Returns	Records	Paper	All ministries	2 years		
	Rentals	Records	Paper	All ministries	1 year	Subject to audit	
	Duties	Correspondence	Paper	All ministries	1 year	Subject to audit	
	Levies	Correspondence	Paper	All ministries	1 year	Subject to audit	
	Tax Surveys	Reports	Paper	Ministry of Finance	4 years		
	Tax Exemptions	Correspondence	Paper	All ministries	1 year		
	Taxes	Records	Paper	All ministries	Permanent MOF	5 years other ministries	
	Tax Rate Tables	Lists	Paper	All ministries	Permanent MOF	5 years other ministries	

Records Series	Records Sub-series	Records Type	Format	Originating Office	Retention Period	Conditions	Transfer to RAMD
FEES	School Fess	Correspondence	Paper	Ministry of Education	2 years	Subject to audit	
	Landing Fees	Correspondence	Paper	Ministry of Communication	2 years	Subject to audit	
	Medical Fees	Correspondence	Paper	Ministry of Health	2 years	Subject to audit	
	Court Fees	Correspondence	Paper	Ministry of Justice and Constitution Affairs	2 years	Subject to audit	
DEBTORS AND CREDITORS	Debtors	Records	Paper	All ministries	2 years	Subject to audit	
STATISTICS	Statistics	Records	Paper	All ministries	Permanent-Planning	10 years other	
FUNDS	Funding request	Correspondence	Paper	All ministries	2 years		
	Funds	Correspondence	Paper	All ministries	5 years	Subject to audit	
	Theft of Funds	Correspondence	Paper	All ministries	5 years		
LOSS OF FUNDS	Investigations	Correspondence	Paper	All ministries	5 years		
	Loss Reports	Reports	Paper	All ministries	Permanent MOF	5 years other	

THE PUBLIC FINANCE REGULATIONS, 2001

Sections 137 to 140: Preservation of Accounting Records

137.-(1) The Accountant General shall issue instructions to Accounting Officers specifying the precautions which may be taken in particular cases to safeguard accounting records and documents and in particular those which have been stored on electronic or other non-traditional media.

(2) The Accountant General shall ensure that all receipts and payment vouchers lodged with the Treasury are properly and securely bundled and that they and all other accounting documents are kept in an orderly manner so that they are available when required.

138. Every Accounting Officer and accountants shall observe a principle that efficient accounting is to a large extent dependent upon neatness and orderliness in the filing and preservation of vouchers, books, registers and other documents which support and explain entries in the accounts. In filing payment vouchers, it is preferable that they should be filed in vote order rather than in cash book sequence

Principle of efficient accounting

139.-(1) All classes of account books and records will be carefully preserved and may not be destroyed without the approval of the Accountant General and the concurrence of the Controller and Auditor General.

Accounting records

(2) Account books and records shall be retained for the following periods:

- (a) departmental copies of receipts, licenses, payment vouchers, cash books; 3 years
- (b) stores receipt and issues vouchers; 3 years
- (c) Treasury copies of receipts, receipt vouchers, licenses 7 years
- (d) original payment vouchers, used cheques, 7 years
- (e) abstracts, subsidiary records, stores ledgers, journals; 7 years
- (f) Treasury main cash books, ledgers, loan and investment registers; Indefinitely
- (g) Establishment and salary records (which may be required for determining officers' and widows' pensions and other terminal benefits). Indefinitely

140.-(1) Accounting Officers wishing to destroy departmental accounting records will submit three copies of the lists of documents concerned to the Controller and Auditor General, who if he has no objection

Destruction of accounting records

to the destruction of the documents will so signify on two copies of the list and forward them to the Accountant General.

(2) If the Accountant General approves the destruction of documents he shall so endorse one copy of the list and return it to the Accounting Officer.

(3) The Accounting Officer will advise the Accountant General and Controller and Auditor General in writing when destruction of the documents has taken place, retaining his copy of the list as his authority for the destruction and the Accountant General will obtain the concurrence of the Controller and Auditor General before any Treasury records are destroyed.