ACCOUNTING INFORMATION SYSTEMS AND GOVERNANCE ISSUES IN LOCAL GOVERNMENT AUTHORITIES IN TANZANIA

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ABSTRACT

Among the strategies identified by MKUKUTA to improve good governance in Local Government Authorities (LGAs) in Tanzania are those concerned with strengthening financial management, accounting, financial reporting, auditing and budgeting. The opinion is that strengthening those processes requires an effective accounting information system (AIS). Therefore this study had two aims; first to explore the role played by AIS in promoting accountability, participation, predictability and transparency; and second to identify factors influencing the effectiveness of AIS in fulfilling those roles. To achieve these objectives, the data analysed were collected from four LGAs through 23 interviews, 3 focus group discussions and documentary analysis. The findings show that AIS plays a minimum role in the achievement of good governance and the reasons for this are also identified. The study recommends that to achieve good governance, there is a need to design and install AIS that includes good governance components.

Key words: *Accounting information system, Accountability, Participation, Predictability, Transparency, Institutional theory, Institutional isomorphism*

INTRODUCTION

Various studies have found that there are problems of transparency and accountability regarding the financial matters of LGAs (Fjeldstad, Henjewele, Ngalewa and Nygaard, 2004). This is based on the fact that many people had never received information on the amount of revenue and expenditure, there has been a lack of communication on various decisions made, no cost analysis has been done and any financial information is of poor quality. In this regard, having a system that reports on misappropriation of revenue would encourage citizens to make a report and it would promote a greater sense of community involvement (Fjeldstad, 2004). Accordingly, citizens' access and right to information on LGAs' budgets and accounts is considered necessary for good governance, since without information on revenue and expenditure people cannot hold

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LGA officials accountable. Despite this reality, there is a lack of a complete and comprehensive information system, thereby creating obstacles for LGAs to demonstrate to local taxpayers to what extent they receive value for money (URT, 2004). This is based on the fact that Tanzanian LGAs are characterised by the lack of a mechanism for collecting and analysing revenue and expenditure for them to obtain an overview of their operations (Sundet, 2004).

The lack of a proper mechanism therefore poses a dilemma as to whether the AIS is effectively fulfilling its role as required. As per Seddon (1991) and Mellemvik, Monsen and Olson (1988) the AIS has two objectives: improving accountability by providing information to external users to enable them to assess the cash flow and performance of the organizations; and enhancing efficiency by providing management with information that is useful for planning and controlling. Providing financial information to external users increases transparency, consequently leading to citizens' participation in various decisions affecting their development. Likewise providing management with information for decision making will eventually make LGAs provide the required services, hence serving the interests of the people Therefore an AIS is crucial for ensuring that resources of the organizations are utilised efficiently and effectively in order to provide better services (Abernethy and Brownell, 1999; Horngren, Datar & Foster, 2005; Prowle, 2000; Samuelson, 1990; Toluyemi, 1999; Vaassen, 2002).

In public sector organizations, the effective and efficient use of resources for service delivery is associated with good governance, which is aimed at maximizing the welfare of people by linking public sector organizations with a process that values the efficient and effective use of resources in a participatory, sustainable and accountable manner (Asian Development Bank [ADB], 1999; Chaurasia, 2003; Lerise, 2000; Okot-Uma, 2000; World Bank, 1992). While linking AIS to good governance seems crucial, various studies have indicated that adopting a certain AIS may not necessarily enhance good governance. One example is the adoption of the accrual accounting system by LGAs. The central government has made all LGAs prepare their accounts based on accrual accounting, in the expectation that this will increase transparency and accountability. However, empirical studies conducted elsewhere have come up with inconclusive and mixed results as to whether accrual accounting can help to improve financial transparency and accountability (Carlin, 2003; Cohen & Kaimenakis, 2008; Hoque & Moll, 2001; Wayne, 2004).

Likewise, computerisation of the AIS does not necessarily ensure that it will improve governance through the proper management of organisations. For example, the central government has invested a lot in ensuring that all LGAs use the computerised AIS with

the aim of improving their performance[*]. According to Assad (2001), increasing the number of computerised AIS and public sector professionals that have no direct contact with actual service delivery may have more to do with preparing and giving accounts to external bodies than actually improving service delivery. Various studies conducted in Tanzania (Fjeldstad, et al., 2004; Mushi, et al., 2005; Sundet, 2004) were interested in assessing some variables of financial governance in LGAs, but they fell short of examining how the AIS operates. Therefore these studies failed to link the AIS to good governance in terms of promoting accountability and efficiency. For example, previously the central government denied access to funds by those LGAs that did not receive a clean audit report (URT, 2005a) but this was abolished later when there were complaints by the public and members of parliament about it (Parliament Hansard, 2007). In our view the central government's decision was not backed by empirical support from studies on AIS. Had such a study been conducted it would have shown how AIS could be improved to achieve good governance. Under these circumstances it would seem necessary to gain an understanding of the role played by the AIS given the amount of resources and time invested to ensure that it is improved.

Despite the importance of AIS in promoting good governance as provided in MKUKUTA, there is limited knowledge concerning the extent to which AIS fulfils its role of promoting good governance as a concept with four principles as a result of implementing the computerisation of AIS in the LGAs. The studies conducted in Tanzania so far have focused only on accountability and transparency with mixed findings (Fjeldstad, et al., 2004; Mushi, et al., 2005; Sundet, 2004). It can be argued therefore that these studies were concerned only with external users without considering the role of AIS in management and decision making (Mellemvik, et al, 1988; Seddon, 1991). Putting it the other way we would argue that while there have been empirical studies in Tanzania, they were limited to the two issues of transparency and accountability, ignoring the issues of participation and prediction. Simply examining the role of AIS in good governance has not led to an understanding of the critical factors that influence the performance of AIS in LGAs. In brief, it appears that there has been limited discussion in the literature on the role of AIS as well as factors that would lead to an improved AIS in LGAs. This gap forms the subject of this study and therefore it addressed the research problem that there is a limited knowledge concerning the role of AIS in enhancing good governance and the factors influencing the performance of AIS in LGAs. Specifically the paper established first the role of

[*] Central government has been implementing integrated financial management system (IFMS) in all LGAs. The IFMS included EPICOR, which has been rolled out to 85 LGAs since its inception in 1999 and PlanRep which has been introduced into all LGAs. However, the annual assessment of 2007/2008 found that out of 74 LGAs assessed only 26 LGAs had fully implemented the EPICOR system and 46 had not. In the case of PlanRep it was found that not all LGAs have implemented it (PMO-RALG, 2007).

AIS in promoting accountability, participation, predictability and transparency in LGAs; second it identified the factors influencing AIS in LGAs; and third it examined the operations of AIS in LGAs.

LITERATURE REVIEW

AIS Performance and Good Governance: Theoretical Perspectives

The theoretical perspective of this study is based on the institutional theory of organisations as put forward by DiMaggio and Powell (1983). The institutional perspective has three major considerations. First, it considers organizations as a set-up with rules and standards which originate from both the internal and external environment. Second, it considers that organizations have to adopt structures that are compatible with the external environment. Third, it considers that besides the motive to be efficient, organizations are also influenced by professions through organizational politics and norms. In summary, the institutional perspective considers that institutions are influenced by factors besides economic ones. As such the design of an AIS in the institution is a function of these factors (Moll, 2003). The institutional factors for simplicity can be classified into three approaches: the legal approach; the adapting and copying (imitation) approach; and the professionalism approach.

As regards the legal framework, the institutional perspective recognises that organizations, especially public sector ones such as LGAs, are the product of law (Christiaens, et al, 2004), and so they are required to comply with central government regulations, which will enable them not only to obtain resources but to survive and operate. On the aspect of imitation, the institutional perspective helps us to understand the influence of public sector reforms on AIS, consequently leading to better governance. The public sector reforms ushered in a wave of management techniques flowing from the private sector to the public sector, such as outsourcing various services, for example, tax collection and cleaning cities, putting greater emphasis on results as explicit standards of performance and following market forms (Hood, 1991; Seddon, 2008). The adaptation of management techniques from private profit-oriented organizations actually necessitated a change in the AIS in the public sector including LGAs. This can be seen from the decision to introduce the accrual accounting system to the public sector (Wynne, 2008), which is commonly applied in private for-profit organisations. However, what has not been established is whether this new AIS has helped public sector organizations like LGAs to achieve better governance. As regards professionalism, this is concerned with the influence of professional associations, and the training and education of employees of the organization. There are norms from professional associations as well as training and education which employees are

compelled to follow in their daily operations. By adhering to these norms, employees will improve their efficiency because professionalism is a vehicle for better governance.

Therefore, using the institutional perspective we can establish that AIS applied in organizations is influenced by the legal framework, the practice of humans (imitation) and the professionalism exhibited by accounting experts. That is, AIS is adopted to make organizations such as LGAs compatible with the environment. Gomes (2003) argues that using the institutional perspective in LGAs helps gain an understanding of LGAs as social institutions, which interact with others in the environment. Being compatible with the environment involves producing information according to legal requirements, efficiently utilising resources and improving the decision–making process. This view is consistent with the argument by Drori (2005) that bad governance has been seen to be an obstacle to growth and development. According to Oliver (1997) and Kaplan (1995), being compatible will enable organizations to obtain the required resources, which means they have to adjust themselves, according to the environment, to the various stakeholders to whom they are accountable and they are required to be transparent.

However if one consults the literature on the meaning of governance, several explanations may emerge (Jose, 2009; Rhodes, 1996; Stoker, 1998). The reason for many explanations is the dramatically increased use of the term (Drori, 2005; Jose, 2009). As argued by Rhodes, the term governance has been commonly used but it has an imprecise meaning, some referring to it as good governance or corporate governance. Some define it as the minimal state, as New Public Management (NPM) or as a socio-cybernetic system, while others consider it a self-organizing network. According to Jose (2009), most studies have provided a limited explanation of governance's underpinnings or presuppositions, with the result that each study comes up with its own explanation. For example, the IMF considers that governance is associated with the avoidance of corruption and creating a stable and regulatory environment that promotes the prosperity of the private sector.

The IMF's stance is consistent with that of the World Bank, which consider that governance is associated with encouraging competition and markets, privatising public enterprises, reforming the civil service by reducing the problem of over-staffing, introducing budget discipline, decentralising administration and increasing the use of NGOs. The IMF and World Bank explanations of governance and related issues are grounded on NPM and entrepreneurial government (Osborne & Gaebler, 1992), emphasising managerialism and competition. Others call this approach economic governance, because governance is viewed from the economic perspective. The views

provided by Osborne and Gaebler (1992) are consistent with those of Hood (1991), who considers that governance is a reinvented form of government, stressing the better management of resources. As such governance is considered a management approach to the reforming of public sector organizations. These views were criticised by Stoker (1998) because governance not only focuses on management techniques but also on achieving greater efficiency in the delivery of public services.

In line with the avoidance of corruption, Kelsall's (2000) study on tax revolt in LGAs was considered to be a governance challenge, because citizens revolted over taxation due to their perception of corruption. Gordon (2005) considers governance to be concerned with directing society to protect the public interest and to achieve the common good. Protecting the public interest has to involve political organizations such as political parties, NGOs, individual citizens, the press and other special interest groups. Gordon (2005) shares an explanation of governance with Stoker (1998), who considers that governance is ultimately concerned with the creation of ordered rule and collective action. On the other hand Siddiquee and Mohamed (2007) view governance in terms of public perceptions that organizations are legitimate, open and transparent. Given these diverse views of governance, one continues to ask what does governance entail?

In this study we adopted the definition provided by Rhodes (1996) that *governance refers to self-organizing, inter-organizational networks, which complement markets and hierarchies as governing structures for authoritatively allocating resources and exercising control and coordination.* Rhodes (1996) provides four characteristics of governance. The first is concerned with interdependence between organizations, whereby governance is considered to be broader than government, covering non-state actors, and so the boundaries between the public, private and voluntary sectors became shifting and unclear. The second characteristic is that there is continuing interaction between network members caused by the need to exchange resources and negotiate shared purposes. The third characteristic is that are interactions are rooted in trust and regulated by rules of the game negotiated and agreed by network participants. The last characteristic is that there is a significant degree of independence from the state, based on the assumption that organisations can best obtain resources such as power, wealth and legitimacy from the environment for survival and prosperity. The institution theory considers that organisational survival and performance depend on the extent to which organisations adjust to coercive, mimetic and normative pressure, which are called isomorphism pressures. These pressures originate from both the external and internal environment.

Hassan (2005), using the institutional perspective, argued that it helps us to understand that organisations can interact with the social environment in an acceptable manner, including adopting new strategies for documenting and executing institutional compliance to gain legitimacy. As we have seen before, for these LGAs to gain legitimacy they have to ensure that they become good candidates for resources. Coercive isomorphism is concerned with formal and informal pressure from those in authority. For example, the relationship between central government and LGAs can be described as coercive isomorphism, whereby the central government provides the resources, budget regulations, financial reporting and auditing guidelines to be used. LGAs are required to comply with these regulations if they are to continue receiving resources as well as ensuring that their existence is not at risk.

Mimetic isomorphism is concerned with the ability of organisations to adopt and imitate other organisations that are considered superior as regards their operations and performance, for example, by applying the accrual accounting systems and other management practices that have been adopted by the LGAs from those used in the private sector, based on the assumption that private sector organisations are superior in performance and their application of the AIS. According to Chalu (2007), reforms taking place in Tanzanian LGAs symbolise aspects of the NPM approach. This approach involves adopting private sector management styles, shifting to contractual or market forms, facing greater competition, outsourcing various services (such as tax collection and cleaning cities), and putting a greater emphasis on results as explicit standards of performance (Hood, 1991). On the other hand, normative isomorphism is concerned with what are considered as norms in operations. These norms can be obtained from training, education and membership of various professional associations. LGAs as other public sector organisations are currently employing educated personnel, some of whom are members of various professional associations such as professional accounting ones. These associations have norms, which they compel their members to follow.

Using the institutional perspective helps us to understand that LGAs as social institutions have to interact with others in the environment and in so doing can have a more significant influence than others (Gomes, 2003). As result, LGAs may adopt strategies that can help them to gain legitimacy and ensure their survival by bowing to the pressure of influential groups, as argued by institutional theorists, that organisational success and survival is a function of social interaction and conformance to social expectations (Oliver, 1997). However to be able to obtain the required resources, organizations need to adjust to the environment comprising various stakeholders to whom they are accountable and therefore they should be transparent. For example, Kaplan (1995) argues that most dependent organisations will change their

form in order to get the necessary resources. As a result, the existence, survival and performance of the organisation are influenced by both internal and external factors. To achieve this, the AIS become a significant tool for organisations' performance and survival.

The link between AIS and good governance components is the central claim of this study. This study considers that AIS can help to achieve good governance if it is appropriately instituted in the LGAs. By definition, AIS is concerned with the process of collecting data and transforming it into information that is useful for decision-making. However, the information produced by the AIS is not limited to economic information only since it can include other information, such as the quality of the services produced. In other words, information produced by AIS can include both financial and non-financial information. The AIS operates on five principles apart from basic financial accounting principles (Bagranoff *et al*, 2005), namely, control principle, relevance principle, compatibility principle, flexibility principle and cost-benefit principle. Bagranoff *et al* (2005) state that these five principles are important if AIS is to achieve the objectives of its establishment. The control principle is important because AIS is concerned with internal controls established in organisations. These internal controls are necessary to ensure that transactions are processed appropriately in the LGAs to reduce the risk of their assets being misappropriated (Vaassen, 2002).

The relevance principle ensures that there is no information overload, which can reduce the quality of the decisions made. For example, Seddon (1991) considers that AIS in organisations needs to be designed in such a way that it can collect all the information for decision-making purposes. The central argument for the relevance principle is that organisational performance depends on the quality of the decisions made, which is also a function of the information produced. The compatibility principle is concerned with the fact that AIS has to reflect an organisation's operations. As in the relevance principle, for AIS to be able to be in possession of all the necessary facts (Seddon, 1991) to facilitate decision-making, it needs to be designed along the nature and settings of the organisation. For example, in public sector organisations, AIS needs to reflect its structure and basic operations. This includes providing information for the proper management of public resources and enabling parliamentarians, councillors and the general public to know how financial and other resources are accounted for (Temu & Chalu, 2006). In addition, in public sector settings, AIS needs to fulfil the purposes of public sector accounting that include establishing public governance systems, as well as the issue of taxes as a prime revenue source for the public sector and the obligations of taxpayers (Sakurauchi, 2002). The flexibility principle is concerned with the ability of the AIS to grow with an organization's increasing need for information and the changing technology. As put by Boockholdt (1999), one quality of a successful

AIS is its capacity to meet the needs of the organisations implementing the system by not only satisfying the current need but also the future need for information. Vaassen (2002) considers flexibility in terms of the degree to which AIS can be moved from one environment to another by being adaptable and adjustable. The cost-benefit principle is concerned with evaluating the cost of providing additional information produced by the AIS and the value or benefit of that information (Bagranoff et al, 2005). These five principles of AIS are the guiding link between AIS and good governance.

Thus, to get a clear picture of the relationship between AIS and good governance components we need to understand the concepts relating to good governance. Governance comprises four components, namely, accountability, participation, prediction and transparency. AIS relates to good governance via these four components. For example, to achieve accountability, providing financial statements is an important basis according to Conrad (2005), who maintains that the organisation has to consider how AIS fits into its system of accountability. In other words, following the compatibility principle, the LGAs have to ensure that they design and implement an AIS that can help them execute both downward and upward accountability. Downward accountability is executed by providing information to the general public about the use of resources by the LGAs, while upward accountability is achieved by providing information to appointing and oversight bodies, such as to the ministry responsible for LGAs, parliamentarians and councillors.

Likewise, since accountability is concerned with decision-makers providing answers to those who have entrusted them with financial resources, the accounting information generated by AIS is an important aspect of control in the regulatory process (Brillantes, 2000; Conrad, 2005). In this respect, accountability goes with the AIS control principle, which ensures that transactions are appropriately processed to give accurate information and safeguard the resources of the LGAs (Bagranoff et al, 2005; Vaassen, 2002). The public, who have entrusted financial resources to LGA officials, depend on the AIS to have adequate controls to process LGA transactions appropriately and to safeguard LGA resources against misappropriation. In addition, for accountability to function properly, the AIS needs to be able to produce relevant information following the relevance principle. Also to provide useful information for decision-making the predictability component cannot be ignored.

Predictability is concerned with the accounting policies and standards that AIS needs to follow so that transactions can be processed appropriately. The AIS standards, policies and rules provide procedures and principles that underlie the process of treating transactions. Thus legitimacy and the soundness of AIS are based on the procedures used to arrive at them (Schick, 2003). Also, the relevance and control principles of AIS

go together with transparency as a component of good governance. An AIS with adequate controls will ensure that transactions are processed appropriately and adequately so as to produce relevant information for decision-making. The quality of decisions made in organisations is a function of the quality of information in terms of relevance, accuracy and completeness (Vaassen, 2002). Thus, to ensure that LGAs make appropriate decisions on how to use resources for the development of people, the AIS is important for generating the required quality of financial information. To achieve good governance in LGAs the AIS has to supply relevant information to facilitate decision-making. The provision of information will help to achieve accountability, make LGAs transparent, facilitate the participation of local people and give a clear evaluation of the LGAs through standards and regulations.

The above discussion presents the link between AIS and good governance in LGAs. As already explained, the aim of good governance research in accounting is to identify what properties of AIS and the institutional environment are important for ensuring that LGAs are well governed. At the moment, AIS in LGAs can influence good governance by providing information that can help (i) to hold LGAs managers accountable by ensuring that LGA resources are used in the interests of the people; (ii) to evaluate LGA managers through clear guidelines and standards of performance; and (iii) to facilitate people's participation in decision making by reducing information asymmetry among various stakeholders, since through a well designed and implemented AIS, accurate, relevant and full information can be disclosed. These three issues are reflected in the four basic components of good governance as discussed in the following sub-sections.

STUDY PROPOSITIONS

AIS and Accountability

Accountability ensures that public organizations' services more accurately reflect the needs and expectations of the local people (CIPFA 2004) and at the same time reflect the expectations of the overseeing bodies. For example, LGAs are accountable to the local community but at the same time they are accountable to central government through the Ministry responsible, Parliament, LAAC and other stakeholders like ALAT. Accountability is achieved through the clear statement of duties, an external review of their performance and devolved decision-making. The concern of the research here is to what extent the AIS promote accountability in LGAs. To assess that we posit two propositions as follows:

P_1- *A well performing AIS facilitates the establishment of standards and targets of LGAs and their officials to gauge their performance.*

P_2- *A well performing AIS facilitates the external review of their records and reporting to establish whether they are timely, objective and balanced.*

AIS and Participation

The principle of participation derives from an acceptance that people are at the heart of development. Since development is both for and by people, the people need to have access to the institutions that promote it (e.g., representative bureaucracies). According to Gomes (2003), these stakeholders play different roles in the LGAs. Participation is very important since many times plans are inappropriate because they do not reflect the actual requirements of the people and are not culturally and socially sensitive to the ethos of the people for whom they are meant. The concern of the research as regards participation is what role does the AIS play in ensuring that people are involved in planning and implementing LGAs projects. Thus, the propositions posited here are:

P_3 – *AIS performance improves the formation of and discussion in committees at various levels of LGAs.*

P_4 – *AIS performance facilitates various groups such as CBOs, NGOs and the business community to be involved in the decision-making process of LGAs.*

AIS and Predictability

According to ADB (1999), predictability refers to; (i) the existence of laws, regulations and policies to regulate society and (ii) fair and consistent application. The importance of predictability cannot be overstated since, without it, the orderly existence of citizens and institutions would be impossible. The success of any organisation including LGAs depends on its ability to predict and respond to changes in the environment and the requirements of various stakeholders. Vaassen (2002) argues that for the AIS to be able to play the role of an information system of a contemporary organisation it must be flexible and should have the ability to sense new developments, and adapt and provide information so that the organisation can be proactive in relation to these new developments. The research issue is therefore; to what extent has AIS increased the level of predictability in LGAs? To address that issue the following propositions are posited:

P_5- *AIS produces information, which follows the regulations provided by the central government and accounting standards setters.*

P_6- *AIS helps LGAs to be adaptive and proactive in relation to the changing environment of generating resources and the increased demand for services.*

AIS and Transparency

Transparency is concerned with openness about policies and decisions reached to make it easier to hold LGAs accountable for their actions. In that respect, transparency is achieved through publicly disclosing the payments made by LGAs, and publishing what LGAs have received from various internal and external sources such as donors and central government. Transparency is important for building trust between LGAs and the public through guaranteed easy access to accurate and adequate information. The trust that is built by transparency can be achieved through public participation in terms of public hearings and consultations, and by the availability of minutes of meetings, papers, annual reports and financial statements. The research issue here is how LGAs at different levels use AIS to enhance transparency as regards giving information to various stakeholders about the receipt and spending of funds. Therefore our propositions are:

P_7 – *AIS in the LGAs improves information flow to the people about the revenue receipts and expenditure of LGAs*

P_8 – *AIS enables people to have access on demand to necessary and relevant information, which is reliable for stakeholders when needed*

METHODOLOGY

The population of this study was LGAs in Tanzania mainland. Since the aim of the study was to explore the role of AIS in enhancing good governance, the qualitative approach utilizing case studies was found to be appropriate for exploring the reality and gaining an understanding of what is being done. This is in line with Yin's (2003) argument that a case study investigates a contemporary phenomenon within its real life context. The use of case studies is also justified for two reasons. First, good governance and AIS are emerging issues being given due consideration in the current public sector setting. Therefore, the application of case studies in these emerging and changing disciplines (Benbasat, Goldstein & Mead, 1987) was thought to be appropriate. Second, AIS has been changing from being a technical to a strategic tool, thus giving it a role to play in governance issues. However, studies conducted in Tanzania have neglected the relationship between AIS and good governance. Therefore, case studies were regarded as the best technique to capture the required information about that relationship. In this study, we used multiple cases, which help to improve validity and allow for comparisons and contrasts of major patterns (Assad, 2001). The cases in this study were selected purposefully, whereby those cases thought to provide rich information and allow an in-depth analysis were selected. Therefore, the study selected four LGAs, namely Dodoma District Council, Dodoma Municipal Council, Ilala Municipal Council and Temeke Municipal Council.

There were several reasons for selecting these LGAs. Dodoma District Council was selected because it covers the two districts of Chamwino and Bahi, which means having two central government organs. In addition, it was still using a manual AIS. Dodoma Municipal Council was selected because first it is located at PMO-RALG headquarters, and secondly, it has been involved in scandals, culminating in the dismissal of the Director and the demotion of the Treasurer and Internal Auditor, who are key officials. Ilala Municipal Council was selected because, according to Fjeldstad et al (2004), it is the LGA in Tanzania with highest revenue collection from its own sources. Temeke Municipal Council was selected because, although an urban LGA, it has a significant rural environment and does not collect much revenue from its own sources.

The study used both primary and secondary data. The primary data were collected through 23 interviews with various stakeholders and 3 focus group discussions (FGDs). Secondary data such as minutes of meetings, financial reports and policy documents were also collected. After each interview, a summary of the response from each interview was prepared, which involved transferring the information from notebooks and audio tape recorder to a Word document. The transcribed data were then coded along variables contained in the proposition, which was achieved through placing the statements of the respondents into five categories, namely accountability, participation, prediction, transparency and factors for AIS performance. The first four categories were then broken down into variables according to the study propositions. Under the category of accountability were performance standards and external reviews. Participation comprised the formation of committees and the involvement of community groups. Prediction comprised the provision of regulations and guidelines by central government and other accounting standard setters as well as being adaptive and proactive in relation to the changing environment by changing financial sources. Under transparency, the variables were flow of information about revenue collection and expenditure and accessibility of information by various stakeholders.

FINDINGS

The findings of this study are based on the data collected from different respondents as shown in appendix I. Treasurers from all the councils were included in this study because it was believed they would provide very useful information for achieving the research objectives. The results from the four cases are presented according to the objectives of the study. This section therefore presents the results on AIS and accountability, AIS and participation, AIS and predictability and AIS and transparency. Factors influencing AIS performance conclude the discussion on the findings.

AIS and Accountability

The study aimed at investigating the extent to which AIS promotes accountability in LGAs. Under accountability, there were two main issues, which were raised in the proposition. First was the establishment of performance standards. Findings from the case studies indicate limited evidence that AIS is used to help LGAs establish performance standards and targets. However, in all cases, budgets are considered a tool that helps in establishing targets and standards. The findings revealed that plans and targets are set, starting at the grassroots level (village/mtaa) and going on to the Municipal or District Council level. These plans include developmental activities and projects and the budgets that are used to get funds from the central government, which provides guidelines governing their preparation. As argued by Dodoma District Council Treasurer, the villages prepare proposals according to the ceiling (budget) provided by the central government. In the council, the planning officer analyzes and evaluates all proposals from the villages. Once analysis of the proposals is complete, they are submitted to the council's management team that prepares the budget for the District Council Committee. The council treasurer however compiles the budget, which then has to be submitted to the Regional secretariat, PMO-RALG and the Ministry of Finance (MoF). The results from Temeke Municipal Council revealed that it considers that the budget developed within the departments is an important measure of performance by which departmental heads can be evaluated. Therefore, from these findings it can be concluded that AIS in LGAs has not facilitated the establishment of standards and targets of LGAs and their officials.

The second issue examined under accountability was the external review of records and reports, the results of which divulged strong and well-established external reviewing procedures. External auditors from the National Audit Office, headed by the Controller and Auditor General (CAG) and the parliamentary committee (LAAC), conduct the external review. External auditors review the internal control systems of LGAs, as well as documents, annual reports and reports from internal auditors. After reviewing these documents, the external auditor prepares a management letter that indicates the problems (weaknesses) found and the auditor's recommendations for resolving the problems identified. Managements of LGAs are required to provide a response within 21 days. If the auditors are satisfied with the response provided they will issue a clean certificate, but if not they will issue an adverse certificate. From 1997 to 2005, Dodoma District Council received 2 clean certificates, 3 adverse ones and 3 qualified ones, and in one year it did not submit its financial statements. In the same period (1997 to 2005) Dodoma Municipal Council, received 4 clean certificates, 3 qualified ones, 1 adverse certificate and in one year financial statements were not submitted. Ilala and Temeke Municipal Councils were established in 2000. From 2000 to 2005, Ilala Municipal Council received 2 clean certificates and 4 qualified ones while

Temeke Municipal Council received 3 clean certificates, 2 qualified ones and 1 adverse certificate.

Ilala and Temeke municipal councils both have external auditors stationed at their premises, called *resident external auditors*. According to them, the reason for having resident external auditors is the lack of office space at the National Audit Office headquarters. Stationing external auditors at municipal councils provides them with the opportunity to make a good assessment of municipals council operations and to attend various council meetings. In addition, stationing external auditors at municipal premises helps them provide professional advice on a daily basis. However one external auditor considered that residing at the municipal council premises reduces their independence, since they have to interact with council employees. "*Being a resident external auditor reduces independence since the auditor becomes socially part of the municipal council. Auditors attend social issues of council employees and so are considered part of the organization. This makes auditing very difficult indeed. For example, one week has passed since I requested a document but I have not received it*." Similarly, the internal auditor at Temeke considered that even though the availability of external auditors improves financial reporting it creates confusion over work procedures. For example, they have to sit down and arrange how both the internal and external auditor can execute their tasks without jeopardizing the job of each other. According to the internal auditor, "*Sometimes you may ask for a file only to be told that it is being used by the external auditors*"

As regards LAAC, all the cases reviewed indicated that the committee helps to promote AIS in the LGAs. The members of the committee receive reports from LGA officials and external auditors from the CAG office. The reports are comprehensive and provide a broad picture concerning the use of resources at LGAs' disposal. Apart from receiving reports, members of parliamentary committees visit projects implemented by LGAs to assess their progress. These visits have improved the effectiveness and efficiency of LGAs in utilizing their resources. According to the LAAC chairperson, reviewing and inspecting the projects helps to ensure that they are completed according to the schedule.

However, the respondents reckoned that the reports required by LAAC increases the reporting requirements of LGAs, which consumes a lot of LGA officials' time. Also, the respondents considered that LAAC applies more threats than advice and it is too political. The political nature of it reduces its effectiveness in dealing with directors who do not respond to external auditors' queries, thereby discouraging and demoralizing them. Thus from proposition P2, we can establish that AIS facilitates

external review of its records and reporting to establish whether the records are timely, objective and balanced.

AIS and Participation

Another objective of the study was to examine whether AIS improves the formation of committees and discussion at various levels of LGAs. Therefore the aim was to assess the degree of participation of community-based groups in the decision-making process. Findings from the case studies disclose that decision-making committees have been formed according to the regulations and laws provided by the central government. The findings reveal the growing importance of finance committees and full council in LGAs' decision-making process. For example, in Dodoma Municipal Council, the finance committee was the one that discovered malpractice in the tendering procedure. The discovery of not following procurement procedures in awarding the tender to collect revenue and clean the municipality resulted in the Municipal Director being dismissed, while the Treasurer and Internal Auditors were demoted and transferred to other LGAs. The decision-making committees start at Village/Mtaa level and go up to Municipal or District level. The budgeting process at Dodoma District Council starts at village level. During FGD members agreed that they have been involved in the budgeting decisions made at village level. However, in Temeke Municipality, at Mtaa level, the results from FGD showed that people were less involved in the decision-making process.

In these committees, discussions are held with the aim of reaching a consensus, and the plans and objectives of villages and mitaa are the result of these discussions. The reports produced by the internal and external auditors have to be discussed in the finance committee and the full council. Thus, the findings indicate that significant discussions are held at district and municipal levels concerning the information produced by the AIS. However, limited discussions are held at lower levels due to poor information dissemination, which reduces the participation of people in the decision-making process. In the FGD conducted in Keko, one member said, "*We do not know about financial issues, since we are not given the opportunity to discuss them. Few people here know anything about funding. The property tax was set and approved by the council without involving us*." In Dodoma Municipal Council, despite the availability of SACCOS in every ward, their involvement in financial decisions and the budgeting process of the LGA is limited.

The findings indicate that, as regards proposition P3, AIS improves the formation of decision-making committees and discussion at District/Municipal Council level only, while below that it was found to play a minimal role. The reason for this as explained by the respondents is the lack of capacity at ward and village/mtaa level, as well as

limited resources that cause them to have inadequate facilities. This minimal role which AIS plays at the level below District/Municipal Council has reduced the participation of community-based groups in the decision-making process. Most of the information produced by the AIS in the visited LGAs is produced to suit the demands of the central government in monitoring the activities of the LGAs. The central government has to monitor the activities of LGAs to ensure that the resources are utilized in the national interest and at the same time to ensure the LGAs have adequate funding. The information is not produced to suit the demands of the general public. Thus, although proposition P4 considered that AIS facilitates the involvement of community groups, it is concluded here that the influence of AIS so far has been limited.

AIS and Predictability

The aim of this part was to assess the extent to which AIS produces information that follows given regulations and accounting standards. Also this part aimed at examining whether AIS makes LGAs adaptive and proactive in relation to the changing environment of generating resources and the increase in demand for services. On the issue of regulations, all the LGAs visited are guided by regulations provided by the central government in their operations. The regulations clearly explain the roles of LGAs, the role of central government and period in which to accomplish identified activities. For example, the central government provided the timetable for computerization of AIS that includes both EPICOR and Plan Rep. PlanRep for example was required to be used by all LGAs for the preparation of their budgets for the financial year 2006/2007. In addition, the central government provides budget guidelines that are distributed to the LGAs every year.

However, some respondents considered that the guidelines provided by the central government are not issued on time or in such a way that at the time when they are issued they interfere with the operations of the LGAs, in addition to which some central government decisions impede LGA operations. The respondents in Ilala Municipal Council cited *machinga* operations and *Uhuru Torch Race* as good examples of the central government's interference impairing the performance of LGAs by changing their focus.

In addition to interference, the regulations issued by the central government do not address emerging disciplines such as information and communications technology (ICT). This creates confusion between the systems administrator (as ICT Manager) and the Treasurer (as Finance Manager) when it comes to computerizing AIS. For example, in Temeke Municipal Council, there was a time when the finance department wanted to acquire desktop computers without involving the system administrator. The reason for this is that EPICOR that is the computerized AIS is operated by the finance department

with assistance from MoF. If there are any problems, the finance department calls for technical support from MoF. The involvement of the ICT manager is minimal.

The situation of ICT managers not being involved with computerized AIS in LGAs is not peculiar to Temeke Municipal Council. Even in Ilala, according to the ICT manager, the system administrators were trained to operate EPICOR but the company that was given the tender to install it monopolized everything. Every problem had to be fixed by that company. As a result, LGA officials complained that they do not get adequate assistance from the company. Following these complaints, MoF trained its own people known as Technical Supporters based at ministry headquarters. Each technical supporter has been given a number of LGAs to attend throughout the country. "*ICT managers in the LGAs do not have access to the EPICOR system. Nevertheless, technical supporters sometimes are not available because they have to attend other LGAs, which are far away. As the ICT manager, I offer assistance on a voluntary basis. A good example is in the financial year (2005/2006) when the finance department failed to close their accounts using EPICOR. The technical supporter was not there so I volunteered to do the work. I think we need to link the computerization process with the ICT department in the municipal council*". Likewise, PlanRep is under Economic and Planning officers in all LGAs, who according to system administrators have limited knowledge of ICT.

This makes the link between EPICOR and PlanRep very difficult. According to the ICT manager in Ilala Municipal Council, PlanRep can do most of the things done by EPICOR and vice versa. Therefore, to put PlanRep in the Economic and Planning unit and EPICOR in the Finance unit poses the problem of integrating the two systems. However, according to the Manpower Officer at Temeke Municipal Council, ICT is still new and so they are still thinking about the clear role of ICT and its best location in the organizational structure. However, Ilala Municipal Council has already established an ICT department with its own manager.

On the accounting standards issue, LGAs are required to follow the standards issued by the National Board of Accountants and Auditors (NBAA), which is responsible for issuing accounting standards. Since 2004, NBAA has adopted international financial reporting standards (IFRS). As a result, LGAs are required to follow the new standards when preparing their accounts. The LGAs visited follow the Local Authority Financial Memorandum (LAFM) of 1997 and the Local Authority Accounting Manual (LAAM) of 1992. However, these two documents were made before IFRS were adopted by NBAA. According to Dodoma District Council Treasurer, LAFM and LAAM are outdated because they are based on past accounting standards.

In addition, it was found that most of the respondents displayed a low level of awareness of the relevant accounting standards for LGAs. For example, they said that they follow IFRS as adopted by the NBAA. However, according to the International Federation of Accountants (IFAC), which issued the International Public Sector Accounting Standards (IPSASs), organizations that are required to follow IFRS are those that do not depend on grants or funds from the government. In other words, the organizations that are required to use IFRS are those that belong to the private sector or those that belong to the public sector operating as business enterprises. LGAs as part of government in the public sector are not supposed to use IFRS but IPSASs. No respondent was aware of the public sector accounting standards. Despite the limited knowledge on the relevant accounting standards, the LGAs visited have a high degree of compliance with those regulations and accounting standards provided by the central government and standard setters. Therefore proposition P5 that considers that AIS produces information that follows regulations and accounting standards was confirmed and supported by the findings.

On the capacity to adapt and be proactive in relation to the changing environment, here we interviewed respondents on two issues; sources of finance for the LGAs and the quality and level of services provided by them. The aim here was to assess the extent to which AIS enables the LGAs to identify financial opportunities and at the same time improve the quality of service delivered. Most of the reviewed cases (with the exception of Ilala) depend heavily on financial resources from the central government. Even most LGAs' own sources of revenue are based on taxes, over which the central government has power and control. For example, the abolition of some of taxes greatly affected Dodoma District Council in the raising of its revenue. Responses from the interviewees show that to a large extent AIS has not been used as a strategic tool to identify new financial strategies or to ensure adequate revenue collection. However, in Temeke Municipal Council, action has been taken to link revenue collection with ICT use, the aim being to increase the speed of revenue collection and reduce loss. Inadequate financial strategy has reduced the quality of services provided by LGAs. Most people who participated in FGD showed dissatisfaction with the level and quality of services provided. For example, one FGD member in Temeke said, "*No cleansing services are provided here. No lorry comes here to collect garbage, and we do not have a dispensary or clean water*". Thus, we can conclude that P6 is not supported by our research findings since LGAs are not adaptive and proactive in relation to revising their financial strategies to improve service provision.

AIS and Transparency

This study also intended to assess whether AIS facilitates information flow to the people and whether people can access the information provided by the AIS. All four

cases visited have systems in place to ensure that information about revenue and expenditure is generated. Information is generated through the production of budgets and other financial reports (monthly, quarterly and annual). To ensure that information flows to the people, regulations require that it should be presented at relevant meetings and displayed on the notice boards at village and district level in case of rural LGAs and from mtaa to municipal level in the case of urban LGAs. Our findings reveal that all four LGAs have effective meetings at district/municipal level. In these meetings information on revenue and expenditure is presented and discussed, as evidenced by the minutes of the meetings. Displaying information on notice boards was found to be effective from ward to municipal level in Dodoma, Ilala and Temeke.

As regards Dodoma District Council, no information about revenue and expenditure was displayed on the notice boards of the village or mitaa offices that were visited. Ilala Municipal Council is ahead since it has put some information on its website even though the last budget found there during data collection was that of 2004/2005. This indicates limited updating of the website. In all cases, the information displayed on the notice boards covered the revenue received from the central government, final accounts and the auditor's reports. However no information about own sources of funds has been disclosed and the budgets are not displayed. Also the information displayed is limited, as some of it is in English, such as final accounts and auditors' reports, which is not understood by everybody at LGA level. Therefore considering our propositions P7 and P8 we can say that there is limited information flow in the LGAs thus limiting accessibility of necessary and relevant information.

Factors influencing AIS performance

The study also sought to investigate the factors influencing AIS performance in LGAs. The respondents were asked to mention the factors that could improve the performance of AIS. The results reveal important factors that include the provision of training for both officials and councillors. For officials the emphasis was to provide training in ICT use. Since most councillors have a low level of education, the respondents suggested the provision of basic training in how to read and interpret financial reports. Also the respondents considered that for successful computerization of AIS LGAs need to own the system by motivating employees. Creating ownership by LGAs will increase management's commitment and reduce outside dependence on technical supporters. In addition, for successful computerization of AIS, the respondents considered that internal and external auditors need to be trained in how to operate the system being implemented. Another factor that was considered important by the respondents is the acquisition of software that reflects LGAs' settings. Similarly, the central government was required to increase resources to LGAs for them to acquire adequate facilities such as computers. In addition, LGAs were required to increase cooperation among all

departments, strengthen the internal audit department, link EPICOR and PlanRep and strengthen capacity at ward level.

CONCLUSION

From the findings, it can be concluded that AIS promotes accountability through budgets and rigorous external review of its records. However, accountability is mainly focused on the funds received from central government, probably because LGAs are heavily dependent on it. On the issue of participation, the findings reveal that AIS makes a limited contribution. This was evidenced by effective decision-making committees at district/municipal level while grassroots level, such as ward and village, the decision-making committees are not effective, thus reducing the participation of people in the decision making process. Limited participation at grassroots level indicates that beneficiaries are not given an adequate opportunity to improve the design and implementation of public programmes and projects. Likewise, limited participation reduces ownership of those programmes, thus increasing the possibility of project failure. In the case of predictability, it can be concluded that LGAs are limited. Even though the results from the case studies indicate a higher level of compliance with regulations and accounting standards, this has not made them adaptive and proactive. In addition, limited knowledge on relevant accounting standards hinders the development of a flexible AIS that could help LGAs be proactive in relation to new developments. In this respect and also supported by Otley (1987) and Vaassen (2002), AIS has not helped the LGAs to pinpoint areas of unsatisfactory performance and provide an alternative course of action.

On the issue of transparency, there has been limited information flow to the general public, thereby reducing its accessibility. Only information concerning the funds provided by the central government is provided. Other sources of funds have not been displayed. Limited transparency encourages poor use of existing capacity and resources. Also, limited transparency increases the scope for inequitable allocation of resources and makes it easy to divert money into corrupt pockets (Commission for Africa, 2004). Thus from our findings it can be concluded that AIS plays a limited role in enhancing good governance in LGAs.

The study also revealed the factors that influence the performance of AIS in LGAs. The factors identified in the study include the provision of training for both LGA staff and councillors at all levels of LGAs, the employment of qualified and skilled people, motivating employees and increasing LGA ownership of AIS. Other factors identified include management commitment, the involvement of internal and external auditors, the acquisition of software to match LGA operations, the provision of adequate

facilities, cooperation among departments and the harmonisation of multiple systems applied in LGAs.

Generally, it has been observed that AIS has not been able to enhance good governance in LGAs. The government needs to take into consideration issues of good governance when developing a policy concerning AIS. The emphasis on good governance in LGAs insisted on by central government is good for development since it will increase accountability, participation, prediction and transparency in LGAs' decision-making. The policy implication of these findings is that the approach by central government of proposing the implementation of AIS in LGAs does not enhance good governance. In addition, following decentralisation, the central government needs to consider the policy concerning the development and implementation of computerised AIS. In addition, the central government needs to review the laws and regulations governing the management of LGAs as well as the functioning of LAAC.

Following the above policy implications, this study offers the following recommendations:

- Development and implementation of AIS and good governance indicators should be based on the requirements provided at grassroots level and LGA management requirements.
- Development of financial reporting standards in Kiswahili would help councillors and the public in general to understand the financial information displayed on the notice boards.
- More training on financial and management issues concerning LGAs is required to be provided to auditors, councillors, members of parliament and other stakeholders involved in the decision-making process in LGAs.
- The central government should help LGAs develop their own performance standards based on their priorities generated at the grassroots level.
- The office of the CAG should be provided with adequate facilities so that external auditors are not stationed in some LGAs, thereby reducing their professional independence as well interfering with the work plans of the LGA officials.
- Reporting requirements need to be enhanced by ensuring that LGAs do not have to produce several reports for different authorities, causing them to use their time preparing reports.
- The central government should provide sufficient funds, including leaving some of the revenue sources with LGAs so that they can acquire adequate facilities as well as train and retain qualified personnel.
- LGAs managements should design and develop an organisational structure that reflects the new set-up of these LGAs, such as introduction of the ICT department and computerised AIS that will show the duties and responsibilities of all staff.

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Appendix 1: Cases and list of respondents

Case	Reasons for selection	Respondents
Dodoma District Council	• Rural LGA • Covers two District Chamwino and Bahi • No computerisation of EPICOR system	1. District executive director 2. District Treasurer 3. Internal Auditor 4. District Planning Officer 5. Personnel Officer 6. District Council Chairman 7. Focus Group Discussion-Village level
Dodoma Municipal Council	• Urban LGA • Located at the Headquarter of PMO-RALG • Faced scandals which resulted into dismissal of director and transfer/demotion of treasurer and internal auditor	1. Municipal executive director 2. Municipal economic and planning officer 3. Internal auditor 4. Personnel Officer 5. Municipal Treasurer 6. Councillor 7. Mayor 8. Focus Group Discussion – village level
Ilala Municipal Council	• Urban LGA • Have been using EPICOR • Have greater percentage of revenue from its own source	1. Municipal Treasurer 2. Internal auditor 3. ICT Manager 4. Resident External Auditor 5. Planning Officer
Temeke Municipal Council	• Urban LGA with heavy composition of rural environment • Considered less developed among Dar es Salaam LGAs	1. Municipal Treasurer 2. Internal Auditor 3. Personnel Officer 4. System Administrator (ICT Manager) 5. External Auditor 6. Focus Group Discussion – Mtaa level