

REPORT OF THE CONTROLLER AND AUDITOR GENERAL**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE****REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS OF TANZANIA STRATEGIC CITIES
PROJECT ADDITIONAL FINANCING 1 (TSCP AF 1) PO RALG
FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2018**

Controller and Auditor General,
National Audit Office,
16 Samora Machel Avenue,
P.O. Box 9080,
11101 Dar es Salaam, Tanzania.
Tel: 255 (022) 2115157/8,
Fax: 255 (022) 2117527
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

December 2018

AR/TSCP- AF/2017/2018

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Abbreviations

| | |
|-----------------------------|---|
| IESBA Code | International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants |
| ISSAIs | International Standards of Supreme Audit Institutions |
| PMO RALG | President's office Regional Administration and Local Government |
| TSCP Additional Financing 1 | Tanzania Strategic Cities Programmer Additional Financing 1 |

1.0 GENERAL INFORMATION

1.1 Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005) and in Section 10 (1) of the Public Audit Act No. 11 of 2008.

1.2 Vision, Mission and Core Values

Vision

To be a highly regarded institution that excels in public sector auditing.

Mission

To provide a high quality audit services that improves public sector performance accountability and transparency in the management of public resources

Core Values

In providing quality services, NAO is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial public institution, offering audit services to our clients in unbiased manner.
- ✓ **Excellence:** We are professionals providing high quality audit services based on standards and best practices.
- ✓ **Integrity:** We observe and maintain high standards of ethical behavior, rule of law and a strong sense of purpose.
- ✓ **People focus:** We value, respect and recognize interest of our stakeholders.
- ✓ **Innovation:** We are a learning and creative public institution that promotes value added ideas within and outside the institution.
- ✓ **Results Oriented:** We are an organization that focuses on achievement based on performance targets.
- ✓ **Team work Spirit:** We work together as a team, interact professionally, share knowledge, ideas and experiences.

We do this by:-

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- Helping to improve the quality of public services by supporting innovation on the use of public resources;
- Providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit cycles; and Providing audit staff with appropriate training, adequate working tools and facilities that promote their independence

© This audit report is intended solely for the information of TSCP AF 1 and the World Bank. However, upon release by the World Bank, it becomes a public record and its distribution may not be limited.

1.3 Audit Objectives

To obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

1.4 Audit Scope

The audit was carried out in accordance with the, the International Standards of Supreme Audit Institutions (ISSAIs), the agreed Memorandum of Understanding (MoU) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal controls over various activities of TSCP AF 1.

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to PO RALG.

As an auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of PO RALG.

1.5 Audit Methodology

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- Follow up on the implementation of the previous year's audit findings and recommendations in order to ensure that proper action has been taken in respect of all matters raised.

2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

Permanent Secretary,
President's Office Regional Administration and Local Government,
P. O. Box 1923,
DODOMA.

Report on the Audit of Financial Statements of Tanzania Strategic Cities Programme Additional Financing 1 (TSCP AF 1) for the Financial Year Ended 30 June 2018

Unqualified Opinion

I have audited the accompanying financial statements of Tanzania Strategic Cities Programme Additional Financing 1 (TSCP AF 1) which comprise the statement of financial position as at 30 June 2018 and the statement of financial performance, the statement of changes in net assets/equity, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of TSCP AF 1 as at 30th June, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual basis of accounting and in the manner required by the Public Finance Act, 2001 revised 2004.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report. I am independent of TSCP AF 1 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Tanzania, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters to communicate in my report.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition, Section 10 (2) of the Public Audit Act No. 11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act No. 7 of 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the Law and its Regulations.

**Report on Other Legal and Regulatory Requirements
Compliance with the Public Procurement Act, 2011**

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, TSCP AF 1 procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No.7 of 2011 and its underlying Regulations of 2013.



Salhina M. Mkumba
Ag: **CONTROLLER AND AUDITOR GENERAL**

31 December 2018



Copy to: Chief Secretary,
State House,
P.O. Box 9120,
1 Barack Obama Road,
11400 DAR ES SALAAM.

Permanent Secretary and Paymaster General,
Ministry of Finance and Planning,
Treasury Square Building,
18 Jakaya Kikwete Road,
P.O. Box 2802,
40468 DODOMA.

World Bank Representative,
50 Mirambo Street,
P.O. Box 2054,
DAR ES SALAAM.

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING (AF1)

THE UNITED REPUBLIC OF TANZANIA



PRESIDENT'S OFFICE
REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT

REVISED

FINANCIAL STATEMENTS FOR THE TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL
FINANCING (TSCP AF1) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

IDA CREDIT 54600

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING

PROJECT INFORMATION AS OF 30 JUNE 2018

PRINCIPAL PLACE OF BUSINESS

Tanzania Strategic Cities Project,
3rd & 4th Floor, Millenium Towers Building
P. O. Box 34314,
Kijitonyama
Dar es salaam,
Tanzania.

BANKERS

Standard Chartered Bank Tanzania ltd,
P. O. Box 9011,
International House,
Dar es salaam,
Tanzania.

And

Bank of Tanzania,
P.O.Box 2939,
Dar es salaam.

ACCOUNTING OFFICER

Eng. Mussa I. Iyombe,
Permanent Secretary,
PO-RALG,
P.O.Box 1923,
Dodoma.

AUDITORS

The Controller and Auditor General
The National Audit Office
P. O. Box 9080
Dar es Salaam
Tanzania

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018

1. INTRODUCTION

The Government of the United Republic of Tanzania (GoT) has received a credit from the International Development Association (IDA) and grant from the Government of Denmark for the Tanzania Strategic Cities Project Additional Financing (TSCP-AF). Additional Financing (AF) will fund the cost of scaling up through, (i) new infrastructure investments in urban roads, bus stands, terminals and lorry stations, street lights, drainage and new cells in existing landfills; and (ii) strategic capacity building activities for project in Local Government Authorities (LGAs). The AF will also enhance the development impact and sustainability of the investments financed by the original project by investing in equipment and operation and maintenance capacity for existing infrastructure, and deepening local government capacity for urban management. Most activities proposed for scale-up were appraised when the parent operation was prepared but sufficient resources were not available at the time to finance them.

2. STATEMENT OF RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018.

These financial statements have been prepared by the management of the PO-RALG in accordance with the provisions of section 25(4) of the Public Finance Act. No 6 of 2001. The financial statements comply with generally accepted accounting practices as required by the said Act and are presented in a manner consistent with the International Public Sector Accounting Standard (IPSAS) accrual basis.

The management of PO-RALG is responsible for establishing and maintaining a system of effective Internal Control designated to provide reasonable assurance that the transactions recorded in the accounts are within the statutory authority and that they contain the receipt and use of all public financial resources by the PO-RALG.

To the best of my knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the accounts and underlying records provide a reasonable basis for the preparation of the financial statements for the 2017/18 financial year.

I accept responsibility for the integrity of the financial statements, the information it contains, and its compliance with the public finance act No. 6 of 2001 (revised 2004) and the instructions issued by the Treasury in respect of the year under review.



.....
Eng. MUSSA I. IYOMBE
ACCOUNTING OFFICER

17/12/2018

.....
DATE

**THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING**

**THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE,
REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT**

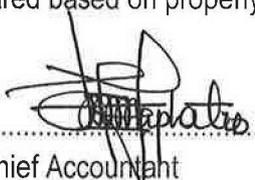
**STATEMENT OF DECLARATION OF THE HEAD OF FINANCE
FOR THE PERIOD ENDED 30th JUNE 2018**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Management Responsibility on an earlier page.

I Melton E. Nyella being the Head of Finance/Accounting of The President's Office, Regional Administration and Local Government hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30th June, 2018 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of the TSCP AF2 implemented by The President's Office, Regional Administration Local Government as on that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: Chief Accountant

NBAA Membership No.: **NBAA/GA/1552**

Date: 17th December, 2018

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018 (Continued)

3. FINANCIAL POSITION

a) **Property, plant and equipment**

During the financial year 2017/2018 there were no items purchased under PPE.

b) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at Bank. Since the project have been succeeded by the additional financing (AF2) Nil balance have been reported in this project after implementation of the TSCP activities for the financial year 2017/2018.

4. FINANCIAL PERFORMANCE

Revenue

a) **Transfer from other entities**

This is the transfers of funds from World Bank who are the financier to the Project. During the financial year, 2017/2018 the project was in finalization of TSCP AF1 activities using the balances from the financial year 2016/17.

Expenses

a) **Wages, salaries and employee benefits**

Reported amount of salaries relates to non-civil service staff employed on contractual basis in the project. A total of **USD. 9,517/=** has been paid for the year 2017/2018.

b) **Contractual Services**

Includes Works contracts and supervision consultancies paid directly by PO-RALG on behalf of LGAs. During the year a total of **USD. 11,623,032/=** has been spent in the category.

5. AUDITORS

The Controller and Auditor-General (CAG) is the statutory auditor for the project pursuant to the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005), Section 9 – 12 of the Public Audit Act, 2008, and Public Finance Act No 6 of 2001 (revised 2004).


.....
MELTON E. NYELLA
CHIEF ACCOUNTANT

Date: 17/12/2018.....


.....
Eng. MUSSA I. IYOMBE
PERMANT SECRETARY

Date: 17/12/2018.....

THE UNITED REPUBLIC OF TANZANIA
 PRESIDENT'S OFFICE - REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
 TANZANIA STRATEGIC CITIES PROJECT AF1

STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2018

| | <u>Notes</u> | <u>2018</u> | <u>2017</u> |
|----------------------------------|--------------|--------------------|-------------------|
| | | <u>USD</u> | <u>USD</u> |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 15 | - | 11,658,219 |
| Receivables and prepayments | 17 | 72,073 | 1,767,260 |
| | | <u>72,073</u> | <u>13,425,479</u> |
| Non-current assets | | | |
| Property, plant and equipment | 19 | 17,224 | 24,352 |
| | | <u>17,224</u> | <u>24,352</u> |
| Non-current assets held for sale | | - | - |
| TOTAL ASSETS | | <u>89,298</u> | <u>13,449,831</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 16 | 1,485,839 | 2,220,740 |
| | | <u>1,485,839</u> | <u>2,220,740</u> |
| TOTAL LIABILITIES | | <u>1,485,839</u> | <u>2,220,740</u> |
| NET ASSETS | | <u>(1,396,541)</u> | <u>11,229,091</u> |
| NET ASSETS | | | |
| Accumulated surplus/(deficit) | | (1,396,541) | 11,229,091 |
| TOTAL NET ASSETS | | <u>(1,396,541)</u> | <u>11,229,091</u> |



Permanent Secretary

17/12/2018

Date


 Chief Accountant

17/12/2018

Date

THE UNITED REPUBLIC OF TANZANIA
 PRESIDENT'S OFFICE - REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
 TANZANIA STRATEGIC CITIES PROJECT AF1

STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2018

| | <u>Notes</u> | <u>2018</u> | <u>2017</u> |
|---------------------------------------|--------------|---------------------|--------------------|
| | | <u>USD</u> | <u>USD</u> |
| Revenue | | | |
| Transfers from World Bank | Note 7 | - | 23,680,526 |
| Total Revenue | | - | 23,680,526 |
| EXPENSES AND TRANSFERS | | | |
| Grants and other Transfer payments | Note 8 | 122,295 | 904,082 |
| Wages, salaries and employee benefits | Note 9 | 9,517 | 87,960 |
| Supplies and consumables used | Note 10 | 523,106 | 765,438 |
| Other Operating Expenses | Note 11 | 329,712 | 757,577 |
| Maintenance expenses | Note 12 | 8,289 | 14,812 |
| Contractual services | Note 13 | 11,623,032 | 24,126,749 |
| Loss on foreign currency translation | Note 14 | 2,554 | 708 |
| Depreciation and amortization expense | Note 18 | 7,127 | 4,158 |
| TOTAL EXPENSES | | 12,625,632 | 26,661,484 |
| Surplus/(deficit) for period | | (12,625,632) | (2,980,958) |



 Permanent Secretary

 Date

17/12/2018



 Chief Accountant

 Date

17/12/2018

THE UNITED REPUBLIC OF TANZANIA
 PRESIDENT'S OFFICE - REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
 TANZANIA STRATEGIC CITIES PROJECT AF1

STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2018

| | <u>Accumulated surplus/deficit</u> USD |
|--------------------------------|---|
| Balance at 1 July 2016 | 14,210,049.00 |
| Surplus/(deficit) for the year | <u>(2,980,958)</u> |
| Balance at 30 June 2017 | 11,229,091 |
| Balance at 1 July 2017 | 11,229,091 |
| Surplus/(deficit) for the year | <u>(12,625,632)</u> |
| Balance at 30 June 2018 | (1,396,541) |



 Permanent Secretary

17/12/2018

 Date



 Chief Accountant

17/12/2018

 Date

THE UNITED REPUBLIC OF TANZANIA
 PRESIDENT'S OFFICE - REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
 TANZANIA STRATEGIC CITIES PROJECT (TSCP)-AF1

STATEMENT OF CASH FLOW
 FOR THE YEAR ENDED 30 JUNE 2018

| | <u>Note</u> | <u>2018</u> | <u>2017</u> |
|---|-------------|---------------------|--------------------|
| | | USD | USD |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfer from World Bank | | - | 23,680,526 |
| Total Receipts | | <u>-</u> | <u>23,680,526</u> |
| Payments | | | |
| Grants and other Transfer payments | | 122,295 | 904,082 |
| Wages, salaries and employee benefits | | 9,517 | 60,506 |
| Supplies and consumables used | | 1,051,214 | 446,189 |
| Other Operating Expenses | | 329,712 | 757,577 |
| Maintenance expenses | | 8,289 | 14,812 |
| Contractual services | | 10,137,192 | 24,163,324 |
| Total Payments | | <u>11,658,219</u> | <u>26,346,491</u> |
| Net cash from operating activities | | <u>(11,658,219)</u> | <u>(2,665,965)</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | - | 28,510 |
| Net cash from investing activities | | <u>-</u> | <u>28,510</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | - |
| Net cash used in financing activities | | <u>-</u> | <u>-</u> |
| Net increase in cash and cash equivalents | | <u>(11,658,219)</u> | <u>(2,637,455)</u> |
| Cash and cash equivalents at beginning of period | | 11,658,219 | 14,295,674 |
| Cash and cash equivalents at end of period | | <u>(0)</u> | <u>11,658,219</u> |



 Permanent Secretary

17/12/2018

 Date



 Chief Accountant

17/12/2018

 Date

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
TANZANIA STRATEGIC CITIES PROJECT (TSCP) - AF1
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

FOR THE YEAR ENDED 30th June 2018

Budget approved on the Cash Basis (Classification of Payments by Nature)

| | Actual Amount (A) USD | Final Budget(B) USD | Original Budget USD | Difference(B-A) USD |
|---------------------------------------|--------------------------|------------------------|------------------------|------------------------|
| CASH INFLOWS | | | | |
| Transfer from Wold Bank | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL RECEIPTS | 0.00 | 0.00 | 0.00 | 0.00 |
| CASH OUTFLOWS | | | | |
| Payments | | | | |
| Property, plant and equipment | 0.00 | 0.00 | 0.00 | 0.00 |
| Grants and Other Transfer Payments | 122,294.92 | 0.00 | 0.00 | (122,294.92) |
| Wages, salaries and employee benefits | 9,517.16 | 36,000.00 | 36,000.00 | 26,482.84 |
| Supplies and consumables used | 1,051,213.59 | 344,286.56 | 344,286.56 | (706,927.03) |
| Other Operating Expenses | 329,711.94 | | | (329,711.94) |
| Maintenance expenses | 8,289.10 | 61,460.78 | 61,460.78 | 53,171.68 |
| Contractual services | 10,137,192.50 | 9,968,698.92 | 9,968,698.92 | (168,493.58) |
| TOTAL PAYMENTS | 11,658,219.20 | 10,410,446.25 | 10,410,446.25 | (1,247,772.95) |
| NET CASH FLOWS | (11,658,219.20) | (10,410,446.25) | (10,410,446.25) | 1,247,772.95 |


Permanent Secretary
 17/12/2018
 Date


 Chief Accountant
 17/12/2018
 Date

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017.

1. PROJECT INFORMATION

Tanzania Strategic Cities Project Additional Financing is a project established by the Government of Tanzania through President's Office, Regional Administration and Local Government. Financing of the project amounts to USD 50 million. The Financing Agreement (FA) for TSCP was signed on July 03, 2014 and the Credit became effective on October 01, 2014.

The Royal Danish Embassy) that provided parallel co-financing for the parent TSCP project (totaling US\$12.50 million) with support focused on institutional strengthening, also provide Additional Financing through additional funding in the amount of US\$ 6 million equivalents.

2. PRINCIPAL ACTIVITIES

The Tanzania Strategic Cities Project Additional Financing (TSCP-AF) will fund the cost of scaling up through,

(i) New infrastructure investments in urban roads, bus stands, terminals and lorry stations, street lights, drainage and new cells in existing landfills;

(ii) Strategic capacity building activities for project Local Government Authorities (LGAs). The TSCP-AF will also enhance the development impact and sustainability of the investments financed by the original project by investing in equipment and operation and maintenance capacity for existing infrastructure, and deepening local government capacity for urban management. Most activities proposed for scale-up were appraised when the parent operation was prepared but sufficient resources were not available at the time to finance them. These activities have therefore, been re-appraised for technical and financial due diligence.

The AF will, through the provision of key urban infrastructure and local government institutional development, support GoT's efforts to create well-functioning and productive urban centres which are conducive to inclusive growth and job creation.

3. AUTHORISATION OF FINANCIAL STATEMENTS

The Financial statements for the year ended 30th June 2018 were authorized for issue in April 2019 by the Permanent Secretary President's office Regional Administration and Local Government.

4. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The financial statements are presented in USD currency.

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING

Statement of compliance

The financial statements of the TSCP AF1 have been prepared in accordance with International Public Sector Standards (IPSAS) accrual basis of accounting and comply with the public Finance act 2001.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, which are consistent with those of previous years, are shown below.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the project are measured using the currency of the primary economic environment in which the project operates ("the functional currency"). The financial statements are presented in USD.

Transactions and balances

Local currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in local currencies are recognized in the statement of financial performance. Local currency balances of receivables and payables have been translated at the Bank of Tanzania mean closing exchange rate of **TZS 2,281.26/USD** ruling at the end of the year 30th June 2018

Cash and cash equivalents

Cash and bank balances in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less, and is measured at amortized cost. For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Employment benefits

Employee benefits include salaries and other related - employment costs to non-civil servant - project staff on contractual basis. Other staff in the project are Permanent and pensionable staff whose employment benefits are dealt with by PO-RALG head office.

Revenue from exchange transactions

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the project and the revenue can be reliably measured.

Revenue from non-exchange transactions

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Project and the revenue can be reliably measured.

THE UNITED REPUBLIC OF TANZANIA
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TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING

Property, plant and equipment

The project has adopted the provisions of Section 95 of IPSAS 17 Property Property (PPE). The PPE is stated at cost less Accumulated depreciation and accumulated impairment. Depreciation is calculated on straight line basis over the useful life of the Asset. The annual rates of depreciation which are applied based on Government policy are as defined bellow;

| No. | Asset Category | Estimated Useful life |
|------------|----------------------------------|------------------------------|
| 1 | Computer (Desk tops and laptops) | 4 |

THE UNITED REPUBLIC OF TANZANIA
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 TANZANIA STRATEGIC CITIES PROJECT AFI

NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 30 JUNE 2018

| | 2018 | 2017' |
|--|--|--|
| | Actual Receiptt / Expenditure USD | Actual Receiptt / Expenditure USD |
| Note 7 | | |
| Transfer from World Bank | | |
| Income | - | 23,680,526 |
| Total | - | 23,680,526 |
| Note 8 | | |
| Grants and other Transfer payments | | |
| Transferred (Kigoma MC) | 61,066 | 904,082 |
| Transfer to TSCP AF2 | 61,229 | - |
| Total | 122,295 | 904,082 |
| Note 9 | | |
| Wages, Salaries and employee benefits | | |
| Non -Civil Servant Contracts | 9,517 | 87,960 |
| Total | 9,517 | 87,960 |
| Note 10 | | |
| Supplies and Consumables Used | | |
| Accomodation | 64,387 | 36,077 |
| Advertising and Publication | 20,631 | 200,100 |
| Air Travel Tickets | 6,528 | 34,870 |
| Conference Facilities | 127,326 | 290,970 |
| Diesel | 130,612 | 159,490 |
| Food and Refreshment | 24,398 | 6,188 |
| Food and Refreshments | | 1,410 |
| Office Consumables (papers,pencils etc) | 146,970 | 36,333 |
| Mobile Charges | 991 | - |
| Posts and Telegraphs | 1,262 | - |
| | 523,106 | 765,438 |
| Note 11 | | |
| Other Operating Expenses | | |
| Bank Charges and Commission | 375.94 | 865.00 |
| Per Diem - Domestic | 329,178.27 | 674,277.00 |
| Perdiem- Foreign | - | 8,287.00 |
| Tuition Fees | 157.73 | 74,148.00 |
| | 329,711.94 | 757,577.00 |
| Note 12 | | |
| Maintenance expenses | | |
| Computers repair and Maintanance | | 6,778 |
| Motor Vehicles and Water Craft | 8,289 | 8,035 |
| | 8,289 | 14,812 |
| Note 13 | | |
| Contractual Services | | |
| Civil Works | 10,811,524 | 20,957,601 |
| Consultancy | 811,508 | 3,169,148.00 |
| Total | 11,623,032 | 24,126,749 |

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 TANZANIA STRATEGIC CITIES PROJECT AFI

NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 30 JUNE 2018

| | | 2018 | | 2017 | |
|----------------|--|--|-------------|--|-------------------|
| | | Actual Receiptt / Expenditure USD | | Actual Receiptt / Expenditure USD | |
| Note 14 | Loss on Foreign Currency Translation | Exchange loss is mainly translation loss arising from translating TZS Account balance to USD. The loss arise due to changes in exchange rate between the rate used to translate the closing balance in June,2017 and the rate used to translate the same TZS amount as opening balance in June, 2018 which is applied as closing rate. | | | |
| | No. | Detail | TZS | Exchange Rate | USD |
| | 1 | Closing Balance as of 30th June 2017 | 207,839,330 | 2,219.05 | 93,661 |
| | 2 | Opening Balance 01st July 2017 | 207,839,330 | 2,281 | 91,107 |
| | | Difference | | | 2,554 |
| | | Exchange Gain /Loss | | | 708.00 |
| | | | | | 2,554 |
| | | | | | 708.00 |
| Note 15 | Cash and Cash Equivalent | | | | |
| | BOT Cash Account | | | - | 10,654,788 |
| | Standard Chartered AF Foreign Account | | | - | 909,769 |
| | Standard Chartered AF Local Account | | | - | 93,661 |
| | | | | - | 11,658,219 |
| Note 16 | Payables | | | | |
| | Retention Payables | | | 1,485,839 | 1,870,433 |
| | Staff Claims | | | | 27,454 |
| | Supplies of goods and Consumables | | | | 84,438 |
| | Withholding tax | | | | 238,416 |
| | Total | | | 1,485,839 | 2,220,740 |
| Note 17 | Receivables and Prepayments | | | | |
| | Advance Payment | | | - | 1,763,655 |
| | Unretired Imprest | | | 11,007 | 3605 |
| | Kigoma MC Comp II Funds | | | 61,066 | |
| | Total | | | 72,073 | 1,767,260 |
| Note 18 | Depreciation and amortization expense | | | | |
| | Depreciation of Computers | | | 7,127 | 4,158.00 |
| | Total | | | 7,127.41 | 4,158.00 |

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 TANZANIA STRATEGIC CITIES PROJECT ADDITIONAL FINANCING

NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 30 JUNE 2018

18 PROPERTY, PLANT AND EQUIPMENT

| | Cost / Revaluation | | | | Accumulated depreciation and Accumulated impairment | | | | Carrying value 30 June | |
|-------------------------------|------------------------|---------------|-----------|-------------|---|--------------------|------------------------|----------------------|---------------------------|--------------|
| | Revaluation 01 July | Additions | Transfers | Revaluation | Disposal | Balance 30 June | Depreciation charge | Impairment charge | | Disposal |
| 2018 | | | | | | | | | | |
| Administration assets | | | | | | | | | | |
| Computer equipments | 24,352 | - | - | - | - | 24,352 | 7,127.41 | - | - | 7,127 |
| Infrastructural assets | 24,352 | - | - | - | - | 24,352 | 7,127 | - | - | 7,127 |
| Leasehold land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Work in progress | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 24,352 | - | - | - | - | 24,352 | 7,127 | - | - | 7,127 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| 2017 | | | | | | | | | | |
| Administration assets | | | | | | | | | | |
| Computer equipments | - | 28,510 | - | - | - | 28,510 | 4,158.00 | - | - | 4,158 |
| Infrastructural assets | - | 28,510 | - | - | - | 28,510 | 4,158 | - | - | 4,158 |
| Leasehold land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Work in progress | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | - | 28,510 | - | - | - | 28,510 | 4,158 | - | - | 4,158 |

SCHEDULE OF RETENTION FOR 2017/2018
TSCP AF I - PROJECT

EXCH 2,281.26

| S/NO | NAME | LGA | AMOUNT (TZ) | AMOUNT (USD) |
|------|--|------------------|----------------------|---------------------|
| 1 | M/S STECOL CORPORATION | DODOMA CC | 373,446,661.33 | 163,701.93 |
| 2 | M/S SINO SHINE OVERSEAS CONSTRUCTION | KIGOMA UJIJI | 713,096,384.57 | 312,588.83 |
| 3 | M/S STECOL CORPORATION | DODOMA CDA | 80,299,811.50 | 35,199.76 |
| 4 | M/S JIANGXI GEO -ENGINEERING GROUP | ARUSHA CC | 649,330,953 | 284,636.98 |
| 5 | M/SHARI SINGH AND SONS | TANGA CC | 537,538,531 | 235,632.30 |
| 6 | M/S SOUTHERN LINK | MTWARA MIKINDANI | 223,131,533.11 | 97,810.65 |
| 7 | M/S NYANZA ROAD WORKS | MWANZA CC | 169,273,474.06 | 74,201.75 |
| 8 | CHINA CHONGQING INT. CONSTRUCTION CORP | MBEYA CC | 643,467,825.05 | 282,066.85 |
| 12 | TOTAL | | 3,389,585,174 | 1,485,839.04 |

SCHEDULES FOR UN RETIRED IMPREST FOR 2017/2018
TSCP AF I - PROJECT
EXCH 2,281.26

| S/NO | NAME | AMOUNT (TZS) | UN RETIRED IMPREST (TZS) | AMOUNT (USD) |
|------|----------------|-------------------|--------------------------|------------------|
| 1 | ALPHA MANGULA | 3,650,000 | 3,650,000 | 1,599.99 |
| 2 | CHARLES MARIKI | 5,000,000 | 5,000,000 | 2,191.77 |
| 3 | GRACE BENJAMIN | 16,460,000 | 16,460,000 | 7,215.31 |
| | TOTAL | 25,110,000 | 25,110,000 | 11,007.08 |