

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 AND COMPLIANCE AUDIT OF TANZANIA NATIONAL ROADS
AGENCY (TANROADS) FOR THE SOUTHERN AFRICA TRADE AND TRANSPORT
FACILIATION PROJECT (SATTFP) FOR FINANCIAL YEAR ENDED
30 JUNE 2021**

PROJECT CREDIT NO. 5248-TZ AND GRANT NO GR.H844-TZ

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December, 2021

AR/SATTFP-TANR/WB/2020/21

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, 1977 and in Sect. 10 (1) of the Public Audit Act, Cap. 418 [R.E 2021].

Vision

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

Mission

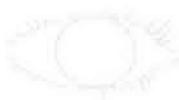
To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

Motto: “Modernizing External Audit for Stronger Public Confidence”

Core values

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

- i. Independence and objectivity
- ii. Professional competence
- iii. Integrity
- iv. Creativity and Innovation
- v. Results-Oriented
- vi. Teamwork Spirit

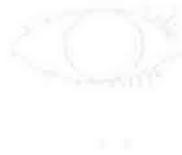
**We do this by:**

- ✓ 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 adequate working tools and facilities that promote independence.

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Abbreviations

| | |
|------------|---|
| AIDS | Acquired Immune Deficiency Syndrome |
| BOT | Bank of Tanzania |
| CPMS | Corridor Performance Management System |
| HIV | Human Immunodeficiency Virus |
| IDA | International Development Association |
| IESBA Code | International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants |
| IPSAS | International Public Sector Accounting Standards |
| ISSAIs | International Standards of Supreme Audit Institutions |
| MoHWS | Ministry for Health and Social Welfare |
| MOWT | Ministry of Works and Transport |
| NBAA | National Board of Accountants and Auditors |
| NSC | North South Corridor |
| PIT | Project Implementation Team |
| RAP | Resettlement Action Plan |
| SATTFP | Southern Africa Trade and Transport Facilitation Project |
| SDR | Special Drawing Rights |
| SOE | Statement of Expenditures |
| TACAIDS | Tanzania Commission for AIDS |
| TANROADS | Tanzania National Roads Agency |
| WB | World Bank |

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

The Chief Executive
Tanzania National Roads Agency,
P.O. Box 11364,
DAR- ES -SALAAM.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of Southern Africa Trade and Transport Facilitation Project (SATTFP), which comprise the Statement of Financial Position as at 30th June, 2021, and Statement of Financial Performance, Statement of Changes in Net Assets and 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 SATTFP as at 30th June, 2021, 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 the manner required by the Public Finance Act, Cap. 348 [R.E 2020].

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 TANROADS in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

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 IPSAS 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.

Responsibilities of the Controller and Auditor General 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 audit 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 ISSAIs 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.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to

the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition, Sect. 10 (2) of the Public Audit Act, Cap. 418 [R.E 2021] requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Sect. 48(3) of the Public Procurement Act, 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

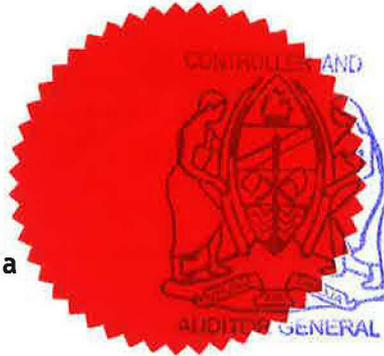
Compliance with the Public Procurement Act, 2011

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, SATTFP procurement transactions and processes have generally complied with the requirements of the Public Procurement Act, 2011 and its underlying Public Procurement Regulations, 2013.



Benjamin M. Mashauri
Ag. Controller and Auditor General,
Dodoma, United Republic of Tanzania

December, 2021



**Tanzania National Roads Agency
Southern Africa Trade and Transport Facilitation Project (SATTFP)**

2.0 FINANCIAL STATEMENTS

2.1 GENERAL INFORMATION

Tanzania National Roads Agency (TANROADS) was established on 1 July 2000 under the Executive Agencies Act, 1997, by an order gazetted in the Government Notice No. 293 dated 25 August 2000 as a semi-autonomous Agency of the Ministry of Works and Transport (MoWT). The primary objective of setting up TANROADS is to provide cost-effective and sustainable maintenance and development of the primary road network to support the economic and social development of Tanzania.

The Headquarters of TANROADS is in Dar es Salaam and its address is:

3rd Floor

10 Shabaan Robert Road/Garden Avenue Junction

Tel. No. + 255 22 2926001 - 6

Fax No. + 255 22 2926011

P.O Box 11364

DAR ES SALAAM.

Email: tanroadshq@tanroads.go.tz

Website: www.tanroads.go.tz

Project Bankers

The Bank of Tanzania

P.O.Box 2939

DAR ES SALAAM.

Exim Bank (T) Limited

P.O. Box 1431

DAR ES SALAAM.

Project Lawyers

The Attorney General

Ministry of Justice and Constitutional Affairs

P.O.Box 70069

DAR ES SALAAM.

Project Statutory Auditors

The Controller and Auditor General (CAG)

National Audit Office

P.O. Box 950

DODOMA.



**Tanzania National Roads Agency
Southern Africa Trade and Transport Facilitation Project (SATTFP)**

**2.1 PROJECT STATEMENT OF CHIEF EXECUTIVE FOR THE YEAR ENDED 30 JUNE
2021**

2.1.1 Introduction

The Management of Tanzania National Roads Agency (TANROADS) has the pleasure in submitting the report for Southern Africa Trade and Transport Facilitation Project (SATTFP), together with the financial statements of the Project for the year ended 30th June 2021.

The SATTFP has been developed as a regional, multi-sector and multi-phase program to facilitate trade integration in the region by contributing to the alleviation of institutional, social, and physical constraints along the constituent parts of the North-South Corridor (NSC). The program design involves the identification of a framework to address institutional, social and physical priorities for the NSC, within which the design and implementation of suitable interventions at a national level, can be implemented in sequence country by country.

The SATTFP has been broken down into two broad parts: Part 1 of the SATTFP will focus on the Northern NSC, which extends for 1,768 km from Dar es Salaam in Tanzania to Kapiri Mposhi in Zambia, of which 904 km is in Zambia, 864 km is in Tanzania, and the branches linking Malawi to the ports of Nacala, Beira and Maputo in Mozambique. Part 1 consists of three sequential phases and includes the countries of Tanzania, Malawi and Mozambique. Part 2 will proceed as and when other corridor countries are considered to have met program triggers and are ready for implementation.

Accordingly, Part 1 of the SATTFP focuses on one of the highest priority transport corridors and its key branches, in the sub-region. Well-functioning access to the maritime ports of Tanzania and Mozambique corridor is essential for trade movements of the three landlocked countries (Zambia, Malawi and the DRC), both in terms of improved service, but also increased corridor competition. Freight forwarders are expected to benefit from greater choice and hence competition between ports as a direct result of improved corridor performance, enhancing the quality of service and lowering charges. Without well-functioning corridors, inter-port competition is reduced, increasing the costs of trade to/from landlocked countries. Out of the three eligible countries in Part 1 of the SATTFP, Tanzania is the most advanced in terms of preparation and readiness and the Phase 1 (APL-1) Project focuses on the northern NSC (the Dar es Salaam Corridor) in Tanzania.

The program is expected to contribute to more efficient trade and transport systems, the design and implementation of improved health services and road safety activities,

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Southern Africa Trade and Transport Facilitation Project (SATTFP)**

the formation of a platform for policy dialogue on trade facilitation, including customs and port efficiency, and improvement of corridor management and monitoring.

2.1.2 Project Objective

The objective of the SATTFP is to facilitate the movement of goods and people along the NSC, whilst supporting improvements in the services for Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/AIDS) and road safety. This objective will be realized through a sequential improvement in the physical, institutional and social infrastructure in participating countries and the strengthening of the management of the corridor, in participating countries.

2.1.3 Project Cost

The lending instrument for Phase 1 (APL-1) in Tanzania is an IDA Credit of SDR 138.7 million (USD 210.0 million equivalent) under standard country terms to the United Republic of Tanzania and an IDA Regional Grant of SDR 2.0 million (USD 3.0 million equivalent) to the Dar es Salaam Corridor Committee. The project cost is made up as follows:

| Project Components | Project cost (USD M) | IDA Financing (USD M) | % Financing (inclusive of taxes) (USD M) |
|--|----------------------|-----------------------|--|
| 1. Improvement of physical infrastructure | 185.0 | 185.0 | 100 |
| 2. Mitigation of social costs | 16.0 | 16.0 | 100 |
| 3. Implementation assistance and institutional support | 9.0 | 9.0 | 100 |
| 4. Improving corridor management and monitoring | 3.0 | 3.0 | 100 |
| Total Project Costs | 213.0 | 213.0 | 100 |

2.1.4 Scope And Coverage

This Report Is A Segment Report That Covers Only The IDA Credit No. 5248 - TZ And Grant No. GR.H844 - TZ Project Among Many Implemented By TANROADS. The Segment Does Not Include Other Overheads Incurred By TANROADS Such As Rent, Rates And Other Administrative Expenses.

2.1.5 Project Components

The Southern Africa Trade and Transport Facilitation Project comprise the following components:

P ART A:Improvement of Physical Infrastructure

- a) **Mafinga-Igawa Highway.** Upgrading and rehabilitation of approximately 140 km of the Mafinga-Igawa highway road section along the Dar es Salaam

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Southern Africa Trade and Transport Facilitation Project (SATTFP)**

Corridor and of related access roads.

- b) Songwe-Kasumulu Border Crossing. Improvement of the Songwe-Kasumulu border crossing operations to allow a one-stop border post, including implementation of the recommendations of a diagnostic review, the establishment of a border committee, review, update of the Recipient's border legal framework, rehabilitation of the relevant infrastructure, provision of equipment, preparation and implementation of the related safeguards instruments, monitoring and evaluation of the progress achieved.
- c) Inspection Stations. Preparation of design studies and related construction of three (3) consolidated inspection stations along the Dar es Salaam Corridor, being one (1) at Vigwaza, (2) Makambako (3) Mpemba and each including a weighbridge, a police and customs checkpoint and a wellness center.

PART B: Mitigation of Social Costs

a) Road Safety

Carrying out of a program to improve road safety and traffic conditions along the Dar es Salaam Corridor, including conducting road safety audit and a capacity management review, provision of advisory services, preparation of design studies and implementation of related road interventions.

b) HIV/AIDS Initiatives

Carrying out of a program aimed at reducing the impact of HIV/AIDS and other STDs and preventing the spread of HIV/AIDS and other STDs infection among communities along the Dar es Salaam Corridor, including rehabilitation and provision of equipment and advisory services to lower-level health care facilities and strengthening the capacity of the relevant personnel.

PART C: Implementation Assistance and Institutional Support

- a) Provision of advisory services, training and operational support required to sustain management and coordination of Project implementation activities including audits and implementation oversight.
- b) Carrying out of a program to improve transit and transport and facilitate trade conditions along the Dar es Salaam Corridor, including preparation of studies and diagnostics, update of the 2008 urban master plan for Dar es Salaam, provision of equipment and vehicles to traffic agencies and provision of training and technical advisory services to customs brokers and to the relevant personnel at TANROADS, the Tanzania Revenue Authority, MoWT, TACAIDS, and MoHSW.

PART D: Improved Corridor Management and Monitoring

- a) Strengthening capacity and provision of advisory services, day-to-day administrative and operational support to the Recipient's staff and fiduciary bodies so as to ensure the Recipient's proper establishment, management and operation.
- b) Preparation and implementation of the Corridor Performance Management System (CPMS) to develop and maintain a reliable operational database on the Dar es Salaam Corridor's performance and utilization.

2.1.6 Going Concern

This project was scheduled to be completed by 30th June 2020. However, in order to complete some components that has lagged behind the project was extended for six Month to 31st December 2020. The last disbursement date was thereafter extended to 31st July 2021 from 30th April 2021.

TANROADS mandate is to supervise the project during the development/Implementation stage. As such one the implementation is completed and the cumulative WIP(Assets) and Liabilities will be transferred to TANROADS consolidated accounts, being the case management therefore, believes that the project will not be a going concern in the foreseeable future due to the aforementioned fact that the project has come to an end.

Below is the list of Analysis of Assets and liabilities which will be transferred to TANROADS Consolidated accounts;

Table 2.1.6.1 Analysis of Assets and Liabilities which will be transferred to Consolidated Books of Accounts

| Items | Amounts "000" (USD) | Remarks |
|---------------------------|------------------------|--|
| Assets | | |
| Cash and Cash equivalent | 20,157 | USD 20,060 To be Transferred to IDA and 97 To be Transferred to Consolidated Books of Accounts |
| Mobilization Advances | 389 | To be transferred to consolidated Books of Accounts |
| Other Receivable | 564 | To be transferred to consolidated Books of Accounts |
| WIP Infrastructure Assets | 15,926 | To be transferred to consolidated Books of Accounts |
| Total Assets | 37,036 | |
| Liabilities | | |

**Tanzania National Roads Agency
Southern Africa Trade and Transport Facilitation Project (SATTFP)**

| Items | Amounts "000" (USD) | Remarks |
|--------------------------|------------------------|---|
| Other Payables | 4,206 | To be transferred to consolidated Books of Accounts |
| Retention Money Payable | 1,801 | To be transferred to consolidated Books of Accounts |
| Deferred Grant | 20,060 | To be Transferred to IDA |
| Accumulated Surplus | 10,969 | To be transferred to consolidated Books of Accounts |
| Total Liabilities | 37,036 | |

2.1.7 Project Management

The Project is managed by the Project steering committee chaired by the Permanent Secretary Ministry of Works and Transport. The Permanent Secretary is responsible for; inter alia, the review and validation of: (i) the Annual Work Plans; (ii) the Project's evaluation and supervision reports; and (iii) the Project's financial management and accounting reports.

TANROADS, as an implementing entity, is maintaining a Project Implementation Team (PIT) staffed with qualified and experienced personnel to ensure prompt and efficient implementation of the Project. PIT is responsible for overall Project management, including, inter alia: (i) financial management and reporting; (ii) management of environmental and social safeguards aspects; and (iii) procurement.

2.1.8 Risk Management And Internal Controls

The Project Management accepts final responsibility for the risk management and internal control systems of the Project. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding the effectiveness and efficiency of operations in:

- i) Safeguarding the Project's assets (including information);
- ii) Compliance with the applicable laws, regulations and supervisory requirements;
- iii) The reliability of the accounting records;
- iv) Compliance with Loan and Grant Agreement covenants;
- v) Business sustainability under normal as well as adverse conditions; and
- vi) Responsible behaviour towards all stakeholders.

The Management assessed the internal control systems throughout the financial year ended 30 June 2021 and is of the opinion that they met acceptable criteria.

2.1.9 Project Statutory Auditor

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

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Tanzania of 1977 (Cap 2 R.E. 2002), Section 9 - 12 of Public Audit Act, Cap. 418 [R.E 2021], Section 15 (2) of the Executive Agencies Act, 1997 (amended 2009) and Public Finance Act No 6 of 2001 (revised 2004).

2.1.10 Project Implementation Financial Status

Status of the Financing Agreement

On 28 December 2018; World Bankk agreed and approved the request for SATTFP Restructuring and Credit extension by 18 months from 31 December 2018 to June 30, 2020. Which was later extended to 30th December 2020.

• **Financial Status for Credit No.5248-TZ**

A total credit amount under the project was USD 210.00 million based on original approved amount. However, due to XDR/USD exchange rate the approved amount is USD 196 million. Up to the reporting period (30th June 2021) a total of USD 194.79 million equivalent to 99.9% had been disbursed while cumulative expenditure reached USD 174. million equivalents to 89.69%. The unutilized balance was transferred to IDA on 26th August 2021 and 30th September 2021 respectively.

• **Financial Status for Grant No.H844-TZ**

A total grant amount based on original approval under the project was USD 3.00 million. Up to the reporting period (30th June 2021) a total of USD 2.99 million equivalent to 99.9% had been disbursed while cumulative expenditure reached USD 2.786 million equivalent to 99.8%. The remaining balance of USD 0.29 million will be refunded to IDA after the last disbursement date.

Authorization Date

The financial statement is due for submission to the Controller and Auditor General (CAG) on or by 30th September 2021 and will be authorized for issue after being tabled on and discussed by the Parliament on or by 31st March 2022.



Eng. Rogatus H. Mativila

CHIEF EXECUTIVE

**Tanzania National Roads Agency
Southern Africa Trade and Transport Facilitation Project (SATTFP)**

**2.2 STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE YEAR ENDED 30TH
JUNE 2021**

Pursuant to Section 25(4) of the Public Finance Act, 2001 (R.E. 2016), the Management is required to prepare financial statements for each financial year, which give a true and fair view of receipts and payments of the reporting entity as at the end of the respective financial year. It also requires Management to ensure the reporting entity keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the reporting entity. The Management is also responsible for safeguarding the assets of the entity.

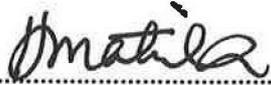
The Project Management accepts responsibility for annual financial statements for the year ended 30th June 2021 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards Accrual Basis (IPSAS - Accrual) and in the manner required by Section 25(4) of the Public Finance Act, 2001 (R.E. 2004), Section 15(1) of the Executive Agencies Act No. 30 of 1997 (amended 2009), the Agency's Accounting Manual and the Financing Agreement.

The Project Management is of the opinion that, the financial statements give a true and fair view of the state of the financial affairs of the Project. Management, further, accepts responsibility for maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control. Management is responsible for safeguarding the assets of the Project and hence for taking reasonable steps for prevention and detection of frauds, errors and irregularities. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

To the best of the Management's knowledge, the system of internal controls has operated adequately throughout the reporting period and that the records and underlying accounts provide a reasonable basis for the preparation of the financial statements for the financial year 2020/2021. The Management accepts responsibility of the integrity of the financial statement, the information it contains and its compliance with the Public Finance Act, the Executive Agencies Act, 1997, instructions from the Treasury and the Financing Agreement. Procurement of goods, works, consultancy, and non-consultancy services to the extent that they are reflected in these financial statements have been done in accordance with the Public Procurement (Amendment) Act 2016 and Public Procurement (Amendment) Regulations, 2016.

**Tanzania National Roads Agency
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At the time of preparing this report, there was no evidence that came to the attention of the Project Management to signify that the Project will cease its operations; therefore, the Southern Africa Trade and Transport Facilitation Project expects to continue in operation as a going concern from the date of this statement.



.....
Eng. Rogatus H. Mativila
CHIEF EXECUTIVE



**Tanzania National Roads Agency
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2.3 DECLARATION OF THE HEAD OF FINANCE AND CHIEF ACCOUNTANT OF TANZANIA NATIONAL ROADS AGENCY (SOUTHERN AFRICA TRADE AND TRANSPORT FACILITATION PROJECT)

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 Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of entity's 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 as under Management Responsibility statement on an earlier page.

I, CPA Rhoda P. Gwivaha being the Head of Finance and Chief Accountant of Tanzania National Roads Agency (Southern Africa Trade and Transport Facilitation Project), hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30th June 2021 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 of the Southern Africa Trade and Transport Facilitation Project as on that date and that they have been prepared based on properly maintained financial records.

Signed by: Rhoda P. Gwivaha

Position: Head of Finance and Chief Accountant

NBAA Membership No.: ACPA 1494

Date: 30th September 2021

Tanzania National Roads Agency
Southern Africa Trade and Transport Facilitation Project (SATTFP)

2.3.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Notes | 30/6/2021 USD '000 | Restated 30/6/2020 USD '000 |
|--|-------|-----------------------|-----------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 2.4.3 | 20,157 | 41,577 |
| Mobilization Advances | 2.4.4 | 389 | 3,062 |
| Prepayments | 2.4.5 | 564 | - |
| Total Current Assets | | 21,110 | 44,639 |
| Non-current assets | | | |
| WIP Infrastructure Assets | 2.4.6 | 15,926 | 4,564 |
| Total Non-current Assets | | 15,926 | 4,564 |
| TOTAL ASSETS | | 37,036 | 49,203 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 2.4.7 | 4,206 | 1,229 |
| Retention Money Payable | 2.4.8 | 1,801 | 1,429 |
| Total Current liabilities | | 6,007 | 2,658 |
| Non-Current liabilities | | | |
| Deferred Grants | 2.4.9 | 20,060 | 41,482 |
| Total Non-Current liabilities | | 20,060 | 41,482 |
| TOTAL LIABILITIES | | 26,067 | 44,140 |
| NET OF TOTAL ASSETS AND TOTAL LIABILITIES | | 10,969 | 5,063 |
| NET ASSETS | | | |
| Accumulated Surplus | | 10,969 | 5,063 |
| TOTAL NET ASSETS | | 10,969 | 5,063 |

Omilia
.....
Chief Executive
30th SEPTEMBER, 2021
.....
Date

AM 6
.....
Ag. Permanent Secretary-MoWT (Works)
30th SEPT. 2021
.....
Date

**Tanzania National Roads Agency
Southern Africa Trade and Transport Facilitation Project (SATTFP)**

2.3.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 30/06/2021 USD '000 | 30/06/2020 USD '000 |
|---|--------|------------------------|------------------------|
| Revenue | | | |
| Grant amortised | 2.4.10 | 21,422 | 16,318 |
| Interest Received | 2.4.11 | 2 | - |
| Gain on exchange Translation | 2.4.15 | - | 14 |
| Total Income | | | |
| Less Expenses | | 21,424 | 16,332 |
| Supplies and Consumables used | 2.4.12 | 417 | 399 |
| Routine Repair and Maintenance Expenses | 2.4.13 | 10,369 | 1,156 |
| Operating Expenses | 2.4.14 | 3,824 | 3,146 |
| Loss on exchange Translation | 2.4.15 | 37 | - |
| Interest on Delayed Payment | 2.4.16 | 208 | - |
| Total expenses | | 14,855 | 4,701 |
| Surplus during the year | | 6,569 | 11,631 |

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Chief Executive

Date 30th SEPTEMBER, 2021



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Permanent Secretary-MoWT (Works)

Date 30th SEPT. 2021

Tanzania National Roads Agency
Southern Africa Trade and Transport Facilitation Project (SATTFP)

2.3.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE
2021

| | Accumulated surplus | Accumulated surplus |
|---|------------------------|------------------------|
| | 2021 | 2020 |
| | USD '000 | USD '000 |
| Balance as at 01st July | 5,063 | 124,056 |
| adjustment for the year (WIP Transferred To PPE) (Note. 4.8.26) | (663) | (130,624) |
| Surplus For the Year | 6,569 | 11,631 |
| Balance as at 30th June | 10,969 | 5,063 |

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Chief Executive

Date 30th SEPTEMBER, 2021

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Date 30th SEPT. 2021



Tanzania National Roads Agency
Southern Africa Trade and Transport Facilitation Project (SATTFP)

2.3.4 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 30/6/2021 USD '000 | 30/6/2020 USD '000 |
|---|--------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Grants Received | 2.4.17 | - | 50,262 |
| Interest Received | 2.4.11 | 2 | - |
| Payments | | | |
| Supplies and Consumables Used | 2.4.18 | (1,410) | (1,177) |
| Routine Repair and Maintenance Expenses | 2.4.19 | (6,632) | (963) |
| Operating Expenses | 2.4.20 | (3,975) | (3,096) |
| Interest Paid | 2.4.21 | (208) | |
| Net cash from operating activities | | (12,223) | 45,026 |
| Cash flows from investing activities | | | |
| Payments of WIP | 2.4.22 | (9,160) | (11,082) |
| Net cash from investing activities | | (9,160) | (11,082) |
| Net increase in cash and cash equivalents | | (21,383) | 33,944 |
| Cash and cash equivalents at beginning of period | | 41,577 | 7,646 |
| Gain/(Loss) on Exchange Translation | 2.4.15 | (37) | (14) |
| Cash and cash equivalents at end of period | | 20,157 | 41,577 |

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Chief Executive

Date 30th SEPTEMBER, 2021

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Permanent Secretary-MoWT (Works)

Date 30th SEPT. 2021

Tanzania National Roads Agency
Southern Africa Trade and Transport Facilitation Project (SATTFP)

2.3.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30TH JUNE 2021

| | Original Budget{A} USD | Final Budget {B} USD | Actual Amount {C} | | Difference {C-B} | | Percentage (C/B*100%) |
|---|---------------------------|-------------------------|-------------------|-----|------------------|-----|-----------------------|
| | | | USD | USD | USD | USD | |
| Receipts | | | | | | | |
| Interest Received | 0 | 0 | | | (2) | | 100% |
| Total Receipts | 0 | 0 | | | (2) | | 100% |
| Payments | | | | | | | |
| Supplies and Consumables Used | 0 | 0 | 1,410,000 | | (1,410,000) | | 0.00% |
| Routine Repair and Maintenance Expenses | 0 | 0 | 6,632,000 | | (6,632,000) | | 0.00% |
| Operating Expenses | 0 | 0 | 3,975,000 | | (3,975,000) | | 0.00% |
| Interest Paid | 0 | 0 | 208 | | (208) | | 0.00% |
| WIP Infrastructure Assets | 0 | 0 | 9,160,000 | | (9,160,000) | | 0.00% |
| Total Payments | 0 | 0 | 21,385,000 | | (21,385,000) | | 0.00% |
| Net Receipts/(Payments) | | | 21,383,000 | | (21,383,000) | | |

Note no.4.8.29 Reconciliation of Comparison of Budget and Actual and Statement of Cashflows Note NO. 2.5.28 Reasons for Variances

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Chief Executive

Date 30th SEPTEMBER, 2021



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Permanent Secretary-MoWT (Works)

Date 30th SEPT. 2021

2.4 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

2.4.1 Statement of Compliance and Basis of Preparation

The financial statements of the Project have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and comply with the Public Finance Act, 2001 as amended in 2004, the Executive Agencies Act, 1997 and the Financing Agreement. The financial statements are presented in United States Dollars (USD), which is the functional and reporting currency of the Project and all values are rounded to the nearest thousand dollars (USD '000).

The financial statements have been prepared on the basis of historical cost basis, unless stated otherwise. The cash flows statement is prepared using the direct method. The financial statements are prepared on an accrual basis.

2.4.2 Summary of Significant Accounting Policies

The accounting policies adopted for preparation of Project's financial statements, are consistent with those of previous years, and are shown below.

a) Foreign currency translation

Items included in the financial statements of the Project are measured using the functional currency. Financial Statements are prepared in United States Dollars which is the currency of the Credit Agreement. Therefore, United States Dollar is the Project's functional and presentation currency. Payments are normally made in the currency or currencies in which the bid price was stated. However, if the payment of a portion of the bid price is made in other currencies, the exchange rates applied are those used in the bid and thus the contract. On the date of payment portions denominated currencies other than USD are converted into USD using prevailing exchange rate at the date of transaction. Monetary items in the statement of financial position are translated by using exchange rate at the closing date i.e. TZS 2,310.37.

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 other currencies are recognized in the statement of financial performance.

b) 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 are measured at amortized cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

c) Revenue recognition

The Project receives its revenue from the IDA in line with the signed Loan Agreement between the World Bank and the Government of Tanzania. Grants Revenue from the World Bank is accounted for on accrual basis. Grants from the World Bank are revenue from Non exchange transactions and are recognised in the financial statement when it is probable that future economic benefit will flow to the Project and if the benefits are reliably measured.

IPSAS 23 Para 44 requires the Inflow of resources from non-exchange transaction to be recognised both as revenue and an Asset except to the extent that a liability is also recognised in respect of the same inflow. Grants are recognised as income when such grants have been received and expensed to match expenditure incurred with Grants received.

d) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The interest earned from maintaining bank accounts with the commercial bank are treated as internal generated revenue from GoT.

e) Property, plant and equipment

The project costs are accumulated in the items of work-in-progress infrastructure assets which are measured at cost. The cost of work-in-progress infrastructure assets includes costs of material, direct labour and any other costs directly attributable to bringing the asset to a condition where it is ready for its intended use. However, the cost used to acquire land (compensations to PAPs) is not included. Work-in-progress infrastructure asset is ready for its intended use once hand over certificate is issued and at this point work-in-progress is recognised as an item of property, plant and equipment; for this particular project, it will be infrastructure asset.

f) Provisions

Provisions are recognised when the Project has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Project expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in surplus/deficit net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

g) Taxes

The Project being a Government Project is exempted from corporate tax on the surplus/deficit for the year.

h) Events after reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).
- There is neither adjusting nor non adjusting events to report in the year under review.

i) Judgments

The preparation of the Project's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. In the process of applying the Project's accounting policies, management has made no specific judgments.

j) Related parties

The Project regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the project or vice versa. Members of the project steering committee and members of the project implementation team are regarded as related parties. There was no any related part transaction to be reported during the year.

2.4.3 Cash and Cash Equivalents

The project maintains four cash books; two in United States dollars and two in Tanzania Shillings. The two-dollar accounts are maintained at the Bank of Tanzania (BOT) while the two-shillings accounts are maintained at Exim Bank (T) Limited. The Tanzania Shillings Bank balances were converted at BoT exchange rate on 30th June each year respectively. The TZS account are earning interest which are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The interest earned from maintaining bank accounts with the commercial bank are treated as internal generated revenue. Therefore, the difference between cash and cash equivalent and differed grants in the two consecutive years is USD 95,000 and USD 97,000 respectively which is the cumulative interest earned.

| Cash Book Balances | 30/06/2021 | 30/06/2020 |
|------------------------|---------------|---------------|
| | USD'000 | USD'000 |
| BOT CREDIT USD | 20,099 | 40,997 |
| BOT GRANT USD | 17 | 2 |
| EXIM CREDIT TZS | 41 | 564 |
| EXIM GRANT TZS | 0 | 14 |
| Closing Balance | 20,157 | 41,577 |

2.4.4 Mobilization Advances

The mobilization advances represent the amounts advanced to the various contractors/consultants exclusively for the cost of mobilization in respect of works or services as per the agreement. The advanced amount is interest -free, payable in proportion of foreign and local currencies of contract price, but in no event exceeds the agreed percentage. The Amount advanced is subject to percentage recovery from interim payment certified or invoiced. During the year, the Project has no advances to contractors/ Consultants; however, the amount recovered as at 30th June 2021 was USD 2,674,000.00.

| Mobilization Advances | 30/06/2021 | 30/06/2020 |
|---------------------------|--------------|--------------|
| | USD'000 | USD'000 |
| Opening Balance | 3,062 | 1,056 |
| Additional for the year | - | 2,159 |
| Recovered During the year | (2,673) | (152) |
| Closing Balance | 389 | 3,062 |

2.4.5 Prepayments

These are payments to various customers, Granters and Government entities before delivery of Goods or services. The amount below represents the prepayment made as a cash cover to BOT for the Letter of Credit opened in favour of our Supplier for supplying Rescue Vehicles.

| Other Receivables | 30/06/2021 | 30/06/2020 |
|-------------------|------------|------------|
| | USD'000 | USD'000 |
| Prepayments | 564 | - |
| | 564 | - |

2.4.6 WIP Infrastructure Assets

Project Expenditure represents the gross amounts of invoices raised for services rendered or Interim Payment Certificates (IPC) approved for the construction works done. Invoices issued in currencies other than USD before the end of period and remain unpaid are accrued using BOT exchange rate as at the end of the period. During the year, Mafinga-Igawa Road project was substantially completed. Therefore, accumulated WIP for the completed works have been transferred to Property Plant and Equipment (PPE) road assets Located in Iringa -Mbeya and Njombe Regions.

The figure of Project Expenditure (WIP) per lot is made up as follows:

| | 30/06/2021 | 30/06/2020 |
|----------------------------|---------------|----------------|
| | USD'000 | USD'000 |
| Opening Balance | 4,564 | 124,763 |
| Mafinga -Igawa Lot 1 | 0 | 5,043 |
| Mafinga -Igawa Lot 2 | 663 | 1,551 |
| Mafinga -Igawa Supervision | - | 250 |
| Songwe Kasumulu | 5,844 | 1,487 |
| Vigwaza OSIS | 5,340 | 1,980 |
| Construction Buildings | 178 | 114 |
| Transfer to PPE | (663) | (130,624) |
| Closing Balance | 15,926 | 4,564 |

2.4.7 Payables

These relate to outstanding payment to various suppliers, consultants and contractors. It includes USD 2,341,000.00 for WIP and USD 1,865,000.00 for Expenses totalling USD 4,206,000.00

| Payables | 30/06/2021 | 30/06/2020 |
|-----------------------------|--------------|--------------|
| | USD'000 | USD'000 |
| Opening Balance | 1,229 | 538 |
| Additional for the Year-IDA | 2,702 | 905 |
| Additional for the Year-GOT | 1,504 | - |
| Paid During the Year | (1,229) | (214) |
| Closing Balance | 4,206 | 1,229 |

2.4.8 Retention Money Payable

Retention money payable is 5% of the contract value deducted from works certified at 10% against each IPC until it reaches the maximum limit. Retention money is a credit balance payable to contractors 50% on substantial completion of works and the other 50% after the of defects liability period. It includes Retention Money for Capital amounting to USD 600,000.00 and Expenses amounting to USD 1,201,000.00 totalling USD 1,801,000.00.

| | 30/06/2021 | 30/06/2020 |
|-------------------------|--------------|--------------|
| | USD'000 | USD'000 |
| Opening Balance | 1,429 | 1,339 |
| Additional for the Year | 1,591 | 1,201 |
| Paid During the Year | (1,219) | (1,111) |
| Closing Balance | 1,801 | 1,429 |

2.4.9 Deferred Grant

| | 30/06/2021 | 30/06/2020 |
|------------------------|---------------|---------------|
| | USD'000 | USD'000 |
| Opening Balance | 41,482 | 7,538 |
| Grant Received | - | 50,262 |
| Grant Amortised | (21,422) | (16,318) |
| Closing Balance | 20,060 | 41,482 |

2.4.10 Grants Amortized

| | 30/06/2021 | 30/06/2020 |
|---------------------------|---------------|---------------|
| | USD'000 | USD'000 |
| Recurrent Grant Amortised | - | 5,236 |
| Capital Grant Amortised | 21,422 | 11,082 |
| Total | 21,422 | 16,318 |

2.4.11 Interest Received

These are the amount earned/received from maintaining project operation accounts with Exim Bank. The funds received are not part of differed grants from donor. However, are treated as revenue

| | 30/06/2021 | 30/06/2020 |
|-------------------|------------|------------|
| | USD'000 | USD'000 |
| Interest Received | 2 | - |
| | 2 | - |

2.4.12 Supplies and Consumables used

These relates to expenses incurred during the year to suppliers of goods and services that does not form part of Work in Progress. The figures for Goods and Consumable used included the assets bought and transferred to other organizations amounting TZS 399,175.74 as detailed in Note No.4.8.28

| | 30/06/2021 | 30/06/2020 |
|-----------------------|------------|------------|
| | USD'000 | USD'000 |
| Training Domestic | 4 | 102 |
| Training Foreign | - | 229 |
| Per Diem Domestic | 10 | 63 |
| Mobile Phone Charges | 4 | 5 |
| Goods and Consumables | 399 | - |
| Total | 417 | 399 |

2.4.13 Routine and Maintenance Expenses

These relates to expenses incurred during the year for repair and maintenance including the roads works that does not form part of Work in Progress.

| | 30/06/2021 | 30/06/2020 |
|--|---------------|--------------|
| | USD'000 | USD'000 |
| Outsourced maintenance Contract Services | 10,369 | 1,156 |
| Total | 10,369 | 1,156 |

2.4.14 Operating Expenses

These relates to expenses incurred during the year including the consultancy services for operating activities that does not form part of Work in Progress.

| | 30/06/2021 | 30/06/2020 |
|----------------------|--------------|--------------|
| | USD'000 | USD'000 |
| Audit expenses | 12 | - |
| Consultancy Services | 3,812 | 3,146 |
| Total | 3,824 | 3,146 |

2.4.15 Gain/Loss on Exchange Translation

These are the results of exchange rate differences between the invoice date and payment date or translation differences of the balances on the financial position at the year end.

| | 30/06/2021 | 30/06/2020 |
|----------------------|-------------|------------|
| | USD'000 | USD'000 |
| Exchange Gain/(loss) | (37) | 14 |
| Total | (37) | 14 |

2.4.16 Interest for delayed Payment

The Contractor/Consultant is entitled to Interest on delayed payment as per Special Conditions of Contracts (SCC). According to IPSAS 17 Para 35 & 36 the interest on delayed payment is not capitalised.

| | 30/06/2021 | 30/06/2020 |
|-----------------------------|------------|------------|
| | USD'000 | USD'000 |
| Interest on delayed Payment | 208 | - |
| Total | 208 | - |

2.4.17 Grants Received

Fund received represent amount advanced to a designated account and eligible expenditures directly paid to the clients under the financing agreement. For the Financial Year ended 30th June 2021, no funds were disbursed to designated account after submission of the forecasted expenditure for the respective period as analysed below:

| | 30/06/2021 USD'000 | 30/06/2020 USD'000 |
|-----------------|-----------------------|-----------------------|
| Recurrent Grant | - | 5,000 |
| Capital Grant | - | 45,262 |
| Total | - | 50,262 |

2.4.18 Supplies and Consumables Used

These relates to payment made during the year to suppliers of goods and services that does not form part of Work in Progress. The figures for Goods and Consumable used included the payment for assets amounting 399,000 which were transferred to other organizations as detailed in Note No.2.5.30.

| | 30/06/2021 | 30/06/2020 |
|---------------------------------|--------------|--------------|
| Mobile Charges | 4 | 5 |
| Per diem - Domestic | 8 | 24 |
| Training Expenses | 33 | 121 |
| Goods and Materials Consumables | 1,365 | 40 |
| Mobilization Advance Paid | - | 987 |
| Total | 1,410 | 1,177 |

2.4.19 Routine Repair and Maintenance Expenses

These relates to payments made during the year for repair and maintenance including the roads works that does not form part of Work in Progress.

| | 30/06/2021 | 30/06/2020 |
|--|--------------|------------|
| Outsourced maintenance Contract Services | 6,632 | 963 |
| Total | 6,632 | 963 |

2.4.20 Operating Expenses

These relates to payments made during the year including the consultancy services for operating activities that does not form part of Work in Progress.

| | 30/06/2021 | 30/06/2020 |
|----------------------|--------------|--------------|
| Consultancy Services | 3,975 | 3,082 |
| Bank charges | - | 14 |
| Total | 3,975 | 3,096 |

2.4.21 Interest Paid

The interest paid during the year was for delayed payment to contractors and consultants. According to IPSAS 2 Para 42 the interest paid may be classified as operating cashflows because they enter into determination of net surplus or deficit.

| | 30/06/2021 USD'000 | 30/06/2020 USD'000 |
|-------------------------------|-----------------------|-----------------------|
| Interest Paid during the year | 208 | - |
| Total | 208 | - |

2.4.22 Payments for WIP

These relates to payments made during the year to contractors and consultants for Work in Progress paid during the year. This includes Retention money released amounting to USD 1,219,000.00.

| | 30/06/2021 | 30/06/2020 |
|---------------------------|--------------|---------------|
| WIP infrastructure | 7941 | 9,572 |
| Retention Money Released | 1,219 | 204 |
| Mobilization Advance Paid | - | 1,306 |
| Total | 9,160 | 11,082 |

2.4.23 Reconciliation of Net Cash flows from Operating Activities to Surplus/Deficit

The Government through circular No. 11 of 2014/15 adopted a direct method in reporting cash flows from operating activities in line to Para 28 and 29 of IPSAS 2. This options per the referred standards requires reporting entities to provide a reconciliation of the surplus or deficit from ordinary activities with the net cash flows from operating activities.

The analysis of the cash flow reconciliation is detailed below:

| | 30/06/2021 USD'000 | 30/06/2020 USD'000 |
|---|-----------------------|-----------------------|
| Surplus from Ordinary Activities | 6,569 | 11,631 |
| Increase/Decrease In O/payables | 1,418 | 418 |
| Increase/Decrease in Retention Payable | 776 | - |
| Increase/Decrease in Differed Grant | (21,422) | 33,944 |
| Increase/Decrease in Receivables | - | (981) |
| Transferred asset to Other org | 399 | - |
| (Gain)losses on Exchange Transaction | 37 | 14 |
| | (12,223) | 45,026 |

Analysis For Movement of Payables

| | 30/06/2021 USD'000 | 30/06/2020 USD'000 | Change USD'000 |
|-----------------------|-----------------------|-----------------------|-------------------|
| Other Payables | | | |
| WIP Payables | 2,341 | 782 | (1,559) |
| Expenses | 1,865 | 447 | (1,418) |
| Total | 4,206 | 1,229 | (2,977) |

| | | | |
|-----------------------------|--------------|-------------|--------------|
| Retention Payables | | | |
| WIP Retention Payables | 815 | 1,219 | 404 |
| Expenses Retention Payables | 986 | 210 | (776) |
| Total | 1,801 | 1429 | (372) |

2.4.24 Statement of Receipts and Payments

It is a requirement of the World Bank under financial management guidelines to include Statement of Receipts and Payments as a note to the financial statements. This is in line with cash basis of accounting in which the Interim Financial Reports (IFRs) are prepared and presented quarterly.

| Receipts | 30/06/2021 | 30/06/2020 |
|---|-------------------|-------------------|
| | USD'000 | USD'000 |
| Opening Balance | 41,577 | 7,646 |
| Receipt from Ida | - | 50,262 |
| Interest Received | 2 | - |
| Total Receipts | 41,579 | 57,908 |
| Payments | | |
| Supplies and Consumables used | 1,410 | 1,177 |
| Routine Repair and Maintenance Expenses | 6,632 | 963 |
| Interest paid | 208 | - |
| Operating Expenses | 4,012 | 3,109 |
| Payment of WIP | 9,160 | 11,082 |
| Total Payments | 21,422 | 16,331 |
| Balance | 20,157 | 41,577 |

2.4.25 Statement of Expenditure (SOE)

Statement of Expenditure (SOE) refers to expenditure incurred for eligible payments of project activities valued below the “*prior review threshold*” meaning that they do not need procurement process to be reviewed by IDA at all stages in the standard manner. These are usually small valued shopping and operating expense purchases.

IDA requires that the annual audits include thorough verification of expenditures incurred under shopping procedures or otherwise for which the Bank did not get involved in every stage of the procurement process. The maximum values for SOE are as follows:

- i) Contracts for civil works valued at less than USD 1,000,000 equivalents each
- ii) Contracts for goods valued at less than USD 500,000 equivalents each
- iii) Contracts for consulting firms and individual consultants valued at less than USD 200,000 and USD 100,000 equivalents each respectively.

iv) Training and incremental operating costs.

2.4.26 WIP Transferred to PPE

The Mafinga -Igawa Road Project was substantially completed during the year ended 30th June 2021. The accumulated cost of works done was previously reported as work in Progress (WIP) until the completion dates. The total accumulated cost has been transferred to Road Asset and reported to the TANROADS Consolidated Financial Statement. The detail of WIP transferred for each lot is as follows:

| | 30/06/2021 | 30/06/2020 |
|---------------------------------|------------|----------------|
| | USD'000 | USD'000 |
| LOT1: Mafinga-Nyigo | - | 67,907 |
| LOT2: Nyigo-Igawa | 663 | 57,996 |
| Supervision services (lot1 & 2) | - | 4,721 |
| Total | 663 | 130,624 |

2.4.27 Disclosure of Budgetary Basis and reasons for Variances.

There was no project budget allocated for the current financial year. This project was originally due for closing by 30th June 2020. However, the closing date was extended to 31st December 2020. Therefore the actual payments were based on the estimated cost to project closing date.

Reasons for Variances

Receipts

During the reporting period TANROADS received USD 2,000 from Interest income. The variance of 100%. was recorded as the item had no budget.

Payments

There was no budget for payments. Therefore, the variance of 100% from actual payments made.

2.4.28 Disclosure of Restated Comparable Figures Related to Adjustment Done in Previous Financial Year 2020/2021

Table 2.5.28.1 Disclosure of Restated Comparable Figures Related to Adjustment Done in Previous Financial year 2019/20

| No | Item | Original Amount 30th June 2020 (USD) -A "000" | Restated Amount (USD) -B "000" | Difference (USD) (B-A) "000" | Reason for Restatement |
|----|------------------|--|--------------------------------------|------------------------------------|--|
| 1 | Work in Progress | 4,291 | 4,564 | 273 | Work In Progress was understated by USD 0.273Million |

| No | Item | Original Amount 30th June 2020 (USD) -A "000" | Restated Amount (USD) -B "000" | Difference (USD) (B-A) "000" | Reason for Restatement |
|----|----------------------|--|--------------------------------------|------------------------------------|---|
| 2 | Payables | 956 | 1,229 | 273 | The outstanding payable was understated by USD 0.273 Million |
| 3 | Total Current Assets | 44,640 | 44,639 | 1 | The Total current Asset was supposed to be 44,639, it was wrongly reported as 44,640. |

2.4.29 Reconciliation of statement of comparison of budget and actual amounts and statement of cash flows as at 30th June 2021

Table 2.5.29.1 Reconciliation of statement of comparison of budget and actual amounts and statement of cash flows as at 30th June 2021

| Description | Operating "000" | Financing "000" | Investing "000" | Total "000" |
|---|--------------------|--------------------|--------------------|----------------|
| Actual Amount on comparable basis as presented in the statement of comparisons of Budget and Actual | (12,223) | - | (9,160) | (21,383) |
| Basis Differences | - | - | - | - |
| Timing Differences | - | - | - | - |
| Entity Differences | - | - | - | - |
| Actual Amount in the statement of Cash Flows | (12,223) | - | (9,160) | (21,383) |

2.4.30 Assets Transferred to Other Organisation as at 30th June 2021

Table 2.5.30.1 Assets Transferred to Other Organisation as at 30th June 2021

| S/No. | Name of Organisation Transferred To | Supplier's Name | Asset Type | Amount |
|--------------|-------------------------------------|--------------------------|----------------------|-------------------|
| 1 | Ministry Of Health | Empress Furniture ltd | Furniture & fittings | 42,468.91 |
| 2 | Ministry Of Health | Caroga Tanzania ltd | Medical equipment | 276,710.00 |
| 3 | Ministry Of Health | Labtech Tanzania limited | Medical equipment | 79,996.83 |
| Total | | | | 399,175.74 |