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 WORKERS COMPENSATION FUND FOR THE YEAR ENDED 30 JUNE, 2018

Office of the Controller and Auditor General,
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March, 2020

AR/WCF/2017/2018

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GENERAL INFORMATION

Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and in Sect. 10 (1) of the Public Audit Act No.11 of 2008. The Controller and Auditor General is the statutory auditor of all Government revenues and expenditures including the revenues and expenditures of the Workers Compensation Fund.

Vision, Mission and Core Values

Vision

To be a highly regarded Institution that excels in Public Sector Auditing.

Mission

To provide 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.
- ✓ **Teamwork 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.

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CORPORATE INFORMATION

PRINCIPAL AUDITORS	The Controller and Auditor General National Audit Office 4 Audit Road P.O. Box 950 41104 Tambukareli Dodoma
DELEGATED AUDITORS	PAMAK Associates Certified Public Accountants 4th Floor, Shamo Tower Bagamoyo Road, Mbezi Beach P.O. Box 60475 Dar es Salaam
PRINCIPAL BANKERS	CRDB Bank Plc Holland House Branch Samora Avenue/Ohio Street P.O. Box 71960 Dar es Salaam NMB Bank Plc Bank House Samora Avenue/Pamba Road P.O. Box 9213 Dar es Salaam
REGISTERED OFFICE	Plot No. 37, GEPF House Regent Estate, Bagamoyo Road P.O. Box 79655 Dar es Salaam
PARENT MINISTRY	Prime Minister's Office Labour, Youth, Employment and Person with Disability Government City- Mtumba Kazi Street P.O. Box 2890 Dodoma
ATTORNEY GENERAL OFFICE	The Office of Attorney General, P.O. Box 630 Dodoma

1.0 REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 30 JUNE 2018

1.1. INTRODUCTION

The Trustees are pleased to present their report together with the audited financial statements of Workers Compensation Fund ("the Fund'') for the year ended 30 June 2018 which disclose the state of affairs of the Fund, in accordance with Section 85 of the Workers Compensation Act Cap. 263 R.E. 2015.

1.2. ESTABLISHMENT OF THE FUND

Workers Compensation Fund (WCF) is a social security scheme established under the Workers Compensation Act Cap. 263 R.E. 2015. The Fund is responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. In case of death of workers, the Fund is responsible for compensating dependants as per set criteria. The scheme is operated under social security and insurance principles.

All employers and employees in the public and private sectors in Mainland Tanzania are covered and hence are required by Law to contribute to the Fund.

1.3. FUND'S VISION

"To be the role model in the provision of workers compensation services in Africa."

1.4. FUND'S MISSION

"To mitigate the social and economic impact of occupational accidents and diseases on employees, their families and employers through the provision of adequate and equitable compensation in a sustainable, transparent and efficient manner."

1.5. FUND'S CORE VALUES

Core Values	Description
Integrity	We will always be ethical and trustful, maintaining good governance practices and not misrepresenting or withholding information to which our stakeholders are entitled.
Teamwork	We expect our staff to be team players. We believe in teamwork to harness multiple skills and experiences to accomplish key work objectives and promote cooperative behaviour among staff.
Accountability	We take responsibility and ownership of all that we do at corporate and individual employee levels and respond appropriately to stakeholder's concerns.
Excellence	We create requisite structures, employ appropriate management styles and invest heavily in training and development of our staff to enable

Core Values	Description
	them to attain desired levels of professionalism necessary for achieving excellence in their jobs.
Empathy	We will treat all our customers with compassion while maintaining high moral standards and professionalism.

1.6. OBJECTIVES AND FUNCTIONS OF THE FUND

1.6.1 The objectives of the Fund

a) Provision of adequate and equitable compensation to employees.
b) Implementation of the National Social Security Policy of 2003 in relation to work-related injuries, diseases and deaths.
c) Implementation of provision of Section 5 of the Workers Compensation Act [CAP 263 R.E. 2015].
d) Provision of a framework for effective, prompt and empathetic consideration, settlement and payment of compensation benefits.
e) Provision of a framework for control and management of contributions and payments.
f) Promotion of prevention of accidents and occupational diseases.

1.6.2 Functions of the Fund

a) Registration of all employers in Mainland Tanzania.
b) Assessment of risk exposure at workplaces and tariffs determination.
c) Collection of contributions from employers.
d) Investment of surplus funds.
e) Payment of compensation to employees.
f) Maintenance of statistics for all occupational accidents, diseases and deaths.
g) Promotion of prevention of occupational accidents, diseases and deaths.
h) Conducting public education and awareness programs.

1.7 BENEFITS OFFERED BY THE FUND

Benefits offered by the Fund are as follows:

1.7.1 Medical aid

Medical aid includes ambulance services, medical consultation, surgical consultation, skilled nursing services, payment for medication, remedial treatment if recommended, supply and repair of prosthesis.

1.7.2 Compensation for Temporary Disablement

Employees shall be entitled to payment of temporary disablement if they sustain injuries arising out of occupational accidents or diseases in the course of employment and leads to their temporary disablement. The

payment will be made to the affected employees for the period not exceeding 24 months.

1.7.3 Compensation for Permanent Disablement

Employees shall be entitled to payment of permanent disability if they sustain injuries arising out of occupational accidents or diseases in the course of employment and leads to permanent disablement. The payment will be made to the affected employee until death or when employees reach retirement age and qualify for payment of pension.

1.7.4 Funeral Grants

Funeral grant is paid to the family of the deceased employee who dies as a result of occupational accident or disease.

1.7.5 Constant Attendant Care Grant

The payment will be made to a person who constantly takes care of an employee who cannot assist themselves due to injuries sustained because of occupational accident or diseases.

1.7.6 Compensation to Dependants of the Deceased Employee

This compensation is made to a spouse and children of an employee who dies as a result of occupational accidents or diseases arising out of and in the course of employment. In case there is no spouse or children, other dependants will be compensated.

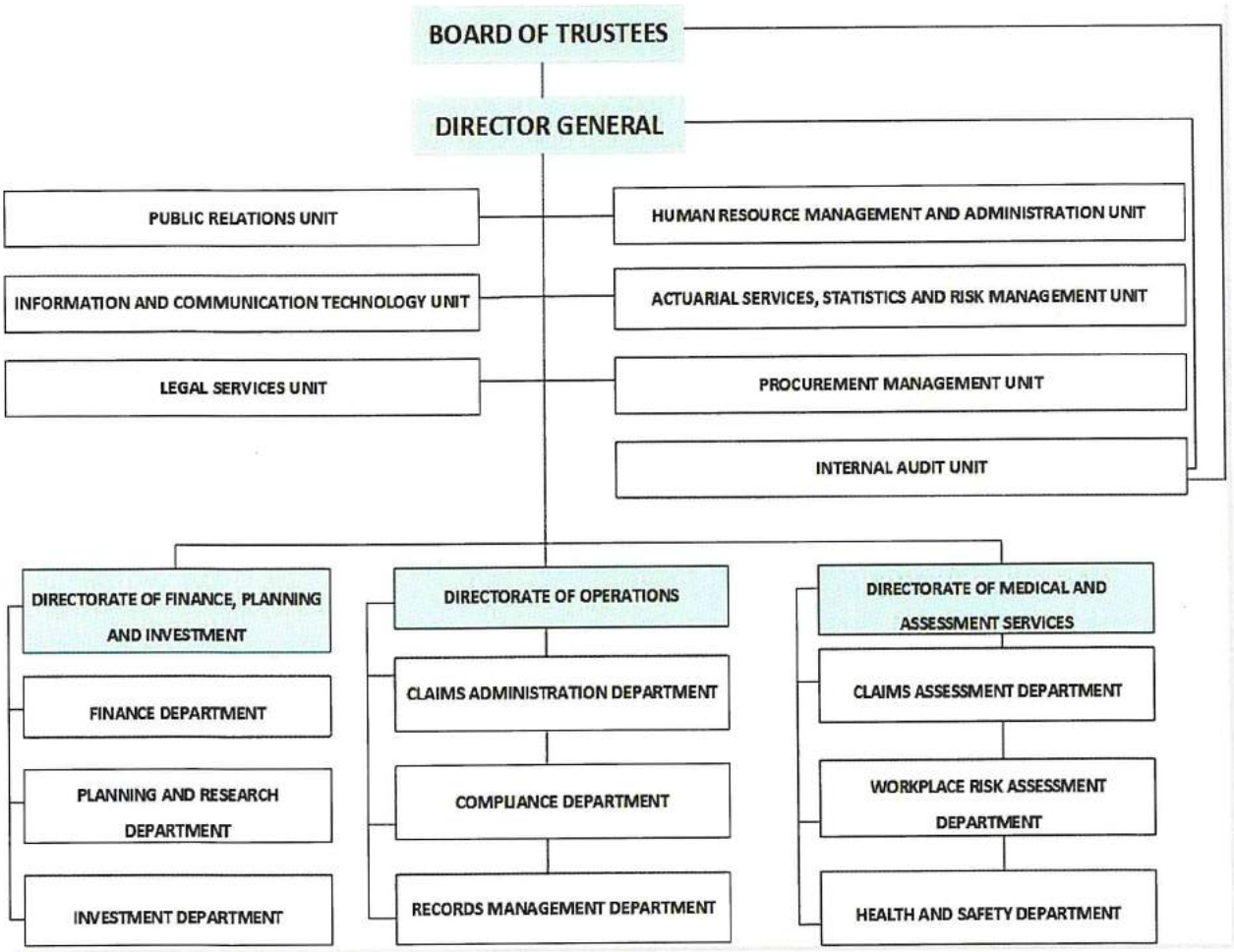
1.7.7 Rehabilitation Services

These are services provided to employees who sustain injuries as a result of occupational accidents or diseases with the purpose of restoring their health. The services will be provided to employees to assist them recover and return to work or participate in other economic activities that will earn them some amount of income.

1.8 THE ORGANISATION STRUCTURE OF THE FUND

The Fund organisation structure is presented through the organogram at Figure 1. The Board of Trustees is the final decision maker on all matters regarding control and administration of the Fund in line with applicable laws while Management team is responsible for day-to-day operations of the Fund.

Figure 1: Organisation Structure



The Board of Trustees completed its tenure on 21st January 2018. The Miscellaneous Amendments (No 6) Act 2019, empowered Permanent Secretary of the Ministry responsible for the Board to operate and/or make decisions that would otherwise require the Board.

1.9 CORPORATE GOVERNANCE

The Board is committed to the principles of good corporate governance and complies with the legal, regulatory and relevant codes of ethics. The Board is pleased to report that throughout the financial year ended 30 June 2018 and at the date of this report, the Fund applied the principles of, and was compliant with the requirements of, good corporate governance. In compiling this report, the Trustees have referred to the legal and regulatory requirements, code of ethics and conduct for the public service as well as the requirements of best practices in good corporate governance.

Good governance requires professionalism, transparency and accountability. The Fund has put in place internal mechanisms to ensure that this is achieved.

1.9.1 Board of Trustees

The Board is comprised of fourteen Trustees with diverse skills and knowledge whereby, apart from the Director General, all other Trustees are non-executive. A non-executive Chairman is by law appointed by the President. The other Trustees are appointed by the Minister responsible for Labour and Employment for a tenure of three years renewable. The Trustees who are appointed by the Minister are representatives of the statutory positions mentioned in the Workers Compensation Act Cap. 263 R.E. 2015.

1.9.2 The role of the Board

a) Control and administer the Fund.
b) Formulate, implement and review policy relating to workers compensation.
c) Advice the Minister on any matter relating to workers compensation, any amendments of the laws and regulations relating to workers compensation.
d) Invest surplus money of the Fund.
e) Provide technical assistance and advisory services for the purpose of promoting workers compensation.
f) Promote occupation safety and health measures in collaboration with OSHA and other relevant authorities.
g) Promote public awareness of the rights and obligations of the employees, dependants and employers.
h) Provide accessible and transparent procedures for lodging and investigation of any complaint regarding the conduct of the Fund and its employees.
i) Do all such acts and enter into all such transactions as in the opinion of the Board may be necessary for the proper and efficient administration of the Fund.

1.9.3 Board composition

As at the date of this report, the Fund does not have the Board of Trustee. The Board was composed of the following members whose tenure of three years expired on 21st January, 2018.

Name	Position	Age	Qualification /Discipline	Nationality
Mr. Emanuel B. Humba	Chairman	68	Social Security Expert	Tanzanian
Ms Radhmina R. Mbilinyi	Trustee	60	Fisheries specialist	Tanzanian
Mr. Chrysostom M. Agapiti	Trustee	56	Human Resources specialist	Tanzanian

Name	Position	Age	Qualification /Discipline	Nationality
Mr. Jaicy A. Kayera	Trustee	65	Electrical Engineer	Tanzanian
Ms. Rifai A. Mkumba	Trustee	58	Human Resources specialist	Tanzanian
Mr. James K. Rhombo	Trustee	62	Human Resources specialist	Tanzanian
** Mr. Athumani H. Msengi	Trustee	46	Journalist	Tanzanian
Dr. Francis K. Michael	Trustee	55	Human Resources specialist	Tanzanian
Mr. Joshua M. Matiko	Trustee	50	Engineer	Tanzanian
Mr. Richard L. Wambali	Trustee	55	Human Resources specialist	Tanzanian
Ms. Nkasori M. Sarakikya	Trustee	43	Lawyer	Tanzanian
Mr. Daudi N. Kaali	Trustee	55	Economist	Tanzanian
Mr. Felix R. Kagisa	Trustee	62	Civil Engineer	Tanzanian
Mr. Masha J. Mshomba	Trustee/ Secretary	47	Accountant	Tanzanian

** Mr. Athumani H. Msengi passed away on 3rd January, 2018 while still serving as a member of the Board of Trustees.

Subsequent to the financial year end, the Permanent Secretary, Prime Minister's Office, Labour, Youth, Employment and People with Disability (LYED) assumed all responsibilities of the Board of Trustees from September 2019.

1.9.4 Board committees

The Fund has three (3) Board committees as follows:

a) Operations committee
b) Finance and investment committee
c) Audit and risk management committee

a) Operations Committee

The Operation Committee is the oversight of all operational and staff matters, improvement of service delivery and overseeing reforms in the social security sector and their implication to the operation of the Fund. The Committee reports to Board of Trustees and met 3 times during the period under review. The members of the committee are:

Name	Position
Mr. James K. Rhombo	Chairperson
Ms Radhmina R. Mbilinyi	Member
Dr. Francis K. Michael	Member
Mr. Joshua M. Matiko	Member
Mr. Richard L. Wambali	Member
Mr. Masha J. Mshomba	Secretary

During the year under review, the committee apart from its traditional role of reviewing and recommending to the Board to approve various Human Resources and Operational policies, the committee reviewed and made recommendations to the Board on the recruitment and appointment of staff, performance appraisal, succession plan and the remuneration and other terms and conditions of appointment of employees. Towards the improvement of service delivery, among other things, the committee scrutinized proposal for adoption of electronic mechanism for registering employers and collecting contributions and recommended to the Board for approval.

b) Finance and Investment committee

The purpose of the Finance and Investment Committee is to scrutinise, review and provide oversight on all major finance and investment activity of the Fund and provide guidance and recommendations to the Board on these and related matters. The Committee reports to Board of Trustees and met 3 times during the period under review. The members of the committee are:

Name	Position
Dr. Francis K. Michael	Chairperson
Mr. Jaicy A. Kiyera	Member
Ms. Rifai A. Mkumba	Member
** Mr. Athumani H. Msengi	Member
Mr. Daudi N. Kaali	Member
Mr. Masha J. Mshomba	Secretary

During the period under review, the Finance and Investment committee, apart from reviewing and recommending to the Board on asset management, strategic plan, investments proposals, performance, policies and strategies, scrutinized and recommended to the Board the approval of the first Investment Policy of the Fund. Of particular importance, the committee played a crucial role of scrutinizing proposals to invest in the construction of strategic industries in collaboration with other Social Security Schemes and provide their recommendations to the Board.

c) Audit and Risk Management committee

The purpose of the Audit and Risk Management committee is to assist the Board of Trustees in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, risk management and the Fund's process for monitoring compliance with laws and regulations. The Audit Committee reports to Board of Trustees and met 3 times during the period under review. The members of the committee are:

Name	Position
Mr. Richard L. Wambali	Chairperson

Name	Position
Ms. Nkasori M. Sarakikya	Member
Ms Radhmina R. Mbilinyi	Member
Mr. Chrysostom M. Agapiti	Member
Mr. Felix R. Kagisa	Member
Mr. Abraham P. Siyovelwa	Secretary

During the period under review, the Committee received reports from management and held discussion with management and auditors. In discharging its duties, the Committee reviewed the financial statements to ensure internal and external quality and acceptability of the accounting policies, practices and financial reporting disclosures.

The Committee also reviewed the scope of the work of the Fund's Internal Audit unit and terms of external audit engagement and reports from external auditors on accounting and internal controls. It also scrutinized and recommended to the Board to approve various policies of the Fund including the Enterprise Risk Management Policy and Framework and ICT Policies.

During the financial year ended 30 June 2018, there were a total of 7 Board of Trustees meetings and 9 Board committee meetings that were held. The meetings were necessitated by the need to review Fund's operations. Details of the Trustees' attendance at all of the Board and committee meetings held in the year are set out on below:

Member	Board meetings	Operations committee meetings	Finance and Investment committee meetings	Audit and Risk Management committee meetings
Mr. Emanuel B. Humba	7	-	-	-
Ms Radhmina R. Mbilinyi	6	2	-	3
Mr.Chrysostom M. Agapiti	7	-	-	3
Mr. Jaicy A. Kiyera	7	-	3	-
Ms. Rifai A. Mkumba	7	-	3	-
Mr. James K. Rhombo	6	3	-	-
**Mr. Athumani H. Msengi	5	-	2	-
Dr. Francis K. Michael	3	2	3	-
Mr. Joshua M. Matiko	4	3	-	-
Mr. Richard L. Wambali	7	2	-	3
Ms. Nkasori M. Sarakikya	3	-	-	-
Mr. Daudi N. Kaali	3	-	2	-
Mr. Felix R. Kagisa	7	-	-	3
Mr. Masha J. Mshomba	7	3	3	-

1.9.5 Trustee remuneration

Apart from the Director General, all other trustees of the Fund are non-executive. The remuneration for services rendered by the Trustees of the

Fund during the year ended 30 June 2018 includes fees. Payment of Trustees' fees was as follows:

Remuneration	2018	2017
	TZS '000	TZS '000
Trustees fees		
Chairperson (1)	5,583	10,000
Other trustees (12)	59,850	108,000
	65,433	**118,000**

1.9.6 Management team

Responsibility and authorities for day-to-day management of the Fund is delegated to the Director General within an agreed control framework. The Director General establishes targets for the directorates and units which are then cascaded down throughout the Fund.

The structure of the Fund comprises of the following directorates which are headed by directors who report to the Director General:

(i) Finance, Planning and Investment;
(ii) Operations;
(iii) Medical and Assessment Services;

There are seven specified units headed by managers and report directly to the Director General. These are:

(i) Public Relations Unit;
(ii) Information and Communication Technology Unit;
(iii) Legal Services Unit;
(iv) Human Resource Management and Administration Unit;
(v) Actuarial Services, Statistics and Risk Management Unit;
(vi) Procurement Management Unit;
(vii) Internal Audit Unit.

1.9.7 Key Management Personnel

The key management personnel during the year ended 30 June 2018 and up to the date of this report were:

Name	Designation
Mr. Masha J. Mshomba	Director General
Mr. Anselim K. Peter	Director of Operations
Dr. Abdulsalaam Omary	Director of Medical and Assessment Services
Mr. Bezil P. Ewala	Director of Finance, Planning and Investments
Mrs. Zaina Mohammed	Head of Internal Audit Unit
Mr. James A. Tenga	Head of Actuarial Services, Statistics and Risk Management Unit
Mr. Stephen Goyayi	Head of Information and Communication Technology

Name	Designation
Mrs Laura George	Head of Public Relations Unit
Mr. Abraham P. Siyovelwa	Head of Legal Services Unit
Mr. Teophory Mbilinyi	Head of Human Resources Management and Administration Unit
Mrs. Veronica Saeni	Head of Procurement Management Unit

1.10 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Fund. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Fund's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business continuity under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The Board assessed the internal control systems throughout the financial year ended 30 June 2018 and is of the opinion that they met accepted criteria.

1.10.1 Risk management policy and strategy

The Fund has progressed in implementing a formalised and systematic risk management process in order to provide reasonable assurance that set strategies and objectives are achieved. This was driven and achieved through strengthening and enhancement of the following:

a) Risk management enablers

During the year under review, the Fund continued to build on its Risk Management capabilities through the review and updating of the risk management policy, strategy, methodology. The Fund adopted ISO 31000 in preparing risk management framework which is in line with the "Guidelines for Developing and Implementing Institutional Risk Management Framework in Public Sector in Tanzania" and other best practice frameworks such as the King Code on Corporate Governance for South Africa 2009 (King III). This is to ensure that the Fund's operations remain relevant; of best practice as well as flexible for any possible changes in the operating environment, and prescripts. The policy, framework and plan were approved by the Board.

b) Risk management

Management is accountable for designing, implementing and monitoring the risk management processes and their integration to the day-to-day operations.

The most important category of risks and their management includes:

(i) Regulatory risk

Regulatory risk is the risk that the rules or mandate under which the Board operates may be changed by the legislative action or a decision of the Regulator, or the Government. Management manages regulatory risk by participating in consultative meetings aimed at ensuring that the rules under which the Board operates comply with the regulations.

(ii) Solvency risk management

The Fund is responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. Benefits are guaranteed irrespective of returns from investments and contributions collected. The Fund thus assumes funding risk in case the Fund's assets are inadequate to cover the promised benefits. The Fund engages actuarial consultants to determine the present value of promised benefits to members, after every three years. In case of under-funding different options are sought to address the funding including revising contribution rates (tariffs) depending on risk assessment of workplaces and other relevant factors.

(iii) Credit risk management

Credit risk is the risk that the counterpart to any financial transaction may not be able to fulfil its obligation on due date. The Fund's principal financial assets are bank placements and balances. To minimize credit risk the Fund adheres to set limits on different categories of investments; the Fund has also set exposure limits for each bank where it makes placements of funds.

(iv) Liquidity risk management

Liquidity risk is the risk of failing to meet obligations when they fall due. The Fund manage liquidity risk by maintaining a pool of short-term placements with banks which is adequate to meet its obligations for benefit payments as well as investment commitment and administrative expenses. The sources of funds include monthly contributions from its contributing members companies and organizations. Other sources are investment income and other income.

(v) Market risk management

Market risk is the risk of changes in value of net assets of the Fund as a result of adverse price movement for investments and financial assets and liabilities held by the Fund. All the interest bearing financial instruments are at fixed rate and hence no exposure on the move in interest rates. There are no assets or liabilities denominated in forex and hence there is no risk caused by forex changes. None of the assets or liabilities is exposed to price risk.

(vi) Reputation risk

Reputation risk is the risk that the Board will not conform to good corporate governance principles such as transparency, accountability and the observance of the tenets of good management that may result in negative public perception and loss of credibility. Management will manage reputation risk by providing adequate and timely compensation benefits, publishing statutory annual reports including the Board's operations, financial statements and actuarial valuation reports adherence to set regulations that the Fund needs to abide to. Management will seek to regularly hold stakeholders public awareness programs aimed at mitigating the impact of negative public perception.

1.11 OVERVIEW OF THE FUND'S PERFORMANCE

1.11.1 Registration of employers

During the year ended 30 June 2018, the Fund registered 6,979 employers in Mainland Tanzania (2017; 5,178), making the total registered members to be 14,836 as at 30 June 2018. Fund's awareness and education programs, conducting payroll inspection, and taking legal action against non-compliant employers, attributed this achievement.

1.11.2 Benefit Payments

During the year under review, the Fund received 1,631 (2017; 777) incident notifications regarding occupational accidents, diseases and deaths from different regions. A total of TZS 2.85 billion (2017; 1.55 billion) was incurred to cover for compensation payments and medical expenditure for occupational injuries and deaths to employees. The increase was attributed by the increase in awareness among beneficiaries and employers regarding requirements for claim submission and the increase in Fund's efficiency in claims processing.

1.11.3 Contributions

During the year under review, the Fund recorded contributions amounting to TZS 116.77 billion (2017; 77.71 billion) from both private and public sectors

employers. The contribution rates are currently 0.50% for public sector and 1.00% for private sectors, respectively based on monthly wage bill. This was attributed by the increase in awareness and education programs, conducting payroll inspection and taking legal action against non-compliant employers.

1.11.4 Investment income

The Fund managed to invest the amounts, which were the excess of all collections after deducting benefit as well as administrative expenses. During the year under review TZS 17.92 billion (2017; 10.43 billion) as the revenue was generated from investments. This was a result of Fund's ability to monitor market performance and make the right investment decisions.

1.11.5 Administrative expenses

Administrative expenses during the year amounted to TZS 17.9 billion (2017; 9.42 billion). The main expenses were mainly staff cost; Compliance and registration, advertising and promotion; stakeholders educations and public awareness; and rent. The increase in administrative expenses was due to the increase in volume of Fund's activities and the higher average market prices for the goods and services. During the year, there was an increase in the number of staff.

1.11.6 Promoting prevention of occupational accident and diseases

During the year under review, the Fund identified and trained high-risk employers on basic occupational safety and health. A total of 577 employers were trained on basic occupational safety and health. In addition, a total of 146 OSH audits to the identified high risk work places were conducted. The Fund managed to audit all employers who submitted the required OSH documentations and advised employers accordingly.

1.11.7 Educational and awareness campaigns

During the year under review, the Fund conducted a total of 48 awareness programs. In addition to that, the Fund was able to prepare and publish several adverts to public through various media channels using blogs, mass media, TV and radio stations. The programs mainly focused on sensitising employers concerning registration, compliance and contribution remittance to the Fund.

1.11.8 Strengthening ICT System and Infrastructure

During the year under review, a total of 37 business processes had been automated. This achievement was attributed mainly by the Fund's desire to have all earmarked business processes automated and adequate budget set for automation process. The Fund will continue with assessment of its ICT environment to ascertain the infrastructure requirement and the need for efficient operations of the Fund. The Fund has also enhanced the MAC

system by incorporating modules which are facilitating the performance of core functions of the Fund. The modules that have been enhanced include

Employees Registration Module, Finance Module - Receipting Module, Interest Module (Penalty Module), Claims Module and Inspection Module. The Fund is also in its final stage of implementing ERP system, which has several modules including those related to finance, procurement and human resource management.

1.11.9 Recruitment of Staff and Training Matters

During the year under review, the Fund managed to recruit 46 (2017; 41) new staff. This made the total number of staff to be 87, of which male were 53 and female were 34. Equally important, for enhancing performance, capabilities and eventually service delivery the Fund trained its staff on various subjects including good governance, fraud and forensic accounting, fundamental of social security, health insurance, ISSA and SSRA Guidelines, industrial first aid, Enterprise Risk Management and ICT security.

1.11.10 Financial Performance

During the year under review, the Net Assets of the Fund increased to TZS 215.29 (2017; 112.83) billion. This was attributed by an increase in investment income as a result of prudent investment decisions. Also, there was an increase in contribution income as a result of Fund's awareness campaigns and education programs to the employers, conducting payroll inspection and where necessary, taking legal action against non-compliant employers.

1.12 FUNDING POLICY

All employers are statutorily required to contribute to the Fund on behalf of their employees. Contributions are part of employers' cost and should not be deducted from salaries of employees. Contribution rates (tariffs) are determined periodically by the Fund depending on risk assessment of workplaces and other relevant factors. In the financial year 2017/18, contribution rates for each employer were as follows:

a) 1.00% of employees' earnings (wage bill) for each employer in the private sector;
b) 0.50% of employees' earnings (wage bill) for each employer in the public sector

For the Fund's purposes, monthly employees' earnings (wage bill) include basic salaries plus all fixed allowances which are regularly paid along with basic salaries. Public sector employers include employers in the central

government, local government, parastatals, executive agencies and all government-related institutions. Private sector employers are all those which are not part of public sector employers.

1.13 ADMINISTRATIVE EFFICIENCY

All statutory payments such as PAYE, pension contributions, Workers compensation contributions and other statutory deductions effected from staff salaries were made promptly to the relevant authorities. All properties of the Fund have requisite certificates of ownership. No loss of assets was sustained during the period under review.

1.14 CHALLENGES FOR THE YEAR ENDED

1.14.1 IT systems

For the year under review, the Fund experienced challenges around IT systems. The inadequate systems in Claims processing, Human Resource Management, Procurement Management and Accounting retards the Fund's operations. Currently, the Fund is using in-house developed software in Human resources management, but the software is not strong enough to handle Fund's operations. Also, the Fund is using Pastel as accounting software on an interim basis. To overcome this and to deliver quality service, the Fund is in the final stage of implementation of robust Enterprise Resources Planning (ERP) systems which will be put into use effectively in the year 2018/19.

1.14.2 Lack of awareness about the Fund, its functions and its benefits

There is failure by some employers to comply with the Workers Compensation Act in terms of registering with the Fund and remitting contributions. The Fund will intensify its marketing and educational campaigns to educate employees, employers and service providers about the existence of the Fund, its objectives and benefits to individual employees and the country at large.

1.14.3 Limited Investment opportunities available in the market

The Fund encounters limited investment opportunities available in the market. In addition, market performance are not attractive, in particular interest rates and share prices are decreasing that resulted into realization of capital loss from the equities listed at Dar-es-Salaam Stock Exchange (DSE). Going forward, the Fund will continue to monitor market performance in order to make the right investment decisions.

1.14.4 Lack of awareness as to the right for compensation

Most employees are not aware of compensation benefits rights, which are due to employees when they get injuries or contract occupational diseases.

The Fund continues to sensitize the public to increase awareness amongst workers regarding compensation from work-related injuries and diseases.

1.15 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprised of the Trustees and key management personnel. The Minister responsible for Finance through Treasury Registrar determines Trustees' remuneration and the Board of Trustees determines key management remuneration.

The details of transactions and balances with related parties have been disclosed in Note 37 to the financial statements.

1.16 POLITICAL AND CHARITABLE DONATIONS

The Fund did not make any political donations during the year. Donations made to charitable organizations during the period amounted to TZS 241.86 million (2017: TZS 124.34 million).

1.17 ENVIRONMENT CONTROL PROGRAMME

In supporting the conservation and environmental protection efforts, the Fund ensures that, the activities it undertakes, and finances are those that comply with the statutory environmental impact assessment requirements.

1.18 EMPLOYEE WALFARE

1.18.1 Employment

The Fund is committed to employment policies, which follow best practices, based on equal opportunity for all employees irrespective of gender, race, religion, disability, age or marital status. The Fund recognizes the need for ensuring fair employment practices in recruitment and selection, and the retention, training and career development of staff.

The human capital comprised of competent staff in various operational areas. This provides the assurance to the Fund for attainment of its key strategic goals. Hiring and staffing decisions include assurance that individuals have the integrity, competence and the proper education and experience to carry out their jobs and that the necessary formal, on-the-job, training is provided.

1.18.2 Management/Employees relationship

The relationship between employees and management continued to be good during the year. There were no unresolved complaints received by

management from the employees during the year. A healthy relationship continues to exist between management and the staff.

1.18.3 Training

During the year under review, the Fund spent TZS 900.51 million (2017: TZS 858.02 million) on staff training in order to improve employee's technical skills and enhance effectiveness. Training programs have been and are continually undertaken to ensure employees are adequately trained at all levels.

1.18.4 Medical assistance

The Fund meets medical cost for all members of staff with a maximum number of five beneficiaries (dependents) under National Health Insurance scheme.

1.18.5 HIV/AIDS

The Fund focuses on creating awareness on HIV/AIDS among staff members by providing them with update information on HIV/AIDS with emphasis on the preventive strategies and education against the pandemic. The Fund encourages employees to undertake voluntary counselling and testing.

1.18.6 Employees benefit plan

The Fund pays contributions to mandatory pension funds in respect of employees' retirement benefits. Currently, the Fund pays pension contributions to the Public Service Pensions Fund (PSPF), National Social Security Fund (NSSF), PPF Pensions Fund (PPF) and the Government Employees Provident Fund (GEPF). The Fund also contributes to Workers Compensation Fund to cover its employees in case of occupational injuries or if they contract occupational diseases arising out of and in the course of their employment.

1.18.7 EQUAL OPPORTUNITY

The Fund is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 30 June 2018 the Fund had 87 employees, out of which 34 (39%) were females and 53 (61%) were males (2017:42 out of which 13(31%) were female and 29(69%) were male).

1.19 ENVIRONMENTAL ISSUES

The Fund's operations are not regulated by any significant environmental regulations under a law of the United Republic of Tanzania.

1.20 FIDUCIARY RESPONSIBILITY

Members of the Board of Trustees as stewards of public trust always acted for the good of the Fund rather than for the benefit of themselves throughout the period. Reasonable care was exercised in all decisions taken by the Fund without placing the Fund under unnecessary risks.

1.21 MAJOR ACHIEVEMENTS DURING THE YEAR

During the year under review, the Fund managed to accomplish its goals as provided in the activity plan approved by the Board of Trustees. Some of the major achievements are as highlighted below:

1.21.1 Increasing of staffing level

During the period under review, the Fund managed to fill the vacant positions. By 30th June 2018, most of the directorates, units and departments of the Fund had been filled. The total number of staff therefore increased from 42 to 87 staff.

1.21.2 Investment in the industrial projects

During the year under review, the Fund identified industrial projects to invest as part of fulfilling industrialization agenda of the Government. By 30th June 2018, plans were at an advanced stage for the Fund to invest in Grape Processing Factory by cooperating with PSSSF Fund and Chamwino District Council. The Parties under this project have entered into agreement to establish a Special Purpose Vehicle (SPV), which will carry out all activities.

1.21.3 Launch of WCF electronic Payment Gateway (WCFePG)

During the year under review, the Fund officially launched online payment system through WCF Self-service Portal. The system enables the employer to create of an online account, online registration and issuance of employer's registration number, online employers' verification and managing changes of employees' particulars, managing multiple employers, self-assessment and payment of contributions. This made the Fund to among the first Government institutions to comply with Section 6A of the Public Finance Act, 2017 which stipulate that all public moneys shall be collected through Government e-payment Gateway system (GePG).

1.22 EVENTS AFTER REPORTING YEAR

There are no material events, adjusting or non-adjusting, which have occurred between the reporting date and the date when financial statements are authorized for issue.

1.23 SOLVENCY

The Board of Trustees confirms that International Financial Reporting standards have been followed in the preparation of financial statements and that the financial statements have been prepared on a going concern basis. The Board of Trustees has reasonable expectation that the Fund has adequate resources to continue in operation existence for the foreseeable future.

1.24 STATEMENT OF COMPLIANCE

The Trustees' report has been prepared in compliance with Tanzania Financial Reporting Standard No. 1 (Directors' Report) and constitutes an integral part of the financial statements.

1.25 AUDITORS

Controller and Auditor General is the statutory auditor of the Fund by virtue of article 143 of the constitution of the United Republic of Tanzania, amplified in Public Audit Act No.11 of 2008. However, in accordance with section 33 of Public Audit Act, PAMAK Associates, were authorized to carry out the audit of the Fund on behalf of the Controller and Auditor General.

BY ORDER OF THE BOARD



26th February 2020

Mr. Andrew W. Massawe

Permanent Secretary
Prime Minister's Office
Labour, Youth, Employment and Persons with Disability (PMO-LYED)

2.0 STATEMENT OF THE BOARD OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2018

The Workers Compensation Act Cap.263 R.E.2015 requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Fund as at the end of the financial year and of the operating results of the Fund for the year. The Trustees are also obliged to ensure that the Fund keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund. The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of Workers Compensation Act Cap. 263 R.E. 2015 and for such internal controls as Trustees determine are necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

The Trustees accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Workers Compensation Act Cap. 263 R.E. 2015. The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results. The Trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

The Board of Trustees completed its tenure on 21st January 2018. The Miscellaneous Amendments (No 6) Act 2019, empowered Permanent Secretary of the Ministry responsible for the Board to operate and/or make decisions that would otherwise require the Board. The Permanent Secretary, Prime Minister's Office LYED certifies that to the best of his knowledge and belief the information furnished to the auditors for the purposes of the audit was correct and complete in every respect. Nothing has come to the attention of the Permanent Secretary to indicate that the Fund will not remain a going concern for at least twelve months from the date of this statement.

BY THE ORDER OF THE BOARD

26TH February 2020

Mr. Andrew W. Massawe
Permanent Secretary
Prime Minister's Office
Labour, Youth, Employment and Persons with Disability (PMO-LYED)

3.0 DECLARATION OF THE DIRECTOR RESPONSIBLE FOR FINANCE FOR THE YEAR ENDED 30 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 Trustees 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.

I Bezil Ewala being the Director of Finance, Planning and Investment for Workers Compensation Fund ("the Fund") hereby acknowledge my responsibility of ensuring that financial statements of the Fund for the year ended 30 June 2018 have been prepared in compliance with the International Financial Reporting Standards(IFRS) and statutory requirements. I thus confirm that the financial statements give a true and fair view position of Workers Compensation Fund as of that date and that they have been prepared based on properly maintained financial records.

Signed by: .....

Bezil P. Ewala

Position: Director responsible for Finance

NBAA Membership No: CPA 1512

Date: 26th February 2020

4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Mr. Andrew Massawe
Permanent Secretary
Prime Minister's Office LYED
P O Box 2890
Dodoma.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WORKERS COMPENSATION FUND FOR THE YEAR ENDED 30TH JUNE, 2018

Unqualified Opinion

I have audited the financial statements of Workers Compensation Fund (the Fund), which comprise the statement of financial position as at 30th June, 2018, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Workers Compensation Fund as at 30th June, 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted the audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with 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.

Other Information

Management is responsible for the other information. The other information comprises of Directors' Report and the Declaration by Head of Finance but does not include the financial statements and my audit 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 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. However, for the current audit 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 International Financial Reporting Standards (IFRS), 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 Funds 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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities of 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 ISSAI 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, Sect. 10 (2) of the PAA No.11 of 2008 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 No.7 of 2011 (as amended in 2016) 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 (as amended in 2016)

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that Workers Compensation Fund has generally complied with the Public Procurement Act No.9 of 2011 (as amended in 2016) and its related Regulations of 2013 (as amended in 2016).

Charles E. Kichere
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dodoma, Tanzania.

2nd March 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 TZS '000	2017 TZS '000
ASSETS			
Investments			
Fixed deposits	9	2,284,176	13,220,695
Treasury bonds	10	135,024,546	58,576,008
Treasury bills	11	-	6,664,727
Corporate bonds	12	2,142,609	-
Advance towards unlisted equity shares	13	4,403,440	-
Listed equity shares	14	19,105,880	-
Dividends receivable	15	15,213	-
Investment property	16	2,622	2,622
Total Investments		**162,978,486**	**78,464,052**
Other Assets			
Income tax recoverable	17	755,727	209,338
Property and equipment	18	2,240,952	1,483,254
Intangible assets	19	100,916	8,840
Advance towards publicly quoted shares	20	-	20,300,000
Contributions receivable	21	57,033,755	13,094,755
Prepayments	22	654,966	839,041
Other receivables	23	361,230	192,582
Staff loans	24	2,555,441	-
Bank balances and cash	25	625,557	1,838,632
		64,328,544	**37,966,442**
TOTAL ASSETS		**227,307,030**	**116,430,494**
LIABILITIES			
Deferred tax liability	26	150,209	488,982
Over drawn cashbook balances	25	8,082,501	1,462,531
Other payables and accrued expenses	27	2,523,905	964,866
Claims Provision	28	1,259,503	687,450
		12,016,118	**3,603,829**
NET ASSETS		**215,290,912**	**112,826,665**
ACCUMULATED FUNDS			
Beginning Accumulated funds		112,826,665	65,679,846
Comprehensive income for the year		102,464,247	47,146,819
TOTAL ACCUMULATED		**215,290,912**	**112,826,665**

The financial statements were authorized and approved for issue by the Permanent Secretary, Prime Minister's Office LYED on 26th Feb 2020 and signed by:



Mr. Andrew W. Massawe
Permanent Secretary
Prime Minister's Office LYED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 TZS '000	2017 TZS '000
Revenue			
Contributions income	29	116,766,256	77,714,703
Investments income	30	17,915,505	10,425,506
Other income	31	99,644	-
Total revenue		**134,781,405**	**88,140,209**
Expenses			
Benefits	32	(2,846,409)	(1,554,760)
Impairment of financial assets	33	(5,809,754)	(26,664,543)
Investment management expenses		(89,043)	-
Administrative expenses	34	(17,910,994)	(9,497,758)
SSRA Levy	35	(296,762)	-
Fair value change of listed equity shares	14	(1,194,118)	-
Total expenses		**(28,147,080)**	**(37,717,061)**
Surplus before income tax		**106,634,325**	**50,423,148**
Income tax expense	36	(4,170,078)	(3,276,329)
Surplus for the year		**102,464,247**	**47,146,819**
Other Comprehensive Income			
Tax effect of other comprehensive income		-	-
Total Comprehensive Income for the year		**102,464,247**	**47,146,819**

The financial statements were authorized and approved for issue by the Permanent Secretary, Prime Minister's Office LYED on 26th Feb 2020 and signed by:

Mr. Andrew W. Massawe
Permanent Secretary
Prime Minister's Office LYED

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 30 JUNE 2018

Accumulated funds	2018 TZS '000	2017 TZS '000
At start of the year	112,826,665	65,679,846
Surplus for the year	102,464,247	47,146,819
At end of the year	**215,290,912**	**112,826,665**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 TZS'000	2017 TZS'000
Cash flows from operating activities			
Contributions received		72,919,881	71,796,086
Other income received		99,644	-
SSRA Levy paid		(296,762)	-
Repayment of advance from SSRA		-	(402,000)
Benefits Paid		(1,686,657)	(359,461)
Tax Paid		(5,055,238)	(3,107,221)
Payments for administrative expenses		(16,789,251)	(10,178,227)
Net cash generated from operating activities		**49,191,617**	**57,749,177**
Cash flows from investing activities			
Purchase of property and equipment		(1,319,806)	(1,348,291)
Purchase of intangible assets		(103,321)	(4,909)
Proceeds from investment income		16,224,649	27,695,013
Investment in Treasury bonds		(74,005,491)	(55,024,553)
Investment in Treasury bills		6,018,550	(4,533,904)
Investment in unlisted equity shares		(4,403,440)	-
Investment in fixed deposits		(3,117,546)	-
Investment in Corporate bonds		(2,000,000)	-
Advance in acquisition of listed shares		-	(20,300,000)
Acquisition of Investment property		-	(2,622)
Investment in loans		(2,555,441)	-
Net cash used in investing activities		**(65,261,846)**	**(53,519,266)**
Increase/(decrease) in cash and cash equivalents		(16,070,229)	4,229,911
Cash and cash equivalents at start of the year		8,613,285	4,383,374
Cash and cash equivalents at end of the year	**25**	**(7,456,944)**	**8,613,285**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. GENERAL INFORMATION

Workers Compensation Fund (WCF) is a social security scheme established under the Workers Compensation Act Cap. 263 R.E. 2015. The Fund was established on 1 March 2015 and started its operation on 1 July 2015. It is headquartered in Plot No. 37, GEPF House situated along New Bagamoyo Road, in Dar es Salaam.

The following description of the Fund is a summary only. For detailed and complete information about the Fund, reference should be made to the Trustees Report which is an integral part of these financial statements and the Workers Compensation Act, which can be accessed at www.wcf.go.tz.

2. COMPARATIVE PERIOD AND FIGURES

The previous accounting period of the Fund had 12 months. Therefore, the amounts presented in the financial statements are entirely comparable. Where necessary, the comparative figures have been adjusted/reclassified to conform to the presentational requirements in the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies will consistently be applied to the year presented, unless otherwise stated.

3.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions are significant to the financial statements are disclosed in Note 4.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

3.2 Presentation currency

The financial statements are presented in Tanzania Shillings (TZS), which is the functional currency of the Fund, rounded to the nearest thousand.

3.3 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Fund

The Fund has applied the following standards and amendments for the first time for their annual reporting year beginning 1 July 2017:

Title	Key requirements
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).	The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible is inappropriate. This presumption can be overcome only when revenue and consumption of the economic benefits of the intangible asset are "highly correlated" or when intangible asset is expressed as a measure of revenue. The Amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factor other than the consumption of economic benefits embodied in the asset e.g. changes in sales volume and prices.
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*	Changes in method for disposal • If an entity changes the method of disposal of an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of change in method, the entity measures the carrying amount of that asset (or disposal group) and recognises any write down (impairment loss) or subsequent increase in the fair value less costs to

Title	Key requirements
	sell/distribution of the asset (or disposal group), and • If an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

Title	Key requirements
IFRS 7 *Financial instruments: Disclosures.*	"continuing involvement" for servicing contracts IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in case where they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance in the transferred asset e.g. if the servicing fee is dependent on the amount or timing of cash flows collected from the transferred financial assets. The collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.

The adoption of these amendments did not have any impact on the current year or any prior period and is not likely to affect future years. As these amendments merely clarify the existing requirements, they do not affect the Fund's accounting policies or any of the disclosures.

(i) New accounting standards, amendments to published standards and interpretations not yet effective and not early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2018 and have not been early adopted by the Fund. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following Standards and Interpretations that are applicable to the business of the Fund and may have an impact on future financial statements:

IFRS 9	Financial Instruments IFRS 9 (as revised in 2014) will supersede IAS 39 *Financial Instruments: Recognition and Measurement* upon its effective date. IFRS 9 (as revised in 2014) contains the requirements for a) the classification and measurements of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.	Annual periods beginning on or after 1 January 2018.

Title	Description	Effective date
IFRS 9	**Classification**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. **Derecognition**. The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39. The Fund is in the process of evaluating the potential effect of this standard. The impact of IFRS 9 is not reasonably estimable at the reporting date.	

Title	Description	Effective date
IFRS 15	*Revenue from Contracts with Customers* IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, and SIC-31 Revenue - Barter of Transactions Involving Advertising Services. This standard contains a single model that applies to all contracts with customers and two approaches to recognising revenue: at a point in time or over time. IFRS 15 details a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps in the model are as follows: • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The requirements of IFRS 15 are not expected to have a material impact on revenue.	Annual periods beginning on or after 1 January 2018.
IAS 40	IAS 40: Investment Property The amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. It is not expected that this amendment will have a material impact on the financial statements.	Annual periods beginning on or after 1 January 2018.

Title	Description	Effective date
IFRIC 22	*Foreign Currency Transactions and Advance Considerations* When foreign currency consideration is paid or received in advance of the item it relates to - which may be an asset, an expense or income - IAS 21 (The Effects of Changes in Foreign Exchange Rates) is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Fund does not expect a significant impact on foreign currency transactions as a result of IFRIC 22 due to low level of foreign transactions.	Annual reporting periods beginning on or after 1 January 2018.
IFRIC 23	*Uncertainty over Income Tax Treatments* This standard clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the Annual Financial Statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about: • judgements made; • assumptions and other estimates used; and • the potential impact of uncertainties that are not reflected. The Fund does not expect IFRIC 23 to have a significant impact on the Annual Financial Statements.	Annual periods beginning on or after 1 January 2019.

Title	Description	Effective date
IFRS 10 and IAS 28	*Sale or contribution of assets between an investor and its associate or joint venture* IFRS 10: Consolidated Financial Statements IAS 28: Investments in Associates and Joint Ventures The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognized. This amendment is not expected to have an impact on the Fund.	Annual periods beginning on or after 1 January 2019.
IFRS 16	*Leases* IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract - the customer or lessee and the supplier or lessor. IFRS 16 replaces the previous leases standard, IAS 17: Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors. The new requirements of IFRS 16 are expected to result in an increase in leased assets and financial liabilities and a significant impact to the extent of the operating leases commitments would need to be disclosed in the financial statements.	Annual periods beginning on or after 1 January 2019.

Title	Description	Effective date
IFRS 17	IFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	1 January 2021.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Fund in the current or future reporting years and on foreseeable future transactions.

3.3 Accrual for contributions where assessments not raised

Where assessments for contributions for a given month have not been raised, the Fund makes an estimate by the assessments revenue due from employers. The estimate is based on the most recent assessment recognised in the previous months. Employers who have not made any contribution to the Fund are not included in the estimate.

3.4 Revenue recognition

Revenue is recognised in the statement of financial performance on the accrual basis of accounting, at fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is made.

a) Contributions

Employees' contributions are remitted by employers and are accounted for in the year in which they fall due. The contributions are accounted for on accrual basis.

b) Interest income

Investment income comprises interest income on funds invested. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Claims incurred

Claims incurred comprise the total estimated cost of claims that have occurred in the year and for which the Fund is responsible, whether or not reported by the end of the year. Claims and loss adjustment expenses are charged to comprehensive income as incurred, based on the estimated liability for compensation. The Fund does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are calculated based on an estimated average cost per claim for each underwriting year. The incurred but not reported claims ("IBNR") are based on estimated unreported claims as calculated by the actuaries. The average cost per claim is based on the actual claims paid and awards made, estimated outstanding costs (based on the latest and most reliable information available) and the number of claims register.

3.4 Provision for outstanding claims

Liabilities for unpaid claims are calculated based on a trend of annual claim payments. The trend is achieved by grouping claims paid in each of the previous financial years according to the year of the accident or diagnosis of the disease and the number of years until a payment is made. The Fund makes an allowance for short-term factors and future claims inflations to project the likely incidence of future claim payments. Furthermore, a 'tail factor' is applied to the results to reflect the fact that the claims data contains claim payments in respect of accidents that occurred ten or more years ago. The average cost per claim is based on the actual claims paid and awards made, estimated outstanding costs (based on the latest and most reliable information available) and the number of claims registered.

3.5 Investment property

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property of the Fund comprises leasehold land. Investment property is initially measured at cost and includes all transaction costs.

Subsequent to initial recognition, investment properties is measured at fair value and changes in fair value is recognised in profit or loss.

Transfers are made to or from investment property when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property,

the Fund accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.6 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to surplus or deficit during the year in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost of asset to their residual values over their estimated useful lives, as follows:

Asset Category	Percentage
Buildings	2%
Furniture fixture and fittings	20%
Office equipment	20%
Computer hardware	20%
Motor vehicles	20%

The estimated assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.8 Property and equipment (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

3.9 Intangible assets

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the Statement of financial performance in the expense category consistent with the function of the intangible assets.

The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset are accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. These costs are amortised over their useful lives. The annual rate used is 10% per annum.

3.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Payments made by the Fund under operating lease arrangements are recognised as an operating expense in the comprehensive income on a straight line basis over the lease term.

3.11 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of not more than three months.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balance. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.12 Employees' benefits

Employees' benefits include short-term benefits (for example, wages and salaries, annual leave), post-employment benefits such as retirement benefits and termination benefits.

a) Employees Contribution plan

The Fund makes fixed contributions to PSPF, NSSF, GEPF, PPF and LAPF for its employees on a mandatory basis. The Fund does not have any legal or constructive obligation to pay further contribution to the defined benefit plans or any of the mandatory plans if the plans do not hold sufficient assets to pay benefits relating to employee service in the current and prior year. The contributions are recognised as employee benefit expense when they are due.

b) Terminal benefits

Terminal benefits are payable when employment is terminated by the Fund before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Fund recognizes terminal benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting year are discounted to their present value.

c) Short-term employees' benefits

Short-term employees' benefit obligations such as wages, salaries and other allowances are recognised in the year in which the benefit is earned by the employee and are measured on an undiscounted basis and are expensed as the related service is provided.

3.13 Provisions

Provisions are recognised when the Fund 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. Employee entitlements to annual leave are recognised when they accrue to employees. A

provision is made for the estimated liability for annual leave accrued as at the end of the reporting year.

3.14 Taxation

Current income tax

Income tax expense is the aggregate of the charge to comprehensive income in respect to current and deferred income tax. Current income tax is the amount of tax payable on the taxable surplus for the year determined in accordance with the Tanzanian Income tax Act, 2004. Tax is recognised in comprehensive income except to the extent that is relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also

recognised in other comprehensive income of directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year.

The Trustees periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences incurred by Fund.

Deferred tax assets are recognised only to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences, and the carry forward o unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities
The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as fair value

through profit and loss, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets designated as loans and receivables, or other financial liabilities are measured at amortized cost using the effective interest method. The Fund has no financial assets and liabilities designated as available for sale. Payables and accrued liabilities and annuity fund payable are designated as other financial liabilities.

a) Financial assets

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables and held to maturity investments. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

i. Financial Assets at Fair Value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (assets held for trading) or if so designated by the Trustees. Derivatives are also categorized as held for trading unless they are designated as hedging instruments. The Fund classifies trading equity investment as financial assets at fair value through profit or loss.

ii. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Fund provides money or services directly to a debtor with no intention of trading the receivable. All loans and receivables held by the Fund fall under this category.

iii. Held-to-Maturity

Held-to-Maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that the Fund has a positive intention and ability to hold to maturity. The Fund classifies its investments in fixed income assets as held-to-maturity i.e. investments in government securities and placement with banks.

Recognition and Measurement of Financial Assets

Purchase and sale of investments are recognized on trade date on which the Fund commits to purchase or sale the asset. Loans and receivables are recognized on the day the funds are advanced or when an invoice is raised. Financial assets are initially recognized at fair value or at cost plus transaction

costs for all financial assets not carried at fair value. Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred and the Fund has subsequently transferred all risks and rewards of ownership.

At subsequent reporting date different classes of financial assets are measured as follows:

i. Loans and Receivables

Loans and receivables are measured at amortized cost using the effective interest rate method. Receivables which do not carry interest rate are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables.

ii. Held-to-Maturity Financial Instruments

Held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Investments for which fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of Financial Assets

The Fund assesses at each reporting date whether there is objective evidence that a financial assets or a group of financial assets is impaired. An impairment loss is recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired. Impairment loss on financial assets other than equity securities classified as available for-sale is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that, in case of held-to-maturity investments, the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and, in the case of payables, net of directly attributable transaction costs. The Fund's financial liabilities include accruals and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Fund has not designated any financial liability as at fair value through profit or loss.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

3.15 Accounts payable

Accounts payable are not interest bearing and therefore they are stated at their nominal value.

3.16 Comparatives

Where necessary, the comparative figures have been adjusted/reclassified to conform to the presentational requirements in the current year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINITY

In the process of applying the Fund's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

Impairment losses on financial assets

At the end of each reporting year, the Fund reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated, and an impairment loss is recognized in comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

Income tax

Significant judgment is required in determining the Fund's overall income tax provision or estimated future recovery of deferred income tax asset. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Fund recognise liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final

outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the current and any deferred income tax provisions in the years in which the determination is made.

Property and equipment

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the Board of Trustees determined no significant changes in the useful lives and residual values.

Contributions receivable

Management made estimates of the contribution receivable during the year. The main assumptions used in the estimates were that all registered employers existed during the period from 1 July 2015 to 30 JUNE 2018 and that the estimate amount was based on the latest contribution which was made by the employer. The estimates are likely to be affected by the unreported changes of the number of employees and gross salaries over a period of time. The increment in the time lag from the latest contribution to the reporting date increases the risk of misstatement of the estimates.

Claims Incurred But Not Reported ("IBNR")

During the current year the Management started to make estimates of the claims which occurred but were not reported to the Fund by the employers. These are based on estimated unreported claims as calculated by the actuaries. The average cost per claim is based on the actual claims paid and awards made, estimated outstanding costs (based on the latest and most reliable information available) and the number of claims register.

Measurement of fair values

A number of WCF's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Fund has an established control framework with respect to the measurement of fair values. The directorate of finance and investment has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS,

including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the audit committee. When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows. - Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. - Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Fund recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. ACTUARIAL PRESENT VALUE OF THE FUND

Section 86 of Workers Compensation Act Cap. 263 R.E. 2015 requires that all assets of the Fund from time to time as the Board may consider necessary, but in any event at the interval of not more than three years, be valued by an actuary appointed by the Board to determine the sufficiency of the Fund. The Fund started its operations on 1 July 2015. The Fund has started paying benefits with effect from 1 July 2016. The Fund is in the process of carrying out its first actuarial valuation. This activity will be completed by the end of the financial year 2018/19.

6. FINANCIAL RISK MANAGEMENT

The Fund is exposed to a variety of financial risks, which arise out of a variety of its activities. The Fund's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Fund regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. As part of its governance structure the Board of Trustees has embedded a comprehensive risk

management framework for measuring, monitoring, controlling and mitigation of the Fund's risks. The policies are integrated in the overall management information system of the Fund and supplemented by a management reporting structure.

The financial risks to which the Fund is exposed to include credit risk, liquidity risk and market risk. The notes below provide detailed information on each of the above risks and the Fund's objectives, policies and processes for measuring and managing risk.

6.1 Credit risk

Credit risk is the risk that the counterparty to any financial transaction may not be able to fulfil its obligation on due date. Credit risk is managed by the finance department of the Fund. Credit risk arises principally from fixed deposits and contributions receivable. The biggest receivable is from the Government of the republic of Tanzania for contributions on behalf of all the public castor employees. Other than this, there are no significant concentrations of credit risk.

Management of credit risk

To minimize credit risk the Fund adheres to the limits set by the regulator on different categories of investments and also on the exposure limits set for each bank where it makes placements of funds. The limits are in line with the Social Security Schemes Investment Guidelines, 2015 issued by the Bank of Tanzania. Current accounts are also held with the approved banks. For the contributions receivable, the set period for receipt are 30 days after the month end which is set by the regulations. Follow ups are done when the contributions are not received in time as these are monitored on a monthly basis.

The following table shows Investment Categories and Limits as prescribed in "The Social Security Schemes Investment Guidelines, 2015":

Investment Category	Investment limit as a percentage of Total Assets
Government Securities (Treasury Bills, Treasury Bonds)	20-70
Direct Loans to the Government	10
Commercial Paper, Promissory Notes and Corporate Bonds	20
Real Estate	30
of which Non-Income Earning Property	5
Ordinary and Preference Shares	30
of which Unquoted Equity	5
Infrastructure Investments	25

Investment Category	Investment limit as a percentage of Total Assets
Fixed Deposits, Time Deposits and Certificates of Deposits with Licensed Banks and Financial Institutions*	35
Investment in Licensed Collective Investment Schemes	30
Loans to Corporate and Cooperative Societies	10

*Exposure in fixed deposits, savings and current account balances with any single bank or financial institution shall not exceed twenty per cent of the total fixed deposits, savings and current account balances of the scheme with all banks and financial institutions.

The table below represents the worst-case scenario of credit exposure, taking into account that there is no any collateral held.

Maximum exposure to credit risk

Financial assets	30 June 2018 TZS '000	30 JUNE 2017 TZS '000
Fixed deposits	2,294,590	13,220,695
Treasury bonds	135,024,546	58,576,008
Treasury bills	-	6,664,727
Corporate bonds	2,142,609	-
Advance -unlisted equity shares	4,403,440	-
Listed equity shares	19,105,880	-
Loans	2,555,441	-
Dividends receivable	15,213	
Contributions receivable	31,308,006	13,094,755
Advance towards publicly quoted shares	-	20,300,000
Other receivables	361,231	192,582
Cashbook balances*	-	376,101
Total	**197,210,956**	**112,424,868**

*Is the net of positive cashbook balances and the overdrawn cashbook balances at reporting date. The Fund does not disclose the net negative cashbook balance as a financial liability because it is not contractual.

Credit quality of financial assets as at 30 June 2018.

Financial assets	Neither past due nor impaired TZS '000	Past due but not impaired TZS'000	Impaired TZS '000	Total TZS '000
Fixed deposits**	2,294,590	-	5,809,754	8,104,344
Treasury bonds	135,024,546	-	-	135,024,546
Contributions receivable	4,176,080	27,131,926	26,664,544	57,972,550
Other receivables	361,231	-	-	361,231

Corporate bonds	2,142,609	-		2,142,609
Unlisted equity shares	4,403,440	-		4,403,440
Listed equity shares	19,105,880	-		19,105,880
Staff loans	2,555,441	--		2,555,441
Dividend receivables	15,213			15,213
Total	**170,079,030**	**27,131,926**	**32,474,298**	**229,685,254**

** The impaired fixed deposits relates to TZS 2,511,480,932 and TZS 3,298,272,603 of Covenant Bank for Women (T) Ltd and Bank M Tanzania Ltd respectively. The two banks are now not operating following Bank of Tanzania revocation of licences.

Credit quality of financial assets as at 30 June 2017.

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Financial assets	**TZS '000**	**TZS'000**	**TZS '000**	**TZS '000**
Fixed deposits	13,220,695	-	-	13,220,695
Treasury bonds	58,576,008	-	-	58,576,008
Treasury bills	6,664,727	-	-	6,664,727
Contributions receivable	2,141,497	10,953,258	26,597,589	39,692,344
Advance towards publicly quoted shares	20,300,000	-	-	20,300,000
Other receivables	192,582	-	-	192,582
Cashbook balances	376,101	-	-	376,101
Total	**101,471,610**	**10,953,258**	**26,597,589**	**139,022,457**

Out of the amounts that are past due, TZS 26.60 billion is due from the Government of the United Republic of Tanzania and relates to outstanding contribution for all public service employees, whose payroll was processed by the Treasury, for the 12 months to 30 June 2016. The Fund has fully provided for the same but continues to engage the government to settle the amounts outstanding and do not consider the receivable to be written off due to the credit quality of the debtor. The other amounts that were past due as at 30 June 2018 have subsequently been received.

6.2 Liquidity risk

Liquidity risk is the risk of failing to meet obligations when they fall due. The Fund manage liquidity risk by maintaining a pool of short term placements with banks which is adequate to meet its obligations for benefit payments as well as investment commitment and administrative expenses. The sources of funds include monthly contributions from its contributing members companies and organizations. Other sources are penalty income and investment income.

The table below analyses the Fund's financial assets and liabilities as at the end of reporting year. The amounts disclosed in the table below are the undiscounted cash flows. Balances due equal their carrying balances, as the impact of discounting is not significant.

Financial liabilities	Less than 1 month TZS '000	Between 1-3 months TZS '000	Between 3-12 months TZS'000	Over 12 months TZS'000	Total TZS'000
Fixed Deposits	-	-	8,104,344	-	8,104,344
Treasury bonds	-	-	12,946,374	122,078,172	135,024,546
Contributions Receivable	-	57,972,550	-	-	57,972,550
Other Receivables	361,231	-	-	-	361,231
Corporate Bond	-	-	142,609	2,000,000	2,142,609
Unlisted equity	-	-	-	4,403,440	4,403,440
Listed Equity	-	-	-	19,105,880	19,105,880
Staff loans	-	199,071	796,284	1,493,729	2,555,441
Dividend Receivable	15,213	-	-	-	15,213
Total	**376,444**	**58,237,978**	**21,989,611**	**149,081,221**	**229,685,254**
30 June 2018					
Payables	1,428,798	-	-	-	1,428,798
Net liquidity gap	**(1,052,354)**	**58,237,978**	**21,989,611**	**149,081,221**	**228,256,456**

June 2017

Financial liabilities	Less than 1 month TZS '000	Between 1-3 months TZS '000	Between 3-12 months TZS'000	Over 12 months TZS'000	Total TZS'000
Fixed Deposits	-	6,752,538	6,468,157	-	13,220,695
Treasury bonds	-	-	-	58,576,008	58,576,008
Contributions Receivable	-	39,692,344	-	-	39,692,344
Other Receivables	192,582	-	-	-	192,582
Treasury Bills	-	1,484,646	6,664,727	-	6,664,727
Listed Equity	-	-	-	20,300,000	20,300,000
Total	**192,582**	**47,929,528**	**13,132,884**	**78,876,008**	**138,646,356**
30 June 2018					
Payables	553,009	-	-	-	553,009
Net liquidity gap	**(360,427)**	**47,929,528**	**13,132,884**	**78,876,008**	**138,093,347**

6.3 Market risk

Market risk is the risk of changes in value of net assets of the Fund as a result of adverse price movement for investments and financial assets and liabilities held by the Fund.

Market risk has been subdivided into interest rate risk, foreign exchange risk and price risk.

6.3.1 Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's short-term financial instruments are government securities and deposits with financial institutions. All the financial instruments are at fixed rate and hence no exposure on the move in interest rates.

The table below analyses the Fund's interest rate risk exposure on financial assets and liabilities as at 30 June 2018:

	Carrying amount	Interest bearing	Non-interest bearing
Financial assets	**TZS '000**	**TZS '000**	**TZS '000**
Fixed deposits	2,294,590	2,294,590	-
Treasury bonds	135,024,546	135,024,546	-
Treasury bills	-	-	-
Contributions receivable	31,308,006	-	31,308,006
Other receivables	361,231	-	361,231
Corporate bonds	2,142,609	2,142,609	-
Unlisted equity shares	4,403,440	-	4,403,440
Listed equity shares	19,105,880	-	19,105,880
Loans	2,555,441	-	2,555,441
Dividends receivable	15,213	-	15,213
Total financial assets	**197,210,956**	**139,461,745**	**57,749,211**
Financial liabilities			
Payables	1,428,798	-	1,428,798
Total financial liabilities	**1,428,798**	**-**	**1,428,798**
Net interest sensitivity gap	**195,782,158**	**139,461,745**	**56,320,413**

The table below analyses the Fund's interest rate risk exposure on financial assets and liabilities as at 30 June 2017.

Financial assets	Carrying amount	Interest bearing	Non-interest bearing
	TZS '000	**TZS '000**	**TZS '000**
Fixed deposits	13,220,695	13,220,694	-
Treasury bonds	58,576,008	58,576,008	-
Treasury Bills	6,664,727	6,664,727	-
Contributions receivable	13,094,755	-	13,094,755
Advance towards publicly quoted shares	20,300,000	-	20,300,000
Other receivables	192,582	-	192,582
Cashbook balances	376,101	376,101	-
	112,424,868	**78,837,530**	**33,587,337**
Financial liabilities			
Payables	553,009	-	553,009
	553,009	**-**	**553,009**
Net interest sensitivity gap	**111,871,859**	**78,837,530**	**33,034,328**

6.3.2 Foreign exchange risk management

The foreign exchange risk (or currency risk) is the risk arising from changes in the value of foreign currencies. However, the Fund has no significant

foreign currency transactions and there are no assets or liabilities denominated in forex and hence there is no risk caused by forex changes and the Fund's currency risk is ranked as low.

6.3.3 Price risk management

Price risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. None of the financial instruments held by the Fund is exposed to price risk.

7. FINANCIAL INSTRUMENTS BY CATEGORY

As at 30 June 2018.

	Loans and receivables TZS'000	Held to Maturity TZS'000	At FV through P&L TZS'000	Available for Sale TZS'000	Total TZS'000
Financial assets					
Fixed deposits	-	2,294,590	-	-	2,294,590
Treasury bonds	-	135,024,546	-	-	135,024,546
Treasury bills	-	-	-	-	-
Corporate bonds	-	2,142,609			2,142,609
Advance towards unlisted equity shares	4,403,440	-			4,403,440
Listed equity shares	-	19,105,880			19,105,880
Dividends receivable	15,213				15,213
Contributions receivable	31,308,006	-	-	-	31,308,006
Other receivables	361,231	-	-		361,231
Staff loans	-	2,555,441			2,555,441
Total	**36,087,890**	**161,123,066**	**-**	**-**	**197,210,956**

Financial liabilities	Amortised cost TZS'000
Payables	1,428,798
Total	**1,428,798**

As at 30 June 2017.

	Loans and receivables TZS'000	Held to Maturity TZS'000	At FV through P&L TZS'000	Available for Sale TZS'000	Total TZS'000
Financial assets					
Fixed deposits	-	13,220,695	-	-	13,220,695
Treasury bonds	-	58,576,008	-	-	58,576,008

Treasury bills	-	6,664,727	-	-	6,664,727
Contributions receivable	13,094,755	-	-	-	13,094,755
Advance towards publicly quoted shares	20,299,998	-	-		20,299,998
Other receivables	192,582	-	-		192,582
Cashbook balances	376,101	-	-	-	376,101
Total	**33,963,436**	**78,461,430**	**-**	**-**	**112,424,866**

Financial liabilities	**Amortised cost**
Payables	553,009
Total	**553,009**

8. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

i)Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii)Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and

iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2018.

		Fair Value			Carrying amount
	Note	**Level 1 TZS '000**	**Level 2 TZS '000**	**Level 3 TZS '000**	**TZS '000**
Financial assets measured at fair value					
Listed equity shares	24	19,105,880	-	-	19,105,880

		19,105,880	-	-	**19,105,880**
Financial assets not measured at fair value					
Advance towards unlisted equity shares		-	-	-	4,403,440
Dividends receivable		-		-	15,213
Contributions receivable		-	-	-	57,033,755
Staff loans		-	-		2,555,441
		-	-	-	**83,113,729**
Financial liabilities measured at fair value					
Financial liabilities not measured at fair value					
Payables	35	-	-	-	1,428,798
					1,428,798

The Overdrawn cashbook balances, accruals and provision are not financial liabilities because are not contractual, hence not included.

30 June 2017.

	Note	Fair value Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Carrying amount Total TZS '000
Financial assets measured at fair value		-	-	-	-
Financial assets not measured at fair value					
Fixed deposits	19		-		13,220,695
Advance towards Publicly quoted shares					20,300,000
Contributions receivable					13,094,755
Other receivables					192,582
Cashbook balances					376,101
			-		**33,963,438**
Financial liabilities measured at fair value		-	-	-	-

Financial liabilities not measured at fair value	
Payables	553,009
	553,009

The Fund has not disclosed the fair values for financial instruments such as short-term receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

9. FIXED DEPOSITS	**2018 TZS'000**	**2017 TZS'000**
Principal	2,000,000	12,583,641
Interests Receivable	284,176	637,054
	2,284,176	**13,220,695**
Maturity analysis		
Maturing up to 3 months	**2,284,176**	6,752,538
Maturing 3 to 12 months	-	6,468,157
	2,284,176	**13,220,695**

10. TREASURY BONDS

	2018 TZS '000	**2017 TZS '000**
2 Years Bonds	12,729,128	11,778,470
5 Years Bonds	34,526,021	27,487,075
7 Years Bonds	29,580,865	17,288,426
10 Years Bonds	33,239,576	-
15 Years Bonds	20,483,869	
Interests receivable	4,465,087	2,022,037
	135,024,546	**58,576,008**
Maturity analysis		
Maturing up to 3 months	-	-
Maturing 3 to 12 months	12,946,374	-
Maturing over 12 months	122,078,172	58,576,008
	135,024,546	**58,576,008**

11. TREASURY BILLS

364 Days Treasury Bills	-	6,018,550
Interests Receivable	-	646,177
	-	**6,664,727**

Maturity analysis		
Maturing up to 3 months	-	1,484,646
Maturing 3 to 12 months	-	5,180,081
Maturing over 12 months	-	-
	-	**6,664,727**

12. CORPORATE BONDS

5 Years Bonds	2,000,000	
Interests Receivable	142,609	-
	2,142,609	-
Maturity analysis		
Maturing up to 3 months	-	-
Maturing 3 to 12 months	-	-
Maturing over 12 months	**2,142,609**	-
	2,142,609	-

13. ADVANCE TOWARDS UNLISTED EQUITY SHARES

A. Movement in quoted investments during the year is as follows

	TZS 000	TZS 000
At the beginning of year	-	-
Additions	4,403,440	-
Disposals	-	-
Fair value adjustment	-	-
At the end of the year	**4,403,440**	
		-

A. Classification by entity

TPB Bank Plc		
	4,403,440	-

14. LISTED EQUITIES

B. Movement in quoted investments during the year is as follows

	2018 TZS '000	2017 TZS '000
At the beginning of year	-	-
Additions	20,299,998	-
Disposals	-	-
Fair value adjustment	(1,194,118)	-
At the end of the year	**19,105,880**	-

C. Classification by entity

30-Jun-2018

	EQUITIES (UNITS)			EQUITIES (MARKET VALUE - TZS '000')			
ENTITY	Shares at 1 July 2017	Addition/(Disposals)	At 30 June 2018	At 1 July 2017	Addition/ (Disposals)	Fair value gain/(loss)	At 30 June 2018
Vodacom Tanzania (Plc)	-	23,882,350	23,882,350	-	20,299,998	(1,194,118)	19,105,880
	-	23,882,350	23,882,350	-	20,299,998	(1,194,118)	19,105,880

15. DIVIDENDS RECEIVABLE

	TZS 000	TZS 000
Vodacom Tanzania (Plc)	15,213	-
	15,213	-

16. INVESTMENT PROPERTY

	TZS 000	TZS 000
Land	2,622	2,622
	2,622	**2,622**

The Fund bought a piece of land in Dodoma city centre measuring 3,213 square metres. It intends to construct an investment building on in the near future.

17. INCOME TAX RECEIVABLE/(PAYABLE)

Balance as at 1 July	209,338	(112,140)
Less: paid during the year/period	5,051,612	3,107,221
Add: charge during the year	(4,505,224)	(2,785,743)
	755,727	**209,338**

18. PROPERTY AND EQUIPMENT

	Computers	Office Equipment	Furniture Fixture & Fittings	Motor Vehicle	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost					
At 1 July 2016	82,904	95,404	192,967	-	371,275
Additions	308,029	246,543	431,012	362,706	1,348,291
At 30 JUNE 2017	**390,933**	**341,947**	**623,979**	**362,706**	**1,719,566**
At 1 July 2017	390,933	341,947	623,979	362,706	1,719,566
Additions	669,059	49,654	103,234	497,860	1,319,806
At 30 June 2018	**1,059,993**	**391,601**	**727,213**	**860,566**	**3,039,372**
Accumulated depreciation					
At 1July 2016	10,560	1,476	27,221	-	39,258
Charge for the year	37,680	30,315	66,904	62,155	197,054
At 30 JUNE 2017	**48,240**	**31,791**	**94,125**	**62,155**	**236,311**
At 1July 2017	**48,240**	**31,791**	**94,125**	**62,155**	**236,311**
Charge for the year	165,592	74,497	160,912	161,107	562,108
At 30 June 2018	**213,832**	**106,288**	**255,037**	**223,262**	**798,419**
Net book Value					
At 30 JUNE 2017	**342,693**	**310,156**	**529,854**	**300,551**	**1,483,254**
At 30 June 2018	**846,160**	**285,312**	**472,176**	**637,304**	**2,240,952**

19. INTANGIBLE ASSETS- COMPUTER SOFTWARE

Cost		
At the beginning of year	9,745	4,836
Additions	103,321	4,909
At the end of year	**113,066**	**9,745**
Amortisation		
At the beginning of year	905	267
Charge for the year	11,244	638
At the end of year	**12,149**	**905**
Net book value at 30 June	**100,916**	**8,840**

20. ADVANCE TOWARDS PUBLICLY QUOTED SHARES

During the period ended 30th June 2017, the Fund placed amounts with brokers for purchase of IPO of 23,882,350 shares of Vodacom Tanzania Plc at unit price of TZS 850.The share subscription was in May 2017.

	2018 TZS '000	2017 TZS '000
Vodacom shares	-	20,300,000
	-	**20,300,000**

21. CONTRIBUTIONS RECEIVABLE

Private sector contributions (1%)	45,766,762	13,094,755
Public sector contributions (0.5%)	26,664,544	26,664,544
Interests Receivable on Contributions	11,266,993	-
	83,698,299	39,759,299
Allowance for doubtful receivable	(26,664,544)	(26,664,544)
	57,033,755	**13,094,755**

Contributions receivable disclosed include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Fund has recognised an allowance for doubtful debts as shown in below:

Age of receivables that are past due

60-180 days	18,749,139	7,392,542
181-300 days	2,971,535	5,415,425
301-360 days	42,902,403	17,676,500
361 days and above	19,075,222	9,274,831
	83,698,299	**39,759,299**

	2018 TZS '000	2017 TZS '000
Movement in the allowance for doubtful debts		
Balance at beginning of the year/period	26,664,544	-
Impairment losses recognised on receivables	-	26,664,544
	26,664,544	26,664,544
Amounts written off during the year as uncollectible	-	-
	26,664,544	**26,664,544**

The impairment recognised represents the difference between the carrying amount of these contribution receivables and the present value of the expected cash flows. The Fund does not hold any collateral over these balances.

	2018 TZS '000	2017 TZS '000
22. PREPAYMENTS		
Prepaid Insurance	218,158	183,574
Insurance	27,837	157,608
GPSA Motor Vehicle Purchase	408,971	497,860
	654,966	**839,042**

23. OTHER RECEIVABLES		
Imprests	289,813	178,658
Rent security deposit	71,417	13,924
	361,230	**192,582**

24. STAFF LOANS		
Motor Vehicle Loans	1,108,031	-
House Loans	857,817	-
Personal Loans	589,593	-
	2,555,441	**-**

	2018 TZS '000	2017 TZS '000

25. CASH AND CASH EQUIVALENTS

Cashbook balances

NMB Bank Plc. - GePG Account	3,679	-
NMB Bank Plc. - call account	569,579	424
CRDB Bank - GePG Account	52,299	-
CRDB Bank - call account	-	1,838,208
	625,557	**1,838,632**

Overdrawn cashbook bank balances

NMB Bank Plc. - current account	(4,097,399)	(242,358)
CRDB Bank - current account	(3,985,102)	(1,220,173)
	(8,082,501)	**(1,462,531)**
Net cashbook balances as at 30 June	**(7,456,944)**	**376,101**
Treasury Bills maturing within 3 months (Note 20)	-	1,484,646
Fixed deposits maturing within 3 months (Note 20)	-	6,752,538
Cash and cash equivalents as at 30 June	**(7,456,944)**	**8,613,285**

26. DEFERRED TAX LIABILITY/(ASSETS)

Movement in deferred tax assets balances

Balance as at 1 July	-	1,604
Adjustments relating to previous years	-	(1,604)
Increase/(decrease) in deferred tax	-	-
Balance as at 30 June	**-**	**-**

Movement in deferred tax liability balances

Balance as at 1 July	488,982	-
Adjustments relating to previous years	-	89,931
(Decrease)/increase	(338,773)	399,051
Balance as at 30 June	**150,209**	**488,982**

27. OTHER PAYABLES AND ACCRUED EXPENSES

	2018 TZS '000	2017 TZS '000
Advance from SSRA	-	9,023
Stale cheques	77,533	11,057
Benefits payable	1,233,030	507,849
Accrued administrative expenses	1,095,107	411,857
Unclaimed monthly pension	441	-
Contributions received in advance	92,623	-
Other creditors	91	-
Retention	25,080	25,080
	2,523,905	**964,866**

28. CLAIMS PROVISION

Opening balance	687,450	-
Payments made during the year	(639,843)	-
Increase during the year	1,211,896	687,450
	1,259,503	**687,450**

Actuarial Assumptions

a) Projections were made based on the total projected number of claim incidents for financial years 2016/17 and 2017/18.
b) The number of possible claims incurred but not reported (IBNR) was established by taking into consideration the claims accepted and claims rejected by the Fund as at June 2018.
c) A rejection factor of 2.09% was used to determine the number of probable accepted claims arising from the financial years 2016/17 and 2017/18.
d) Claims reserving was done by considering average benefit payments as at 30th June 2018.
e) 6% increase in average benefit cost was done taking into account increase in medical aid cost.

29. CONTRIBUTION INCOME

	2018 TZS '000	2017 TZS '000
Private sector contributions	81,765,003	51,388,143
Public sector contributions	23,726,270	26,326,560
Interest from late contributions payment	11,274,983	-
	116,766,256	**77,714,703**

Contribution income is based on the monthly charges on the employer payrolls at the rate of 1.00% and 0.50% for private and public sector's employers respectively.

	2018 TZS '000	2017 TZS '000
30. INVESTMENT INCOME		
Interest from fixed deposits	1,439,365	3,507,719
Interest from call account	209,690	550,725
Interest from Treasury bills	335,274	1,002,127
Interest from Treasury bonds	15,484,306	5,364,935
Interest from Corporate bonds	142,609	-
Dividend income	304,261	-
	17,915,505	**10,425,506**
31. OTHER INCOME		
Service charges	87,374	-
Miscellaneous income	12,270	-
	99,644	**-**

	2018 TZS '000	2017 TZS '000
32. BENEFIT EXPENSES		
Benefit administration costs	311,639	253,467
Medical aids	157,076	231,536
Temporary disablement	515,943	147,419
Permanent disablement	466,038	165,085
Funeral grants	8,400	8,800
Dependants/survivors grant	100,072	61,003
Monthly pensions	72,345	-
Rehabilitation services	3,000	-
Claims Provision (IBNR)	1,211,896	687,450
	2,846,409	**1,554,760**
33. IMPAIRMENT OF FINANCIAL ASSETS		
Contributions receivable	-	26,664,543
Placement with banks	5,809,754	-
	5,809,754	**26,664,543**

34. ADMINISTRATIVE EXPENSES

Staff costs [Note 14(A)]	7,507,877	3,033,815
Staff welfare	1,067,754	842,046
Advertising and promotions	722,721	376,772
Trustees' fees and expenses	362,565	570,998
Training	900,508	858,020
Auditor's remuneration	255,070	251,068
Consulting	58,117	584,813
Compliance and registration expenses	1,564,017	-
Medical assessment expenses	630,035	-
Stakeholders education and public awareness	1,018,773	1,202,487
Rent	737,368	632,682
Printing and stationery	274,813	-
Software maintenance	532,115	-
Donations	241,864	124,343
Depreciation and amortisation	573,353	197,692
Other administrative expenses	1,464,044	823,022
Total	**17,910,994**	**9,497,758**

	2018 TZS '000	2017 TZS '000
A: STAFF COSTS		
Salaries and allowances	6,802,020	2,806,592
Contribution to Social Security Institutions	705,857	227,223
	7,507,877	**3,033,815**

35. SSRA LEVY

SSRA Levy computation June 2018.		
Total Income financial year ended 30.06.2016	70,001,440	-
0.42394% of Total Income	296,762	-
	296,762	**-**

Every registered Social security scheme is required to remit to Social Security Regulatory Authority annual security levy based on latest audited accounts. For the Financial year 2017/18, latest audited accounts were for the year 2015/16 which reported the total income of TZS 70.0 billion.

36. INCOME TAX EXPENSE

	2018 TZS '000	2017 TZS '000
A: Amount recognised in statement of comprehensive income		
Current year	4,505,224	2,785,743
Changes in estimate relating to previous years	-	-
	4,505,224	**2,785,743**
Deferred tax		
Origination and reversal of temporary differences	(338,773)	399,051
Adjustments relating to previous years	3,626	91,535
Income tax expense reported in the statement of comprehensive income	**4,170,077**	**3,276,329**
B: Reconciliation of income tax expense and tax on accounting profit		
Surplus before tax	106,634,325	50,423,148
Tax calculated at rate of 30%	31,990,023	15,126,944
Non-deductible expenses for tax purpose:		
Tax effect on disallowed administrative expenses	3,984,834	2,516,896
Tax effect on Change fair value	358,235	
Tax effect on disallowed depreciation charge	172,006	59,308
Tax effect on disallowed Benefit expenses	1,042,933	8,887,592
Tax effect on disallowed impairment	1,742,926	8,887,592
Tax effect on income not subject to tax	(35,121,155)	(23,314,411)
Income tax expense	**4,170,077**	**3,276,329**

37. RELATED PARTY TRANSACTIONS

37.1 Parent and ultimate controlling party

The Government of United Republic of Tanzania is the guarantor of the Fund. The Fund's activities are controlled by the Board of Trustees.

37.2 Advance from SSRA

During the year under review, the Fund received funds from SSRA and made repayment as shown below:

	2018 TZS '000	2017 TZS '000
Details		
Balance as at 1 July	9,023	402,030
Advance during the year	-	9,023
Repayments	(9,023)	(402,030)
Balance as at 30 June	**-**	**9,023**

Transactions with key management personnel

a) Key management personnel compensation

The remuneration of the Trustees and the key management personnel of the Fund are set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2018 TZS'000	2017 TZS'000
Senior management - salaries	2,928,086	777,333
Senior management - contribution to defined benefit schemes	295,646	135,267
Trustee's fees and allowances	362,415	144,925
	3,586,147	**1,057,525**

Compensation of the Fund's key management personnel includes salaries and contributions to the post- employment defined benefit plan. The number of senior management was 11 (2017:9)

a) Key management personnel transactions

During the year under review, there were no transactions between key management personnel and the Fund.

38. CONTRACTUAL COMMITMENTS

Operating leases — Fund as lessee

The Fund has entered into operating leases with the following Lessors for its head office and Regional Offices: -

Name of Lessor	Office Location
GEPF Retirement Benefits Fund	Head Office
Public Service Pensions Fund	Dodoma
National Health Insurance Fund	Mbeya
PPF Pensions Fund	Arusha
Mwanza City Commercial Complex Limited	Mwanza

The lease typically runs for a period of two years with an option to renew after that date, with exception of operating lease with Public Service Pensions Fund where it runs for a period of three years with an option for renew after that date.

The rent paid to the landlord is adjusted to market rentals at regular intervals and the Fund does not have an interest in the residual value of the land and building. As a result, it was determined that substantially all of the risks and rewards of the land and building are with the landlord.

During the year under review, the Fund has not entered in any sub-lease arrangements.

Future minimum rental payments

Future minimum rentals payable under non-cancellable operating leases is as follows:

	2018 TZS'000	2017 TZS'000
Less than one year	1,032,698	632,682
More than one year and less than five years	1,984,894	1,741,605
More than five years	-	243,288

Amounts recognized in comprehensive income

Lease expense	737,368	632,682
Contingent rent expense	-	-
	737,368	**632,682**

39. CONTINGENT LIABILITIES

The Fund is not involved currently in any legal or arbitration proceedings (including any governmental proceedings which are pending or known to be

contemplated) which may have, or have had in the 12 months preceding the date of this report, a significant effect on the financial performance and financial position of the Fund.

40. EVENTS SUBSEQUENT TO FINANCIAL YEAR

At the date of signing the financial statements, the Permanent Secretary, Prime Minister's Office LYED, on behalf of the Board of Trustees is not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the statement of financial performance and financial position of the Fund.