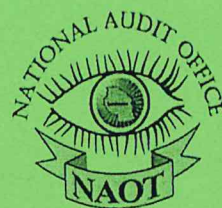




**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE AUDIT OF
FINANCIAL STATEMENTS OF WORKERS COMPENSATION FUND FOR
THE SIXTEEN MONTHS PERIOD FROM MARCH 2015
TO 30TH JUNE, 2016**

Office of the Controller and Auditor General,
National Audit Office,
16 Samora Machel Avenue,
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11101 Dar es Salaam.

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Dar es Salaam, Tanzania

January, 2017

AR/ WCF/2016



**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



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WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

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WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

CORPORATE INFORMATION

PRINCIPAL AUDITORS	The Controller and Auditor General National Audit Office Samora Avenue/Ohio Street P.O. Box 9080 Dar es Salaam
SUBCONTRACTED AUDITORS	PricewaterhouseCoopers Certified Public Accountants 369 Toure Drive Oysterbay P.O. Box 45 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 Persons with Disability Mwalimu Nyerere Pension Tower Bibi Titi Mohamed Road P.O. Box 1422 Dar es Salaam

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

REPORT OF THE BOARD OF TRUSTEES

The Trustees present their report together with the financial statements of Workers Compensation Fund ("the Fund") for the period ended 30 June 2016.

1. COMPENSATION BOARD

The Board is established under section 12 of Workers Compensation Act Cap. 263 R.E. 2015.

1.1 The role of the Board

- a) Control and administer the Fund.
- b) Formulate, implement and review policy relating to workers compensation.
- c) Advise 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.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

REPORT OF BOARD OF TRUSTEES (CONTINUED)

1.2 Board composition

The Trustees of the Fund at the date of this report since 1 July 2015 (all appointed on 22 January 2015) are as follows:

Name	Position	Age	Qualification /Discipline	Nationality
Mr. Emanuel B. Humba	Chairman	66	Social Security Expert	Tanzanian
Ms Radhmina R. Mbilinyi	Trustee	56	Fisheries specialist	Tanzanian
Mr. Chrysostom M. Agapiti	Trustee	54	Human Resources specialist	Tanzanian
Mr. Jaicy A. Kayera	Trustee	63	Electrical Engineer	Tanzanian
Ms. Rifai A. Mkumba	Trustee	56	Human Resources specialist	Tanzanian
Mr. James K. Rhombo	Trustee	60	Human Resources specialist	Tanzanian
Mr. Athumani H. Msengi	Trustee	44	Journalist	Tanzanian
Dr. Francis K. Michael	Trustee	53	Human Resources specialist	Tanzanian
Mr. Joshua M. Matiko	Trustee	48	Engineer	Tanzanian
Mr. Richard L. Wambali	Trustee	53	Human Resources specialist	Tanzanian
Ms. Nkasori M. Sarakikya	Trustee	41	Lawyer	Tanzanian
Mr. Daudi N. Kaali	Trustee	53	Economist	Tanzanian
Mr. Felix R. Kagisa	Trustee	60	Civil Engineer	Tanzanian
Mr. Masha J. Mshomba	Trustee/ Secretary	46	Accountant	Tanzanian

1.3 Board committees

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

- Operations committee
- Finance and investment committee
- Audit and risk management committee

1.4 Committee composition

Details	Operations Committee	Finance and Investment Committee	Audit and Risk Management Committee
Ms Radhmina R. Mbilinyi	Member	-	Member
Mr. Chrysostom M. Agapiti	-	-	Member
Mr. Jaicy A. Kayera	-	Member	-
Ms. Rifai A. Mkumba	-	Member	-
Mr. James K. Rhombo	Chairman	-	-
Mr. Athumani H. Msengi	-	Member	-
Dr. Francis K. Michael	Member	Chairman	-
Mr. Joshua M. Matiko	Member	-	-
Mr. Richard L. Wambali	Member	-	Chairman
Ms. Nkasori M. Sarakikya	-	-	Member
Mr. Daudi N. Kaali	-	Member	-
Mr. Felix R. Kagisa	-	-	Member
Mr. Masha J. Mshomba	Secretary	Secretary	-
Mr. Abraham P. Siyovelwa	-	-	Secretary

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016 REPORT OF BOARD OF TRUSTEES (CONTINUED)

1.5 Board meetings

During the financial period ended 30 June 2016, there were a total of 11 Board of Trustees meetings and 4 Board committee meetings that were held. The meetings were necessitated by the need to revise a number of Fund's policies and regulations. Details of the Trustees' attendance at all of the Board and committee meetings held in the period 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	11	-	-	-
Ms Radhmina R. Mbilinyi	11	3	-	-
Mr. Chrysostom M. Agapiti	11	-	-	-
Mr. Jaicy A. Kayera	11	-	1	-
Ms. Rifai A. Mkumba	10	-	1	-
Mr. James K. Rhombo	11	3	-	-
Mr. Athumani H. Msengi	10	-	1	-
Dr. Francis K. Michael	11	3	1	-
Mr. Joshua M. Matiko	7	3	-	-
Mr. Richard L. Wambali	11	3	-	-
Ms. Nkasori M. Sarakikya	3	-	-	-
Mr. Daudi N. Kaali	10	-	1	-
Mr. Felix R. Kagisa	10	-	-	-
Mr. Masha J. Mshomba	11	3	1	-

1.6 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 period ended 30 June 2016 includes fees and sitting allowances. Payment of Trustees' fees was as follows:

Remuneration	30 June 2016 TZS '000
a) Trustees fees	
Chairperson (1)	8,810
Other trustees (12)	92,857
b) Allowances	
Chairperson (1)	17,300
Other trustees (12)	93,450
Total	212,417

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016 REPORT OF BOARD OF TRUSTEES (CONTINUED)

1.6 Corporate Governance and Responsibilities

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 period ended 30 June 2016 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.

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.

Responsibility and authorities for day-to-day management of the Fund is delegated to the Director General within an agreed control framework. As part of the annual financial planning process, the Board sets annual performance targets for the Fund based upon the Director General's proposals and objectives for the period. The Director General establishes targets for the directorates and units which are then cascaded down throughout the Fund.

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 required by Law to contribute to the Fund.

3 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 2015/16, contribution rates for each employer were as follows:

- 3.1** 1.0% of employees' earnings (wage bill) for each employer in the private sector
- 3.2** 0.5% of employees' earnings (wage bill) for each employer in the public sector.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016 REPORT OF BOARD OF TRUSTEES (CONTINUED)

3 FUNDING POLICY (CONTINUED)

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.

4 OBJECTIVES AND ACTIVITIES OF THE FUND

4.1 The objectives of the Fund

- a) Provision of adequate and equitable compensation to beneficiaries when employees suffer occupational injuries or contract occupational diseases.
- b) Rehabilitation of employees who have suffered occupational injuries or have contracted occupational diseases in order to assist in restoring their health, independence and participation in society.
- c) Providing a framework for effective, prompt and empathetic consideration, settlement and payment of compensation benefits to employees and their dependants.
- d) Providing for the legal framework for contributions to and payments from the Fund, control and administration of assets of the Fund.
- e) Giving effect to international obligations with respect to Workers compensation.
- f) Promotion of prevention of accidents and occupational diseases.

4.2 Activities of the Fund

- a) Registering all employers in Tanzania Mainland.
- b) Collecting contributions from employers and investment proceeds.
- c) Maintaining proper records of all contributions, payments and other data necessary for efficient and effective management of the Fund.
- d) Paying compensation benefits in a correct, accurate and timely manner.
- e) Securing sound financial management and productive investment of Fund's assets.
- f) Maintaining an effective communication network, including development of accurate data and record keeping mechanisms to support collection, payments and investment activities.
- g) Promoting occupation safety and health measures in collaboration with OSHA and other relevant authorities.
- h) Promoting public awareness of the rights and obligations of the employees, dependants and employers.
- i) Producing financial statements and other reports for public and other relevant authorities.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016 REPORT OF BOARD OF TRUSTEES (CONTINUED)

5 BENEFITS OFFERED BY THE FUND

Benefits to be offered by the Fund are:

5.1 Medical aid

If an employee sustains injuries as a result of occupational accidents or diseases, he shall be entitled to medical aid cost covering ambulance services, medical consultation, surgical consultation, skilled nursing services, payment for medication, remedial treatment if recommended, supply and repair of prosthesis.

5.2 Compensation for temporary disablement

An employee shall be entitled for payment of temporary disablement if he sustains injuries arising out of occupational accident or diseases in the course of employment and leads to his temporary disablement. This payment will be administered to the affected employee for the period not exceeding 24 months.

5.3 Compensation for permanent disablement

An employee shall be entitled for payment of permanent disability if he sustains injuries arising out of occupational accident or diseases in the course of employment and leads to his permanent disablement. This payment will be administered to the affected employee until death or when the employee reaches retirement age and he qualifies for payment of pension.

5.4 Constant attendance care grant

This payment will be administered to a person who constantly takes care of an employee who cannot handle himself due to injuries sustained as a result of occupational accident or diseases.

5.5 Funeral grants

This payment will be administered to the family of the deceased employee who dies as a result of occupational accident or disease. The aim of the payments is to assist the family of the deceased in handling funeral expenses.

5.6 Compensation to dependants of the deceased employee

This payment will be administered to spouse and children of an employee who dies as result of occupational accident or diseases in the course of employment. In case there is no spouse or children, other dependants will be compensated in line with procedures and requirements as stated in the Workers Compensation Act, Cap. 263 R.E. 2015.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016 REPORT OF BOARD OF TRUSTEES (CONTINUED)

5 BENEFITS OFFERED BY THE FUND (CONTINUED)

5.7 Rehabilitation services

These are services provided to employee who sustain injuries as a result of occupational accident or diseases with the purpose of restoring his health. The services will be provided to employee for easy recovery and enabling him return to work or participate in other community activities that will earn him some amount of income.

6 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 sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The Board assessed the internal control systems throughout the financial period ended 30 June 2016 and is of the opinion that they met accepted criteria.

6.1 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:

6.2 Risk management enablers

During the 2015/16 financial year, the Fund continued to build on its Risk Management capabilities through the review and updating of the risk management policy, strategy, methodology and including preparing risk register 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) to ensure that they remain relevant to the Fund and any possible changes in the operating environment, prescripts and best practices. The policy, strategy and methodology will be submitted to the Board of the Fund for consideration, recommendation and for approval.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016 REPORT OF BOARD OF TRUSTEES (CONTINUED)

6 RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

6.3 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 type of risks and their management includes:

(a) 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 decision of the regulator, 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.

(b) 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.

(c) 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.

(d) 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.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016 REPORT OF BOARD OF TRUSTEES (CONTINUED)

6 RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(e) 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.

(f) 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 which 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.

7 OVERVIEW OF THE FUND'S PERFORMANCE

7.1 Registration of employers

During the period ended 30 June 2016, the Fund registered a total of 5,178 employers in Mainland Tanzania.

7.2 Claims processing

The Fund started its operation on 1 July 2015. No claim was processed during the period as the Fund was given a grace period of one year from the date of its establishment. Payments of benefits will start from 1 July 2016.

7.3 Educational and awareness campaigns

Educational campaigns have been conducted through different media nationally. These campaigns were conducted in all to ensure maximum reach. The purpose of these campaigns was to ensure that stakeholders, clients and the public in general are aware of the Fund's services, how to access them and that they know their rights and responsibilities. The Fund has contributed in raising awareness for the prevention of accidents and occupational diseases. This leads to increase in productivity at workplaces. All these have significant impact in increasing output and growth of country's economy.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

REPORT OF BOARD OF TRUSTEES (CONTINUED)

7 OVERVIEW OF THE FUND'S PERFORMANCE (CONTINUED)

7.4 Contributions

Fund started receiving contributions from 1 July 2015. During the year, the Fund recorded contributions amounting to TZS 68.40 billion from both private and public sectors employers. However, the central government and local government have not started remitting contributions to the Fund. Therefore contribution revenue from local and central government included under the accrued revenue was yet to be received as at 30 June 2016. The contribution rates are currently 0.5% for public sector and 1% for private sectors, respectively based on monthly wage bill.

7.5 Investment income

The Fund managed to invest the amounts collected as contributions. During the period, TZS 1.60 billion was generated from investment.

7.6 Administrative expenses

Administrative expenses during the period amounted to TZS 3.87 billion. The main expenses were staff cost; advertising and promotion; stakeholders educations and public awareness; and rent.

8 CHALLENGES FOR THE PERIOD

8.1 Staff

Since the establishment of the Fund, the top management positions which are critical in operation of the Fund were vacant resulting in acute shortage of staff. The Fund has been forming task forces by hiring staff from the Prime Minister's Office- Labour, Youth, Employment and Persons with Disability (PMO-LYEPD), President's Office - Public Service Management (PO-PSM), the Office of Attorney General (AG), the Social Security Regulatory Authority (SSRA), Occupational Health and Safety Authority (OSHA), Public Service Pensions Fund (PSPF), GEPF Retirement Benefits Funds (GEPF), National Social Security Fund (NSSF), the Association of Tanzania Employers (ATE) and the Trade Union Congress of Tanzania (TUCTA) on part time or temporary basis which makes it difficult to perform functions at a higher level. As at 30 June 2016, the Fund had one employee and 14 staff seconded from other Government agencies. The Fund is planning to formalize recruitment of all key management personnel in the year 2016/2017. The Fund has planned to have recruited 73 staff by end of the financial year 2016/2017 with competency and necessary experience to achieve the Fund's objectives. The Fund has also been getting and is continuing to get technical assistance from staff of the International Labour Association (ILO) to facilitate the smooth take off.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016 REPORT OF BOARD OF TRUSTEES (CONTINUED)

8 CHALLENGES FOR THE PERIOD (CONTINUED)

8.2 IT systems

For the period under review, the Fund experienced challenges around IT systems. The inadequate systems in Claims processing, employers' registration, contributions recording, documentations and strong accounting software retards the Fund's operations. Currently the Fund is using in house developed software in registration of members and recording contributions but the software is not strong enough to handle Fund's operations. Also the Fund is using Pastel as accounting software. To overcome this, the Fund is planning to put in place robust Enterprise Resources Planning (ERP) systems in the year 2016/2017 and 2017/2018 which will help to deliver quality service.

8.3 Lack of awareness about the fund, its functions and its benefits

There is failure by some employers to comply with the 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.

8.4 Lack of awareness as to the right for compensation

Most people who are employed 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 general public to increase awareness amongst workers with regard to compensation from work-related injuries and diseases.

8.5 Related party transactions and balances

The existing management systems are invariably complied with. This has resulted in smooth operations of the Fund. The details of transactions and balances with related parties have been disclosed in Note 21 to the financial statements. The Minister for Finance determines Trustees' remuneration, and the Board of Trustees determines key management remuneration.

8.6 Political and charitable donations

The Fund did not make any charitable or political donations during the period.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016 REPORT OF BOARD OF TRUSTEES (CONTINUED)

9 EVENTS AFTER REPORTING PERIOD

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.

10 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.

11 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.

12 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, PricewaterhouseCoopers (PwC), were authorized to carry out the audit of the Fund on behalf of the Controller and Auditor General.

BY ORDER OF THE BOARD:



Mr. Emanuel B. Humba

Chairman

27 January 2017

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

The Trustees are required by the Workers Compensation Act Cap. 263 R.E.2015 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 its surplus or deficit for the period. 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 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 comprehensive income for the period. 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.

Nothing has come to the attention of the Trustees 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



Mr. Emanuel B. Humba

Chairman

27 January 2017

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

DECLARATION OF THE HEAD OF FINANCE

I Geoffrey Masisa being the Officer-in-Charge of Finance for Workers Compensation Fund ("the Fund") hereby acknowledge my responsibility of ensuring that financial statements of the Fund for sixteen month period ended 30 June 2016 have been prepared in compliance with 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: 

Geoffrey Masisa

Position: Officer-in-Charge of Finance

NBAA Membership No: CPA 3026

Date: 27 January 2017

REPORT OF THE INDEPENDENT AUDITOR FOR THE PERIOD ENDED 30 JUNE 2016

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: Emanuel B. Humba
Chairman of the Board
Workers Compensation Fund
Plot No. 37, GEPF House
Regent Estate, Bagamoyo Road
P.O. Box 79655
DAR ES SALAAM.

RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WORKERS COMPENSATION FUND FOR THE PERIOD ENDED 30 JUNE 2016

Introduction

I have audited the accompanying financial statements of Workers Compensation Fund (the "Fund") which comprise the Fund's statements of financial position as at 30 June 2016 Statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes set out from page 18 to 45 of this report.

Trustees' Responsibility for the financial statements

The Board of Trustees of Workers Compensation Fund is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Responsibilities of the Controller and Auditor General

My responsibility as an auditor is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing (ISA), and such other audit procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

REPORT OF THE INDEPENDENT AUDITOR FOR THE PERIOD ENDED 30 JUNE 2016

AUDIT REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Sect. 10 (2) of the Public Audit Act No. 11 of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards and that; reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed and expenditures of public monies have been properly authorized.

Furthermore, Sect.48 (3) of the Public Procurement Act No. 7 of 2011 Public Procurement (Goods, works, Non-consultant services and Disposal of Public Assets by Tender) Regulations of 2013 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.

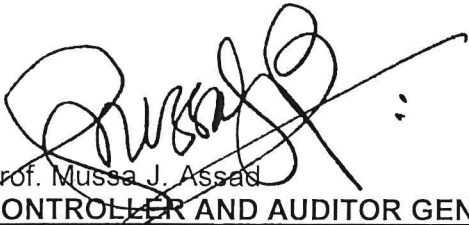
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Workers Compensation Fund as at 30 June 2016 and its surplus and cash flows for the period then ended in accordance with International Financial Reporting Standards and in compliance with the Workers Compensation Act Cap. 263 R.E. 2015.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 Act has generally complied with the Public Procurement Act No.7 of 2011 and its related Regulations of 2013.


Prof. Mussa J. Assad

CONTROLLER AND AUDITOR GENERAL

National Audit Office
Dar es Salaam, Tanzania

31st January, 2017.



WORKERS COMPENSATION FUND**FINANCIAL STATEMENTS FOR THE SIXTEEN MONTH PERIOD ENDED 30 JUNE 2016****STATEMENT OF COMPREHENSIVE INCOME**

		16 Months to 30 June 2016 TZS '000'
	Notes	
Revenue		
Contributions	7	68,400,079
Investment income	8	1,599,361
Other income	9	2,000
Total revenue		70,001,440
Administrative expenses	10	(3,877,768)
Surplus before income tax		66,123,672
Income tax expense	12	(443,826)
Surplus for the period		65,679,846

WORKERS COMPENSATION FUND**FINANCIAL STATEMENTS FOR THE SIXTEEN MONTH PERIOD ENDED 30 JUNE 2016****STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	Notes	TZS '000'
Assets		
Non-current assets		
Property and equipment	13	332,018
Intangible assets	14	4,569
Deferred income tax	15	1,604
Total non-current assets		<u>338,191</u>
Current assets		
Fixed deposits	16	27,139,619
Contributions receivables	17	33,840,689
Other receivables	18	743,363
Cash at bank	19	4,383,374
		<u>66,107,045</u>
Total assets		<u><u>66,445,236</u></u>
Liabilities		
Current liabilities		
Income tax liability		112,140
Other payables and accrued expenses	20	653,250
		<u>765,390</u>
Net assets		<u><u>65,679,846</u></u>
Reserve		
Accumulated funds		<u>65,679,846</u>
Total funds and reserves		<u><u>65,679,846</u></u>

The financial statements on pages 18 to 45 were authorized and approved for issue by the Board of Trustees on 27th January 2017 and signed on their behalf by:



Mr. Emanuel B. Humba

Board Chairman



Ms. Radhmina R. Mbilinyi

Trustee

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR THE SIXTEEN MONTH PERIOD ENDED 30 JUNE 2016

STATEMENT OF CHANGES IN FUNDS

Accumulated funds	30 June 2016 TZS '000'
At start of period	-
Surplus for the period	65,679,846
At end of period	65,679,846

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR THE SIXTEEN MONTH PERIOD ENDED 30 JUNE 2016

STATEMENT OF CASH FLOWS

	Notes	16 months to 30 June 2016 TZS'000'
Cash flows from operating activities		
Contributions received		34,559,390
Other income received	9	2,000
Advance from SSRA	21	1,073,184
Repayment of advance from SSRA	21	(671,154)
Payments for administrative expenses		<u>(4,647,842)</u>
Net cash generated from operating activities		<u>30,315,578</u>
Cash flows from investing activities		
Purchase of property and equipment	13	(371,275)
Purchase of intangible assets	14	(4,836)
Proceeds from investment income		319,386
Investment in fixed deposits		<u>(25,875,479)</u>
Net cash used in investing activities		<u>(25,932,204)</u>
Increase in cash and cash equivalents		4,383,374
Cash and cash equivalents at start of the period		<u>-</u>
Cash and cash equivalents at end of the period	19	<u>4,383,374</u>

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS

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. 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.

2.1 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 3.

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

2.2 Presentation currency

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

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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 period commencing 1 July 2015:

Title	Key requirements
Amendments to IFRS 13 "Fair value measurement"	IFRS 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. The amendment also clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a Fund of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9.
Amendments to IAS 16 "Property, plant and equipment and IAS 38 "Intangible assets"	The amendment clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts
Amendments to IAS 24 "Related party disclosures"	The amendment requires that where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or Trustees.
Defined Benefit Plans: Employee Contributions – Amendments to IAS 19	<p>The amendments clarify the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits.</p> <p>The amendments allow contributions that are linked to service, but that do not vary with the length of employee service (e.g. a fixed % of salary), to be deducted from the cost of benefits earned in the period that the service is provided. Therefore many entities will be able to (but not be required) continue accounting for employee contributions using their existing accounting policy.</p>

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

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Fund

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Fund. The Fund's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9 Financial Instruments (2014)

IFRS 9 Financial Instruments (2014) is the finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement.** 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 the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Fund has started the process of evaluating the potential effect of this standard but given the nature of the Fund's operations, this standard may not have a significant impact on the Fund's financial statements when effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

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 the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 15 is not expected to have significant impact on the financial statements of the Fund.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted by the Fund (continued)

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 will have a significant impact to the extent of the operating leases commitments would need to be disclosed in the financial statements.

Disclosure Initiative (Amendments to IAS 7 – Statement of Cash Flows)

The amendment introduces additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Trustees do not anticipate a material impact on the financial statements from this amendment.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable surplus.
- Estimates for future taxable surplus exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The Trustees do not anticipate that adoption will result into material impact on the financial statements.

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 periods and on foreseeable future transactions.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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.

2.5 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 period 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.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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 period 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 period. 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.

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 surplus/deficit.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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 period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. 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 period 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.

2.8 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.

2.9 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.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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) Short-term employees' benefits

Short-term employees' benefit obligations such as wages, salaries and other allowances are recognised in the period 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.

b) Defined contribution plan

The Fund makes fixed contributions to the Public Service Pensions Fund (PSPF) 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 period. The contributions are recognised as employee benefit expense when they are due.

c) Termination benefits

Termination 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 termination 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 period are discounted to their present value.

2.11 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 period.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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 it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or 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 period.

The Trustees periodically evaluate 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 of 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 tax 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.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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 surplus and deficit, 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 WCF has no financial assets and liabilities designated as available for sale, held to maturity or at fair value through surplus and deficit. Payables and accrued liabilities and annuity fund payable are designated as other financial liabilities.

a) Financial assets

Initial recognition and measurement

The entity recognises a financial asset in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting.

Investments are recognized on trade date on which the Fund commits to purchase or sale the asset. Financial assets are initially recognized at fair value.

For purposes of subsequent measurement the all the Fund's financial assets are classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. The losses arising from impairment are recognised in the statement of financial performance in investment expenses.

Receivables arise from contributions not remitted to the Fund. Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of financial performance 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.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial Instruments (continued)

De-recognition of financial assets

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.

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 comprehensive income when there is objective evidence that the asset is impaired. Impairment loss on financial assets 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.

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

Fund's financial liabilities are classified, at initial recognition as payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Fund's financial liabilities include accruals and other payables.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.14 Comparatives

The Fund started its operations on 1 March 2015. This is the first set of financial statements prepared by the Fund and therefore there are no comparative figures for the prior year.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 period, 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. The criteria that the Fund uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions; and
- Deterioration in the value of collateral.

During the period ended 30 June 2016, there were no impairment conditions noted.

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 periods in which the determination is made.

The carrying value of income tax liability is TZS 467 million and deferred tax asset TZS 1.8m as indicated under Note 15.

4. 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 not started paying benefit and therefore the Board didn't find a need to conduct Actuarial Valuation. The Fund expects carry out its first actuarial valuation before end of the financial year 2017/18.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. 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.

5.1 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.

a) 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. The finance department assesses the credit quality of each employer, taking into account past experience and other factors. Follow ups are done when the contributions are not received in time as these are monitored on a monthly basis.

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

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
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 percent 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	2016 TZS '000'
Fixed deposits	27,139,619
Contributions receivables	33,840,689
Other receivables	204,302
Cash and cash equivalents	4,383,374
Total	<u>65,567,984</u>

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

Credit quality by class of financial assets (excluding contribution receivables)

	Current	Past due	Impaired	Total
Financial assets	TZS '000'	TZS'000'	TZS '000'	TZS '000'
Fixed deposits	27,139,619	-	-	27,139,619
Contributions receivables	5,589,667	28,251,022	-	33,840,689
Other receivables	204,302	-	-	204,302
Cash at bank	4,383,374	-	-	4,383,374
Total	37,316,962	28,251,022	-	65,567,984

Out of the amounts that are past due, TZS 26.6 billion is due from the government of the United Republic of Tanzania and relates to outstanding contribution for all public service employees, whose payroll is processed by the Treasury, for the 12 months to 30 June 2016. The Fund continues to engage the government to settle the amounts outstanding and do not consider the receivable to be impaired due to the credit quality of the debtor. The other amounts that were past due as at 30 June 2016 have subsequently been received.

5.2 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 liabilities as at the end of reporting period that will be settled on a cash basis. 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.

	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 12 months	Total
	TZS '000'	TZS '000'	TZS'000'	TZS'000'	TZS'000'
Other payables and accrued expenses	653,250	-	-	-	653,250

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 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. The Fund invests in short term instruments when interest rates are considered to be low temporarily.

All the 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 financial instruments is exposed to price risk.

	Carrying amount	Interest bearing	Non-interest bearing
Financial assets	TZS '000'	TZS '000'	TZS '000'
Fixed deposits	27,139,619	27,139,619	-
Contributions receivables	33,840,689		33,840,689
Other receivables	204,302	-	204,302
Cash and bank balances	4,383,374	-	4,383,374
Total financial assets	65,567,984	27,139,619	38,428,365
Financial liabilities			
Other payables and accruals	653,250		653,250
Total financial liabilities	653,250	-	653,250
Net interest sensitivity gap	-	27,139,619	-

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2016

Loans and
receivables

Financial assets

TZS'000'

Fixed deposits	27,139,619
Contribution receivables	33,840,689
Other receivables (excluding prepayments)	204,302
Cash and bank balances	4,383,374

-

Total

65,567,984

Financial liabilities

Other
financial
liabilities at
amortised
cost

Other payables and accruals

653,250

Total

653,250

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. CONTRIBUTION REVENUE

	2016
	TZS '000'
Private sector contributions	41,735,536
Public sector contributions	26,664,543
Total	<u>68,400,079</u>

Contributions are charged at the rate of 1% and 0.5% respectively for private and public sector employees.

8. INVESTMENT INCOME

Interest from fixed deposits	2016
	TZS '000'
Equity Bank (T) Ltd	266,637
Twiga Bancorp Ltd	265,860
Bank M Tanzania Ltd	251,735
Access Bank Tanzania	174,733
African Banking Corporation (T) Ltd	157,123
CRDB Bank	152,794
DCB Commercial Bank PLC	122,877
Maendeleo Bank PLC	67,507
Commercial Bank of Africa (CBA)	38,856
Covenant Bank for Women (T) Ltd	18,937
	<u>1,517,059</u>
Interest from call account	82,302
	<u>1,599,361</u>

9. OTHER INCOME

Miscellaneous income	<u>2,000</u>
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WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. ADMINISTRATIVE EXPENSES

	2016
	TZS '000'
Staff costs (note 11)	392,464
Staff welfare	376,106
Advertising and promotions	416,125
Trustees' fees and expenses	337,078
Training	227,994
Auditor's remuneration	158,359
Consulting and accounting fees	193,581
Stakeholders education and public awareness	843,531
Rent	403,120
Depreciation and amortisation	39,524
Other administrative expenses	489,886
Total	<u>3,877,768</u>

11. STAFF COSTS

Staff costs	366,421
Contribution to defined pension plan	26,043
	<u>392,464</u>

12. Income tax expense

Current income tax charge	445,430
Deferred income tax credit	(1,604)
	<u>443,826</u>

The tax on the Fund's surplus before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2016
	TZS '000'
Surplus before income tax	66,123,672
Tax calculated at statutory tax rate - 30%	19,837,102
Tax effect of:	
Income not subject to tax	(20,520,024)
Expenses not deductible for tax purposes	1,126,748
Income tax expense	<u>443,826</u>

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. PROPERTY AND EQUIPMENT

	Computers	Office Equipment	Furniture Fixture & Fittings	Total
	TZS '000'	TZS '000'	TZS '000'	TZS '000'
Cost				
At 1 March 2015	-	-	-	-
Additions	82,904	95,404	192,967	371,275
As at 30 June 2016	82,904	95,404	192,967	371,275
Accumulated depreciation				
At 1 March 2015	-	-	-	-
Charge for the period	10,560	1,476	27,221	39,257
As at 30 June 2016	10,560	1,476	27,221	39,257
Net book Value				
As at 30 June 2016	72,344	93,928	165,746	332,018

14. INTANGIBLE ASSETS- COMPUTER SOFTWARE

Cost	2016
	TZS '000'
At the beginning of period	-
Additions	4,836
At the end of period	4,836
Amortisation	
At the beginning of period	-
Charge for the period	267
At the end of period	267
Net book value at 30 June	4,569

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30%. The movement on the deferred income tax account is as follows:

	2016 TZS '000'
At start of year	-
Credit to income statement (Note 12)	1,604
	<hr/>
At end of year	1,604

Deferred income tax assets deferred income tax credit in the income statement are attributable to the following items:

30 June 2016	At 1 March 2015 TZS '000'	credit to comprehensive income TZS '000'	At 30 June 2016 TZS '000'
Accelerated capital allowances	-	1,604	1,604

16. FIXED DEPOSITS

	2016 TZS '000 Principal	2016 TZS '000 Interest receivable	2016 TZS '000 Total
African Banking Corporation (T) Ltd	7,000,000	157,123	7,157,123
Equity Bank (T) Ltd	3,500,000	266,637	3,766,637
Twiga Bancorp Ltd	3,500,000	265,860	3,765,860
Bank M Tanzania Ltd	3,175,479	76,255	3,251,734
Access Bank Tanzania	2,500,000	136,150	2,636,150
Maendeleo Bank PLC	2,000,000	67,507	2,067,507
CRDB Bank	1,500,000	152,794	1,652,794
DCB Commercial Bank PLC	1,500,000	122,877	1,622,877
Covenant Bank for Women (T) Ltd	1,200,000	18,937	1,218,937
	<hr/> 25,875,479	<hr/> 1,264,140	<hr/> 27,139,619

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CONTRIBUTION RECEIVABLES

	2016 TZS '000
Private sector contributions (Rate at 1%)	7,176,145
Public sector contributions (Rate at 0.5%)	26,664,544
Total	33,840,689

18. OTHER RECEIVABLES

Prepayment	539,061
Imprest	190,378
Rent security deposit	13,924
	743,363

19. CASH AT BANK

NMB Bank Plc- current account	978,442
NMB Bank Plc- call account	527,631
CRDB Bank- current account	1,830,670
CRDB Bank- call account	1,046,631
	4,383,374

20. OTHER PAYABLES AND ACCRUED EXPENSES

Advance from SSRA	402,030
Stale cheques	5,192
Accrued administrative expenses	246,028
	653,250

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. RELATED PARTY TRANSACTIONS

21.1 Parent and ultimate controlling party

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

21.2 Advance from SSRA

During the period under review, the Fund received funds from SSRA as shown below:

Details	2016 TZS '000'
Advance during the period	1,073,184
Repayments	<u>(671,154)</u>
Balance as at 30 June 2016	<u>402,030</u>

21.3 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.

	2016 TZS'000
Senior management – salaries	267,644
Senior management – contribution to defined pension plan	26,043
Trustee's fees and allowances	<u>212,417</u>
	<u>506,104</u>

Compensation of the Fund's key management personnel includes salaries and contributions to the post-employment defined benefit plan.

b) Key management personnel transactions

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

WORKERS COMPENSATION FUND

FINANCIAL STATEMENTS FOR SIXTEEN MONTH PERIOD FROM MARCH 2015 TO 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. CONTRACTUAL COMMITMENTS

Operating leases — Fund as lessee

The Fund has entered into operating leases with GEPF Retirement Benefits Fund for its head office. The lease typically run for a period of two years with an option to 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 period 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 as at 30 June 2016 are as follows:

Details	2016 TZS'000
Less than one year	625,358

Amounts recognized in comprehensive income

Details	2016 TZS'000
Lease expense	403,120
Contingent rent expense	-
Total	403,120

23. EVENTS SUBSEQUENT TO FINANCIAL PERIOD

At the date of signing the financial statements, the Trustees are 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 of the Fund and the statement of financial position.

