



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

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF WORKERS COMPENSATION
FUND(WCF) FOR THE FINANCIAL YEAR
ENDED 30TH JUNE, 2020**

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AR/PA/WCF/2019/20

Mandate

The statutory mandate and responsibilities of the Controller and Auditor General are provided for under Article 143 of the Constitution of the URT of 1977 (as amended from time to time) and in Section 10 (1) of the Public Audit Act, 2008.

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 organization, offering services to our clients in an objectives and 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 behaviour, rule of law and strong sense of purpose.
People focus	We value, respect and recognize interest of our stakeholders.
Innovation	We are a learning and creative public institution that promotes value added ideas within and outside the institution.
Results Oriented	We are an organization that focuses on achievement based on performance targets.
Team work spirit	We work together as a team, interact professionally, and 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 adequate working tools and facilities that promote independence.

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ABBREVIATIONS

AIDS	Acquired Immunodeficiency Syndrome
BRELA	Business Registration and Licensing Agency
ECL	Expected Credit Loss
EIR	Effective Interest Rate
ERP	Enterprises Resources Planning
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
HIV	Human Immunodeficiency Virus
IASB	International Accounting Standards Board
IBNR	Incurring but Not Reported
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
ISO	International Organization for Standardization
ISSA	International Standards of Supreme Audit Institutions
NBAA	National Board of Accountants and Auditors
NSSF	National Social Security Fund
OSH	Occupational Safety and <u>Health</u>
OSHA	Occupational Safety and Health Authority
PAYE	Pay as you earn
PMO-LYED	Prime Minister's Office-Labour, Youth, Employment and Persons with Disability
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
WCF	Workers Compensation Fund

CORPORATE INFORMATION

AUDITORS	The Controller and Auditor General National Audit Office 4 Audit Road P.O. Box 950 41104 Tambukareli Dodoma
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, Victoria House Regent Estate, Bagamoyo Road P.O. Box 79655 Dar es Salaam
PARENT MINISTRY	Prime Minister's Office Policy, Parliamentary Affairs, Labour, Youth, Employment and Person with Disability Government City, Mtumba, P.O. Box 2890 Dodoma
ATTORNEY GENERAL OFFICE	The Office of Attorney General of Tanzania, P.O. Box 630 Dodoma.

1.0 REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 30TH JUNE, 2020

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 30th June, 2020 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

A Role Model for Workers Compensation Services in Africa.

1.4 FUND'S MISSION

To Mitigate Social and Economic Impact of Occupational injuries to Employees, their Families & Employers through the Provision of Adequate, Equitable and Reliable Compensation Benefits

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 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 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) Collection of contributions from employers.
- c) Investment of surplus funds.
- d) Payment of compensation to employees.
- e) Assessment of risk exposure at workplaces and tariffs determination.
- 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:

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.

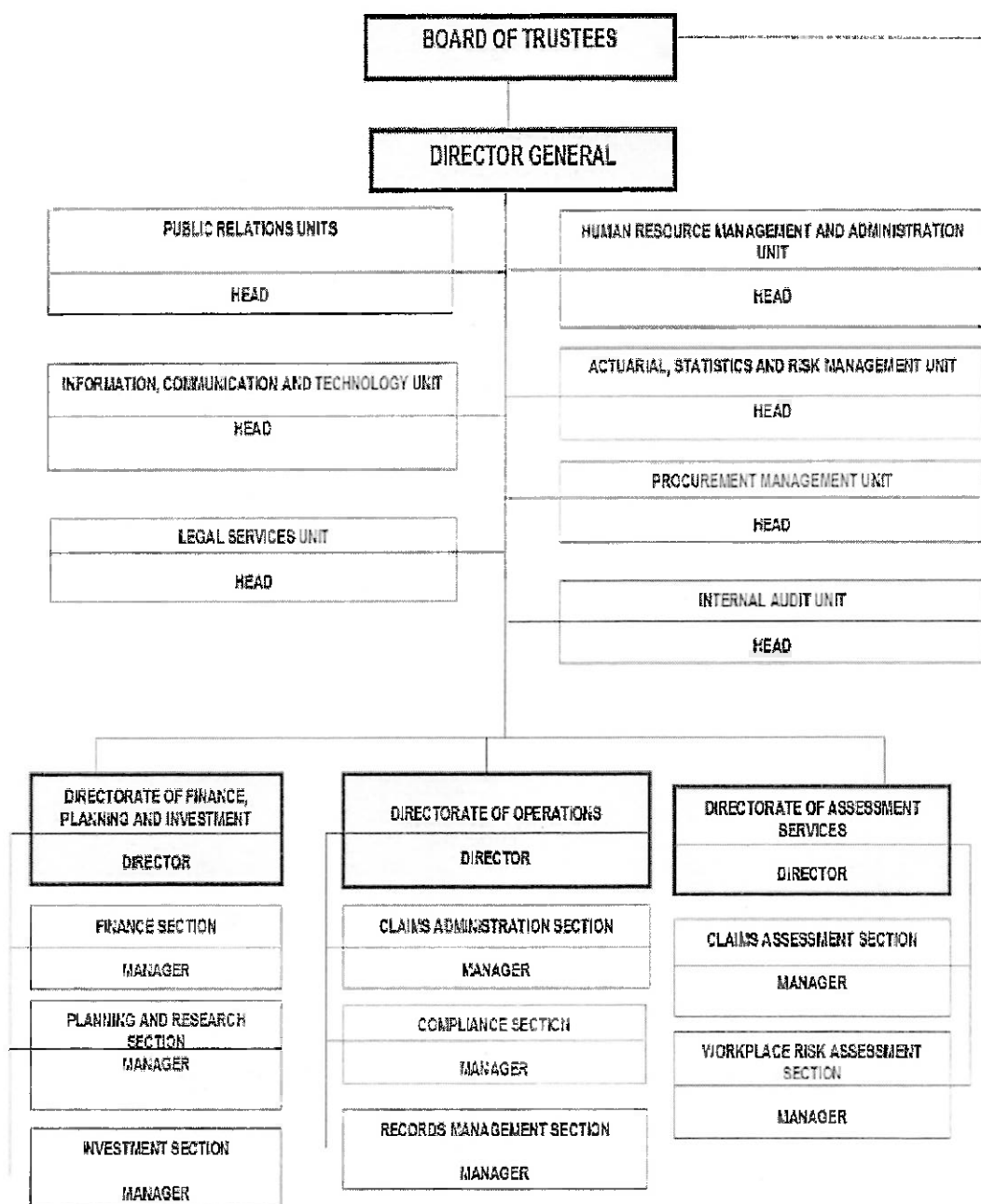
1.7.7 Rehabilitation Services

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 organization structure of the Fund comprises the Board of Trustees and Management Team. 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. The Fund organisation structure is presented on the organogram at Figure 1

Figure 1: Organisation Structure



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 30th June, 2020 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 ten 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) 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.

1.9.3 Board Composition

As at the date of this report, the Fund did not have the Board of Trustees. However, in compliance to Section 54 of the Interpretation of Laws Act [Cap.1], the Permanent Secretary, Prime Minister's Officer - Labour, Youth, Employment and Persons with Disabilities have been discharging the function of the Board from 26th November, 2019.

Name	Position	Age	Qualification /Discipline	Nationality
Mr. Andrew W. Masawe	Chairman	58	BSC Mathematics and Statistics	Tanzanian

1.9.4 Board Meetings

During the financial period ended 30 June 2020, the Permanent Secretary, Prime Minister's Officer - Labour, Youth, Employment and Persons with Disabilities in line with Section 54 of the Interpretation of Laws Act [Cap.1] held a total of five (5) meetings with the Management of the Fund.

1.9.5 Board Committees

According to the Board Charter, the Board of Trustees has three (3) Board committees as follows:

a) Operations Committee

The Operation Committee is the oversight of 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.

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.

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.

1.9.6 Trustee remuneration

Apart from the Director General, all other trustees of the Fund are non-executive. Trustee fee is the only form of remuneration for services rendered by the Trustees of the Fund. Payment of Trustees' fees was as follows:

Remuneration	2020	2019
	TZS '000	TZS '000
Trustees fees		
Chairperson (1)	4,811	-
Total	4,811	-

1.9.7 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.

1.9.8 Management Structure

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) Assessment Services;

There are seven specified units headed by Head of Units 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.

1.9.9 Key Management Personnel

The key management personnel during the year ended 30 June 2020 and up to the date of this report were:

Name	Designation
Mr. Masha J. Mshomba	Director General
Mr. Anselim K. Peter	Director of Operation
Dr. Abdulsalaam A. Omar	Director of Assessment Services
Mr. Bezil P. Ewala	Director of Finance, Planning and Investment
Mr. Shadrack O. Aiko (RIP)*	Head of Internal Audit Unit
Mr. James A. Tenga	Head of Actuarial Services, Statistics and Risk Management Unit
Mr. Stephen J. Goyayi	Head of Information, Communication and Technology Unit
Mrs. Laura G. Kunenge	Head of Public Relations Unit
Mr. Abraham P. Siyovelwa	Head of Legal Services Unit
Mr. Julius J. Lwenje*	Head of Human Resources Management and Administration Unit
Mrs. Veronica B. Saeni	Head of Procurement Management Unit

*Mr Shadrack O. Aiko served as Head of Internal Audit Unit from 5th June 2020

*Mr. Julius J. Lwenje served as Head of Human Resources Management and Administration Unit from 5th June 2020

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.

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 and 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 Management

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 employers. 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) Reputational Risk Management

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 30th June 2020, the Fund registered 2,694 employers in Mainland Tanzania (2019: 5,266), making the total registered members to be 22,796 as at 30th June 2020. 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, a total of TZS 9.09 billion (2019: 4.69 billion) was incurred to cover for compensation payments for occupational injuries and deaths to employees. This was attributed by the increase of awareness among beneficiaries and employers regarding claim procedures and the improvement in Fund's efficiency in claims processing.

1.11.3 Contributions

During the year under review, the Fund recorded contributions amounting to TZS 106.44 billion (2018/2019: 108.96 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.

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 42.33 billion (2019: 25.02 billion) 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 20.28 billion (2019: 18.56 billion). The main expenses were staff cost; Compliance and registration, advertising and promotion; stakeholders education 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.

1.11.6 Promoting Prevention of Occupational Accident and Diseases

During the year under review, the Fund conducted workplace risk assessments for high-risk registered employers. In addition, Occupational Safety and Health (OSH) audits were conducted to the identified high-risk workplaces were conducted. The Fund also engaged in various programs promoting for prevention of occupational accident and diseases.

1.11.7 Educational and Awareness Campaigns

During the year under review, 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, the automation of the Fund's business processes increased to 65%. This level of automation was attributed by installation and operationization of Enterprise Resource Planning (ERP) and MAC enhancement. Most of Human Resources Management and Administration, Procurement, Finance and Claims Administration and Assessment activities are now automated.

1.11.9 Recruitment of Staff and Training Matters

During the year under review, the Fund managed to recruit 11 (2019: 16) new staff. This made the total number of staff to be 114, of which male were 69 and female were 45. 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 other Regulatory 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 333.46. billion (2019; 278.14 billion). This was attributed by an increase in investment income as a result of prudent investment decisions.

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, despite the Fund deploying WCF portal which helps employers to register and pay contributions to the Fund without physically visiting Fund's offices, there are some employers who are not utilizing the facility for lack of knowledge and facilities. The Fund will continue to raise awareness on the usage of the system to employers.

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. Further, during the period under review, interest rates and share prices have been decreasing. 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 and employers are not aware of compensation benefits rights, which are due to them when they get injuries or contract occupational diseases. The Fund continues to sensitize the public to increase awareness amongst workers with regard to compensation from work-related injuries and diseases.

1.14.5 Non-disclosure of occupational incidents by employers

There are a number of employers who are not reporting occupational incidents to the Fund out fear that they will be penalized or prosecuted. This results to employees losing their right to compensation. The Fund will continue to raise awareness to employers of their statutory obligation to report to the Fund all occupational incidents.

1.15 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties comprised 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 36 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 213.39 million (2019: 195.81 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 WELFARE

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 trained its staff in various aspects 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 Pensions Fund in respect of employees' retirement benefits. Currently, the Fund pays pension contributions to the Public Service Social Security Fund. 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 30th June, 2020 the Fund had 114 employees, out of which 45 (40%) were females and 69 (60%) were males (2019: 103 out of which 40 (39%) were female and 63(61%) 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 acts 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 objectives as provided in the action plan approved by the Board of Trustees. Some of the major achievements are as highlighted below:

1.21.1 Increase in Benefit Payments

The Fund, during the period under review made significant improvement in the payment of compensation benefits were a total of TZS 9.09 billion (2019:4.69 billion) was paid to various beneficiaries. This is a tremendous step in reducing poverty to employees who suffered occupational injuries and lose the ability to earn income.

1.21.2 Enhance Service Delivery

During the period under review, the Fund have made significant improvement in its service delivery systems through the usage of technology, opening of regional offices, expanding the network of medical aid outlets by contract health service providers and health care providers and train medical practitioners on diagnosis of occupational diseases and conducting assessment services.

1.21.3 Promote Occupational Safety and Health in workplaces

The Fund, during the period under review, continued to promote occupational safety and health on workplace. In order to reduce the number of occupational accidents, the Fund is working with OSHA and the Traffic Department of the Police Force. Further, the Fund continued to raise awareness to employers on occupational safety and health. All these initiatives have increased the level of compliance of employers with respect to prevention of occupational accidents.

1.21.4 Improvement of Employer Database

During the period under review the Fund made significant improvement of employers' database. The total number of employers recorded in the database reached 22,796 employers. This was achieved by sharing information with other institutions such as TRA, BRELA and NSSF.

1.21.5 Investment in the Strategical Industrial Projects

During the year under review, the Fund identified two strategic industrial projects for investment which includes the rehabilitation of Mponde Tea Factory and the construction of a factory for producing medical products using cotton materials to be constructed at Simiyu Region. The Feasibility study of these projects have been completed and funds to implementing the projects have been reserved in the budget. The implementation of the projects is awaiting approvals from relevant authorities. Implementation of these projects are in line with the government vision 2025 to build a middle-income country through industrialization.

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 AND ACTUARIAL VALUATION

The Board of Trustees confirms that International Financial Reporting standards have been adhered 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.

The Fund contracted the International Labour Organisation (ILO) to conduct an actuarial valuation of the Fund as at 30 June 2018.

The table below summarises the ILO's report on the actuarial financial position of the Fund:

	TZS Million
Accrued liabilities	
Value of accrued Benefits liabilities of incidents that have occurred as at 30 June 2018	10,813
Assets	
Assets of the Fund as at June 2018	217,783
Actuarial Reserve	
Excess of asset over accrued benefits liabilities as at June 2018	206,970

The next actuarial valuation is due at 30th June, 2021.

ACTUARY OPINION

ILO Actuary's' opinion is as follows:

- a) Globally, the data collection process at the Workers Compensation Fund is appropriate and reliable. However, the scheme is new, so limited experience has emerged. Hence, appropriate methods were used to fill the gaps in data (e.g. smoothing techniques and usage of proxy data).
- b) The assumptions used for the report are reasonable and appropriate both in the aggregate and individually, even if they do rely on limited data of the experience of scheme. It is expected that the assumptions will be based on more robust data in future actuarial valuations as more experience will emerge from the scheme;
- c) The methodology employed is appropriate and consistent with accepted actuarial practice; and

- d) WCF is financially sustainable over the projection period if the current contribution rates are maintained or the recommended changes are applied.

The report and the opinions given have been prepared in accordance with the accepted actuarial practice as provided by the International Standards of Actuarial Practice 2: Financial Analysis of Social Security Programs of the International Actuarial Association to the extent they are applicable to employment injury protection schemes.

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.

BY ORDER OF THE BOARD



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

27th
..... January, 2021

2.0 STATEMENT OF THE BOARD OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 30TH JUNE, 2020

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 Trustees certify that to the best of their 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 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



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

27th
.....January, 2021

WORKERS COMPENSATION FUND

3.0 DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 30TH JUNE, 2020

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

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

I, Bezil P. 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 30th June, 2020 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: 

CPA Bezil Protas Ewala

Position: Director Responsible for Finance

NBAA Membership No: ACPA 1512

 January, 2021

4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Permanent Secretary,
Prime Minister's Office
Labour, Youth, Employment and Person with
Disability,
Government City, Mtumba,
P.O. Box 2890
Dodoma.

4.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of Workers Compensation Fund which comprise the statement of financial position as at 30th June, 2020, and the statement of comprehensive income, statement of changes in fund and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of Workers Compensation Fund as at 30th June, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of Workers Compensation Funds in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information. The other information comprises the Board of Trustee's Report and the Declaration by the 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 I obtained prior to the date of this audit report, I conclude 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.

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

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

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

In addition, Section 10 (2) of the Public Audit Act, 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, 2011 (as amended in 2016) requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

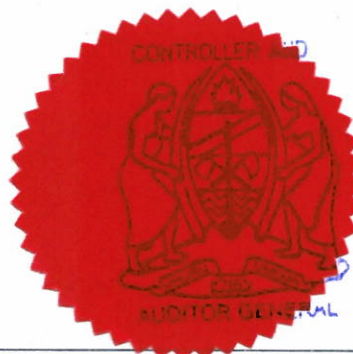
4.2 REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Compliance with the Public Procurement Act, No.7 of 2011 (as amended in 2016)

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, Workers Compensation Funds procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No.7 of 2011 (as amended in 2016) and its underlying Regulations of 2013 (as amended in 2016).



Charles E. Kichere
Controller and Auditor General
Dodoma, United Republic of Tanzania
29th January, 2021




WORKERS COMPENSATION FUND

5.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2020

	Notes	2020 TZS '000	2019 TZS '000
ASSETS			
Investments			
Fixed deposits	8	14,761,606	2,788,902
Treasury bonds	9	263,996,818	203,938,835
Corporate bonds	10	2,873,499	2,906,234
Collective investment scheme	11	15,992,899	-
Unlisted equity shares	12	3,519,230	286,971
Listed equity shares	13	20,299,998	19,105,880
Dividend receivables	14	75,188	47,628
Investment property	15	2,622	2,622
Total Investments		321,521,860	229,077,072
Other Assets			
Income tax recoverable	16	5,570,484	1,705,741
Property and equipment	17	3,565,177	2,353,091
Intangible assets	18	2,663,195	124,147
Right to Use Asset	19	1,479,060	-
Contributions receivable	20	7,799,952	48,592,985
Prepayments	21	410,390	1,876,758
Other receivables	22	363,323	387,908
Loans	23	4,845,013	3,837,953
Cash and Bank balances	24	4,237,641	712,188
Inventory		46,309	62,919
		30,980,544	59,653,690
TOTAL ASSETS		352,502,404	288,730,762
LIABILITIES			
Deferred tax liability	25	502,769	502,769
Lease Liability	19	1,459,597	-
Over drawn cashbook balances	24	-	5,865,411
Other payables and accrued expenses	26	14,831,190	3,275,142
Claims Provision	27	2,249,215	950,202
		19,042,771	10,593,524
NET ASSETS		333,459,633	278,137,238
ACCUMULATED FUNDS			
Restated/beginning balance		267,945,057	182,181,288
Comprehensive income for the year		65,514,576	95,955,950
TOTAL ACCUMULATED FUNDS		333,459,633	278,137,238

The financial statements were authorized and approved for issue by the Permanent Secretary, PMO-LYED on 27th January, 2021 and signed by:


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

WORKERS COMPENSATION FUND

6.0 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE, 2020

		2020 TZS '000	2019 TZS '000
	Notes		
Revenue			
Contribution income	28	106,444,069	108,962,736
Investment income	29	42,337,788	25,023,531
Other income	30	445,589	82,559
Total revenue		149,227,446	134,068,826
Expenses			
Benefits	31	(9,094,826)	(4,687,307)
Impairment of financial assets	32	(47,945,542)	(3,521,804)
Investment management expenses		(156,426)	(149,791)
Finance Costs		(77,240)	
Administrative expenses	33	(20,278,029)	(18,560,433)
Contribution to Government	34	(500,000)	(291,855)
Fair value change of equity shares		-	(4,116,469)
Total expenses		(78,052,063)	(31,327,659)
 Surplus before income tax		 71,175,383	 102,741,167
Income tax expense	35	(5,660,807)	(6,785,217)
Surplus for the year		65,514,576	95,955,950
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		65,514,576	95,955,950

The financial statements were authorized and approved for issue by the Permanent Secretary, PMO-LYED on 24th January, 2021 and signed by:



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

WORKERS COMPENSATION FUND

7.0 STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 30TH JUNE, 2020

Accumulated funds	Note	2020 TZS '000	2019 TZS '000
At start of the year		278,137,238	215,290,912
Prior year adjustment	20	(10,192,181)	(33,109,624)
Restated balance at start of the year		267,945,057	182,181,288
Surplus for the year		65,514,576	95,955,950
At end of the year		333,459,633	278,137,238

WORKERS COMPENSATION FUND

8.0 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2020

		2020	2019
	Notes	TZS'000	TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received	39	90,841,287	81,366,111
Other income received	39	245,817	82,559
Contribution to the Government	34	(500,000)	(291,855)
Benefit Paid	39	(7,426,451)	(3,653,239)
Tax Paid	39	(9,525,550)	(7,382,672)
Payments for administrative expenses	39	(15,878,179)	(19,679,257)
Net cash generated from operating activities		57,756,924	50,441,647
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	17	(2,100,172)	(829,690)
Purchase of intangible assets	18	(2,725,090)	(37,288)
Proceeds from investment income	39	34,391,948	22,286,329
Investment in Treasury bonds	39	(58,526,421)	(66,459,571)
Investment in Collective scheme	39	(15,600,000)	-
Investment in fixed deposits	39	(12,300,000)	(700,000)
Investment in Corporate bonds		-	(800,000)
Investment in staff loans	39	(984,470)	(1,339,421)
Net cash flow in investing activities		(57,844,205)	(47,879,640)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash flow from lease and other liability	39	9,300,961	-
Net cash flow from financing activities		9,300,961	-
Increase (Decrease) in cash and cash equivalents		9,213,680	(2,562,006)
Cash and cash equivalents at start of the year		(4,894,938)	8,613,285
Cash and cash equivalents at end of the year	24	4,318,742	(4,894,938)

9.0 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

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 1st March, 2015 and started its operation on 1st July, 2015. It is head quartered in Plot No. 37, Victoria 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

Where necessary, certain comparative figures have been 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 (IFRS). 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.

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.

WORKERS COMPENSATION FUND

3.3 Accounting policies changes

IFRS 16	<p><i>Implementation of IFRS 16 on Leases</i></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The impact of adopting IFRS 16 has been set out below;</p> <ul style="list-style-type: none">• Assets have increased by TZS 1,479,059,655.77• Liabilities have increased by TZS 1,459,597,442.50• Finance cost increased to TZS 43,837,144.89 to reflect interest on lease liability.• No rent receivable has been reported during the year.• There was no impact on opening retained earnings on 1st July, 2019.	Annual periods beginning on or after 1 January 2019.
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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 st 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.

3.4 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 assessment's 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.

3.5 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 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.

3.5 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 surplus or deficit 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.

3.6 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.

3.7 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 are measured at fair value and changes in fair value is recognised in profit or loss.

WORKERS COMPENSATION FUND

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.

3.8 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.

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.

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.

WORKERS COMPENSATION FUND

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 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.

3.11 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 contributes to Public Service Social Security Fund 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.

WORKERS COMPENSATION FUND

3.12 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.

3.13 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 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 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 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.

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3.15 Financial instruments

The Fund has adopted IFRS 9 as issued by the IASB in July, 2014 with a date of transition of 1st January, 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

The adoption of IFRS 9 resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Date of Recognition

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is the date that the Fund commits to purchase or sell the asset.

Initial recognition of financial instruments

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental cost of acquisition or issue.

a) Financial assets

Classification of financial assets

IFRS 9 '*Financial Instruments*' divides all financial assets that are currently in the scope of IAS 39 into two classifications - those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVTOCI).

At initial recognition, the financial asset is classified based on Fund's business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

i. *Financial Assets at Amortised Cost*

A financial asset is measured at amortised cost if both of the following conditions are met:

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. *Financial Assets at Fair Value Through Other Comprehensive Income*

The financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

iii. *Financial Assets at Fair Value Through Profit or Loss*

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The financial assets are classified and measured at fair value through profit or loss if they are not held in one of the two business models mentioned in part (i) and (ii).

Impairment of Financial assets

The impairment of financial assets is based on expected credit losses and the Fund uses the simplified approach and external ratings in determining the impairment of financial assets. A loss allowance is always recognized for expected credit losses and is re-measured at each reporting date for changes in those expected credit losses. Determining whether an expected credit loss should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk of the financial asset since initial recognition.

The impairment model in IFRS 9 is based on the premise of providing for expected losses. With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

The Standard considers credit risk low if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Standard suggests that 'investment grade' rating might be an indicator for a low credit risk.

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The Fund has adopted approach that is consistent with IFRS 9 requirement to assess whether credit risk has increased significantly (provided that an approach can be consistent with the requirements even if it does not include an explicit probability of default occurring as an input. The application guidance provides a list of factors that may assist an entity in making the assessment. Also, whilst in principle the assessment of whether a loss allowance should be based on lifetime expected credit losses is to be made on an individual basis, some factors or indicators might not be available at an instrument level. In this case, the Fund performed the assessment on appropriate groups or portions of a portfolio of financial instruments.

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that was determined by evaluating the range of possible outcomes as well as incorporating the time value of money. Also, the Fund has considered reasonable and supportable information about past events, current conditions and

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reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.

For applying the model to a loan commitment, the Fund considered the risk of a default occurring under the loan advanced.

In particular, for lifetime expected losses, the Fund estimated the risk of a default occurring on the financial instrument during its expected life. 12-month expected credit losses represent the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

The Fund has incorporated reasonable and supportable information (i.e., that which was reasonably available at the reporting date). Information is reasonably available if obtaining it does not involve undue cost or effort (with information available for financial reporting purposes qualifying as such).

In establishing its Impairment Model for financial assets, the Fund based on the following key assumptions, which are consistent with IFRS 9 requirements:

- i. Collateral value is assumed to be the cash recovery rate as determined by external rating agent in most cases Moody ratings.
- ii. For investment in Government securities, Effective interest rate (EIR) is assumed to be the nominal/coupon interest rate on the respective financial asset or Bank of Tanzania discounting rate whenever interest rate is unavailable.
- iii. Financial assets categorized as low risk are marked as Stage 1. They consist of all favourable ratings ranging from AAA to B- at initial recognition. On these instruments, only 12 months Expected Credit Loss (ECL) is computed. For the case of loans and advances, ECL model is built on the assumption that loans with number of days past due between 0 - 30 days are placed in Stage 1 and 12 month Expected Credit Loss (ECL) is computed.
- iv. Financial assets marked as Stage 2 are characterized as there is a significant increase in credit risk, a lifetime ECL is calculated on it. For the case of external ratings, Stage 2 comprises of all ratings from ratings at initial recognition that has degraded 3 notches from the rating at initial recognition (e.g. rating from AAA to AA+). For the case of loans and advances, ECL model is built on the assumption that loans with number of days past due between 31 - 90 are places in Stage 2 and life time Expected Credit Loss (ECL) is computed. Any breach of these specified limits triggers a migration between stages of IFRS 9, could be upward migration or downward migration.
- v. Loans and other financial assets classified under 90+ days are assumed to be in Stage 3 and lifetime ECL is calculated on it and classified as loss. For the case of external ratings, Stage 3 is comprised with all ratings definition that has migrated from CCC+ to CC.
- vi. Loss given default (LGD) is taken as 100% minus recovery rate established by the rating agent. The management believe the recovery rates established by rating agencies are unbiased and probabilistic weighted averages. If present value (PV) of forced sale value (FSV) is enough to cover the exposure at default (EAD), then LGD is taken to be NIL.

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- vii. Probability of default (PD) rates unless for the case of external ratings, are usually based on both the historical trend analysis and macro-economic variables. The historical analysis is required to be conducted for 5 years based on loan past due days of individual customer and macro-economic variables, but considering the situation at hand and unavailable historical information, the ECL model used external credit ratings scores for each counterparty except for instruments measured using simplified approach e.g. contribution receivables.

Probability of default (PD)

In estimating the PD rates (in percentages), unless for the case of external ratings, the model used both quantitative and qualitative indicators. Further the same approach is used in analysing the significant increases in credit risks of each financial instrument. The analysis of PD rates was supposed to involve historical data for at least 5 to 10 years from 2013 to meet the requirement of Bank of Tanzania as stipulated in the IFRS 9 implementation guidance for instruments with significant financing component. However, WCF operations and its financial instruments do not have significant financing component, therefore, probability of defaults has been computed using external ratings and simplified approach as recommended in paragraph 5.5.15 of IFRS 9.

PD parameter is normally calculated for each non-defaulted risk group within given risk portfolio. For each risk portfolio separate migration matrix is constructed. The method of PD parameter estimation was supposed to be based on the migrations of outstanding balance within different risk groups over time. However, in the PD model, since WCF does not have default history on its financial instruments, it applied already computed PD rates for each counterparty as computed by ratings agencies.

Therefore, probability of default for instruments that do not have default status e.g. placements with other banks, cash balances, investment in fixed deposits, Bonds and etc. has been developed using credit ratings from external rating agencies like Standard & Poor's (S&P), Moody's, Fitch Group, etc. Since WCF had not conducted risk assessment for its counterparties and establish risk grade for each, to arrive at risk weighted probability of default it has used risk grades from Moods ratings.

The assumed credit ratings for each counterparty or financial assets category is given here under:

S/N	Financial asset type	Assumed risk grade
1	Bank Balances	Bank rate as per Moody ratings
2	Placement with other banks	Bank rate as per Moody ratings
3	Investment in treasury bonds	Government rate as per Moody ratings
4	Investment in corporate bonds	Government rate as per Moody ratings for government entities
5	Staff loans and advances	Government rate as per Moody ratings
6	Contribution receivables	This has been impaired using IFRS 9 simplified approach, impairment losses have been measured as lifetime expected credit losses. IFRS 9 permits using

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S/N	Financial asset type	Assumed risk grade
		<p>a few practical expedients and one of them is a provision matrix. Using provisional matrix, impairment loss is calculated based on the default rate percentage applied to the group of financial assets (i.e. Contribution receivables). To arrive at default rate, the ECL Model followed the following steps:</p> <p>Step 1: Analysis of the collection of contribution receivables by the time buckets</p> <p>Step 2: Calculation of the historical loss rates</p> <p>Step 3: Incorporate forward-looking information</p> <p>Step 4: Application of the loss rates to the current contribution receivables portfolio</p>

The scores are based on several weighted parameters which indicate the creditworthiness of a counterparty.

Derecognition of financial assets

The basic premise for the derecognition model in IFRS 9 (carried over from IAS 39) is to determine whether the asset under consideration for derecognition is:

1. the rights to receive cash flows from the asset have expired or
2. the Fund has transferred its rights to receive cash flows from the asset to the third party under a pass-through arrangement; and either
 - i. the Fund has transferred substantially all the risks and rewards of the asset, or
 - ii. the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

1. the entity has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset
2. the entity is prohibited from selling or pledging the original asset (other than as security to the eventual recipient),
3. the entity has an obligation to remit those cash flows without material delay.

Once the Fund has determined that the asset has been transferred, it then determines whether it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is

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derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

If the Fund has neither retained nor transferred substantially all of the risks and rewards of the asset, then the Fund must assess whether it has relinquished control of the asset or not. If the Fund does not control the asset then derecognition is appropriate; however, if the Fund has retained control of the asset, then the Fund continues to recognise the asset to the extent to which it has a continuing involvement in the asset.

b) Financial liabilities

IFRS 9 does not change the basic accounting model for financial liabilities under IAS 39. The financial liabilities are measured under categories. These include financial liabilities measured at fair value through Profit or Loss (FVTPL) and financial liabilities measured at amortised cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.

IFRS 9 contains an option to designate a financial liability as measured at FVTPL if;

- i) doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or
- ii) the liability is part or a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

A financial liability which does not meet any of these criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

IFRS 9 requires gains and losses on financial liabilities designated as at FVTPL to be split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount presented in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Derecognition of financial liabilities

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

c) Derivatives

All derivatives in scope of IFRS 9, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument.

The embedded derivative concept that existed in IAS 39 has been included in IFRS 9 to apply only to hosts that are not financial assets within the scope

of the Standard. Consequently, embedded derivatives that under IAS 39 would have been separately accounted for at FVTPL because they were not closely related to the host financial asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if the contractual cash flow characteristics test is not passed.

d) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Fund's trading activity.

e) Determination of fair value

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction cost.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

3.17 Accounts payables

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

3.18 Comparatives

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

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

Contribution receivables

Management made estimates of the contribution receivable during the year. The main assumptions used in the estimates were that all registered employers existed during from 1st July, 2015 to 30th June, 2020 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 1st July, 2015. The Fund has started paying benefit with effect from 1st July, 2016. Actuarial valuation was completed as at 30th June, 2018. The summary disclosure of the present value of long-term liabilities is in note 40.

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

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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, corporate bonds, treasury bonds and contributions receivable. The biggest receivable is from contributions and treasury bonds. 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 contribution's 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
Real Estate of which Non-Income Earning Property	5
Ordinary and Preference Shares	30
Ordinary and Preference shares 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

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.

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

The Fund's interest rate 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.

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 only small portion of fixed deposits is denominated in forex (USD) and hence there is no significant 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.

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The below explanation 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).

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	2020 TZS '000	2019 TZS '000
8. FIXED DEPOSITS		
Principal	14,964,973	2,700,000
Interest Receivable	186,104	126,760
Less: Allowance for Probable Loss	(389,471)	(37,858)
	<u>14,761,606</u>	<u>2,788,902</u>
Maturity analysis		
Maturing up to 3 months	-	2,788,902
Maturing 3 to 12 months	<u>14,761,606</u>	-
	<u>14,761,606</u>	<u>2,788,902</u>
9. TREASURY BONDS		
	2020 TZS '000	2019 TZS '000
Fair Value	275,116,000	217,500,000
Unamortized discount	(19,690,661)	(20,480,968)
Premium	120,115	-
Interest receivable	10,094,666	7,175,054
Less: Allowance for Probable Loss	(1,643,302)	(255,251)
	<u>263,996,818</u>	<u>203,938,835</u>
Maturity analysis		
Maturing up to 3 months	-	-
Maturing 3 to 12 months	10,094,666	7,175,054
Maturing over 12 months	<u>253,902,152</u>	<u>196,763,781</u>
	<u>263,996,818</u>	<u>203,938,835</u>
10. CORPORATE BONDS		
5 Years Bonds	2,800,000	2,800,000
Interest Receivable	143,698	145,051
Less: Allowance for Probable Loss	(70,199)	(38,817)
	<u>2,873,499</u>	<u>2,906,234</u>
Maturity analysis		
Maturing up to 3 months	143,698	145,051
Maturing 3 to 12 months	-	-
Maturing over 12 months	<u>2,729,801</u>	<u>2,761,183</u>
	<u>2,873,499</u>	<u>2,906,234</u>

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11. COLLECTIVE INVESTMENT SCHEME

	2020 TZS '000	2019 TZS '000
Bond Fund	7,919,295	-
Liquid Fund	<u>8,073,604</u>	<u>-</u>
	<u>15,992,899</u>	<u>-</u>

12. UNLISTED EQUITY SHARES

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

	2020	2019
At the beginning of year	286,971	4,403,440
Additions	-	-
Disposals	-	-
Fair value adjustment	3,232,259	(4,116,469)
At the end of the year	<u>3,519,230</u>	<u>286,971</u>

A. Classification by entity

TPB Bank Plc	<u>3,519,230</u>	<u>286,971</u>
	<u>3,519,230</u>	<u>286,971</u>

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13. LISTED EQUITY SHARES

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

	2020 TZS '000	2019 TZS '000
At the beginning of year	19,105,880	19,105,880
Additions	-	-
Disposals	-	-
Fair value adjustment	1,194,118	-
At the end of the year	<u>20,299,998</u>	<u>19,105,880</u>

C. Classification by entity

EQUITIES (UNITS)

EQUITIES (MARKET VALUE - TZS '000')

ENTITY	Shares at 1 st July, 2019	Addition/(Dis posals)	At 30 th June, 2020	At 1 st July, 2019	Addition/ (Disposals)	Fair value gain/(loss)	At 30 th June, 2020
Vodacom Tanzania (Plc)	23,882,350	-	23,882,350	19,105,880	-	1,194,118	20,299,998
	23,882,350	-	23,882,350	19,105,880	-	1,194,118	20,299,998

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14 DIVIDEND RECEIVABLES

	2020 TZS '000	2019 TZS '000
Vodacom Tanzania (Plc)	-	15,213
TPB Bank PLC	-	32,415
UTT bond Fund	75,188	-
	<u>75,188</u>	<u>47,628</u>

15 INVESTMENT PROPERTY

Land	<u>2,622</u>	<u>2,622</u>
	<u>2,622</u>	<u>2,622</u>

The Fund bought a piece of land in Dodoma city centre measuring 3200 square metre. It intends to construct an investment building in the near future.

	2020 TZS '000	2019 TZS '000
16 INCOME TAX RECEIVABLE/(PAYABLE)		
Balance as at 1 st July, 2019	1,705,741	755,727
Less: Paid during the period	9,525,550	7,382,672
Add: Charge during the period	(9,351,983)	(6,432,658)
Increase in deferred tax asset	<u>3,691,176</u>	<u>-</u>
	<u>5,570,484</u>	<u>1,705,741</u>

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17 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 st July, 2018	1,059,993	391,601	727,213	862,566	3,039,372
Additions	251,839	-	168,880	408,971	829,690
At 30 th June, 2019	1,311,832	391,601	896,093	1,269,537	3,869,062
At 1 st July, 2019	1,311,832	391,601	896,093	1,269,537	3,869,062
Additions	1,026,038	27,350	723,433	323,350	2,100,172
At 30 th June, 2020	2,337,870	418,951	1,619,526	1,592,887	5,969,234
Accumulated depreciation					
At 1 st July, 2018	213,832	106,288	255,037	223,262	798,419
Charge for the year	252,052	77,892	153,740	233,867	717,551
At 30 th June, 2019	465,885	184,182	408,777	457,128	1,515,970
Prior year undercharged depreciation Adjustment	7,501		207		7,708
Restate Balance at 30 th June, 2019	473,386	184,182	408,984	457,128	1,523,681
At 1 st July, 2019	473,386	184,182	408,984	457,128	1,523,681
Charge for the year	335,286	80,141	193,627	271,323	880,377
At 30 th June, 2020	808,672	264,323	602,611	728,451	2,404,058
Net book Value					
At 30 th June, 2019	845,947	207,419	487,316	812,409	2,353,091
At 30 th June, 2020	1,529,197	154,628	1,016,915	864,436	3,565,177

18 INTANGIBLE ASSETS- COMPUTER SOFTWARE

Cost	2020	2019
	TZS '000	TZS '000
At the beginning of year	150,354	113,066
Additions	2,725,090	37,288
At the end of year	2,875,444	150,354
Amortisation		
At the beginning of year	26,206	12,149
Charge for the year	186,043	14,057
At the end of year	212,249	26,206
Net book value at 30th June,	2,663,195	124,147

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19 RIGHT TO USE ASSET (LEASES)

The Fund has entered into lease contracts with various landlords for its Head Office and Regional Offices. As the result, the Fund has adopted IFRS 16 to recognize, measure, present and disclose its lease obligations in order to provide relevant information. The following information has been disclosed in respect to existing leases:

	2020 TZS '000	2019 TZS '000
Right to Use Assets	1,985,640	-
Less: Accumulated depreciation leases	(506,580)	-
	<u>1,479,060</u>	<u>-</u>
Lease Liability	<u>1,459,597</u>	<u>-</u>
	<u>1,459,597</u>	<u>-</u>

20 CONTRIBUTION RECEIVABLES

	2020 TZS '000	2019 TZS '000
Private sector contributions (1%)	53,416,329	60,146,464
Public sector contributions (0.5%)	26,664,544	26,664,544
Interest Receivables on Contributions	<u>36,542,427</u>	<u>24,430,829</u>
	116,623,300	111,241,837
Less: Allowance for Probable Losses	<u>(108,823,348)</u>	<u>(62,648,852)</u>
	<u>7,799,952</u>	<u>48,592,985</u>

Management made estimates of the contribution receivable during the year. The main assumptions used in the estimates were that all registered employers existed during from 1st July, 2015 to 30th June, 2020 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. During the year the Fund recorded the total of TZS 10.19 billion being misstated contributions as a result of the estimates.

Contribution receivables 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:

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Ageing of contribution receivables that are past due

	2020 TZS '000	2019 TZS '000
60-180 days	10,783,188	18,022,842
181-300 days	2,510,021	5,911,621
301-360days	2,153,581	6,607,252
361 days and above	101,176,510	80,700,122
	<u>116,623,300</u>	<u>111,241,837</u>

Movement in the allowance for doubtful debts

Balance at beginning of the year	62,648,852	26,664,544
Day 1 (1 st July, 2019) Impact of IFRS 9	-	32,635,698
Restated balance at the beginning of the year	<u>62,648,852</u>	<u>59,300,242</u>
Impairment recognised during the year	46,174,496	3,348,610
	<u>108,823,348</u>	<u>62,648,852</u>

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.

21 PREPAYMENTS

Advance Payments	319,613	1,876,758
Simiyu Project	90,777	
	<u>410,390</u>	<u>1,876,758</u>

22 OTHER RECEIVABLES

Imprests and advances	278,840	316,491
Rent security deposit	84,483	71,417
	<u>363,323</u>	<u>387,908</u>

23 STAFF LOANS

Motor Vehicle Loans	1,088,588	1,223,269
House Loans	2,680,216	949,882
Personal Loans	1,110,528	1,721,711
Less: Allowance for Probable Loss	(34,319)	(56,909)
	<u>4,845,013</u>	<u>3,837,953</u>

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24 CASH AND CASH EQUIVALENTS	2020	2019
	TZS '000	TZS '000
Cashbook balance		
NMB Bank Plc. - GePG Account	-	-
NMB Bank Plc. - Call Account	964,114	738,343
NMB Bank Plc. - Current Account	206,679	
CRDB Bank - Current Account	2,772,558	
CRDB Bank - GePG Account	375,391	232,129
IFRS 9 Allowance for probable loss	(81,101)	(258,284)
	<u>4,237,641</u>	<u>712,188</u>
Overdrawn cashbook bank balance		
NMB Bank Plc. - Current Account	-	(2,197,228)
NMB Bank Plc. - GePG Account	-	(29,840)
CRDB Bank - Current and All account	-	(3,638,343)
	-	<u>(5,865,411)</u>
Net cashbook balances as at 30th June, (excluding allowance for probable loss)	4,318,742	(4,894,938)
Treasury Bills maturing within 3 months	-	-
Fixed deposits maturing within 3 months	-	-
Cash and cash equivalents as at 30 June	<u>4,318,742</u>	<u>(4,894,938)</u>
25 DEFERRED TAX LIABILITY	2020	2019
	TZS '000	TZS '000
Movement in deferred tax liability balances		
Balance as at 1 st July, 2019	502,769	150,209
Increase/(decrease)	-	352,560
Balance as at 30 June	<u>502,769</u>	<u>502,769</u>
26 OTHER PAYABLES AND ACCRUED EXPENSES	2020	2019
	TZS '000	TZS '000
Lease payable	69,445	-
Stale cheques	584,107	256,838
Benefits payables	2,301,456	2,259,170
Accrued administrative expenses	1,527,864	680,700
Unclaimed monthly pension	248	441
Contributions received in advance	-	39,536
Other creditors	4,074,104	13,377
Un-receipt deposits	10,285,866	
Retention	58,129	25,080

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	<u>14,831,190</u>	<u>3,275,142</u>
	2020	2019
	TZS '000	TZS '000
27 CLAIMS PROVISION		
Opening balance	950,202	1,259,503
Payments made during the year	(950,202)	(1,259,138)
Increase during the year	<u>2,249,215</u>	<u>949,837</u>
	<u>2,249,215</u>	<u>950,202</u>

Actuarial Assumptions

- a) Projections were made based on the total projected number of claim incidents for financial years 2016/17, 2017/18, 2018/19 and 2019/20.
- 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 2020.
- c) A rejection factor of 2.09% was used to determine the number of probable accepted claims arising from the financial years 2016/17, 2017/18, 2018/19 and 2019/20.
- d) Claims reserving was done by considering average benefit payments as at 30th June, 2020.
- e) 6% increase in average benefit cost was done taking into account increase in medical aid cost.

28 CONTRIBUTION INCOME

	2020	2019
	TZS '000	TZS '000
Private sector contributions	70,428,733	71,802,131
Public sector contributions	23,708,516	23,996,769
Interest from late contributions payment	<u>12,306,820</u>	<u>13,163,836</u>
	<u>106,444,069</u>	<u>108,962,736</u>

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 employers respectively.

29 INVESTMENT INCOME

Interest from fixed deposits	747,145	228,089
Interest from call account	116,218	73,824
Gain on Proceed from sell of bonds	1,191,592	-
Interest from Treasury bonds	34,058,361	24,003,992
Interest from Corporate bonds	396,873	292,024
Dividend income	1,031,793	425,602
Capital gain	392,899	-
Gain/loss in exchange rate	(35,027)	-
Penalty Income on Investment	11,558	-
Change in Market Value of Unlisted equities	3,232,259	-

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Change in Market Value of Listed equities	1,194,117	-
	<u>42,337,788</u>	<u>25,023,531</u>
30 OTHER INCOME	2020	2019
	TZS '000	TZS '000
Service charges	85,295	77,759
Miscellaneous income	160,522	4,800
Impairment release staff loans	22,590	
Impairment release bank balance	177,182	
	<u>445,589</u>	<u>82,559</u>
31 BENEFIT EXPENSES		
Benefit administration costs	550,505	390,289
Medical aids	1,139,518	681,168
Temporary disablement	1,817,947	1,072,481
Permanent disablement	2,013,809	1,425,572
Funeral grants	53,000	13,200
Dependants/survivors grant	888,836	103,435
Monthly pensions	321,765	33,155
Medical Advisory	24,480	10,612
Constant care attendant	13,154	3,024
Claims Provision (IBNR)	2,271,812	954,371
	<u>9,094,826</u>	<u>4,687,307</u>
32 IMPAIRMENT OF FINANCIAL ASSETS		
Contribution receivable	46,174,496	3,348,609
Bank balances	-	79,425
Treasury bonds	1,388,052	24,300
Corporate bonds	31,382	10,645
Staff loans	-	20,966
Fixed deposits	351,612	37,858
	<u>47,945,542</u>	<u>3,521,804</u>

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33	ADMINISTRATIVE EXPENSES	2020	2019
		TZS '000	TZS '000
	Staff costs [Note 33(A)]	10,183,773	9,171,644
	Printing and stationery	203,925	44,289
	Stakeholders education and public awareness	143,301	411,943
	Board expenses	7,911	102,436
	Communication and Postage	275,891	379,611
	Audit expenses	289,000	230,000
	Welfare	1,443,890	1,144,616
	Compliance and registration expenses	408,166	1,373,669
	Preventive and Assessment expenses	16,226	734,734
	Training and conferences	353,726	791,652
	Rent and Service charge	187,320	1,083,098
	Depreciation Expense lease	991,052	-
	Maintenance expenses	817,442	534,077
	Donations	213,388	195,805
	Depreciation and amortisation	1,066,420	731,608
	Other administrative expenses	3,676,598	1,631,251
	Total	<u>20,278,029</u>	<u>18,560,433</u>
		2020	2019
		TZS '000	TZS '000
33 (A): STAFF COSTS			
	Salaries and allowances	9,215,224	8,287,494
	Contribution to Social Security Institutions	968,549	884,150
		<u>10,183,773</u>	<u>9,171,644</u>
34	Contribution to the Government		
	Contribution	<u>500,000</u>	<u>291,855</u>
		<u>500,000</u>	<u>291,855</u>

WORKERS COMPENSATION FUND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

35 INCOME TAX EXPENSE

	2020 TZS '000	2019 TZS '000
A: Amount recognised in statement of comprehensive income		
Current year	9,351,983	6,432,658
Changes in estimate relating to previous years	-	-
	9,351,983	6,432,658
Deferred tax		
Origination and reversal of temporary differences	(3,691,176)	-
Adjustments relating to previous years	-	352,560
Income tax expense reported in the statement of comprehensive income	5,660,807	6,785,217
B: Reconciliation of income tax expense and tax on accounting profit		
Surplus before tax	71,175,383	69,631,543
Tax calculated at rate of 30%	21,352,615	20,889,463
Non-deductible expenses for tax purpose:		
Tax effect on disallowed administrative expenses	4,074,013	4,535,508
Tax effect on Impairment Loss Allowances	14,383,663	12,224,370
Tax effect on disallowed depreciation charge	263,330	219,482
Tax effect on disallowed amortization of lease	297,316	-
Tax effect on disallowed amortization of software	55,789	-
Tax effect on deductible depreciation allowance	(94,635)	-
Tax effect on release impairment of financial assets	(59,932)	-
Tax effect on valuation adjustment	(1,317,405)	-
Tax effect on dividend income	(309,538)	-
Tax effect on deferred tax	(3,691,176)	-
Tax effect on office rent incurred	(88,461)	-
Tax effect on disallowed Benefit expenses	2,728,448	1,732,896
Tax effect on income not subject to tax	(31,933,221)	(32,816,501)
Income tax expense	<u>5,660,807</u>	<u>6,785,217</u>

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

36 RELATED PARTY TRANSACTIONS

36.1 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.

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.

	2020 TZS'000	2019 TZS'000
Senior management - salaries	3,282,424	3,121,681
Senior management - contribution to defined benefit schemes	433,512	434,396
Trustee's fees and allowances	4,811	-
	<u>3,720,747</u>	<u>3,556,077</u>

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 (2019:11).

a) Key management personnel transactions

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

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37 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
Public Service Social Security Fund	Dar es Salaam
Public Service Social Security Fund	Dodoma
National Health Insurance Fund	Mbeya
Public Service Social Security Fund	Arusha
Mwanza City Commercial Complex Limited	Mwanza
VETA	Mtwara
National Social Security Fund	Morogoro
National Housing Corporation	Temeke

The lease typically runs for a period of two years with an option to renew after that date, with exception of operating lease for Dodoma Office 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.

38 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.

39 EVENTS SUBSEQUENT TO FINANCIAL YEAR

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 and financial position of the Fund.

40 SOLVENCY OF THE FUND

Based on the actuarial valuation of the Fund as at 30th June, 2018 by the International Labour Organisation (ILO), the financial position of the Fund is sustainable over 30 years of projections. The valuation revealed a free reserve (surplus) of TZS 206,970 million as at 30th June, 2018.

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Actuarial estimates of the Fund's liabilities as at 30th June, 2020 reveals that the free reserve has increased to TZS 308,275 million. This reserve indicates the Fund is technically solvent.

The actuarial present value of benefits liabilities is as follows;

	2020 TZS Million	2019 TZS Million
Benefit liabilities		
Present Value of Benefits liabilities of incidents that have occurred as at 30 th June,	<u>25,185</u>	<u>11,075</u>
Assets		
Assets of the Fund as at 30 th June,	<u>333,460</u>	<u>278,137</u>
Actuarial Reserve		
excess of asset over accrued benefits liabilities	<u>308,275</u>	<u>267,062</u>

As disclosed in note 1.23 of the Board of Trustees Report, the Actuarial valuation of the Fund was done as at 30th June, 2018 by International Labour Organisation (ILO).

The Fund monitors the positions/the parameters on regular basis and has opted to disclose the present value of all benefit liabilities (which includes long term liabilities) for financial reporting purposes.

41 CASH FLOW RECONCILIATION

	Note	2020 TZS '000"
Contribution Received		
Contribution Income	28	106,444,069
Change in Contribution Receivables	20	(5,381,463)
Dishonoured Cheque recovery		10,398
Adjustment of overbooked receivable		(10,192,181)
Contribution in advance	26	(39,536)
		90,841,287
Other Income Received		
Other Income	30	445,589
Impairment release	30	(199,772)
		245,817
Benefit Paid		
Benefit Expenses	31	9,094,826
Change in Stale Cheque, Benefit payable, and Unclaimed monthly pension	26	(1,668,375)
		7,426,451
Tax Paid		
Income Tax Expenses	35	10,750,183

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Change in Income Tax Receivable	16	(862,384)
Change in Deferred tax liability	25	(362,249)
		9,525,550
Proceeding from Investment Income		
Investment Income (excluding loss in exchange, capital gain and change in market value of equities)	29	37,553,540
Investment Expenses		(156,426)
Change in Interest; Fixed Deposit, Treasury Bonds, Corporate Bonds and Dividend	8,9,10,14	(3,005,165)
		34,391,948
Payment for administrative expenses		
Admin Expenses (excluding depreciation)	33	18,256,650
Change in Prepayment and Other Receivables	21	(1,504,018)
Change in Rent Deposit and Material		(3,543)
Change in accrued admin Exp, Retention, and Other creditors	26	(870,910)
		15,878,179
Investment in Treasury bonds		
Closing balance (excluding interest receivables)	9	255,545,454
Opening balance (excluding interest receivables)	9	(197,019,033)
		58,526,421
Investment in Collective Scheme		
Collective Investment Scheme	11	15,992,899
Capital Gain	29	(392,899)
		15,600,000
Investment in Fixed Deposit		
Closing balance	8	14,964,973
Opening balance	8	(2,700,000)
Exchange gain		35,027
		12,300,000
Investment in Staff Loans		
Closing balance	23	4,879,332
Opening balance	23	(3,894,862)
		984,470
Cash flow from lease and other liabilities		
Lease Depreciation Expenses	33	(991,052)
Lease Interest Expense		(43,837)
Right of use Asset	19	(1,985,640)
Lease Liability	19	1,459,597
Accum. Depreciation Lease	19	506,581
Leases Payable	26	69,445
CRDB Un-receipt Transactions	26	7,891,240
NMB Un-receipt Transactions	26	2,394,626
		9,300,961