



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



**WORKERS COMPENSATION FUND**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL  
STATEMENTS AND COMPLIANCE AUDIT FOR THE FINANCIAL  
YEAR ENDED 30 JUNE 2022**

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January 2023

AR/PA/WCF2021/22

### About the National Audit Office

#### Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418.

#### Vision

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

#### Mission

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

**Motto:** "Modernizing External Audit for Stronger Public Confidence"

#### Core values

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

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

#### We do this by:

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

© This audit report is intended to be used by Workers Compensation Fund and may form part of the annual general report which once tabled to National Assembly, becomes a public document hence, its distribution may not be limited.

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**ABBREVIATION**

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



## **1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL**

Board of Trustees,  
Workers Compensation Fund,  
Plot No. 37, GEPF House  
Regent Estate, Bagamoyo Road  
P.O. Box 79655,  
Dar es Salaam, Tanzania.

### **1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS**

#### **Unqualified Opinion**

I have audited the financial statements of Workers Compensation Fund, which comprise the statement of financial position as at 30 June 2022, and the statement of comprehensive income, statement of changes in funds and cash flow statement, 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 30 June 2022, 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 the 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 Fund 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 Trustees' Report and Declaration by the Head of Finance but does not include the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

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 ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

In addition, Section 10 (2) of the Public Audit Act, Cap 418 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 requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

## **1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS**

### **1.2.1 Compliance with the Public Procurement laws**

#### **Subject matter: Compliance audit on procurement of works, goods and services**

I performed a compliance audit on procurement of works, goods and services in the Workers Compensation Fund for the financial year ended 30 June 2022 as per the Public Procurement laws.

#### **Conclusion**

Based on the audit work performed, I state that procurement of works, goods and services of Workers Compensation Fund is generally in compliance with the requirements of the Public Procurement laws in Tanzania.

### 1.2.2 Compliance with the Budget Act and other Budget Guidelines

#### Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Workers Compensation Fund for the financial year ended 30 June 2022 as per the Budget Act and other Budget Guidelines.

#### Conclusion

Based on the audit work performed, I state that Budget formulation and execution of Workers Compensation Fund is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.



Charles E. Kichere  
Controller and Auditor General,  
Dodoma, United Republic of Tanzania.  
January 2023



**WCF CORPORATE INFORMATION**

AUDITORS	The Controller and Auditor General National Audit Office 4 Audit Road P.O. Box 950 41104 Tambukareli Dodoma
PRINCIPAL BANKERS	Bank of Tanzania 2 Mirambo Street 11884 Dar es salaam  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 OF THE FUND	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



## 2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022

### 2.1 INTRODUCTION

The Trustees are pleased to present their report together with the audited financial statements of Workers Compensation Fund (the Fund) for the year ended 30 June 2022 which disclose the state of affairs of the Fund, in accordance with Section 85 of the Workers Compensation Act [Cap 263].

### 2.2 ESTABLISHMENT OF THE FUND

Workers Compensation Fund (WCF) is a social security scheme established under the Workers Compensation Act [Cap 263]. 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.

### 2.3 FUND'S VISION

A Role Model for Workers Compensation Services in Africa.

### 2.4 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.

### 2.5 FUND'S CORE VALUES

Core Values	Description
Integrity	We will always be ethical and trustworthy, maintaining good governance practices and being transparent in providing information that our stakeholders are entitled to.
Collaboration	We believe in collaboration to harness multiple skills, talents and experiences to accomplish key objectives and promote cooperative behaviour among staff and stakeholders.
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.

## **2.6 OBJECTIVES AND FUNCTIONS OF THE FUND**

### **2.6.1 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].
- 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.

### **2.6.2 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.

### **2.6.3 Future prospects/developments**

The Fund intends to achieve its objectives through;

- a) Enhancement of the Branch Network.
- b) Human Capital Development.
- c) Prudent Investment.
- d) Growth in Contribution Collection.
- e) Investment in modern technology.
- f) Enhancement of Service Quality.

## **2.7 BENEFITS OFFERED BY THE FUND**

Benefits offered by the Fund are:

### **2.7.1 Medical aid**

This benefit is provided to help an employee who has sustained injuries as a result of occupation accident or disease for the period of 24 months from the date of accident or diagnosis of disease. Medical aid includes ambulance services, medical consultation, surgical consultation, skilled nursing services, payment for medication, remedial treatment if recommended and clinical rehabilitation services.

**2.7.2 Temporary Disablement**

This benefit is provided to help an employee who has sustained injuries as a result of occupation accident or disease for the period of 24 months from the date of accident or diagnosis of disease and who has been either hospitalized, exempted from duties or assigned light duties for the period exceeding three days as prescribed by medical practitioner.

**2.7.3 Permanent Disablement**

This benefit is paid to an employee who has been determined to have permanently lost all or part of the ability to perform his/her duties as a result of occupation accident or decease. Permanent Disablement benefit is paid in form of lump sum payment to an employee who has disability of 30% or less and monthly pension payment to an employee who has disability of more than 30%.

**2.7.4 Funeral Grants**

This benefit is paid to the family of the deceased employee who dies as a result of occupational accident or disease as condolences.

**2.7.5 Constant Attendant Care Grant**

This benefit is paid to a person of 18 years of age or above, nominated as a caretaker by an employee who is unable to perform essential functions of his/her life without a constant support of another person as a result of injuries sustained from occupational accident or disease. Currently, the caretaker is paid forty percent (40%) of the pension paid to an employee who has a permanent disability.

**2.7.6 Dependants Benefit**

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 are compensated.

**2.7.7 Rehabilitation Services**

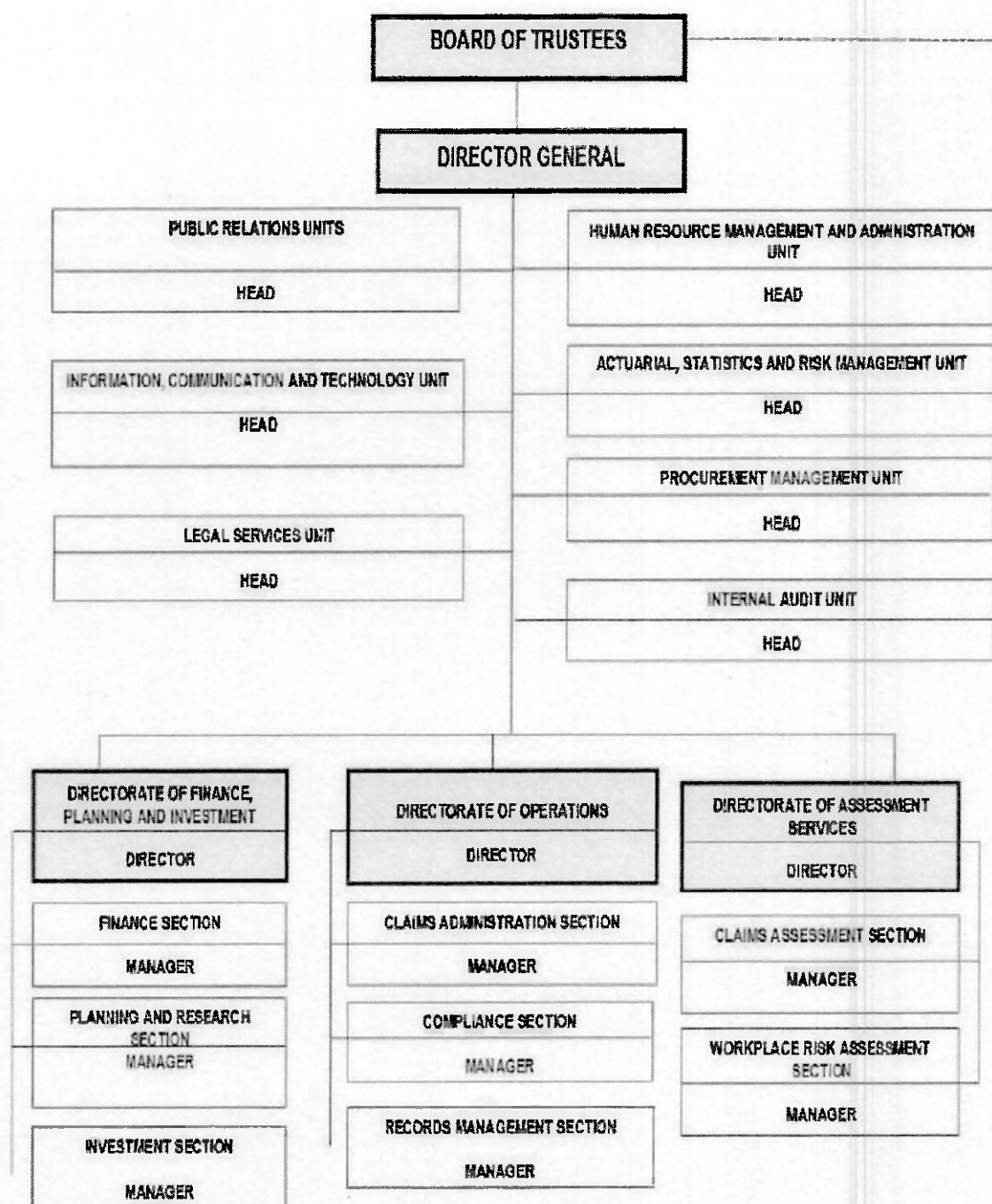
These are services provided to employees who sustain injuries as a result of occupational accidents or diseases with the purpose of restoring their health. The services will be provided to employees to assist them recover and return to work or participate in other economic activities that will earn them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

**2.8 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



## **2.9 OPERATING STRUCTURE**

The Fund provides wide range of benefits which suit the needs of its customers through its committed staff and zonal network located in Temeke, Morogoro, Arusha, Mtwara, Mwanza, Dodoma, Geita and Tabora. We are transforming our digital presence, providing simpler, seamless interactions through self-services digital platforms including employer's registration and verification, GePG contribution payments, occupational incidents notification and claim review application and follow up.

## **2.10 OPERATING ENVIRONMENT**

The operating environment remained stable amidst turbulent dynamics of the year. The effects of the war in Ukraine, a resurgence of the COVID-19 pandemic in China, rising inflation and tighter financial conditions have continued to undermine the global economic performance. As a result, growth projections of the global economy for 2022 and 2023 have been revised downward. Despite the impact of the war in Ukraine and pandemic on some key sectors and disruption of global trade, the domestic economy continues to recover, albeit at slow pace, but it is expected to gain momentum in future. At the beginning of financial year 2021/2022, the growth was 4.9 percent in Tanzania Mainland, driven by construction, transport, agriculture, manufacturing and mining and quarrying activities. However, at the end of financial year of the same, the growth rate was at 4.7%.

The government embarked some measures to stabilize the economy of the country including promoting credit to private sector and lowering interest rates through introduction of special loan amounting to TZS 1.0 trillion to banks and other financial institutions for on-lending to private sector; reduction of risk weight on loans; reduction of statutory minimum reserve requirement and reducing discount rate from 7% to 5%. The government also revised coupon rates for Treasury Bonds issued by the United Republic of Tanzania.

The government continued to take appropriate steps which helped to promote recovery of the economy. As part of relief from impact of COVID-19, in September 2021, the government granted waiver of accrued interest on overdue WCF contribution assessment to employers. Furthermore, in July 2021, the government reduced WCF contribution tariff rate from 1% to 0.6% for private sector.

## **2.11 CORPORATE GOVERNANCE**

The Board is committed to the principles of good corporate governance and complies with the legal, regulatory and relevant codes of ethics. The Board is pleased to report that throughout the financial year ended 30 June 2022 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.

### 2.11.1 Board of Trustees

The Board is comprised of nine Trustees with diverse skills and knowledge whereby all 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].

### 2.11.2 The Role of the Board

- Control and administer the Fund.
- Formulate, implement and review policy relating to workers' compensation.
- Advise the Minister on any matter relating to workers' compensation, any amendments of the laws and regulations relating to workers' compensation.
- Invest surplus money of the Fund.
- Provide technical assistance and advisory services for the purpose of promoting workers compensation.
- Promote occupation safety and health measures in collaboration with OSHA and other relevant authorities.
- Promote public awareness of the rights and obligations of the employees, dependants and employers
- Provide accessible and transparent procedures for lodging and investigation of any complaint regarding the conduct of the Fund and its employees.
- 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.

### 2.11.3 Board Composition

The Trustees of the Fund were appointed on 10 September 2021 with an exception of chairman who was appointed on 26 August 2021. Before their appointment, the Fund did not have the Board of Trustees.

Name	Position	Age	Qualification /Discipline	Date of Appointment	Nationality
Mr. Emanuel B. Humba	Chairman	72	Public Administrator	26 Aug. 2021	Tanzanian
Ms. Rifai A. Mkumba	Trustee	61	Human Resources	10 Sept. 2021	Tanzanian
Mr. Felix R. Kagisa	Trustee	66	Civil Engineer	10 Sept. 2021	Tanzanian
Mr. Onorius J. Njole	Trustee	47	Lawyer	10 Sept. 2021	Tanzanian
Mr. Perfect R. Kilenza	Trustee	54	Accountant	10 Sept. 2021	Tanzanian
Mr. Ibrahim B. Mahumi	Trustee	47	Public Administrator	10 Sept. 2021	Tanzanian
Mr. Abdulaziz A. Shambe	Trustee	45	Coach and Trainer	10 Sept. 2021	Tanzanian
Ms. Juliana C.N. Mpanduji	Trustee	58	Teacher	10 Sept. 2021	Tanzanian
Ms. Rehema R. Ludanga	Trustee	40	Social Worker	10 Sept. 2021	Tanzanian
Mr. Raymond Kaseko	Trustee	38	Public Administrator	10 Sept. 2021	Tanzanian
Dr. John K. Mduma	Secretary	52	Economist	10 Sept. 2021	Tanzanian

#### 2.11.4 Board Meetings

The Board of Trustees has in place a calendar which sets out its activities in a financial year. The Board meets at least four times a year, and, when necessary, to consider all matters relating to the Fund's performance, risk management, governance and implementation of Strategic Plan. Also, the Board Committees meet at least four times a year each, and when necessary. The Chairperson together with Secretary prepares the calendar and agenda for each meeting. The notice, agenda and detailed Board papers are circulated in advance of the meetings within agreed time. Those charged with governance are allowed to request additional information to support their decision making when necessary.

During the financial year ended 30 June 2022, there were a total of six (6) Board of Trustees meetings and eleven (11) Board committee meetings that were held. The meetings were necessitated by the need to review Fund's policies and regulations. Details of the Trustees' attendance at all of the Board and committee meetings held in the year are set out below:

Member	Board meetings	Operations committee	Finance and Investment	Audit and Risk Management
Mr. Emanuel B. Humba	6			
Ms. Rifai A. Mkumba	6		4	
Mr. Felix K. Rugarabamu	5	3	3	
Mr. Onorius J. Njole	6	3		3
Mr. Perfect R. Kilenza	5			4
Mr. Ibrahim B. Mahumi	6	3	4	
Mr. Abdulaziz A. Shambe	6	3		4
Ms. Juliana C.N. Mpanduji	6	3	4	
Ms. Rehema R. Ludanga	5	3		4
Mr. Raymond Kaseko	6		4	4
Dr. John K. Mduma	6	3	4	
Mr. Abraham P. Siyovelwa				4

#### 2.11.5 Board committees

According to the Board Charter, the Board of Trustees has three Board committees. Board committee of the Fund are 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 and met 3 times during the period under review.

During the year the committee reviewed policies, practices and procedures used by the Fund, and advised the Board to register employers, to collect contributions, to



pay benefits, to improve service delivery and how the Fund should interact with the Society in general.

#### **Finance and Investment Committee**

The purpose of the Finance and Investment Committee is to scrutinise, review and provide oversight on all major finance and investment activity of the Fund and provide guidance and recommendations to the Board on these and related matters. The Committee reports to Board of Trustees and met 4 times during the period under review.

The Finance and Investment committee reviewed and made recommendations to the Board on asset management, investments proposals, performance, policies and strategies. The committee also reviewed the Fund's Annual Plan and Budget for the year 2022/23, which thereafter was approved by Board of Trustees.

#### **b) Audit and Risk Management Committee**

The purpose of the Audit and Risk Management committee is to assist the Board of Trustees in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, risk management and the Fund's process for monitoring compliance with laws and regulations. The Audit Committee reports to Board of Trustees and met 4 times during the period under review.

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

The Fund has an independent internal audit function. The Committee also reviewed the scope of the work of the Fund's Internal Audit unit and terms of external audit engagement and reports from external auditors on accounting and internal controls.

The Committee also reviewed risk management functions in the Fund through risk management reports which were submitted by Management and recommended for actions to be taken by the Board of Trustees.

**2.11.6 Committee composition**

Details	Operations committee meetings	Finance and Investment committee meetings	Audit and Risk Management committee meetings
Ms. Rifai A. Mkumba	-	Member	-
Mr. Felix R. Kagisa	Member	Member	-
Mr. Onorius J. Njole	Member	-	Member
Mr. Perfect R. Kilenza	-	-	Chair person
Mr. Ibrahim B. Mahumi	Member	Chair person	-
Mr. Abdulaziz A. Shambe	Member	-	Member
Ms. Juliana C.N. Mpanduji	Chair person	-	-
Ms. Rehema R. Ludanga	Member	-	Member
Mr. Raymond Kaseko	-	Member	Member
Dr. John K. Mduma	Secretary	Secretary	-
Mr. Abraham P. Siyovetwa	-	-	Secretary

**2.11.7 Trustee remuneration**

Trustee fee is the only form of remuneration for services rendered by the non-executive Trustees of the Fund. Payment of Trustees' fees was as follows:

Remuneration	2022 TZS '000	2021 TZS '000
Trustees fees		
PS, PMO-LYED (1)		4,806
Chairperson (1)	10,175	
Other trustees (10)	72,616	
Total	82,791	4,806

**2.11.8 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.

**2.11.9 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.

#### 2.11.10 Key Management Personnel

The key management personnel during the year ended 30 June 2022 and up to the date of this report were:

Name	Designation
Dr. John K. Mduma	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. Geoffrey Masisa*	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. Geoffrey Masisa was appointed as the Head of Internal Audit Unit on 1 March 2022. Before his appointment Mr. Sebastian K. Mwasele served as Acting Head of Internal Audit Unit from 1 July 2021.

#### 2.12 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.

**2.12.1 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, treasury bonds, corporate bonds, collective investments and contributions receivables. 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. The Fund has small portion of its fixed deposits denominated in forex and hence there is no significant risk caused by forex changes.

**(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.

**2.13 OVERVIEW OF THE FUND'S PERFORMANCE**

**2.13.1 Registration of Employers**

During the year ended 30 June 2022, the Fund registered 2,701 employers in Mainland Tanzania (2021: 2,289 employers), making the total registered members to be 27,786 as at 30 June 2022. Fund's awareness and education programs, conducting payroll inspection, and taking legal action against non-compliant employers, attributed this achievement.

**2.13.2 Benefit Payments**

During the year under review, a total of TZS 12.93 billion (2021: TZS 13.19 billion) was incurred to cover for compensation payments for occupational injuries and deaths to employees. The Fund has continued to increase awareness among beneficiaries and employers regarding claim procedures and will invest in increasing efficiency in claims processing.

### **2.13.3 Contributions**

During the year under review, the Fund recorded contributions amounting to TZS 86.65 billion (2021: TZS 106.93 billion) from both private and public sectors employers. The decline was due to the decrease in contribution rate for private sector employers. During the financial year ended 30<sup>th</sup> June 2022, the contribution rates were 0.50% for public sector and 0.60% for private sectors, while in the financial year ended 30<sup>th</sup> June 2021, the contribution rates were 0.50% for public sector and 1.00% for private sectors. All contributions are based on monthly wage bill.

### **2.13.4 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 74.29 billion (2021: TZS 69.86 billion) revenue was generated from investments. This was a result of Fund's ability to monitor market performance and make the right investment decisions.

### **2.13.5 Administrative Expenses**

Administrative expenses during the year amounted to TZS 25.49 billion (2021: TZS 23.56 billion). The main expenses were staff cost, Compliance and registration, advertising and promotion, stakeholders education and public awareness. 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. The ratio of administrative expenses to total revenue was 15.83% which was within the allowable limit of 20%.

### **2.13.6 Promoting Prevention of Occupational Accident and Diseases**

During the year under review, the Fund managed to conduct investigation of 42 major notified occupational accidents. This activity identified risk factors and practices that led to accidents and diseases, so as to prevent future recurrences of similar or severe incidents. In addition, the Fund provided awareness on basic occupational health and safety and workers compensation matters to a total of 2,894 employees from identified high risk employers and to 284 identified high risk employers.

### **2.13.7 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.

### **2.13.8 Strengthening ICT System and Infrastructure**

During the year under review, the automation of the Fund's business processes increased to 88.6%. This level of automation was attributed by development and operationalization of Claims Review and Appeal System and various MAC enhancements. Most of Human Resources Management and Administration, Procurement, Finance and Claims Administration and Assessment activities are now automated.

### **2.13.9 Recruitment of Staff and Training Matters**

During the year under review, the Fund managed to recruit 18 new staff (2021; 15 staff). This made the total number of staff to be 142, of which males were 82 and females were 60. 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.

### **2.13.10 Financial Performance**

During the year under review, the Net Assets of the Fund increased to TZS 545.16 billion (2021; TZS 445.33 billion). This was attributed to an increase in investment income as a result of prudent investment decisions.

### **2.13.11 Cash Flow Projection**

Due to the nature of the Fund's operations most of the cash projections indicate that future cash flows will mostly be generated from operating, investing and financing activities and that the Fund will continue to be a going concern within the foreseeable future.

## **2.14 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 2021/22, contribution rates for each employer were as follows:

- a) 0.60% 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.

## **2.15 ADMINISTRATIVE EFFICIENCY**

All payments to staff, claims beneficiaries and suppliers were effected on time as per their due dates. 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. The Fund has continued with its plan to open regional offices and ensure they operate efficiently to bring services closer to employers. All properties of the Fund have requisite certificates of ownership. No loss of assets was sustained during the period under review.

## **2.16 CHALLENGES FOR THE YEAR ENDED**

### **2.16.1 Inadequate utilization of ICT systems by employers**

For the year under review, despite the Fund deploying WCF Online Notification System which helps employers to register and submit their benefit claims 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 to employers on the usage of the system.

### **2.16.2 Inadequate knowledge 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 awareness 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.

### **2.16.3 Low performance of real estate and equity investment in the market**

The Fund encounters challenges in investing in equity and real estate investments due to low performance of the sectors in the market as interest rates and share prices have been decreasing.

### **2.16.4 Inadequate knowledge 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.

### **2.16.5 Non-disclosure of occupational incidents by employers**



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

## **2.17 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 39 to the financial statements.

## **2.18 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 285.63 million (2021: TZS 296.76 million).

## **2.19 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.

## **2.20 EMPLOYEE WELFARE**

### **2.20.1 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.

### **2.20.2 Management/Employees relationship**

The relationship between employees and management continued to be good during the year. Management has put in place procedures that resolve complaints from employees. A healthy relationship continues to exist between management and the staff.

### **2.20.3 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.

#### **2.20.4 Medical assistance**

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

#### **2.20.5 Health and safety**

Effective health, safety and risk management are priorities for the Fund. The Fund's safety management system delivers a safe working environment by continuous and effective assessment. The Fund has safety and health representatives from every office who monitors health and safety incidences of the Fund.

#### **2.20.6 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.

#### **2.20.7 Financial assistance to staff**

The Fund provides various loans to employees in accordance with the Staff loan policy and Financial Regulations in place. These include house loans, motor vehicle loans and personal loans.

#### **2.20.8 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.

#### **2.20.9 Equal Opportunity**

The Fund is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 30 June 2022 the Fund had 142 employees, out of which 60 (42.25%) were females and 80 (57.75%) were males (2021: 133 employees, out of which 57 (42.86%) were females and 76(57.14%) were males).

#### **2.20.10 Disabled Persons**

It remains the Fund's policy to accept disabled persons for employment for those vacancies that they are able to fill. During the year, none of the employees became disabled whilst employed and the Fund continues to financially support whenever one of its employees becomes disabled. It is the policy of the Fund that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

## **2.21 ENVIRONMENTAL ISSUES**

The Fund monitors the impact of its operations on the environment, which is mainly with power, water and the generation of waste. The Fund minimises the impact through better use of its premises and inbuilt facilities to ensure that there is proper waste management.

## **2.22 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.

## **2.23 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:

### **2.23.1 Benefit Payments**

During the period under review the Fund made payment of compensation benefits amounting to TZS 12.93 billion (2021: TZS 13.19 billion) to various beneficiaries. This helps in reducing poverty to employees who suffered occupational injuries and lose the ability to earn income.

### **2.23.2 Enhancement of 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 impairment assessment.

### **2.23.3 Promotion of 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 and diseases.

**2.23.4 Increase in employers' registration**

During the period under review the Fund made significant improvement of employers' database. The total number of employers recorded in the database reached 27,786 employers. This was achieved by sharing information with other institutions such as TRA, BRELA and NSSF.

**2.24 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.

**2.25 SERIOUS PREJUDICIAL ISSUES**

During the financial year ended 30 June 2022, there were no serious legal matters which could affect the Fund.

**2.26 RELATIONSHIP WITH STAKEHOLDERS**

In fulfilling its mission, the Fund recognizes the importance of and commitment to deliver quality service to its primary beneficiaries and stakeholders at the least possible time. The Fund's stakeholders include Employees, Employers, the Government, Regulatory authorities, Fund managers, Custodians, Development partners and Professional associations, the media and Health care/service providers. The Fund is committed to provide adequate and equitable compensation in a timely manner, reliably and using appropriate technology.

**2.27 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
<b>Accrued liabilities</b>	
Value of accrued Benefits liabilities of incidents that have occurred as at 30 June 2018	10,813
<b>Assets</b>	
Assets of the Fund as at 30 June 2018	217,783
<b>Actuarial Reserve</b>	
Excess of asset over accrued benefits liabilities as at 30 June 2018	206,970

The next actuarial valuation will be completed during the financial year ending 30 June 2023.

#### ACTUARY OPINION

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.

#### 2.28 STATEMENT OF COMPLIANCE

The Trustees' report has been prepared in compliance with Tanzania Financial Reporting Standard No. 1 (The Report by those charged with Governance) and constitutes an integral part of the financial statements. The Board of trustees also confirms compliance with the provisions of the requirements of TFRS 1 and all other statutory legislations to the Fund.

**2.29 RESPONSIBILITY OF THE AUDITORS**

Auditor is responsible to provide assurance of the correctness and consistency of each information contained in the report by those charged with governance with those provided in the financial statements.

**2.30 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE**

The Workers Compensation Act [Cap 263] 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 Board of trustees accepts responsibility for preparing these financial statements which show a true and fair view of the Fund to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations and legal provisions. This responsibility covers the period from the beginning of the financial year to the date those charged with governance approve the audited financial statements and it covers all those charged with governance who acted in this capacity during any part of the period covered by financial statements.

**2.31 APPOINTMENT OF 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, 1977 (as amended from time to time) and amplified in Public Audit Act, Cap 418 [R.E 2021].

**BY ORDER OF THE BOARD**



Chairman of the Board of Trustees

Date: 31/01/2023



## WORKERS COMPENSATION FUND

### 3.0 DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2022

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act, 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 30 June 2022 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

Date: 31/01/2023




# WORKERS COMPENSATION FUND


## 4.0 FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>ASSETS</b>			
<b>Investments</b>			
Fixed deposits	9	14,765,866	14,742,636
Treasury bonds	10	478,020,249	343,797,370
Corporate bonds	11	3,582,570	3,582,573
Collective investment scheme	12	159,338	44,951,196
Unlisted equity shares	13	5,575,153	3,519,230
Listed equity shares	14	18,389,410	18,389,410
Investment receivables	15	1,187,580	598,056
Investment property	16	257,000	192,000
<b>Total Investments</b>		<b>521,937,166</b>	<b>429,772,471</b>
<b>Other Assets</b>			
Income tax receivable	17	3,666,271	2,594,521
Property and equipment	18	2,806,052	2,987,549
Intangible assets	19	2,088,106	2,375,650
Right to Use Asset	20	1,273,043	559,732
Contributions receivable	21	1,414,212	6,373,070
Prepayments	22	777,254	639,968
Other receivables	23	433,670	363,781
Loans	24	6,715,162	5,961,457
Cash and Bank balances	25	6,060,606	3,555,647
Deferred tax assets	26	12,088,164	8,466,538
Inventory	27	136,856	80,230
<b>Total Other Assets</b>		<b>37,459,396</b>	<b>33,958,143</b>
<b>TOTAL ASSETS</b>		<b>559,396,562</b>	<b>463,730,614</b>
<b>LIABILITIES</b>			
Lease Liability	20	1,227,141	584,910
Other payables and accrued expenses	28	9,685,520	14,362,487
Claims Provision	29	3,325,878	3,449,598
<b>Total Liabilities</b>		<b>14,238,539</b>	<b>18,396,995</b>
<b>NET ASSETS</b>		<b>545,158,023</b>	<b>445,333,619</b>
<b>ACCUMULATED FUNDS</b>			
Beginning balance		445,333,619	333,459,633
Comprehensive income for the year		99,824,404	111,873,986
<b>TOTAL ACCUMULATED FUNDS</b>		<b>545,158,023</b>	<b>445,333,619</b>

The financial statements were authorized and approved for issue by the Board of Trustees for issue on 31/01/ 2023 and signed on its behalf by:

  
 Dr. John K. Mduma  
 Director General

  
 Mr. Emanuel B. Humba  
 Chairman of the Board of Trustees

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

		30 June 2022 TZS '000	30 June 2021 TZS '000
	Notes		
<b>Revenue</b>			
Contribution income	30	86,648,313	106,933,886
Investment income	31	67,306,514	65,552,560
Other income	32	106,908	103,025
<b>Total revenue</b>		<b>154,061,735</b>	<b>172,589,471</b>
<b>Expenses</b>			
Benefits	33	(12,926,272)	(13,193,146)
Impairment of financial assets	34	(11,360,988)	(17,117,213)
Investment management expenses		(889,581)	(242,466)
Finance Costs	35	(91,774)	(86,072)
Administrative expenses	36	(25,492,784)	(23,555,086)
Contribution to Government		-	(1,000,000)
<b>Total expenses</b>		<b>(50,761,399)</b>	<b>(55,193,983)</b>
<b>Surplus before income tax</b>		<b>103,300,336</b>	<b>117,395,488</b>
Income tax expense	37	(10,458,519)	(9,826,147)
<b>Surplus for the year</b>		<b>92,841,817</b>	<b>107,569,341</b>
<b>Other Comprehensive Income</b>	38	<b>6,982,587</b>	<b>4,304,645</b>
<b>Total Comprehensive Income for the year</b>		<b>99,824,404</b>	<b>111,873,986</b>

**STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 30 JUNE 2022**

<b>Accumulated funds</b>	<b>Note</b>	<b>30 June 2022 TZS '000</b>	<b>30 June 2021 TZS '000</b>
At start of the year		445,333,619	333,459,633
Surplus for the year		99,824,404	111,873,986
At end of the year		545,158,023	445,333,619



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

		30 June 2022	30 June 2021
	Notes	TZS'000	TZS'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Contributions received	44	78,891,882	91,263,826
Other income received	44	106,908	103,025
Contribution to the Government		-	(1,000,000)
Benefit Paid	44	(12,833,445)	(10,696,906)
Tax Paid	44	(15,151,896)	(15,819,491)
Payments for administrative expenses	44	(23,646,557)	(21,659,223)
Net cash generated from operating activities		27,366,892	42,191,231
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	18	(674,627)	(604,143)
Purchase of intangible assets	19	-	-
Proceeds from investment income	44	59,065,128	59,556,364
Investment in Treasury bonds	44	(123,283,232)	(70,122,602)
Investment in Collective scheme	44	46,573,516	(26,847,791)
Investment in Fixed deposits	44	-	671
Investment in Industrial Projects	44	(1,122,237)	(432,091)
Investment in Corporate bonds	44	-	(700,000)
Investment in Loans	44	(757,560)	(1,132,425)
Net cash flow used in investing activities		(20,199,012)	(40,282,017)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash flow used in lease and other liability	44	(4,626,611)	(2,587,270)
Net cash flow used in financing activities		(4,626,611)	(2,587,270)
(Decrease) / Increase in cash and cash equivalents		2,541,269	(678,056)
Cash and cash equivalents at start of the year		3,640,686	4,318,742
Cash and cash equivalents at end of the year	25	6,181,955	3,640,686

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**1. GENERAL INFORMATION**

Workers Compensation Fund (WCF) is a social security scheme established under the Workers Compensation Act [Cap 263]. The Fund was established on 1 March 2015 and started its operation on 1 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](http://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 Tanzanian Shillings (TZS), which is the functional currency of the Fund, rounded to the nearest thousand.

**3.3 Accrual for contributions where assessments not raised**

Where assessments for contributions for a given month have not been raised, the Fund makes an estimate by the 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.

### **3.4 Revenue recognition**

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

#### **a) Contributions**

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

#### **b) Investment income**

Investment income comprises interest income on funds invested, capital gain, increase in fair value of investments and dividend income. 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. Dividend is recognised when the Fund's right to receive the payment is established.

#### **c) Other income**

Other income falling under IFRS 15 is recognized after satisfaction of performance obligations at a point in time or over time. Other income out of the scope of IFRS 15 is recognised in the period in which it is earned.

### **3.5 Expenses**

These are losses and other expenses that arise in the course of Fund's ordinary activities. They include benefit costs, investment management expenses, finance costs and administrative expenses. Generally, expenses are recognised in the Statement of Comprehensive Income when decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen and can be measured reliably.

#### **a) Benefit cost**

Benefit cost 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.

**b) Administrative expenses**

This includes expenses that produce no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the balance sheet as an asset. Such expenses are recognised immediately in the income statement in the accounting period that the cost has been incurred. These include maintenance, transport and travelling, conference and seminars, water and electricity, fees, rates and security expenses, telecommunication and postage, board expenses, audit fees, budget and annual accounts preparation, loss on disposal of property and equipment, donation, legal and investigation expenses. In addition, administrative expenses include expenses whose economic benefits are expected to arise over several accounting periods and the association with benefit can only be broadly or indirectly determined. Such expenses are recognised in the income statement in the accounting period in which the economic benefits are consumed or have expired. They may include stationery and office supplies.

**c) Finance Costs**

The Fund finance costs includes bank charges and lease interest expense. Lease expenses arise as per the requirement of IFRS 16 to present the right of use assets and liability as line items in the notes of the financial statements. These costs are recognized as a result of a decrease in future economic benefits related to decrease in an asset or an increase of a liability and when they can be measured reliably.

**3.6 Fair value measurement**

The Fund measures financial instruments such as treasury bonds and non-financial assets such as investment properties, at fair value at each financial reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest

and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- a) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- b) Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- c) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of investment properties. Involvement of external valuers is determined annually by the Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- a) Disclosures for valuation methods, significant estimates and assumptions  
Note 3.8
- b) Investment in non-listed equity shares Note 13
- c) Investment properties Note 16
- d) Financial instruments (including those carried at amortised cost) Note 3.14

### 3.7 Provisions

Generally, provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable

estimate can be made of the amount of the obligation. Where the Fund expects some or all of the provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### ***Provisions for Outstanding Claims***

Provisions 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.

## **3.8 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 stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in fair values are included in the profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the Government Valuer of the United Republic of Tanzania.

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.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently



withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in surplus or deficit in the period of de-recognition. In determining the amount of consideration from the de-recognition of investment property the Fund considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

### 3.9 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%
Office Furniture	20%
Fixture and fittings	10%
Office equipment	20%
Computer hardware	20%
Motor vehicles	10%

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

Intangible assets consist of computer application software and computer application licence packages. Intangible assets are carried at cost less any accumulated



amortisation and accumulated impairment losses. Intangible assets are amortised over the useful economic life and assessed for impairment at the reporting date to ascertain if there is an indication that the intangible asset may be impaired. Generally, cost associated with developing computer software programmes are recognised as an expense when incurred. Intangible assets acquired are measured on initial recognition at cost. Internally developed intangible assets are not capitalised unless they meet certain criteria. Internally developed software products include direct cost incurred by the Fund and are recognised as intangible assets upon meeting the following criteria:

- a) It is technically feasible to complete the software product so that it will be available for use;
- b) Management intends to complete the software product and use it;
- c) There is ability to use the software product;
- d) It can be demonstrated how the software product will generate probable future economic benefits;
- e) Adequate technical, financial and other resources to complete the development and to use the software product are available; and
- f) The expenditure attributable to the software product during its development can be measured reliably.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The annual rate of amortisation, which has been consistently applied, is 10 percent. The amortisation period and the amortisation method for an intangible asset are reviewed at the reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss. Gains or losses arising from de-recognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

### 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.

### **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 [CAP.332 R.E 2019]. 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.

### 3.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities.

#### **Date of Recognition**

The Fund recognises financial instruments on the trade date, that is the date that the Fund commits to purchase or sell the asset. Such purchases or sales of financial assets would require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### **Initial recognition of financial instruments**

All financial instruments are measured initially at their fair value plus or minus, 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**

Under IFRS 9 there are three principal classification categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL).

The Fund classifies the financial assets at initial recognition 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.

The Fund's financial assets at amortised cost includes fixed deposits; cash and cash equivalents; contribution receivables; staff loans; corporate bonds and treasury bonds.

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



A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

3. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
4. 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.

The Fund's financial and non-financial assets at fair value through other comprehensive income include treasury bonds.

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

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).

The Fund's financial and non-financial assets at fair value through profit or loss include collective investment scheme; listed and unlisted equities and advance to capital contribution.

**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 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.
- 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 five 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 five 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 corporate bonds	Government rate as per Moody ratings for government entities
4	Staff loans and advances	Government rate as per Moody ratings
5	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 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: <b>Step 1:</b> Analysis of the collection of contribution receivables by the time buckets

S/N	Financial asset type	Assumed risk grade
		<b>Step 2:</b> Calculation of the historical loss rates <b>Step 3:</b> Incorporate forward-looking information <b>Step 4:</b> Application of the loss rates to the current contribution receivables portfolio

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 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 de-recognition 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 de-recognition.

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 derecognised. If substantially all the risks and rewards have been retained, de-recognition 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 de-recognition 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.

#### **De-recognition 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.

### **3.15 Impairment of non-financial assets**

The Fund assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the statement of performance in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### **3.16 Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as cost of acquiring particular item.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Fund's inventories consist of office consumables including computer consumables, general stationaries, printing materials and refreshments.

### 3.17 Leases

IFRS 16 resulted in a significant change for lessee accounting, there is no longer a distinction between operating and finance leases, IFRS 16 supersedes IAS 17 Leases. The standard introduces a single lease account model that requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless underlying asset is of low value. The standard set out the principles for the recognition, measurement, presentation and disclosure of leases on the statement of financial position. On 01 July 2019, the Fund adopted the requirements of IFRS 16 using modified retrospective approach by recognising lease liability at the date of initial application for leases previously classified as an operating lease under IAS 17 and right-of-use asset an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position before the date of initial application. The lease policy for the Fund covers recognition, measurement and disclosure of right to use assets and lease liabilities.

#### *i. Recognition*

The Fund assesses whether the contracts contain lease element and recognize assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value as guided by IFRS 16. Leases are recognised as right-of-use assets and liabilities at the date at which the leased assets are available for use by the Fund.

#### *ii. Initial Measurement*

##### *a) Right of use asset*

The Fund measures right of use asset using cost model. Amount recognized as right of use asset at initial recognition takes into consideration; estimated incremental borrowing rate as a discount rate, any initial direct costs, disposal costs to be incurred during dismantling and removing of the underlying asset.

##### *b) Lease liabilities*

The Fund measures the lease liability at the present value of all outstanding payments at the initial date including all lease payments to be settled in the future. At the initial recognition the Fund will apply incremental borrowing rate to ascertain present value of the lease payments. The lease payments are discounted using the incremental borrowing rate. Each lease payment is allocated between the liability

and finance cost. Payments associated with all short-term leases and leases of all low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income

### iii. Subsequent measurement

#### *a) Right to use asset*

Subsequently the Fund will measure right to use asset assets at cost, this accommodates all adjustments including accumulated depreciation and any accumulated impairment losses that may arise during the lifetime of the lease. The right-of-use assets are depreciated over the shorter of the remaining contractual time at recognition date, and the lease term on a straight-line basis. Periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

#### *b) Lease liabilities*

After commencement date the Fund will measure lease liability by increasing the carrying amount to reflect interest on lease liability, reducing the carrying amount to reflect the lease payments made and re-measuring carrying amount to reflect lease modification, revised payments or other assessments.

### iv. Presentation and disclosure

The Fund presents the right of use assets and liability as line items in the notes of the financial statements. Lease interest expense is presented in profit or loss statement separate from other interest expenses. Cash payments for the carrying amount of lease assets are presented in cash flow statements as financing cost. Other information that gives the user of financial statement the basis for assessing effect of the lease is disclosed in the statement of cash flows and notes. Such information for the Fund as a lessee includes:

- (i) Depreciation charge for right-of-use assets by class of underlying asset;
- (ii) Interest expense on lease liabilities;
- (iii) Total cash outflow for leases;
- (iv) Additions to right-of-use assets;
- (v) The carrying amount of right-of-use assets at the end of the reporting period by class of underlying assets
- (vi) Transition accounting on adaption of IFRS 16

The Fund has opted for (modified retrospective approach) by recognizing lease liability at the date of initial application for leases previously classified as an operating lease under IAS 17 and right -of -use asset an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position before the date of initial application:

- (i) A single discount rate is applied to a portfolio of leases with reasonably similar characteristics;



- (ii) Not to apply the new lessee accounting model to leases for which the lease term ends within 12 months after the date of initial application and
- (iii) Recognition period for value in use assets starts on the application date.

### 3.18 Accounts payables

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

### 3.19 Comparatives

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

### 3.20 Changes in accounting policies and disclosures

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2021 (unless otherwise stated). The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Title	Description	Effective Date
IAS 1-Presentation of Financial Statements	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).	Annual periods beginning on or after January 1, 2023. Earlier application is permitted
IAS 1 and IFRS Practice Statement 2	In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the	Annual periods beginning on or after 1 January 2023 with earlier application permitted.

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	definition of material to accounting policy information, an effective date for these amendments is not necessary.	
IAS 8-Accounting Policies, Changes in Accounting Estimates and Errors	In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.	Annual periods beginning on or after January 1, 2023. Earlier application is permitted
IAS 12-Income Taxes	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g., leases. For leases, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.	Annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16-Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life	The amendments are effective for annual periods beginning on or after January 1, 2022.
IAS 37-Provisions, contingent liabilities and contingent assets	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.	Annual periods beginning on or after January 1, 2022.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

The preparation of financial statements in conformity with IFRS requires the use of estimates and judgment that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Board of Trustees' best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The most significant use of judgement and estimates are as follows:

**a) Going concern**

The Fund's Management has made an assessment of the Fund's ability to continue as a going concern. Management is satisfied that the Fund has resources to continue in operation for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

**b) 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.

**c) 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.

**d) 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.

**e) 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 1 July 2015 to 30 June 2022 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.

**f) 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.

**g) Measurement of fair values**

Where the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives and discount rates.

**5. ACTUARIAL PRESENT VALUE OF THE FUND**

Section 86 of Workers Compensation Act [Cap. 263] requires that all assets of the Fund from time to time as the Board may consider necessary, but in any event at the interval of not more than three years, be valued by an actuary appointed by the Board to determine the sufficiency of the Fund. The Fund started its operations on 1 July 2015. The Fund has started paying benefit with effect from 1 July 2016. Actuarial valuation was completed as at 30 June 2018. The summary disclosure of the present value of long-term liabilities is in note 42.



## 6. FINANCIAL RISK MANAGEMENT

The Fund is exposed to a variety of financial risks, which arise out of a variety of its activities.

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

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management framework. As part of its governance structure the Board of Trustees has embedded a comprehensive risk management framework for measuring, monitoring, controlling and mitigation of the Fund's risks. The policies are integrated in the overall management information system of the Fund and supplemented by a management reporting structure.

The financial risks to which the Fund is exposed to include credit risk, liquidity risk and market risk.

The notes below provide detailed information on each of the above risks and the Fund's objectives, policies and processes for measuring and managing risk.

### 6.1 Credit risk

Credit risk is the risk that the counterparty to any financial transaction may not be able to fulfil its obligation on due date. Credit risk is managed by the finance department of the Fund. Credit risk arises principally from fixed deposits, 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, 2022 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, 2022":

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<b>Investment Category</b>	<b>Investment limit as a percentage of Total Investment Portfolio</b>
Cash and Demand Deposit in Banks and Financial Institutions	5
Government Securities (Treasury Bills, Treasury Bonds)	20 -100
Direct Loans to the Government	10
Commercial Paper, Promissory Notes and Corporate Bonds	20
Unlisted Corporate Debt	5
Real Estate	30
Real Estate - Non-Income Earning Property	5
Ordinary and Preference Shares	20
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
Guaranteed Fund - Supplementary schemes only	100
Others - subject to prior approval by the Bank	10

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

**Maximum exposure to credit risk as at 30 June 2022**

	<b>30 June 2022</b>	<b>30 June 2021</b>
<b>Financial assets</b>	<b>TZS '000</b>	<b>TZS '000</b>
Fixed deposits	14,765,866	14,742,636
Treasury bonds	478,020,249	343,797,370
Corporate bonds	3,582,570	3,582,573
Collective investment scheme	159,338	44,951,196
Unlisted equity shares	5,575,153	3,519,230
Listed equity shares	18,389,410	18,389,410
Investment receivables	1,187,580	598,056
Contributions receivable	1,414,212	6,373,070
Prepayments	777,254	639,968
Other receivables	433,670	363,781
Loans	6,715,162	5,961,457
Cash and Bank balances	6,060,606	3,555,647
<b>Total</b>	<b>537,081,070</b>	<b>446,474,394</b>

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Credit quality of financial assets as at 30 June 2022

	Current	Past due but not impaired	Impaired	Total
Financial assets	TZS '000	TZS '000	TZS '000	TZS '000
Fixed deposits	14,765,866	-	316,177	15,082,043
Treasury bonds	478,020,249	-	-	478,020,250
Corporate bonds	3,582,570	-	70,553	3,653,123
Collective investment scheme	159,338	-	-	159,338
Unlisted equity shares	5,575,153	-	-	5,575,153
Listed equity shares	18,389,410	-	-	18,389,410
Investment receivables	1,187,580	-	-	1,187,580
Contributions receivable	1,414,212	-	73,292,259	74,706,470
Prepayments	777,254	-	-	777,254
Other receivables	433,670	-	-	433,670
Loans	6,715,162	-	54,155	6,769,316
Cash and Bank balances	6,060,606	-	121,349	6,181,955
<b>Total</b>	<b>537,081,070</b>	<b>-</b>	<b>73,854,493</b>	<b>610,935,562</b>

Credit quality of financial assets as at 30 June 2021

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Financial assets	TZS '000	TZS '000	TZS '000	TZS '000
Fixed deposits	14,742,636	-	314,526	15,057,162
Treasury bonds	343,797,370	-	-	343,797,370
Corporate bonds	3,582,573	-	70,553	3,653,126
Collective investment scheme	44,951,196	-	-	44,951,196
Unlisted equity shares	3,519,230	-	-	3,519,230
Listed equity shares	18,389,410	-	-	18,389,410
Investment receivables	598,056	-	-	598,056
Contributions receivable	6,373,070	-	125,920,290	132,260,166
Prepayments	639,968	-	-	639,968
Other receivables	363,781	-	-	363,781
Loans	5,961,457	-	50,300	6,011,757
Cash and Bank balances	3,555,647	-	85,039	3,640,686
<b>Total</b>	<b>446,474,394</b>	<b>-</b>	<b>126,440,708</b>	<b>572,881,908</b>

Out of the amounts impaired, TZS 26.60 billion is due from the Government of the United Republic of Tanzania and relates to outstanding contribution for all public service employees, whose payroll was processed by the Treasury, for the 12 months to 30 June 2016. The Fund has fully provided for the same but continues to engage the government to settle the amounts outstanding. The other amounts that were past due as at 30 June 2022 have subsequently been received.

## 6.2 Liquidity risk

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

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

### As at June 2022

Financial Assets/liabilities	Less than 1 month	Between 1-3 months	Between 3-12 months	Over 12 months	Total
	TZS '000	TZS '000	TZS'000	TZS'000	TZS'000
Fixed deposits	-	-	97,117	14,668,749	14,765,866
Treasury bonds	-	-	17,781,729	460,238,520	478,020,249
Corporate bonds	141,825	-	11,298	3,429,447	3,582,570
Collective investment scheme	159,338	-	-	-	159,338
Unlisted equity shares	-	-	-	5,575,153	5,575,153
Listed equity shares	-	-	-	18,389,410	18,389,410
Investment receivables	-	-	1,187,580	-	1,187,580
Contributions receivable	-	1,414,212	-	-	1,414,212
Prepayments	-	-	777,254	-	777,254
Other receivables	-	-	433,670	-	433,670
Loans	-	-	-	6,715,162	6,715,162
Cash and Bank balances	6,060,606	-	-	-	6,060,606
<b>Total</b>	<b>6,361,769</b>	<b>1,414,212</b>	<b>20,288,648</b>	<b>509,016,441</b>	<b>537,081,070</b>
<b>30 June 2022</b>					



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Payables	-	6,044,932	8,193,607	-	14,238,539
Net liquidity gap	6,361,769	(4,630,720)	12,095,041	509,016,441	522,842,531

**As at June 2021**

Financial Assets/liabilities	Less than 1 month TZS '000	Between 1-3 months TZS '000	Between 3-12 months TZS '000	Over 12 months TZS '000	Total TZS '000
Fixed deposits	-	-	85,909	14,656,727	14,742,636
Treasury bonds	-	104,266	13,824,668	329,868,436	343,797,370
Corporate bonds	141,828	-	11,298	3,429,447	3,582,573
Collective investment scheme	44,951,196	-	-	-	44,951,196
Unlisted equity shares	-	-	-	3,519,230	3,519,230
Listed equity shares	-	-	-	18,389,410	18,389,410
Investment receivables	-	-	598,056	-	598,056
Contributions receivable	-	6,373,070	-	-	6,373,070
Prepayments	-	-	639,968	-	639,968
Other receivables	-	-	363,781	-	363,781
Loans	-	-	-	5,961,457	5,961,457
Cash and Bank balances	3,555,647	-	-	-	3,555,647
<b>Total</b>	<b>48,648,671</b>	<b>6,477,336</b>	<b>15,523,680</b>	<b>375,824,707</b>	<b>446,474,394</b>
<b>30 June 2022</b>					
Payables	-	3,449,598	14,947,397	-	18,396,995
Net liquidity gap	48,648,671	3,027,738	576,283	375,824,707	428,077,399

### 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.

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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.

The table below analyses the Fund's interest rate risk exposure on financial assets and liabilities as at 30 June 2022:

	Carrying amount	Interest bearing	Non-interest bearing
	TZS '000	TZS '000	TZS '000
<b>Financial assets</b>			
Fixed deposits	14,765,866	14,765,866	-
Treasury bonds	478,020,249	478,020,249	-
Corporate bonds	3,582,570	3,582,570	-
Collective investment scheme	159,338	-	159,338
Unlisted equity shares	5,575,153	-	5,575,153
Listed equity shares	18,389,409	-	18,389,409
Investment receivables	1,187,580	-	1,187,580
Contributions receivable	1,414,212	-	1,414,212
Prepayments	777,254	-	777,254
Other receivables	433,670	-	433,670
Loans	6,715,162	-	6,715,162
Cash and Bank balances	6,060,606	-	6,060,606
<b>Total financial assets</b>	<b>537,081,069</b>	<b>496,368,685</b>	<b>40,712,384</b>
<b>Financial liabilities</b>			
Payables	14,238,539	-	14,238,539
<b>Total financial liabilities</b>	<b>14,238,539</b>	<b>-</b>	<b>14,238,539</b>
<b>Net interest sensitivity gap</b>	<b>522,842,530</b>	<b>496,368,685</b>	<b>26,473,845</b>

The table below analyses the Fund's interest rate risk exposure on financial assets and liabilities as at 30 June 2021:

	Carrying amount	Interest bearing	Non-interest bearing
	TZS '000	TZS '000	TZS '000
<b>Financial assets</b>			
Fixed deposits	14,742,636	14,742,636	-
Treasury bonds	343,797,370	343,797,370	-
Corporate bonds	3,582,573	3,582,573	-
Collective investment scheme	44,951,196	-	44,951,196
Unlisted equity shares	3,519,230	-	3,519,230
Listed equity shares	18,389,410	-	18,389,410
Investment receivables	598,056	-	598,056
Contributions receivable	6,373,070	-	6,373,070
Prepayments	639,968	-	639,968

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Other receivables	363,781	-	363,781
Loans	5,961,457	-	5,961,457
Cash and Bank balances	3,555,647		3,555,647
<b>Total financial assets</b>	<b>446,474,394</b>	<b>362,122,579</b>	<b>84,351,815</b>
<b>Financial liabilities</b>			
Payables	18,396,995	-	18,396,995
<b>Total financial liabilities</b>	<b>18,396,995</b>	<b>-</b>	<b>18,396,995</b>
<b>Net interest sensitivity gap</b>	<b>428,077,399</b>	<b>362,122,579</b>	<b>65,954,820</b>

### 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. FINANCIAL INSTRUMENTS BY CATEGORY

As at 30 June 2022

	Amortized cost TZS'000	At FV through OCI TZS'000	At FV through P&L TZS'000	Total TZS'000
<b>Financial assets</b>				
Fixed deposits	14,765,866	-	-	14,765,866
Treasury bonds	-	478,020,250	-	478,020,250
Corporate bonds	3,582,570	-	-	3,582,570
Collective investment scheme	159,338	-	-	159,338
Unlisted equity shares	-	-	5,575,153	5,575,153
Listed equity shares	-	-	18,389,410	18,389,410
Investment receivables	-	-	1,187,580	1,187,580
Contributions receivable	-	-	1,414,212	1,414,212
Prepayments	-	-	777,254	777,254
Other receivables	433,670	-	-	433,670
Loans	6,715,162	-	-	6,715,162

**WORKERS COMPENSATION FUND**

Cash and Bank balances	-		6,060,606	6,060,606
<b>Total</b>	<b>25,656,606</b>	<b>478,020,250</b>	<b>33,404,215</b>	<b>537,081,071</b>

**Financial liabilities**

Payables	-	-	14,238,539	14,238,539
<b>Total</b>	<b>-</b>	<b>-</b>	<b>14,238,539</b>	<b>14,238,539</b>

As at 30 June 2021

	Amortized cost TZS'000	At FV through OCI TZS'000	At FV through P&L TZS'000	Total TZS'000
<b>Financial assets</b>				
Fixed deposits	14,742,636	-	-	14,742,636
Treasury bonds	-	343,797,370	-	343,797,370
Corporate bonds	3,582,573	-	-	3,582,573
Collective investment scheme	44,951,196	-	-	44,951,196
Unlisted equity shares	-	-	3,519,230	3,519,230
Listed equity shares	-	-	18,389,410	18,389,410
Investment receivables	-	-	598,056	598,056
Contributions receivable	-	-	6,373,070	6,373,070
Prepayments	-	-	639,968	639,968
Other receivables	363,781	-	-	363,781
Loans	5,961,457	-	-	5,961,457
Cash and Bank balances	-	-	3,588,841	3,588,841
<b>Total</b>	<b>69,601,643</b>	<b>343,797,370</b>	<b>33,108,575</b>	<b>446,507,588</b>
<b>Financial liabilities</b>				
Payables	-	-	18,396,995	18,396,995
<b>Total</b>	<b>-</b>	<b>-</b>	<b>18,396,995</b>	<b>18,396,995</b>



**8. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

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

- i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
- iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**WORKERS COMPENSATION FUND**

**As at 30 June 2022**

	<b>Fair values</b>			<b>Carrying amount</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
<b>Financial assets measured at fair values.</b>				
Treasury bonds	478,020,250	-	-	478,020,250
Corporate bonds	3,582,570	-	-	3,582,570
Listed equity shares	18,389,410	-	-	18,389,410
Collective investment scheme	159,338	-	-	159,338
Unlisted equity	-	5,575,153	-	5,575,153
<b>Financial assets for which fair values are disclosed.</b>				
Fixed deposits	-	-	14,765,866	14,765,866
Investment receivables	-	-	1,187,580	1,187,580
Contributions receivable	-	-	1,414,212	1,414,212
Prepayments	-	-	777,254	777,254
Other receivables	-	-	433,670	433,670
Loans	-	-	6,715,162	6,715,162
Cash and Bank balances	-	-	6,060,606	6,060,606
<b>Total</b>	<b>500,151,568</b>	<b>5,575,153</b>	<b>31,354,350</b>	<b>537,081,071</b>
<b>Financial liabilities measured at fair value</b>	-	-	-	-
<b>Financial liabilities for which fair values are disclosed</b>				
Payables	-	-	14,238,539	14,238,539
<b>Total</b>	-	-	<b>14,238,539</b>	<b>14,238,539</b>

**As at 30 June 2021**

	<b>Carrying amount</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
<b>Financial assets measured at fair values.</b>				
Treasury bonds	343,797,370	-	-	343,797,370
Corporate bonds	3,582,573	-	-	3,582,573
Listed equity shares	18,389,410	-	-	18,389,410
Collective investment scheme	44,951,196	-	-	44,951,196
Unlisted equity	-	3,519,230	-	3,519,230
<b>Financial assets for which fair values are disclosed.</b>				
Fixed deposits	-	-	14,742,636	14,742,636
Investment receivables	-	-	598,056	598,056

**WORKERS COMPENSATION FUND**

Contributions receivable	-	-	6,373,070	6,373,070
Prepayments	-	-	639,968	639,968
Other receivables	-	-	363,781	363,781
Loans	-	-	5,961,457	5,961,457
Cash and Bank balances	-	-	3,588,841	3,588,841
<b>Total</b>	<b>410,720,549</b>	<b>3,519,230</b>	<b>32,267,809</b>	<b>446,507,588</b>
<b>Financial liabilities measured at fair value</b>	-	-	-	-
<b>Financial liabilities for which fair values are disclosed</b>				
Payables	-	-	18,396,995	18,396,995
<b>Total</b>	-	-	<b>18,396,995</b>	<b>18,396,995</b>
			<b>TZS '000</b>	<b>TZS '000</b>

**9. FIXED DEPOSITS**

Principal	14,984,925	14,971,253
Interest Receivable	97,117	85,909
Less: Allowance for Probable Loss	(316,176)	(314,526)
	<u>14,765,866</u>	<u>14,742,636</u>
<b>Maturity analysis</b>		
Maturing up to 3 months	-	-
Maturing 3 to 12 months	14,765,866	14,742,636
	<u>14,765,866</u>	<u>14,742,636</u>

**10. TREASURY BONDS**

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Face Value	434,556,800	330,144,400
Unamortized discount	(6,557,455)	(7,487,464)
Premium	20,951,943	3,011,121
Interest receivable	17,781,729	13,824,668
Change in Fair Value	11,287,232	4,304,645
	<u>478,020,249</u>	<u>343,797,370</u>
<b>Maturity analysis</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
Maturing up to 3 months	-	104,266
Maturing 3 to 12 months	17,781,729	13,824,668
Maturing over 12 months	460,238,520	329,868,436
	<u>478,020,249</u>	<u>343,797,370</u>

**WORKERS COMPENSATION FUND**

**11. CORPORATE BONDS**

5 Years Bonds	3,500,000	3,500,000
Interest Receivable	153,123	153,125
Less: Allowance for Probable Loss	(70,553)	(70,553)
	<u>3,582,570</u>	<u>3,582,573</u>
<b>Maturity analysis</b>		
Maturing up to 3 months	141,825	141,827
Maturing 3 to 12 months	11,298	11,301
Maturing over 12 months	3,429,447	3,429,447
	<u>3,582,570</u>	<u>3,582,573</u>

**12. COLLECTIVE INVESTMENT SCHEME**

	<b>TZS '000</b>	<b>TZS '000</b>
Bond Fund	52,960	8,247,363
Liquid Fund	106,378	36,703,833
	<u>159,338</u>	<u>44,951,196</u>

The Fund invests in collective schemes as a temporary measure while waiting for lucrative investment opportunities. During the year under review, the Fund transferred most of the funds held in Collective Investment Scheme to other avenues.

**13. UNLISTED EQUITY SHARES**

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

	<b>30 June 2022</b>	<b>30 June 2021</b>
At the beginning of year	3,519,230	3,519,230
Fair value adjustment	2,055,923	-
At the end of the year	<u>5,575,153</u>	<u>3,519,230</u>

**A. Classification by entity**

Tanzania Commercial Bank	1,157,358	286,971
Azania Bank Limited	4,417,795	3,232,259
	<u>5,575,153</u>	<u>3,519,230</u>



## 14. LISTED EQUITY SHARES

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

	30 June 2022 TZS '000	30 June 2021 TZS '000
At the beginning of year	20,299,998	20,299,998
Additions	-	-
Disposals	-	-
Fair value changes	(1,910,588)	(1,910,588)
At the end of the year	<u>18,389,410</u>	<u>18,389,410</u>

## C. Classification by entity

ENTITY	EQUITIES (UNITS)		EQUITIES (MARKET VALUE - TZS '000')		
	Shares at 1 July 2021	Addition/(Disposals)	At 30 June 2022	At 1 July 2021	Fair value gain/(loss)
Vodacom Tanzania (Plc)	23,882,350	-	23,882,350	18,389,410	-
	23,882,350	-	23,882,350	18,389,410	-
					18,389,410

**WORKERS COMPENSATION FUND**

**15. INVESTMENT RECEIVABLES**

	30 June 2022 TZS '000	30 June 2021 TZS '000
Mponde Holding Company Limited	1,187,115	64,878
Simiyu Medical Products	-	457,990
Dividend Receivables	465	75,188
	<u>1,187,580</u>	<u>598,056</u>

The Fund in collaboration with Public Service Social Security Fund (PSSSF) and Treasury Registrar, have resumed the role to revamp and operate the Mponde Tea Factory in Lushoto, Tanga. The amount shown during the year under the review of TZS 1.19 million (2021: TZS 64.88 million) relates incurred costs by the Fund in revamping the factory. The amount will be reclassified under Unlisted Equity shares after the reconciliation with the other shareholders of all costs incurred by the Fund in revamping the factory.

**16. INVESTMENT PROPERTY**

	30 June 2022 TZS '000	30 June 2021 TZS '000
Land Cost	192,000	2,622
Change in Market Value	65,000	189,378
	<u>257,000</u>	<u>192,000</u>

**17. INCOME TAX RECEIVABLE/(PAYABLE)**

	30 June 2022 TZS '000	30 June 2021 TZS '000
Balance as at 01 July	2,594,521	1,879,308
Less: Paid during the period	15,139,780	15,316,722
Add: Charge during the period	(14,068,030)	(14,601,509)
Balance as at 30 June	<u>3,666,271</u>	<u>2,594,521</u>

**WORKERS COMPENSATION FUND**

**18. PROPERTY AND EQUIPMENT**

	Computers	Office Equipment	Furniture Fixture & Fittings	Motor Vehicle	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>					
At 1 July 2020	2,337,870	418,951	1,619,526	1,592,887	5,969,234
Additions	245,451	64,316	162,523	131,853	604,143
At 30 June, 2021	2,583,321	483,267	1,782,049	1,724,740	6,573,377
 At 1 July 2021	 2,583,321	 483,267	 1,782,049	 1,724,740	 6,573,377
Additions	585,316	75,411	13,899	-	674,627
At 30 June, 2022	3,168,637	558,678	1,795,948	1,992,399	7,248,004
 <b>Accumulated depreciation</b>					
At 1 July 2020	808,672	264,323	602,611	728,451	2,404,058
Charge for the year	479,596	85,578	299,770	316,825	1,181,770
At 30 June 2021	1,288,268	349,901	902,381	1,045,276	3,585,828
 At 1 July 2021	 1,288,268	 349,901	 902,381	 1,045,276	 3,585,828
Charge for the year	535,306	69,825	165,251	85,742	856,124
At 30 June, 2022	1,823,574	419,726	1,067,632	1,131,018	4,441,952
 <b>Net book Value</b>					
At 30 June 2021	1,295,053	133,366	879,668	679,464	2,987,549
At 30 June 2022	1,345,062	138,952	728,316	861,381	2,806,052

## WORKERS COMPENSATION FUND

### 19. INTANGIBLE ASSETS- COMPUTER SOFTWARE

Cost	30 June 2022	30 June 2021
	TZS '000	TZS '000
At the beginning of year	2,875,444	2,875,444
Additions	-	-
At the end of year	2,875,444	2,875,444
<b>Amortisation</b>		
At the beginning of year	499,794	212,249
Charge for the year	287,544	287,545
At the end of year	787,338	499,794
Net book value at 30 June	2,088,106	2,375,650

### 20. 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:

	30 June 2022	30 June 2021
	TZS '000	TZS '000
Right to Use Assets	3,426,769	2,030,652
Less: Accumulated depreciation leases	(2,153,726)	(1,470,920)
	<u>1,273,043</u>	<u>559,732</u>
 Lease Liability	 <u>1,227,141</u>	 <u>584,910</u>
	<u>1,227,141</u>	<u>584,910</u>



## 21. CONTRIBUTION RECEIVABLES

	30 June 2022	30 June 2021
	TZS '000	TZS '000
Private sector contributions (0.6%)	33,884,150	56,658,266
Public sector contributions (0.5%)	31,503,935	26,664,544
Interest Receivables on Contributions	<u>9,318,385</u>	<u>48,970,550</u>
	74,706,470	132,293,360
Less: Allowance for Probable Losses	(73,292,258)	(125,920,290)
	<b>1,414,212</b>	<b>6,373,070</b>

Management made estimates of the contribution receivable during the year. The main assumptions used in the estimates were that all registered employers existed from 1 July 2015 to 30 June 2022 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 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.

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 below:

### Ageing of contribution receivables that are past due

	30 June 2022	30 June 2021
	TZS '000	TZS '000
0-90 days	9,506,955	9,400,263
91-180 days	1,382,105	4,655,324
181-360days	2,356,532	8,294,012
361 days and above	<u>61,460,878</u>	<u>109,943,761</u>
	<b>74,706,470</b>	<b>132,293,360</b>

### Movement in the allowance for doubtful debts

Balance at beginning of the year	125,920,290	108,823,348
Impairment (released)/recognised	<u>(52,628,032)</u>	<u>17,096,942</u>
	<b>73,292,258</b>	<b>125,920,290</b>

## WORKERS COMPENSATION FUND

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.

### 22. PREPAYMENTS

	30 June 2022 TZS '000	30 June 2021 TZS '000
Medical bills	74,709	148,608
Supplementary Health Packages	332,113	479,507
GPSA - Motor Vehicle	267,660	-
Computers	90,961	-
Rent Service Charge	11,811	11,853
	<u>777,254</u>	<u>639,968</u>

### 23. OTHER RECEIVABLES

Imprest and advances	345,597	275,708
Rent security deposit	88,073	88,073
	<u>433,670</u>	<u>363,781</u>

### 24. LOANS

Motor Vehicle Loans	991,354	1,271,142
House Loans	4,592,459	3,602,692
Personal Loans	1,185,503	1,137,922
Less: Allowance for Probable Loss	(54,154)	(50,299)
	<u>6,715,162</u>	<u>5,961,457</u>

### 25. CASH AND CASH EQUIVALENTS

	30 June 2022 TZS '000	30 June 2021 TZS '000
Cashbook balance		
NMB Bank Plc. - GePG Account	233,029	-
NMB Bank Plc. - Call Account	812	1,154,560
NMB Bank Plc. - Current Account	277,853	165,528
Bank of Tanzania	2,168,167	1,503,064
CRDB Bank - Current Account	(1,681,214)	(1,481,800)
CRDB Bank Plc. - Call Account	5,019,910	9,803
CRDB Bank - GePG Account	163,397	2,289,531
IFRS 9 Allowance for probable loss	(121,348)	(85,039)
	<u>6,060,606</u>	<u>3,555,647</u>

**WORKERS COMPENSATION FUND**

Net cashbook balances as at 30 June, (excluding allowance for probable loss)	6,181,955	3,640,686
Treasury Bills maturing within 3 months	-	-
Treasury Bonds maturing within 3 months	-	-
Fixed deposits maturing within 3 months	-	-
Cash and cash equivalents as at 30 June	<u>6,181,955</u>	<u>3,640,686</u>
<b>26. A. DEFERRED TAX LIABILITY</b>		
Movement in deferred tax liability balances		
Balance as at 1 July 2021	-	502,769
Decrease	-	(502,769)
Balance as at 30 June	<u>-</u>	<u>NIL</u>
<b>B. DEFERRED TAX ASSETS</b>		
Movement in deferred tax liability balances		
Balance as at 1 July 2021	8,466,538	3,691,176
Increase	<u>3,621,626</u>	<u>4,775,362</u>
Balance as at 30 June	<u>12,088,164</u>	<u>8,466,538</u>
<b>27. INVENTORY</b>		
Computer Consumables	65,768	55,978
General Stationary	13,510	15,287
Printing Materials	53,632	6,741
Refreshment	<u>3,946</u>	<u>2,224</u>
	<u>136,856</u>	<u>80,230</u>
<b>28. OTHER PAYABLES AND ACCRUED EXPENSES</b>		
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Stale cheques	620,083	614,907
Benefits payables	3,762,898	3,560,377
Accrued administrative expenses	1,211,551	1,220,090
Unclaimed monthly pension	15,234	6,385
Other creditors	435,166	80,148
Un-receipt deposits	3,567,413	8,807,405
Retention	<u>73,175</u>	<u>73,175</u>
	<u>9,685,520</u>	<u>14,362,487</u>

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WORKERS COMPENSATION FUND

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Un-receipt deposits to the tune of TZS 3,567.41 million (2021: TZS 8,807.41 million) represent bank deposits, mainly contributions from employers received by the Fund but receipts not yet issued due to lack of supporting payments details from employers.

**29. CLAIMS PROVISION**

Opening balance	3,449,598	2,249,215
Payments made during the year	(2,561,352)	(1,616,865)
Increase during the year	<u>2,437,632</u>	<u>2,817,248</u>
	<u>3,325,878</u>	<u>3,449,598</u>

**Actuarial Assumptions**

- Projections has been made based on the total projected number of claim incidents for financial years 2017/18, 2018/19, 2019/20 2020/21 and 2021/22.
- This provision includes possible claims Incurred but Not Reported (IBNR) and claims which has been received by the Fund but are still in process.
- This amount has been established by taking into consideration the claims accepted and claims rejected by the Fund as at 30 June 2022.
- A rejection factor of 2.09% was used to determine the number of probable accepted claims arising from the financial years 2017/18, 2018/19, 2019/20,2021 and 2021/22
- Claims reserving was done by considering average benefit payments as at 30 June 2022.
- 5% increase in average benefit cost was done taking into account increase in medical aid cost.



**WORKERS COMPENSATION FUND**

**30. CONTRIBUTION INCOME**

	30 June 2022 TZS '000	30 June 2021 TZS '000
Private sector contributions	48,797,457	68,527,473
Public sector contributions	28,532,471	25,739,252
Interest from late contributions payment	9,318,385	12,667,161
	<u>86,648,313</u>	<u>106,933,886</u>

**31. INVESTMENT INCOME**

Interest from fixed deposits	752,553	748,417
Interest from call account	75,726	164,122
Gain on Proceed from sell of bonds	3,234,261	12,288,209
Interest from Treasury bonds	58,113,816	44,372,086
Interest from Corporate bonds	470,220	405,502
Dividend income from bond fund	743,686	5,459,728
Capital gain from Liquid and Bond funds	1,781,657	2,110,507
Gain in exchange rates	13,672	6,952
Change in Market Value of Unlisted equities	2,055,923	0
Impairment Release Fixed Deposit	-	74,945
Impairment Release Treasury Bonds	-	1,643,302
Change in Market Value of Lands	65,000	189,378
Change in Market Value of Listed equities	-	(1,910,588)
	<u>67,306,514</u>	<u>65,552,560</u>

**32. OTHER INCOME**

Service charges	84,570	93,307
Miscellaneous income	22,338	9,718
Impairment release staff loans	-	-
Impairment release bank balance	-	-
	<u>106,908</u>	<u>103,025</u>

**33. BENEFIT EXPENSES**

Benefit administration costs	741,049	739,164
Medical aids	2,805,696	2,284,989
Temporary disablement	1,090,470	1,653,507
Permanent disablement	2,059,626	2,794,809
Funeral grants	10,800	36,800
Dependants/survivors grant	2,299,441	1,908,670
Permanent disablement Monthly pensions	1,013,178	602,053
Medical Advisory	404,417	336,286
Constant care attendant	63,963	19,620
Claims Provision	2,437,632	2,817,248
	<u>12,926,272</u>	<u>13,193,146</u>

**WORKERS COMPENSATION FUND**

**34. IMPAIRMENT OF FINANCIAL ASSETS**

Contribution receivable	11,319,172	17,096,941
Bank balances	36,310	3,937
Treasury bonds	-	-
Corporate bonds	-	354
Staff loans	3,855	15,981
Fixed deposits	1,651	-
	<u>11,360,988</u>	<u>17,117,213</u>

**35. FINANCE COSTS**

Bank Charges	62,925	41,182
Lease Interest expense	28,849	44,890
	<u>91,774</u>	<u>86,072</u>

**36. ADMINISTRATIVE EXPENSES**

Staff costs [Note 36(A)]	12,752,232	11,447,331
Printing and stationery	135,952	169,220
Stakeholders education and public awareness	538,635	289,346
Board Expenses	172,618	4,806
Communication and Postage	510,994	544,711
Audit expenses	244,800	220,400
Welfare	1,873,445	1,600,570
Compliance expenses	950,345	328,328
Office repairs and maintenance	731,524	1,072,008
Training and conferences	481,663	607,540
Rent and Service charge	441,718	187,892
Depreciation Expense lease	682,806	964,339
General office expenses	461,711	950,039
Donations	285,630	296,761
Depreciation and amortisation	1,143,669	1,348,007
Other administrative expenses	4,085,042	3,523,788
	<u>25,492,784</u>	<u>23,555,086</u>
<b>Total</b>	<u>25,492,784</u>	<u>23,555,086</u>

**WORKERS COMPENSATION FUND**

	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>36 (A): STAFF COSTS</b>		
Salaries and allowances	11,209,609	10,349,140
Contribution to Social Security Institutions	1,542,623	1,098,191
	<u>12,752,232</u>	<u>11,447,331</u>

**37. INCOME TAX EXPENSE**

	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>A: Amount recognised in statement of comprehensive income</b>		
Current year	14,068,030	14,601,509
Changes in estimate relating to previous years	-	-
	<b>14,068,030</b>	<b>14,601,509</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(3,609,511)	(4,775,362)
Adjustments relating to previous years	-	-
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>10,458,519</b>	<b>9,826,147</b>

**B: Reconciliation of income tax expense and tax on accounting profit**

Surplus before tax	110,282,923	120,633,790
Tax calculated at rate of 30%	33,084,877	36,190,137
Non-deductible expenses for tax purpose:		
Tax effect on disallowed administrative expenses	4,712,198	4,471,126
Tax effect on Impairment Loss Allowances	3,408,296	5,135,164
Tax effect on disallowed depreciation charge	256,837	325,229
Tax effect on disallowed amortization of lease	204,842	286,426
Tax effect on disallowed amortization of software	86,263	79,173
Tax effect on deductible depreciation allowance	(99,244)	(96,582)
Tax effect on release impairment of financial assets	-	(515,474)
Tax effect on valuation adjustment	(3,269,651)	(1,410,268)
Tax effect on dividend income	(223,106)	(1,637,918)
Tax effect on deferred tax	(3,609,511)	(4,775,362)
Tax effect on office rent incurred	(108,865)	(106,196)

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Tax effect on exempt amount	(1,867,805)	-
Tax effect on disallowed Benefit expenses	3,877,882	3,640,955
Tax effect on income not subject to tax	(25,994,494)	(31,760,263)
Income tax expense	<u>10,458,519</u>	<u>9,826,147</u>

### 38. COMPONENTS OF OTHER COMPREHENSIVE INCOME

Unrealized Gains on Treasury Bonds	<u>6,982,587</u>	<u>4,304,645</u>
	<u>6,982,587</u>	<u>4,304,645</u>

The other comprehensive includes the gain of TZS 6.98 billion which represents changes in market prices of treasury bonds portfolio that are classified to Fair Value Through Other Comprehensive Income (2021: TZS 4.30 billion).

### 39. RELATED PARTY TRANSACTIONS

#### 39.1 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.

	30 June 2022 TZS'000	30 June 2021 TZS'000
Senior management - salaries	2,109,830	2,928,086
Senior management - contribution to defined benefit schemes	254,189	396,000
Trustee's fees and allowances	<u>82,792</u>	<u>4,806</u>
	<u>2,446,811</u>	<u>3,328,892</u>

Compensation of the Fund's key management personnel includes salaries and contributions to the post-employment defined benefit plan. During the year ended 30 June 2022 the number of senior management was 11 (2021: 11 staff).



**a) Key management personnel transactions**

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

**40. 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 East Zone	Mtwara
National Social Security Fund	Morogoro
National Housing Corporation	Temeke
National Social Security Fund	Tabora
Geita Town Council	Geita

The leases typically run 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.

**41. 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 statements of the Fund.

**42. EVENTS SUBSEQUENT TO FINANCIAL YEAR**

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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 financial statements of the Fund.

### 43. SOLVENCY OF THE FUND

Based on the actuarial valuation of the that was completed as at 1 July 2018 by the consulting 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 June 2018.

Actuarial estimates of the Fund's liabilities as at June 2022, reveals that the free reserve as increased to TZS 473,932 million. This reserve indicates the Fund is technically solvent.

The actuarial present value of benefits liabilities is as follows;

	30 June 2022 TZS Million	30 June 2021 TZS Million
<b>Benefit liabilities</b>		
Present Value of Benefits liabilities of incidents that have occurred as at 30 June,	<u>71,226</u>	<u>42,669</u>
<b>Assets</b>		
Assets of the Fund as at 30 June,	<u>545,158</u>	<u>445,334</u>
<b>Actuarial Reserve</b>		
excess of asset over accrued benefits liabilities	<u>473,932</u>	<u>402,665</u>

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

The Fund monitor 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.

### 44. CASH FLOW RECONCILIATION

	Note	30 June 2022 TZS '000"	30 June 2021 TZS '000"
<b>Contribution Received</b>			
Contribution Income	30	86,648,313	106,933,886
Change in Contribution Receivables	21	7,756,431	(15,670,060)
<b>Contribution Received</b>		<b>78,891,882</b>	<b>91,263,826</b>
<b>Other Income Received</b>			

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Other Income	32	106,908	103,025
<b>Benefit Paid</b>			
Benefit Expenses	33	12,926,272	13,193,146
Change in State Cheque, Benefit payable, and Unclaimed monthly pension	28	(92,827)	(2,496,240)
<b>Benefit Paid</b>		<b>12,833,445</b>	<b>10,696,906</b>
<b>Tax Paid</b>			
Income Tax Expenses	37	10,458,519	9,826,147
Change in Income Tax Receivable	17	1,071,751	715,213
Change in Deferred tax liability	26	-	502,769
Change in Deferred tax Asset	26	3,621,626	4,775,362
		<b>15,151,896</b>	<b>15,819,491</b>
<b>Proceeding from Investment Income</b>			
Investment Income (excluding loss in exchange, capital gain and change in market value of equities)	31	63,390,262	63,438,063
Investment Expenses		(431,591)	(242,466)
Change in Interest; Fixed Deposit, Treasury Bonds, Corporate Bonds and Dividend	9,10,11,15	(3,893,543)	(3,639,233)
		<b>59,065,128</b>	<b>59,556,364</b>
<b>Payment for administrative expenses</b>			
Admin Expenses (excluding depreciation)	36	23,729,235	21,162,615
Change in Prepayment and Other Receivables	22	263,801	354,732
Change in accrued admin Exp, Retention, and Other creditors	28	(346,479)	216,653
		<b>23,646,557</b>	<b>21,734,000</b>
<b>Investment in Treasury bonds</b>			
Closing balance (excluding interest receivables)	10	448,951,288	325,668,056
Opening balance (excluding interest receivables)	10	(325,668,056)	(255,545,454)
		<b>123,283,232</b>	<b>70,122,602</b>
<b>Investment in Corporate bonds</b>			
Closing balance (excluding interest receivables)	11	3,500,000	3,500,000
Opening balance (excluding interest receivables)	11	(3,500,000)	(2,800,00)
		<b>-</b>	<b>700,000</b>
<b>Investment in Collective Scheme</b>			
Change in Bond Fund	12	8,194,403	328,069
Change in Liquid Fund	12	36,597,456	28,630,229
Capital Gain	31	1,781,657	(2,110,507)
		<b>46,573,516</b>	<b>26,847,791</b>

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**Investment in Fixed Deposit**

Closing balance	9	14,971,253	14,971,253
Opening balance	9	(14,971,253)	(14,964,973)
Exchange gain	31	-	(6,952)
		-	(672)

**Investment in Staff Loans**

Closing balance	24	6,769,317	6,011,757
Opening balance	24	(6,011,757)	(4,879,332)
		<b>757,560</b>	<b>1,132,425</b>

**Cash flow from lease and other liabilities**

Change in Lease Liability	20,28,35	613,382	1,108,808
Change in Un-receipted Transactions	28	(5,239,993)	1,478,462
		<b>(4,626,611)</b>	<b>2,587,270</b>

**Investment in Industrial Projects**

Closing balance	15	1,187,115	522,868
Opening balance	22	(64,878)	(90,777)
		<b>1,122,237</b>	<b>432,091</b>