



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



WORKERS COMPENSATION FUND

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2023**

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January 2024

AR/PA/WCF/2022/23

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 [R.E 2021].

Independence and objectivity

We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

Teamwork Spirit

We value and work together with internal and external stakeholders.

Results-Oriented

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.



Professional competence

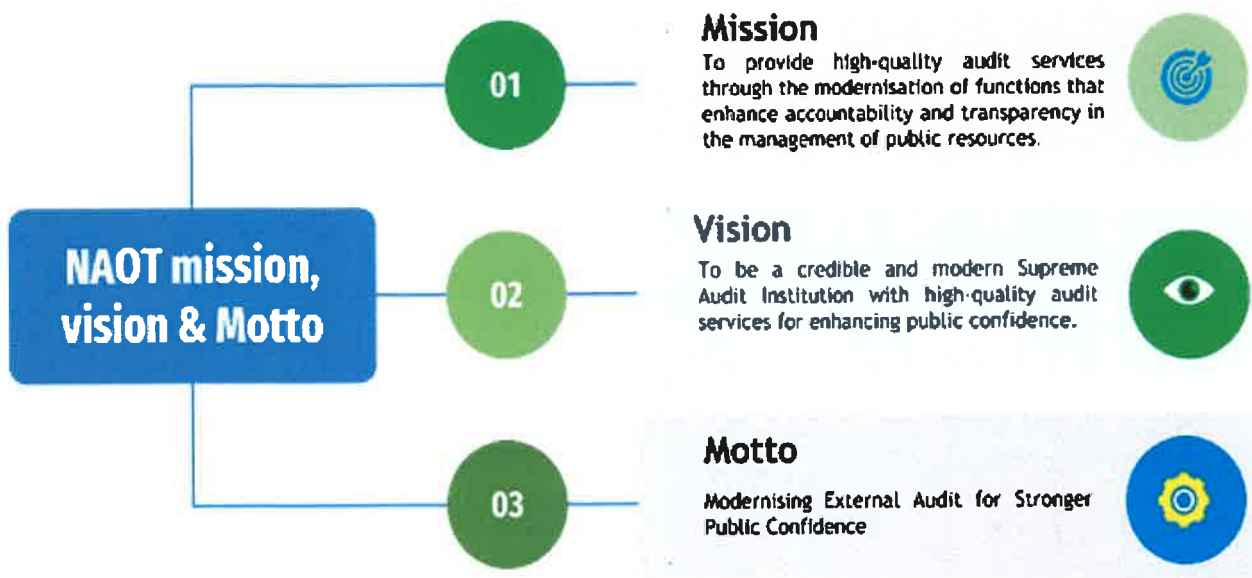
We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

Integrity

We observe and maintain high ethical standards and rules of law in the delivery of audit services.

Creativity and Innovation

We encourage, create, and innovate value-adding ideas for the improvement of audit services.



This audit report is intended to be used by Workers Compensation Fund (WCF) 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

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

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	PSSSF Kambarage Tower, 1 Kambarage Street P. O. Box 329 Tambukareli 41104 Dodoma
PARENT MINISTRY	Prime Minister's Office Labour, Youth, Employment and Person with Disability Government City, Mtumba, P.O. Box 2890 Dodoma
ATTORNEY GENERAL OFFICE	The Office of Attorney General of Tanzania, P.O. Box 630 Dodoma

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairman
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 2023, and the statement of comprehensive income, statement of changes in funds and statement of cash flows, 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 2023, 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 Trustee’s 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 R.E 2020] 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, [Cap 410 R.E. 2022] 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 2022/23 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.

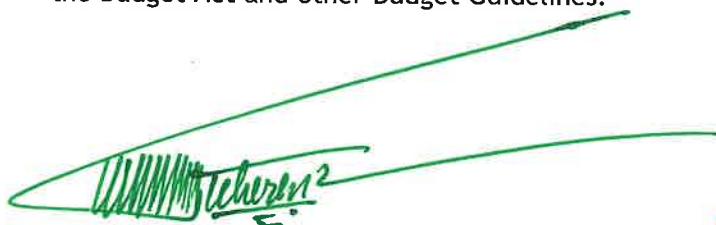
1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

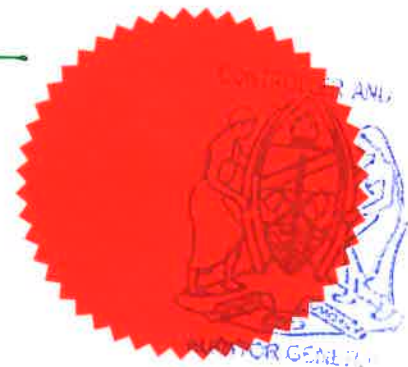
I performed a compliance audit on budget formulation and execution in the Workers Compensation Fund for the financial year 2022/23 as per the Budget Act and other Budget Guidelines.

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 2024



2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023

2.1 INTRODUCTION

The Board of Trustees is pleased to present their report together with the draft financial statements of Workers Compensation Fund (the Fund) for the period ended 30 June 2023 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 Provide Reliable & Efficient Workers Compensation Services that Mitigate Socio-Economic Impact of Occupational Injuries.

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 disease. 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.

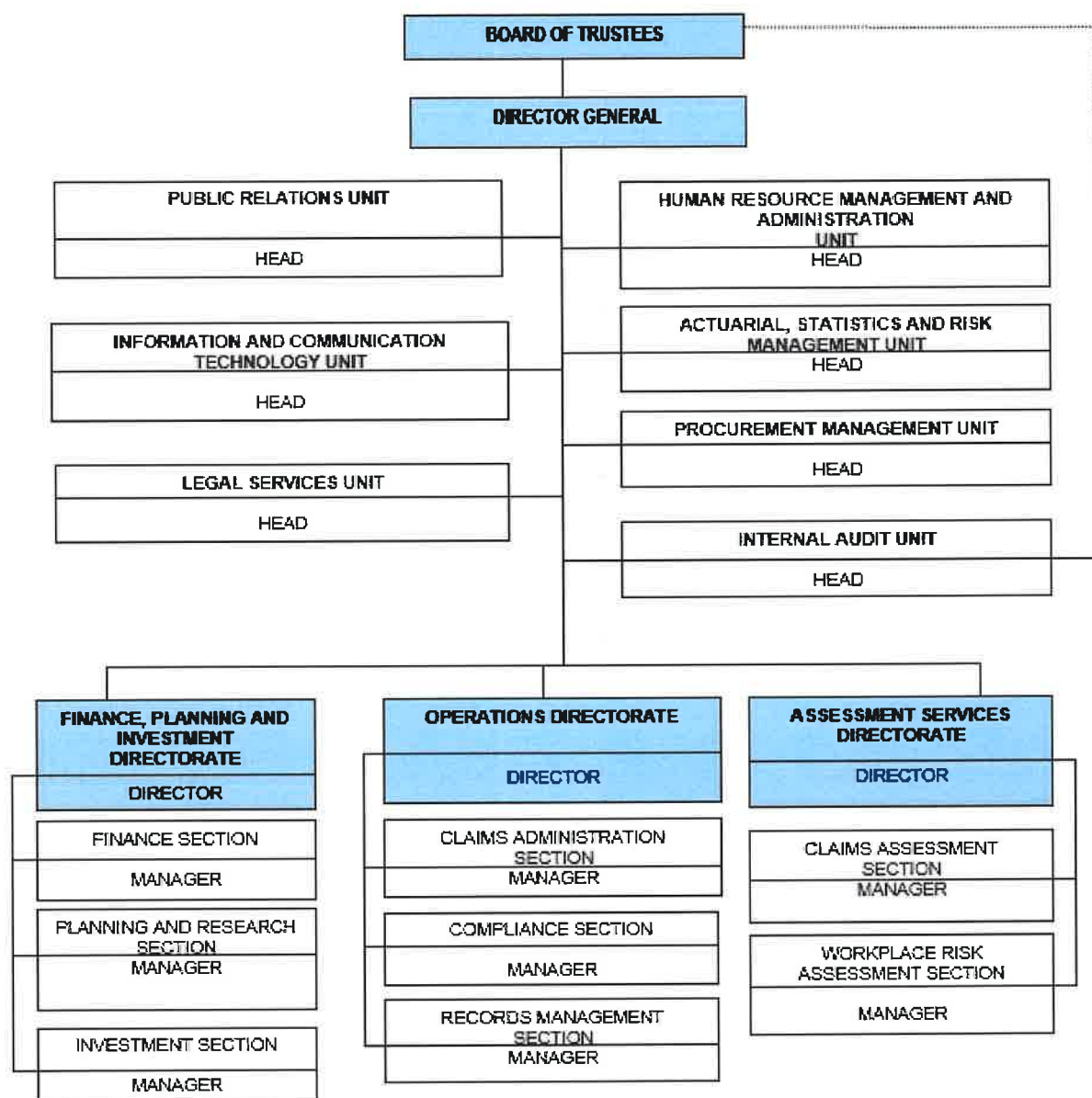
2.7.7 Rehabilitation Services

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 Kinondoni, Temeke, Morogoro, Arusha, Mtwara, Mwanza, Dodoma, Mbeya, 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 due to shortage of foreign exchange, 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 2022/23, 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 5.6%.

The government continued to take appropriate steps which helped to promote recovery of the economy. In July 2022, the government reduced WCF contribution tariff rate from 0.6% to 0.5% for private sector. The reduction of the contribution tariff rate aimed at improving business environment that motivates investments in the private sector in line with recovery of economic activities.

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 2023 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 ten Trustees with diverse skills and knowledge whereby all Trustees are non-executive. A non-executive Chairperson 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

- a) Control and administer the Fund.
- b) Formulate, implement and review policy relating to workers' compensation.
- c) Advise the Minister on any matter relating to workers' compensation, any amendments of the laws and regulations relating to workers' compensation.

- d) Invest surplus money of the Fund.
- e) Provide technical assistance and advisory services for the purpose of promoting workers compensation.
- f) Promote occupation safety and health measures in collaboration with OSHA and other relevant authorities.
- g) Promote public awareness of the rights and obligations of the employees, dependants and employers
- h) Provide accessible and transparent procedures for lodging and investigation of any complaint regarding the conduct of the Fund and its employees.
- i) Do all such acts and enter into all such transactions as in the opinion of the Board may be necessary for the proper and efficient administration of the Fund.

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	73	Public Administrator	26 Aug 2021	Tanzanian
Ms. Rifai A. Mkumba	Trustee	62	Human Resources	10 Sept 2021	Tanzanian
Mr. Felix R. Kagisa	Trustee	67	Civil Engineer	10 Sept 2021	Tanzanian
Mr. Onorius J. Njole	Trustee	48	Lawyer	10 Sept 2021	Tanzanian
Mr. Perfect R. Kilenza	Trustee	55	Accountant	10 Sept 2021	Tanzanian
Mr. Ibrahim B. Mahumi	Trustee	48	Public Administrator	10 Sept 2021	Tanzanian
Mr. Abdulaziz A. Shambe	Trustee	46	Coach and Trainer	10 Sept 2021	Tanzanian
Ms. Juliana C.N. Mpanduji	Trustee	59	Teacher	10 Sept 2021	Tanzanian
Ms. Rehema R. Ludanga	Trustee	41	Social Worker	10 Sept 2021	Tanzanian
Mr. Raymond Kaseko	Trustee	39	Public Administrator	10 Sept 2021	Tanzanian
Dr. John K. Mduma	Secretary	53	Economist	29 May 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 2023, there were a total of five (5) Board of Trustees meetings and fourteen (14) 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	5			
Ms. Rifai A. Mkumba	5		4	
Mr. Felix K. Rugarabamu	4	4	4	
Mr. Onorius J. Njole	2	1		4
Mr. Perfect R. Kilenza	5			5
Mr. Ibrahim B. Mahumi	5	3	4	
Mr. Abdulaziz A. Shambe	5	4		6
Ms. Juliana C.N. Mpanduji	5	4	4	
Ms. Rehema R. Ludanga	5	4		6
Mr. Raymond Kaseko	3		3	4
Dr. John K. Mduma	5			
Mr. Abraham P. Siyovelwa				6

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 four (4) 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.

b) Finance and Investment Committee

The purpose of the Finance and Investment Committee is to scrutinise, review and provide oversight on all major finance and investment activity of the Fund and provide guidance and recommendations to the Board on these and related matters. The Committee reports to Board of Trustees and met four (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 2023/24, which thereafter was approved by Board of Trustees.

c) Audit and Risk Management Committee

The purpose of the Audit and Risk Management committee is to assist the Board of Trustees in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, risk management and the Fund's

process for monitoring compliance with laws and regulations. The Audit Committee reports to Board of Trustees and met six (6) 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	-	-	Chairperson
Mr. Ibrahim B. Mahumi	Member	Chairperson	-
Mr. Abdulaziz A. Shambe	Member	-	Member
Ms. Juliana C.N. Mpanduji	Chairperson	-	-
Ms. Rehema R. Ludanga	Member	-	Member
Mr. Raymond Kaseko	-	Member	Member
Dr. John K. Mduma	Secretary	Secretary	-
Mr. Abraham P. Siyovelwa	-	-	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	2023	2022
	TZS '000	TZS '000
Trustees' fees		
Chairperson (1)	12,000	10,175
Other trustees (9)	90,000	72,616
Total	102,000	82,791

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 2023 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

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 2023, the Fund registered 3,074 employers in Mainland Tanzania (2022: 2,701 employers), making the total registered members to be 30,860 as at 30 June 2023. 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 23.58 billion (2022: TZS 68.54 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 86.48 billion (2022: TZS 86.65 billion) from both private and public sectors employers. During the financial year ended 30th June 2023, the contribution rates were 0.50% for both public and 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 102.43 billion (2022: TZS 65.25 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 30.87 billion (2022: TZS 25.55 billion). The main expenses were staff cost, Compliance and registration, advertising and promotion, stakeholder's 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 16.34% 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 40 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 4,746 employees from identified high risk employers and to 255 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 Fund also conduct education and awareness seminars to key stakeholders. Among the groups reached include; Government Institutions, Members of the Parliament, Local Government Authorities, Private Employers, Private Employees, Human Resource Officers, Police Force, Non-Governmental Organizations, Trade Unions, Workers Councils, Employers' Association members, Health Care Providers (HCP's) and forums of People with disability. The programs mainly focused on sensitising employers concerning benefit payments, 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 96.50%. This level of automation was attributed by development and operationalization of Audit Management Information System, Claims Review and Appeal System and various MAC enhancements. Human Resources Management and Administration, Procurement, Finance and Claims Administration and Assessment activities are all automated.

2.13.9 Recruitment of Employees and Training Matters

During the year under review, the Fund managed to recruit 11 new employees (2022; 18 employees). This made the total number of employees to be 153, of which males were 88 and females were 65. Equally important, for enhancing performance, capabilities and eventually service delivery the Fund trained its employees 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 602.77 billion (2022; TZS 489.55 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 2022/23, contribution rates for each employer were 0.50% of employees' earnings (wage bill) for employers in the private sector as well as for employers in 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 to operate efficiently by bring services closer to employers though the use of ICT systems. 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 Unrealistic expectations for employees who have contracted injuries

Most employees and employers are not aware of compensation benefits amounts, which are due to them when they get injuries or contract occupational diseases. They have high expectation on the amount they will get in which most of the case their expectations are not met. The Fund continues to sensitize the public to increase awareness amongst workers with regard to compensation from work-related injuries and diseases.

2.16.3 Non-disclosure of occupational incidents by employers

There are a number of employers (especially those who are non-compliant with Workers Compensation Act) 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. Treasury Registrar determines Trustees' remuneration, and the Permanent Secretary (Establishment) determines key management remuneration. The details of transactions and balances with related parties have been disclosed in Note 41 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 426.19 million (2022: TZS 285.63 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 employees.

The human capital comprised of competent employees 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 employees.

2.20.3 Training

During the year under review, the Fund trained its employees 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 employees with a maximum number of six 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 employees' 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 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.

2.20.8 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 2023 the Fund had 153 employees, out of which 65 (42.48%) were females and 88 (57.52%) were males (2022: 142 employees, out of which 60 (42.25%) were females and 82(57.75%) were males).

2.20.9 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 23.58 billion (2022: TZS 68.53 billion) to various beneficiaries. There is a significant change in benefit expenses. Previously, the value of pensions was not capitalized in the financial statements. The Fund has now recorded the capitalized value of pensions for the first time following the advice from the Actuary/ILO. The recognition has been applied retrospectively, and comparative figures for the previous period have been restated accordingly. Compensation benefits 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, 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 Increase in Net Assets

During the year under review, the Net Assets of the Fund increased to TZS 602.77 billion (2022; TZS 489.55 billion). This was attributed to an increase in investment income as a result of prudent investment decisions.

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 2023, 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 consulted the International Labour Organisation (ILO) to conduct an actuarial valuation of the Fund as at 30 June 2022. According to the valuation report, the actuarial financial position of the Fund was as follows:

	TZS Million
Accrued liabilities	
Value of accrued Benefits liabilities of incidents that have occurred as at 30 June 2022	55,610
Net Assets	
Net Assets of the Fund as at June 2022	545,158
Actuarial Reserve	
Excess of assets over accrued benefits liabilities	489,548

The next actuarial valuation is due at 30 June 2025.

ACTUARY OPINION

ILO Actuaries' opinion is as follows:

- Globally, the data collection process at the Workers Compensation Fund is appropriate and reliable.
- 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;
- The methodology employed is appropriate and consistent with accepted actuarial practice; and
- WCF is financially sustainable over the projection period if the current contribution rates are maintained.

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 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 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: ^{29th} January, 2024

WORKERS COMPENSATION FUND

3.0 DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2023

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 as at 30th June 2023 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: ^{29th}..... January, 2024

WORKERS COMPENSATION FUND


4.0 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	30 June 2023 TZS '000	30 June 2022 TZS '000 Restated
ASSETS			
Investments			
Fixed deposits	9	29,894,308	14,765,866
Collective investment scheme	10	524,854	159,338
Treasury bonds	11	579,313,164	478,020,249
Corporate bonds	12	3,469,872	3,582,570
Listed equity shares	13	23,492,490	18,389,410
Unlisted equity shares	14	3,629,954	5,575,153
Investment receivables	15	107,768	465
Advance towards Unlisted equity shares	16	1,216,839	1,187,115
Investment property	17	320,000	257,000
Total Investments		641,969,249	521,937,166
Other Assets			
Cash and Bank balances	18	5,697,008	6,060,606
Prepayments	19	801,880	777,254
Other receivables	20	480,790	433,670
Contributions receivable	21	975,962	1,414,212
Income tax receivable	22	2,927,586	3,666,271
Staff Loans	23	7,534,934	6,715,162
Inventory	24	95,137	136,856
Deferred tax assets	25	13,409,688	12,088,164
Right to Use Asset	26	994,042	1,273,043
Property and equipment	27	2,942,785	2,806,052
Intangible assets	28	63,926	2,088,106
Total Other Assets		35,923,738	37,459,396
TOTAL ASSETS		677,892,987	559,396,562
LIABILITIES			
Lease Liability	26	916,285	1,227,141
Other payables and accrued expenses	29	6,220,432	9,685,520
Claims Provision	30	5,506,556	3,325,878
Capitalized value for pensions	31	62,482,105	55,610,000
Total Liabilities		75,125,378	69,848,539
		602,767,609	489,548,023
NET ASSETS			
ACCUMULATED FUNDS			
Restated/beginning balance		489,548,023	445,333,619
Comprehensive income for the year		113,219,586	44,214,404
TOTAL ACCUMULATED FUNDS		602,767,609	489,548,023

The financial statements were authorized and approved for issue by the Board of Trustees for issue on 29th January 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 2023

	Notes	30 June 2023 TZS '000	30 June 2022 TZS '000 Restated
Revenue			
Contribution income	32	86,475,086	86,648,313
Investment income	33	102,426,130	65,250,592
Other income	34	85,974	106,908
Total revenue		188,987,190	152,005,813
Expenses			
Benefits to beneficiaries	35	(23,581,148)	(68,536,272)
Impairment of assets	36	(4,293,321)	(11,360,988)
Investment management expenses	37	(446,404)	(889,581)
Finance Costs	38	(64,592)	(28,849)
Administrative expenses	39	(30,878,866)	(25,555,709)
Total expenses		(59,264,331)	(106,371,399)
Surplus before income tax		129,722,859	45,634,414
Income tax expense	40	(17,018,001)	(10,458,519)
Surplus for the year		112,704,858	35,175,895
Other Comprehensive Income			
Items that will be reclassified to profit or loss			
Unrealized gain on marketable securities-FVOCI	41	1,482,741	6,982,587
Items that will not be reclassified to profit or loss			
Net fair value gain (loss) equity investments	41	(968,013)	2,055,922
Total Other Comprehensive Income		514,728	9,038,509
Total Comprehensive Income for the year		113,219,586	44,214,404

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 30 JUNE 2023

Accumulated Funds	Note	30 June 2023 TZS '000	30 June 2022 TZS '000 Restated
Beginning/Restated Balance		489,548,023	445,333,619
Surplus for the year		112,704,858	35,175,895
Other Comprehensive Income	40	514,728	9,038,509
Change for the year		113,219,586	44,214,404
At the end of the year		602,767,609	489,548,023

*The adjustment in Other Comprehensive Income emanated from Actuarial valuation report conducted for the year ended 30th June 2022, which was completed in June 2023 and the Actuary recommended the capitalization of value of pension for Fund's pension to beneficiaries.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

		30 June 2023	30 June 2022
	Notes	TZS'000	TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received	46	81,845,361	78,891,882
Other income received	46	85,974	106,908
Benefit Paid	46	(13,867,752)	(12,833,445)
Tax Paid	22	(17,616,528)	(15,139,780)
Payments for administrative expenses	46	(29,716,067)	(23,391,013)
Net cash generated from operating activities		20,730,988	27,634,552
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	27&19	(1,325,407)	(942,287)
Proceeds from investment income	46	97,641,758	59,065,128
Investment in Treasury bonds	46	(98,424,600)	(123,283,232)
Investment in Collective scheme	46	2,321,783	46,573,516
Advance towards Unlisted equity shares	46	(29,724)	(1,122,237)
Investment in Fixed Deposits	46	(15,000,000)	-
Investment in Listed equity Shares	46	(4,125,895)	-
Investment in Loans	46	(961,747)	(757,560)
Net cash flow in investing activities		(19,903,832)	(20,466,672)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash flows from repayment of lease liability	46	(533,310)	(4,626,611)
Net cash flows from financing activities		(533,310)	(4,626,611)
(Decrease) / Increase in cash and cash equivalents		293,846	2,541,269
Cash and cash equivalents at start of the year		6,181,955	3,640,686
Cash and cash equivalents at end of the year		6,475,801	6,181,955

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**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 PSSSF Kambarage Tower, 3rd floor, Dodoma.

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

2. COMPARATIVE PERIOD AND FIGURES

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Preparation

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

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

3.2 Presentation currency

The financial statements are presented in 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

The Fund recognises revenue to depict the transfer of promised benefits to its beneficiaries in an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those services. The Fund recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefit will flow to the Fund. The amount of revenue is not considered to be reliably measured until all contingencies relating to transaction have been resolved. The Fund bases its estimates on historical result, taking into consideration the type of transaction and specific of each arrangement.

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 statement of comprehensive income as incurred, based on the estimated liability for compensation. The Fund only discounts pension liabilities, other liabilities for unpaid

claims are not discounted. 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 considers 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 Unlisted equity shares Note 13
- c) Investment properties Note 17
- 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.

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 statement of comprehensive income 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	10%
Computer hardware	20%
Motor vehicles	10%
Software (Intangible Assets)	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.

3.10 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 the statement of comprehensive income. 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.

3.11 Cash and Cash Equivalents

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

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

3.12 Employees' Benefits

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

a) Employees Contribution Plan

The Fund contributes to Public Service Social Security Fund (PSSSF) for its employees on a mandatory basis. The Fund does not have any legal or constructive obligation to pay further contribution to the defined benefit plans or any of the mandatory plans if the plans do not hold sufficient assets to pay benefits relating to employee service in the current and prior year. The contributions are recognised as employee benefit expense when they are due.

b) Terminal Benefits

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

c) Short-term Employees' Benefits

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

3.13 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. 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 evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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) above.

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.

3.15 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 Moody's 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's ratings
2	Placement with other banks	Bank rate as per Moody's ratings
3	Investment in corporate bonds	Government rate as per Moody's ratings for government entities
4	Staff loans and advances	Government rate as per Moody's 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: Step 1: Analysis of the collection of contribution receivables by the time buckets

S/N	Financial asset type	Assumed risk grade
		Step 2: Calculation of the historical loss rates Step 3: Incorporate forward-looking information Step 4: 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.

3.16 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.

3.17 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.

3.18 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.

3.19 Accounts payables

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

3.20 Comparatives

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

3.21 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 2022 (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 definition of material to accounting policy information, an effective date for these amendments is not necessary.	Annual periods beginning on or after 1 January 2023 with earlier application permitted.
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	Annual periods beginning on or after January 1, 2023. Earlier application is permitted

Title	Description	Effective Date
	accounting estimates that occur on or after the start of that period.	
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.

4. SIGNIFICANT 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 assessed 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 2023 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 registered.

g) Capitalized value of pensions

The present value of the capitalized pensions depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations. Other key assumptions for pension obligations are based on current market conditions. In determination of pension capitalisation factor actuarial valuation present value factor tables by age, sex and disability are used.

h) 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 using the data for the financial year ended 30th June 2022 was completed on 31 July 2023. The summary disclosure of the present value of long-term liabilities is in part 2.27 of the Report by those Charged with Governance.

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":

Investment Category	Investment limit as a percentage of Total Investment Portfolio
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

WORKERS COMPENSATION FUND

The Table below represents the worst-case scenario of credit exposure, considering that there is no any collateral held.

Maximum exposure to credit risk as at 30 June 2023

	30 June 2023	30 June 2022
Financial assets	TZS '000	TZS '000
Fixed deposits	30,289,535	15,082,043
Treasury bonds	579,313,164	478,020,249
Corporate bonds	3,513,637	3,653,123
Collective investment scheme	524,854	159,338
Unlisted equity shares	3,629,954	5,575,153
Listed equity shares	23,492,490	18,389,410
Advance towards Unlisted equity shares	1,216,839	1,187,115
Investment receivables	107,768	465
Contributions receivable	46,065,139	74,706,470
Other receivables	480,790	433,670
Loans	7,731,063	6,769,316
Cash and Bank balances	6,475,801	6,181,955
Total	702,841,034	610,158,307

Credit quality of financial assets as at 30 June 2023

	Current	Past due but not impaired	Impaired	Total
Financial assets	TZS '000	TZS '000	TZS '000	TZS '000
Fixed deposits	29,894,308	-	395,227	30,289,535
Treasury bonds	579,313,164	-	-	579,313,164
Corporate bonds	3,469,872	-	43,765	3,513,637
Collective investment scheme	524,854	-	-	524,854
Unlisted equity shares	3,629,954	-	-	3,629,954
Listed equity shares	23,492,490	-	-	23,492,490
Advance towards Unlisted equity shares	1,216,839	-	-	1,216,839
Investment receivables	107,768	-	-	107,768
Contributions receivable	975,962	-	45,089,177	46,065,139
Other receivables	480,790	-	-	480,790
Loans	7,534,934	-	196,129	7,731,063
Cash and Bank balances	5,697,008	-	778,793	6,475,801
Total	656,337,943	-	46,503,091	702,841,034

Credit quality of financial assets as at 30 June 2022

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Financial assets	TZS '000	TZS '000	TZS '000	TZS '000
Fixed deposits	14,765,866	-	316,177	15,082,043
Treasury bonds	478,020,249	-	-	478,020,249
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
Advance towards Unlisted equity shares	1,187,115	-	-	1,187,115
Investment receivables	465	-	-	465
Contributions receivable	1,414,212	-	73,292,259	74,706,470
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
Total	536,303,816	-	73,854,493	610,158,307

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.

WORKERS COMPENSATION FUND

As at June 2023

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	-	-	244,027	30,045,508	30,289,535
Treasury bonds	-	-	19,167,302	560,145,862	579,313,164
Corporate bonds	-	-	13,637	3,500,000	3,513,637
Collective investment scheme	524,854	-	-	-	524,854
Unlisted equity shares	-	-	-	3,629,954	3,629,954
Listed equity shares	-	-	-	23,492,490	23,492,490
Advance towards Unlisted equity shares	-	-	1,216,839	-	1,216,839
Investment receivables	107,768	-	-	-	107,768
Contributions receivable	3,979,552	705,935	3,561,287	37,818,365	46,065,139
Other receivables	-	-	480,790	-	480,790
Loans	-	-	-	7,731,063	7,731,063
Cash and Bank balances	6,475,801	-	-	-	6,475,801
Total	11,087,975	705,935	24,683,882	666,363,242	702,841,034
Liabilities					
Lease Liability	-	-	348,712	567,573	916,285
Payables	-	6,220,432	-	-	6,220,432
Provisions	-	-	5,506,556	-	5,506,556
Pensions	-	-	-	62,482,105	62,482,105
Net liquidity gap	11,087,975	(5,514,497)	18,828,614	603,313,564	627,715,656

WORKERS COMPENSATION FUND

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	14,984,926	15,082,043
Treasury bonds	-	-	17,781,729	460,238,520	478,020,249
Corporate bonds	141,825	-	11,298	3,500,000	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
Advance towards Unlisted equity shares	-	-	1,187,115	-	1,187,115
Investment receivables	-	-	465	-	465
Contributions receivable	7,217,521	2,289,434	3,738,637	61,460,878	74,706,470
Other receivables	-	-	433,670	-	433,670
Loans	-	-	-	6,769,316	6,769,316
Cash and Bank balances	6,181,955	-	-	-	6,181,955
Total	13,700,639	2,289,434	23,250,031	570,918,203	610,157,842
Liabilities					
Lease Liability	-	-	433,898	793,243	1,227,141
Payables	-	9,685,520	-	-	9,685,520
Provisions	-	-	3,325,878	-	3,325,878
Pension	-	-	-	55,610,000	55,610,000
Net liquidity gap	13,700,639	(7,396,086)	19,490,255	514,514,960	540,309,768

The sectoral classification of the Fund's credit exposure by counterpart as at 30 June 2023 is as follows:

Details	Commercial Banks	Central Bank (BoT)	Government Institutions	Corporate Institutions	Tanzania Treasury	WCF Staff
	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
Fixed deposits	30,289,535					
Treasury bonds					579,313,164	
Corporate bonds			3,513,637			
Collective investment scheme			524,854			
Unlisted equity shares	3,629,954					
Listed equity shares				23,492,490		
Advance towards Unlisted equity shares			1,216,839			
Investment receivables			107,768			
Contributions receivable				46,065,139		
Other receivables				480,790		
Loans						7,731,063
Cash and Bank balances	5,820,056	655,745				
Total	39,739,545	655,745	5,363,098	70,038,419	579,313,164	7,731,063

The sectoral classification of the Fund's credit exposure by counterpart as at 30 June 2022 is as follows:

Details	Commercial Banks	Central Bank (BoT)	Government Institutions	Corporate Institutions	Tanzania Treasury	WCF Staff
	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
Fixed deposits	15,082,043					
Treasury bonds					478,020,249	
Corporate bonds			3,653,123			
Collective investment scheme			159,338			
Unlisted equity shares	5,575,153					
Listed equity shares				18,389,410		
Advance towards Unlisted equity shares			1,187,115			
Investment receivables			465			
Contributions receivable				74,706,470		
Other receivables				433,670		
Loans						6,769,316
Cash and Bank balances	4,013,788	2,168,167				
Total	24,670,984	2,168,167	5,000,041	93,529,550	478,020,249	6,769,316

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.

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.

WORKERS COMPENSATION FUND

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 2023:

Description	Carrying amount	Interest bearing	Non-interest bearing
	TZS '000	TZS '000	TZS '000
Financial assets			
Fixed deposits	30,289,535	30,289,535	-
Treasury bonds	579,313,164	579,313,164	-
Corporate bonds	3,513,637	3,513,637	-
Collective investment scheme	524,854	-	524,854
Unlisted equity shares	3,629,954	-	3,629,954
Listed equity shares	23,492,490	-	23,492,490
Advance towards Unlisted equity shares	1,216,839	-	1,216,839
Investment receivables	107,768	47,661	60,107
Contributions receivable	46,065,139	-	46,065,139
Other receivables	480,790	-	480,790
Loans	7,731,063	-	7,731,063
Cash and Bank balances	6,475,801	-	6,475,801
Total financial assets	702,841,034	613,163,997	89,677,037
Financial liabilities			
Payables	12,643,273	-	12,643,273
Pensions	62,482,105	-	62,482,105
Total financial liabilities	75,125,378	-	75,125,378
Net interest sensitivity gap	627,715,656	613,163,997	14,551,659

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

Description	Carrying amount	Interest bearing	Non-interest bearing
	TZS '000	TZS '000	TZS '000
Financial assets			
Fixed deposits	15,082,043	15,082,043	-
Treasury bonds	478,020,249	478,020,249	-
Corporate bonds	3,653,123	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
Advance towards Unlisted equity shares	1,187,115	-	1,187,115
Investment receivables	465	-	465
Contributions receivable	74,706,470	-	1,414,212
Other receivables	433,670	-	433,670
Loans	6,769,316	-	6,769,316
Cash and Bank balances	6,181,955	-	6,181,955
Total financial assets	610,158,307	496,755,415	40,110,634
Financial liabilities			
Payables	14,238,539	-	14,238,539
Pension	55,610,000	-	55,610,000
Total financial liabilities	69,848,539	-	69,848,539
Net interest sensitivity gap	540,309,768	496,755,415	(29,737,905)

At 30 June 2023, an increase/decrease in interest rates by 2% with all other variables held constant would have resulted in an increase/decrease in interest income by TZS 1.36 million (2021/22: TZS 1.19 million).

Details	30 June 2023 TZS'000'	30 June 2022 TZS'000'
Interest income reported	68,209,161	59,412,315
Interest increases by 2%	69,573,344	60,600,561
Gain	1,364,183	1,188,246
Interest income reported	68,209,161	59,412,315
Interest decreases by 2%	66,844,978	58,224,069
Loss	(1,364,183)	(1,188,246)

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.

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.

At 30 June 2023, if the prices of all quoted equity investments and bonds had increased or decreased by 5%, with all other variables held constant, the increase or decrease in assets for the financial year would have been TZS 30.14 million (2021/22: TZS 24.82 million).

Details	30 June 2023 TZS'000	30 June 2022 TZS'000
Quoted equities	23,492,490	18,389,410
Treasury and Corporate Bonds	579,313,164	478,020,249
	602,805,654	496,409,659
Price appreciates by 5%	632,945,937	521,230,142
Gain	30,140,283	24,820,483
Quoted equities	23,492,490	18,389,410
Treasury and Corporate Bonds	579,313,164	478,020,249
	602,805,654	496,409,659
Price depreciates by 5%	572,665,371	471,589,176
Loss	(30,140,283)	(24,820,483)

7. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. A summary of significant accounting policies describes how classes of financial instruments are measured and how income and expenses, including fair value gains are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category.

As at 30 June 2023

Description	Amortized cost TZS '000	At FV through OCI TZS '000	At FV through P&L TZS '000	Total TZS '000
Financial assets				
Fixed deposits	29,894,308	-	-	29,894,308
Treasury bonds	-	579,313,164	-	579,313,164
Corporate bonds	3,469,872	-	-	3,469,872
Collective investment scheme	524,854	-	-	524,854
Unlisted equity shares	-	3,629,954	-	3,629,954
Listed equity shares	-	23,492,490	-	23,492,490
Advance towards Unlisted equity shares	-	1,216,839	-	1,216,839
Investment receivables	107,768	-	-	107,768
Contributions receivable	975,962	-	-	975,962
Other receivables	480,790	-	-	480,790
Loans	7,534,934	-	-	7,534,934
Cash and Bank balances	5,697,008	-	-	5,697,008

WORKERS COMPENSATION FUND

Description	Amortized cost	At FV through OCI	At FV through P&L	Total
Financial liabilities				
Payables and Provision	12,643,273	-		12,643,273
Pension	62,482,105			62,482,105
Total	75,125,378	-		75,125,378

As at 30 June 2022

Description	Amortized cost	At FV through OCI	At FV through P&L	Total
	TZS '000'	TZS '000'	TZS '000'	TZS '000'
Financial assets				
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
Advance towards Unlisted equity shares		1,187,115		1,187,115
Investment receivables	465	-		465
Contributions receivable	1,414,212	-		1,414,212
Other receivables	433,670	-	-	433,670
Loans	6,715,162	-	-	6,715,162
Cash and Bank balances	6,060,606			6,060,606
Total	33,131,889	503,171,928	-	536,303,817
Financial liabilities				
Payables and Provision	14,238,539	-		14,238,539
Pensions	55,610,000			55,610,000
Total	69,848,539	-		69,848,539

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).

As at 30 June 2023

	Fair values			Carrying amount
	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	TZS '000
Financial assets measured at fair values.				
Treasury bonds	579,313,164	-	-	579,313,164
Corporate bonds	3,469,872	-	-	3,469,872
Listed equity shares	23,492,490	-	-	23,492,490
Collective investment scheme	524,854	-	-	524,854
Unlisted equity	-	3,629,954	-	3,629,954
Financial assets for which fair values are disclosed.				
Fixed deposits	-	-	29,894,308	29,894,308
Advance towards Unlisted equity shares	-	-	1,216,839	1,216,839
Investment receivables	-	-	107,768	107,768
Contributions receivable	-	-	975,962	975,962
Other receivables	-	-	480,790	480,790
Loans	-	-	7,534,934	7,534,934
Cash and Bank balances	-	-	5,697,008	5,697,008
Total	606,800,380	3,629,954	45,907,609	656,337,943
Financial liabilities measured at fair value	-	-	-	-
Financial liabilities for which fair values are disclosed				
Payables and Provision	-	-	12,643,273	12,643,273
Pension	-	-	62,482,105	62,482,105
Total	-	-	75,125,378	75,125,378

WORKERS COMPENSATION FUND

As at 30 June 2022

Carrying
amount

	Fair values			
	Level 1	Level 2	Level 3	
	TZS '000	TZS '000	TZS '000	TZS '000
Financial assets measured at fair values.				
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
Financial assets for which fair values are disclosed.				
Fixed deposits	-	-	14,765,866	14,765,866
Advance towards Unlisted equity shares	-	-	1,187,115	1,187,115
Investment receivables	-	-	465	465
Contributions receivable	-	-	1,414,212	1,414,212
Other receivables	-	-	433,670	433,670
Loans	-	-	6,715,162	6,715,162
Cash and Bank balances	-	-	6,060,606	6,060,606
Total	500,151,568	5,575,153	30,577,096	536,303,817
Financial liabilities measured at fair value	-	-	-	-
Financial liabilities for which fair values are disclosed				
Payables	-	-	14,238,539	14,238,539
Pension	-	-	55,610,000	55,610,000
Total	-	-	69,848,539	69,848,539

9. FIXED DEPOSITS

Details	30 June 2023 TZS '000'	30 June 2022 TZS '000'
Principal	30,045,507	14,984,925
Interest Receivable	244,028	97,117
Less: Allowance for Probable Loss	(395,227)	(316,176)
	29,894,308	14,765,866
Maturity analysis		
Maturing up to 3 months	-	-
Maturing 3 to 12 months	29,894,308	14,742,636
	29,894,308	14,742,636

10. COLLECTIVE INVESTMENT SCHEME

	30 June 2023 TZS '000	30 June 2022 TZS '000
Bond Fund	-	52,960
Faida Fund	524,854	-
Liquid Fund	-	106,378
	<u>524,854</u>	<u>159,338</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.

11. TREASURY BONDS

	30 June 2023 TZS '000	30 June 2022 TZS '000
Cost	547,375,889	448,951,288
Interest receivable	19,167,302	17,781,729
Change in Fair Value Cumulatively*	12,769,973	11,287,232
	<u>579,313,164</u>	<u>478,020,249</u>
Maturity analysis		
Maturing up to 3 months	-	-
Maturing 3 to 12 months	19,167,302	17,781,729
Maturing over 12 months	560,145,862	460,238,520
	<u>579,313,164</u>	<u>478,020,249</u>

12. CORPORATE BONDS

	30 June 2023 TZS '000	30 June 2022 TZS '000
5 Years Bonds	3,500,000	3,500,000
Interest Receivable	13,637	153,123
Less: Allowance for Probable Loss (ECL)	(43,765)	(70,553)
	<u>3,469,872</u>	<u>3,582,570</u>
Maturity analysis		
Maturing up to 3 months	-	141,825
Maturing 3 to 12 months	13,637	11,298
Maturing over 12 months	3,456,235	3,429,447
	<u>3,469,872</u>	<u>3,582,570</u>

13. LISTED EQUITY SHARES

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

	30 June 2023	30 June 2022
	TZS '000	TZS '000
At the beginning of year	18,389,410	18,389,410
Additions	4,125,895	-
Disposals	-	-
Fair value changes	977,185	-
At the end of the year	23,492,490	18,389,410

B. Classification by entity

EQUITIES (UNITS OF SHARES)				EQUITIES (MARKET VALUE - TZS '000')			
ENTITY	Shares at 1 July 2022	Addition/(Disposals)	At 30 June 2022	At 1 July 2022	Addition/(Disposals)	Fair value gain/(loss)	At 30 June 2023
Vodacom Tanzania Plc	23,882,350		23,882,350	18,389,410	-	-	18,389,410
CRDB Bank Plc	-	10,857,619	10,857,619	-	4,125,895	977,185	5,103,080
	23,882,350	10,857,619	34,739,969	18,389,410	4,125,895	977,185	23,492,490

14. UNLISTED EQUITY SHARES

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

	30 June 2023	30 June 2022
	TZS '000	TZS '000
At the beginning of year	5,575,153	3,519,230
Fair value adjustment	(2,055,923)	2,055,923
Bonus Shares	110,724	-
At the end of the year	3,629,954	5,575,153

C. Classification by entity

Tanzania Commercial Bank	320,708	1,157,358
Azania Bank Limited	3,309,246	4,417,795
	3,629,954	5,575,153

15. INVESTMENT RECEIVABLES

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Dividend Receivables	60,107	465
Other Investment receivables	47,661	-
	<u>107,768</u>	<u>465</u>

16. ADVANCE TOWARDS UNLISTED EQUITY SHARES

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 1.22 billion 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.

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Balance as at beginning	1,187,115	64,878
Additions during the period	29,724	1,122,237
	<u>1,216,839</u>	<u>1,187,115</u>

17. INVESTMENT PROPERTY

	30 June 2023 TZS '000	30 June 2022 TZS '000
Land Cost	257,000	192,000
Change in Market Value	63,000	65,000
	<u>320,000</u>	<u>257,000</u>

18. CASH AND CASH EQUIVALENTS

	30 June 2023 TZS '000	30 June 2022 TZS '000
Cashbook balance		
NMB Bank Plc. - GePG Account	47,098	233,029
NMB Bank Plc. - Call Account	83,539	812
NMB Bank Plc. - Current Account	-	277,853
Bank of Tanzania	655,745	2,168,167
NBC Bank	(4,673)	
Azania Bank	-	
TCB Bank	168,946	
CRDB Bank - Current Account	(978,358)	(1,681,214)
CRDB Bank Plc. - Call Account	4,676	5,019,910
CRDB Bank - GePG Account	6,498,829	163,397
IFRS 9 Allowance for probable loss	(778,794)	(121,348)
	<u>5,697,008</u>	<u>6,060,606</u>

	30 June 2023 TZS '000	30 June 2022 TZS '000
Net cashbook balances as at 30 June, (excluding allowance for probable loss)	6,475,802	6,181,955
Treasury Bills maturing within 3 months	-	-
Treasury Bonds maturing within 3 months	-	-
Fixed deposits maturing within 3 months	-	-
Cash and cash equivalents as at 31 December	<u>6,475,802</u>	<u>6,181,955</u>

The negative cashbook balance is not an overdraft. The balance is due to excess of payments over receipts in the cashbook the differences is just temporary due to timing differences. The Fund maintains sufficient balance in its bank accounts to ensure that all the maturing obligation are settled while remaining balance is invested.

WORKERS COMPENSATION FUND

19. PREPAYMENTS

	30 June 2023 TZS '000	30 June 2022 TZS '000
Medical bills	74,709	74,709
Supplementary Health Packages	14,093	332,113
GPSA - Motor Vehicle	655,074	267,660
Computers	-	90,961
Prepaid Insurance	41,783	-
Postal rental fee and subscriptions	718	-
Rent Service Charge	15,503	11,811
	<u>801,880</u>	<u>777,254</u>

20. OTHER RECEIVABLES

	30 June 2023 TZS '000	30 June 2022 TZS '000
Salary Advances	392,717	345,597
Rent security deposit	88,073	88,073
	<u>480,790</u>	<u>433,670</u>

21. CONTRIBUTION RECEIVABLES

	30 June 2022 TZS '000	30 June 2022 TZS '000
Private sector contributions	29,276,537	33,884,150
Public sector contributions	1,987,603	31,503,935
Interest Receivables on Contributions	<u>14,800,999</u>	<u>9,318,385</u>
	46,065,139	74,706,470
Less: Allowance for Probable Losses	(45,089,177)	(73,292,258)
	<u>975,962</u>	<u>1,414,212</u>

Management made estimates of the contribution receivable during the year. The main assumptions used in the estimates were that all registered employers existed during from 1 July 2015 to 30 June 2023 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 2023 TZS '000	30 June 2022 TZS '000
0-90 days	4,685,487	9,506,955
91-180 days	1,407,965	1,382,105
181-360days	2,153,322	2,356,532
361 days and above	37,818,365	61,460,878
	<u>46,065,139</u>	<u>74,706,470</u>

Movement in the allowance for doubtful debts

Balance at beginning of the year	73,292,258	125,920,290
Write-Off	(30,139,223)	-
Impairment	1,936,142	(52,628,032)
	<u>45,089,177</u>	<u>73,292,258</u>

During the year under review, the Fund identified contributions receivables that were deemed uncollectible due to various factors and decided to write them off. The write-off has been reflected in the financial statement to ensure the presentation of a true and fair view of the Fund's financial position. Management is committed to minimizing losses by continuously ensuring that all employers are remitting contributions to the Fund timely. The remaining contributions receivables have been assessed for recoverability and the impairment has been recognized. The Fund does not hold any collateral over these balances.

22. INCOME TAX RECEIVABLE

	30 June 2023 TZS '000	30 June 2022 TZS '000
Balance as at beginning	3,666,271	2,594,521
Less: Paid during the period	17,616,528	15,139,780
Add: Charge during the period	(18,355,213)	(14,068,030)
	<u>2,927,586</u>	<u>3,666,271</u>

23. STAFF LOANS

	30 June 2023 TZS '000	30 June 2022 TZS '000
Motor Vehicle Loans	1,249,209	991,354
House Loans	5,047,361	4,592,459
Personal Loans	1,434,493	1,185,503
Less: Allowance for Probable Loss	(196,129)	(54,154)
	<u>7,534,934</u>	<u>6,715,162</u>

24. INVENTORY

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Computer Consumables	56,971	65,768
General Stationary	10,733	13,510
Printing Materials	26,518	53,632
Refreshment	915	3,946
	95,137	136,856

25. DEFERRED TAX ASSETS

Movement in deferred tax asset balances

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Balance as at 1 July 2022	12,088,164	8,466,538
Increase/(decrease)	1,321,524	3,621,626
Balance as at 30 June 2023	13,409,688	12,088,164

26. 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 2023	30 June 2022
Cost	TZS '000	TZS '000
Cost balance as at 1 July	3,426,769	2,030,652
Additions to right-of-use assets	157,863	1,396,117
Disposal during the year	(1,921,472)	-
Closing cost balance as at 30 June	1,663,160	3,426,769
Accumulated Depreciation		
Accumulated Depreciation as at 1 July	(2,153,726)	(1,470,920)
Accumulated depreciated of disposed rights	1,921,472	-
Depreciation charged during the year	(436,864)	(682,806)
Accumulated depreciation as at 30 June	(669,118)	(2,153,726)
Right to Use Assets	994,042	1,273,043
Lease Liability		
Balance at 1 July	1,227,141	584,910
New Lease during the year	156,413	1,396,117
Less: Lease payment (Contractual payment)	(531,861)	(782,735)
Interest expense (Finance Cost)	64,592	28,849
Lease Liability at 30 June	916,285	1,227,141

WORKERS COMPENSATION FUND

27. PROPERTY AND EQUIPMENT

	Computers	Office Equipment	Furniture Fixture & Fittings	Motor Vehicle	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost					
At 1 July 2021	2,583,321	483,267	1,782,049	1,724,740	6,573,377
Additions	585,316	75,411	13,899	-	674,626
At 30 June, 2022	3,168,637	558,678	1,795,948	1,724,740	7,248,003
At 1 July 2022	3,168,637	558,678	1,795,948	1,724,740	7,248,003
Additions	291,080	120,596	-	526,316	937,992
At 30 June 2023	3,459,717	679,274	1,795,948	2,251,056	8,185,995
Accumulated depreciation					
At 1 July 2021	1,288,268	349,901	902,381	1,045,276	3,585,826
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	4,441,950
At 1 July 2022	1,823,574	419,726	1,067,632	1,131,018	4,441,950
Charge for the year	502,630	44,630	145,012	108,987	801,260
At 30 June, 2023	2,326,204	464,356	1,212,644	1,240,005	5,243,210
Net book Value					
At 30 June 2022	1,345,062	138,952	728,316	593,722	2,806,052
At 30 June 2023	1,133,523	214,918	583,304	1,011,051	2,942,785

28. INTANGIBLE ASSETS - COMPUTER SOFTWARE

Cost	30 June 2023	30 June 2022
	TZS '000	TZS '000
At the beginning of year	2,875,444	2,875,444
Additions	-	-
Adjustment	(257,924)	
At the end of year	2,617,520	2,875,444
Amortisation		
At the beginning of year	787,338	499,794
Charge for the year	287,545	287,544
At the end of year	1,074,883	787,338
Impairment of Software	1,478,711	
Net book value at 30 June	63,926	2,088,106

29. OTHER PAYABLES AND ACCRUED EXPENSES

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Stale cheques	837,715	620,083
Benefits payables	4,183,451	3,762,898
Accrued administrative expenses	574,427	1,211,551
Unclaimed monthly pension	37,662	15,234
Other creditors	97,157	435,166
Receipts of deposits from unknown customers	435,581	3,567,413
Retention	54,439	73,175
	6,220,432	9,685,520

30. CLAIMS PROVISION

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Opening balance	3,325,878	3,449,598
Payments during the year	(2,739,496)	(2,561,352)
Increase during the year	4,920,174	2,437,632
	5,506,556	3,325,878

Actuarial Assumptions

- a) Actuarial Valuation Projection on the expected number of claims payable on a particular year is used as the basis to determine the number of claims to be provided for the current year.
- b) This provision includes possible claims Incurred but Not Reported (IBNR) and outstanding claims that have been received by the Fund but are still in process and cost cannot be determined.
- c) This amount has been established by taking into consideration the claims accepted, claims accrued, and claims rejected by the Fund as of 30 June 2023.
- d) Claims reserving was done by considering average benefit payments as of 30 June 2023.
- e) An average annual inflation rate of 4.57% is used as an adjustor to increase the average benefits cost considering inflation on medical cost.

31. CAPITALIZED VALUE OF PENSION

Details	30 June 2023 TZS '000	30 June 2022 TZS '000 RESTATED
Opening Balances	55,610,000	-
Increase in Capitalized value of pension	(212,451)	-
Pension actuarial valuation	11,204,688	55,610,000
Pensions paid during the year	(4,120,132)	-
	<u>62,482,105</u>	<u>55,610,000</u>

Actuarial Assumptions

- a) In determination of pension capitalisation factor, actuarial valuation present value factor tables by age, sex and disability are used.
- b) Active beneficiaries who are receiving monthly pension payments as of June 2023 were considered in the valuation. The Valuation did not consider IBNR cases.
- c) Termination of the monthly pension payments are line with the current requirement of the Workers Compensation Act [Cap.263]

32. CONTRIBUTION INCOME

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Private sector contributions	49,358,236	48,797,457
Public sector contributions	31,509,152	28,532,471
Interest from late contributions payment	5,607,698	9,318,385
	<u>86,475,086</u>	<u>86,648,313</u>

33. INVESTMENT INCOME

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Interest from fixed deposits	878,152	752,553
Interest from call account	214,530	75,726
Gain on Proceed from sell of bonds	30,301,335	3,234,261
Interest from Treasury bonds	66,784,939	58,113,816
Interest from Corporate bonds	331,540	470,220
Dividend income	1,077,965	743,686
Gain in exchange rates	60,582	13,672
Change in Market Value of Lands	63,000	65,000
Capital gain from Collective Investment schemes	2,687,299	1,781,658
Impairment Release Corporate Bonds	26,788	-
	<u>102,426,130</u>	<u>65,250,592</u>

34. OTHER INCOME

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Service charges	84,386	84,570
Miscellaneous income	1,588	22,338
	<u>85,974</u>	<u>106,908</u>

35. BENEFIT EXPENSES

	30 June 2023	30 June 2022
	TZS '000	TZS '000
		RESTATED
Benefit administration costs	759,251	741,049
Medical aids	3,101,211	2,805,696
Temporary disablement	1,020,050	1,090,470
Permanent disablement	2,231,114	2,059,626
Funeral grants	14,600	10,800
Capitalised value of pension from actuarial valuation	11,204,688	58,986,582
Rehabilitation Services	12,428	-
Medical Advisory	317,632	404,417
Claims Provision	4,920,174	2,437,632
	<u>23,581,148</u>	<u>68,536,272</u>

WORKERS COMPENSATION FUND

There is a significant increase in benefit expenses. Previously, the value of pensions was not capitalized in the financial statements. The Fund has now recorded the capitalized value of pensions for the first time following the advice from the Actuary/ILO. This adjustment has been applied retrospectively, and comparative figures for the previous period have been restated accordingly.

36. IMPAIRMENT OF ASSETS

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Debtors and Receivables	1,936,142	11,319,172
Bank balances (Note 18)	657,444	36,310
Staff loans (Note 23)	141,974	3,855
Fixed deposits (Note 9)	79,050	1,651
Computer Software (Note 28)	1,478,711	
	<u>4,293,321</u>	<u>11,360,988</u>

37. INVESTMENT MANAGEMENT EXPENSES

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Industrial projects expenses	201,227	465,596
Investment Training and Workshops	60,709	96,972
Site visits, meetings & Investment forums	95,011	250,719
Brokerage and Commissions	62,017	-
Other investment expenses	27,440	76,294
	<u>446,404</u>	<u>889,581</u>

38. FINANCE COSTS

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Lease Interest expense	64,592	28,849
	<u>64,592</u>	<u>28,849</u>

39. ADMINISTRATIVE EXPENSES

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Staff costs [Note 39(A)]	14,185,852	12,752,232
Printing and stationery	223,412	135,952
Stakeholders' education and public awareness	784,922	538,635
Board Expenses	376,952	172,618
Communication and Postage	563,527	510,994
Audit fees	200,000	180,000
Welfare	3,421,994	1,897,856
Compliance expenses	1,803,729	992,805
Repairs and maintenance	1,203,792	1,058,266
Training and conferences	418,675	481,663
Rent and Service charge	663,109	441,718
Depreciation Expense lease	436,864	682,806
General office expenses	287,983	273,486
Donations	426,188	285,630
Depreciation and amortisation	1,088,803	1,143,669
Other administrative expenses	4,793,064	4,007,379
Total	30,878,866	25,555,709

39 (A): STAFF COSTS

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Salaries and allowances	12,552,054	11,209,609
Contribution to Social Security Institutions	1,633,798	1,542,623
	14,185,852	12,752,232

40. INCOME TAX EXPENSE

	30 June 2023 TZS '000	30 June 2022 TZS '000
A: Amount recognised in statement of comprehensive income		
Current year	18,355,213	14,068,030
Changes in estimate relating to previous years	-	-
	18,355,213	14,068,030
Deferred tax		
Origination and reversal of temporary differences	(1,321,524)	(3,621,626)
Adjustments relating to previous years	(15,688)	12,115
Income tax expense reported in the statement of comprehensive income	17,018,001	10,458,519
B: Reconciliation of income tax expense and tax on accounting profit		
Surplus before tax	129,722,859	45,634,414
Tax calculated at rate of 30%	38,916,858	13,690,324
Non-deductible expenses for tax purpose:		
Tax effect on disallowed administrative expenses	5,425,983	4,712,198
Tax effect on Impairment Loss Allowances	1,287,996	3,408,296
Tax effect on disallowed depreciation charge	240,378	256,837
Tax effect on disallowed amortization of lease	131,059	204,842
Tax effect on disallowed amortization of software	86,263	86,263
Tax effect on disallowed Benefit expenses	7,228,762	(2,722,059)
Tax effect on deductible depreciation allowance	(104,669)	(99,244)
Tax effect on release impairment of financial assets	(8,036)	-
Tax effect on valuation adjustment	(997,682)	(3,269,651)
Tax effect on dividend income	(146,578)	(223,106)
Tax effect on deferred tax	(1,337,213)	(3,609,511)
Tax effect on office rent incurred	(95,729)	(108,865)
Tax effect on exempt amount	(7,666,866)	(1,867,805)
Tax effect on income not subject to tax	(25,942,525)	(25,994,494)
Income tax expense	17,018,001	10,458,519

41. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	30 June 2023	30 June 2022
	TZS '000	TZS '000
Unrealized gain on marketable securities-FVOCI	1,482,741	6,982,587
Change in value listed equity investments	977,186	-
Change in value of unlisted equity investments	(1,945,199)	2,055,922
	<u>514,728</u>	<u>9,038,509</u>

Included in other comprehensive income is TZS 1.48 billion which represents changes in prices of treasury bonds as at 30th June 2023 (2022: gain of TZS 6.98 billion).

The loss of TZS 968.01 million was as follows; TZS 977.19 million resulted from increase in market value of CRDB shares, while the loss of TZS 1,945.20 million resulted from decrease in value of shares of Azania and TCB Bank.

42. RELATED PARTY TRANSACTIONS

42.1 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 2023	30 June 2022
	TZS'000	TZS'000
Senior management - salaries	2,109,830	2,109,830
Senior management - contribution to defined benefit schemes	254,189	254,189
Trustee's fees and allowances	102,000	82,792
	<u>2,466,019</u>	<u>2,446,811</u>

Compensation of the Fund's key management personnel includes salaries and contributions to the post-employment defined benefit plan. During the period ended 30 June 2023 the number of senior managements was 11.

a) Key management personnel transactions

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

43. 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	Kinondoni
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.

44. 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.

45. EVENTS SUBSEQUENT TO FINANCIAL YEAR

At the date of signing the financial statements, the Trustees are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the financial statements of the Fund.

46. CASH FLOW RECONCILIATION

Details	Note	30 June 2023 TZS '000"	30 June 2022 TZS '000"
Contribution Received			
Contribution Income	32	86,475,086	86,648,313
Change in Receipts of deposits from unknown customers	29	(3,131,832)	-
Change in Contribution Receivables	21	28,641,330	(7,756,431)
Contributions Write Off	21	(30,139,223)	-
Contribution Received		81,845,361	78,891,882
Other Income Received			
Other Income	34	85,974	106,908
Benefit Paid			
Benefit Expenses	35	23,581,148	68,536,272
Change in Capitalized Value of Pension	31	(6,872,105)	(55,610,000)
Change in Stale Cheque, Benefit payable, Unclaimed monthly pension and claims provision	29,30	(2,841,291)	(92,827)
Benefit Paid		13,867,752	12,833,445
Proceeding from Investment Income			
Investment Income (excluding loss in exchange, capital gain and change in market value of equities)	33	99,588,463	63,390,262
Investment Expenses	37	(446,404)	(431,591)
Change in Interest receivable; Fixed Deposit, Treasury Bonds, Corporate Bonds and Dividend	9,11, 12,15	(1,500,301)	(3,893,543)
		97,641,758	59,065,128
Payment for administrative expenses			
Admin Expenses (excluding depreciation)	39	29,353,199	23,729,235
Change in Prepayment, inventory and Other Receivables	19,24, 20	(373,076)	8,257
Change in accrued admin Exp, Retention, and Other creditors	29	735,944	(346,479)
		29,716,067	23,391,013
Investment in Treasury bonds			
Closing balance (excluding interest receivables)	11	547,375,889	448,951,288
Opening balance (excluding interest receivables)	11	(448,951,289)	(325,668,056)
		98,424,600	123,283,232
Investment in Collective Scheme			
Change in Bond Fund	10	(52,960)	8,194,403
Change in Liquid Fund	10	(106,378)	36,597,456
Change in Faida Fund	10	524,854	-
Capital Gain	33	(2,687,299)	1,781,657
		(2,321,783)	46,573,516
Investment in Fixed Deposit			
Closing balance	9	29,984,925	14,984,925
Opening balance	9	(14,984,925)	(14,984,925)
		15,000,000	-
Investment in Loans			
Closing balance	23	7,731,063	6,769,317

WORKERS COMPENSATION FUND

Details		30 June 2023	30 June 2022
	Note	TZS '000"	TZS '000"
Opening balance	23	(6,769,316)	(6,011,757)
		961,747	757,560
Cash flow from lease and other liabilities			
Change in Lease Liability	26	(533,310)	(4,626,611)
		(533,310)	(4,626,611)
Advance towards Unlisted equity shares			
Closing balance	16	1,216,839	1,187,115
Opening balance	16	(1,187,115)	(64,878)
		29,724	1,122,237
Investment in Listed equity Shares			
Closing balance	13	(23,492,490)	18,389,410
Opening balance	13	18,389,410	18,389,410
Change in Market Value	41	977,185	-
		(4,125,895)	-