HE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF THE SECONDARY EDUCATION
DEVELOPMENT PROGRAM (SEDP II) IDA CREDIT
NO.4748-TZ FOR THE YEAR ENDED 30th JUNE, 2016

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National Audit Office of Tanzania,
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11101 DAR ES SALAAM.

December, 2016

AR/SEDP II/2015/2016
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1.0 GENERAL INFORMATION

1.1. Mandate
The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and in Sect. 10 (1) of the Public Audit Act No.11 of 2008 the Controller and Auditor General is the statutory auditor of all Government revenues and expenditures including the revenues and expenditures of the Secondary Education Development Program (SEDP II) IDA Credit No.4748-ZT.

1.2. Vision, Mission and Core Values

Vision
To be a centre of excellence in public sector auditing.

Mission
To provide efficient audit services in order to enhance accountability and value for money in the collection and use of public resources.

Core Values
In providing quality services, NAO is guided by the following Core Values:
✓ Objectivity: We are an impartial organization, offering services to our clients in an objective and unbiased manner;
✓ Excellence: We are professionals providing the highest quality audit services based on best practices;
✓ Integrity: We observe and maintain the highest standards of ethical behaviour and the rule of law;
✓ People focus: We focus on our stakeholders’ needs by building a culture of good customer care and having competent and motivated work force;
✓ Innovation: We are a creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization and
✓ Best resource utilisation: We are an organisation that values and uses public resources entrusted to it in an efficient, economic and effective manner.

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

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1.3 Project Background Information

1.4 Brief history of the establishment of the Program

The Secondary Education Development Programme (SEDP) is a long term Government programme developed within the context of Education Sector Development Programme (ESDP). It is implemented into phases of five years each, whereby phase one was implemented between 2004 and 2009 and phase two which is implemented between 2010 and 2015 is on progress.

The overall goal of the SEDP is to increase the proportion of Tanzanian children completing secondary education with acceptable learning outcome.

To achieve the intended goal second phase of SEDP (2010 - 2015) focuses more on the following five priority areas:

(a) Improvement of Quality and Relevance:
(b) Enhancement of Access and Equity:
(c) Improvement of the Teaching Force and Teaching Process:
(d) Improving Management Efficiency and Good Governance: and
(e) Institutionalization of Cross-cutting Issues:

World Bank Support to Secondary Education Development Programme II (SEDP II)

The World Bank financial support to SEDP II has been planned through an overlapping three phase 10-year Adaptable Program Loan (APL) as follows:

APL I Objective (2010 - 2015) will be to improve the quality of secondary education with the focus on the underserved areas. The intermediate outcomes by the project are expected through implementation of four main components namely:

1. Upgrading existing school infrastructure with the objective of increasing the number of secondary schools meeting the minimum infrastructure standards requirement targeting to have 1,200 full functional secondary schools including construction, rehabilitation and completion works and associated support for supervision of works and furnishing of: (i) classrooms and; (ii) science laboratories; (iii) teachers residences; (iv) latrines; (v) water supply; and (vi) electricity supply (through the grid or solar power).

2. Improving the equitable provision of teachers and the quality of teaching in mathematics, science and languages and better teaching practices as follows:
(i) Improve equity in the distribution of teachers by providing a package of incentives for teachers for taking up posts in hard to reach locations and schools consisting of: (a) a one off settling-in allowance; and (b) housing.

(ii) Enhance the quality of instruction in mathematics, sciences and languages, including through: (a) monitoring and regulation of teacher supply; (b) providing enhanced science teaching facilities at teacher education institutions; and (c) providing a bridging course for new entrants to science teacher training.

(iii) Improve teaching delivery through attendance management, in-service teacher training and continuous professional development, management training for heads of Schools and a certification study to develop a roadmap for the professionalization of School teachers.

3. Ensure adequate financing to secondary schools and improving utilization of resources with the objective of ensuring that resources to public secondary schools for the purchase of teaching and learning materials are provided adequately, disbursed in a timely manner and monitored effectively. The implementation target include attaining a 1:1 student-textbook ratio in the sciences (Biology, Chemistry and Physics), mathematics and languages (English and Kiswahili)

(i) Support capacity building activities for Regional, LGAs and Schools staff to enable them to manage the grants according to guideline

(ii) Monitor schools expenditures to ensure that resources are delivered to schools and expended with LGAs endorsement.

4. Capacity building and technical assistance to implement reforms. Providing capacity building support and technical assistance to Educational Management Information System (EMIS), TIE, NECTA, ADEM and EMAC to implement current and future reforms as follows:

(i) Expand the education management information system (EMIS).

(ii) Strengthen the institutional capacity of the Recipient’s Education Sector Agencies and of the staff of MEST and PMO-RALG to deliver quality education.

(iii) Evaluate text-book management and strengthen institutional capacity of relevant agencies for cost effective textbook provision, procurement and regulation.

(iv) Provide operating costs for the efficient implementation, monitoring and Evaluation of the Project.
1.5 Project Financing

The project main source of financing is the Government of Tanzania (GOT) and the World Bank IDA Credit No. 4748-TZ.

According to the Financing Agreement between Government of Tanzania (GOT) and International Development Association (IDA), contributions from IDA have to be deposited into the Designated Account maintained by the Accountant General at the Bank of Tanzania.

After receiving the Notification on the receipt of funds from IDA, the MEST/PMO-RALG and LGA has to request the Accountant General to transfer funds from Designated Account to SEDP account for the implementation of the project activities.

During the year under review, the project management reported a total funds available amounting to TZS.44,880,131,601 being contribution of the International Development Association (IDA). The Government of Tanzania (GOT) did not contribute to the project a local component as agreed.

The amount comprised opening balance of TZS.31,728,915,851 and receipts for the year was TZS.13,151,213,750 reported as follows:

<table>
<thead>
<tr>
<th>Source of funds</th>
<th>Amount (TZS) 2015/2016</th>
<th>%</th>
<th>Amount (TZS) 2014/2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance Local and Designated Account (1,241,578,143 + 30,487,337,708)</td>
<td>31,728,915,851</td>
<td>71</td>
<td>26,604,645,327</td>
<td>21</td>
</tr>
<tr>
<td>Government Contribution</td>
<td></td>
<td></td>
<td>19,876,864,000</td>
<td>15</td>
</tr>
<tr>
<td>Designated Account (IDA)</td>
<td>13,151,213,750</td>
<td>29</td>
<td>82,758,394,100</td>
<td>64</td>
</tr>
<tr>
<td>Total fund available</td>
<td>44,880,131,601</td>
<td>100</td>
<td>129,239,103,427</td>
<td>100</td>
</tr>
</tbody>
</table>


1.6 Management of the Project

Secondary Education Development Programme II (SEDP II) is headed by the Permanent Secretary - MEST and the project has Coordination Team (PCT) formed by the members from MEST and PMO-RALG, having the overall responsibility for preparation of the annual financial statements and performing the day to day monitoring and evaluation of planned activities of the project.

1.7 Audit Objectives

To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

Office of the Controller and Auditor General AR/SEDP II /2015/2016
1.7 **Audit Scope**

The audit was carried out in accordance with the, the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of Secondary Education Development Program (SEDP II) IDA Credit NO.4748-TZ.

The audit was conducted on a sample basis; therefore the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management’s attention and actions, are set out in the management letter issued separately to the Accounting Officer.

As auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the project management.

1.9 **Audit Methodology**

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the project internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- Follow up on the implementation of the previous year's audit findings and recommendations to ensure that proper action has been taken in respect of all matters raised.
2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: The Permanent Secretary,
Ministry of Education, Science and Technology,
P.O. Box 9121,
7 Magogoni Street,
11479 DAR ES SALAAM.


Introduction
I have audited the financial statements of the Secondary Education Development Program (SEDP II) IDA Credit NO.4748-TZ which comprises of the statement of Receipts and Payments as at 30th June, 2016 its cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory information attached as Annexure I to this audit report.

Management's Responsibility for the Financial Statements
Management of the project is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), 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 as per the Statement of Management responsibility on the Financial Statements. Attached in Annexure II

Responsibility of the Controller and Auditor General
My responsibility as an auditor is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with, International Standards of Supreme Audit Institutions (ISSAIs) and such other procedures I considered necessary in the circumstances. These standards require that, I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making the risk assessments, I considered internal control system relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. The audit also includes evaluating the
The appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Sect. 10 (2) of the PAA No.11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.

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

Unqualified Opinion
In my opinion, the financial statements present fairly, in all material respects, the Statement of Receipts and Payments of the Secondary Education Development Program (SEDP II) IDA Credit No.4748-TZ for the year ended 30th June, 2016 and its Cash Flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) cash basis of accounting and the project document.

Other Matters
Without qualifying my audit opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:

Unsettled Contractors’ Claims TZS.10,247,227,295
There are outstanding contractors’ claims amounting to TZS.10,247,227,295 of which TZS 6,100,000,000 is total claims by contractors in Councils and TZS 4,147,227,395 is total claims by contractors within the Ministry of Education, Science and Technology.
Report on Other Legal and Regulatory Requirements
In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, the Secondary Education Development Program (SEDP II) IDA Credit NO.4748-TZ procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No.7 of 2011 and its underlying Regulations of 2013.

Prof. Musa J. Assad
CONTROLLER AND AUDITOR GENERAL

December, 2016

Copy: The Chief Secretary,
State House,
P.O. Box 9120,
1 Barack Obama Road
11400 DAR ES SALAAM

Permanent Secretary and Paymaster General,
Ministry of Finance,
P.O. Box 9111,
1 Madaraka Street
11468 DAR ES SALAAM.

Permanent Secretary,
President’s Office - Regional Administration and Local Government,
P.O. Box 1392,
DODOMA.

Country Director,
World Bank,
P.O. Box 2054,
DAR ES SALAAM.
STATEMENT OF MANAGEMENT RESPONSIBILITY

These financial statements have been prepared by the management of Secondary Education Development Program in accordance with the provisions of Section 25(4) of the Public Finance Act No 6 of 2001 (revised 2004). The financial statements comply with generally accepted accounting practices as required by the said Act and are presented in a manner consistent with the International Public Sector Accounting Standards (IPSAS).

The management of Secondary Education Development Program is responsible for establishing and maintaining a system of effective Internal Control designed to provide reasonable assurance that the transactions recorded in the accounts are within the statutory authority and that they contain the receipt and use of all public financial resources by Secondary Education Development Program.

To the best of my knowledge, the systems of Internal Control has operated adequately throughout the reporting period and that the Accounts and underlying records provide a reasonable basis for the preparation of the Financial Statements for the 2015/2016 financial year.

I accept responsibility for the integrity of the financial statement, the information it contains, and its compliance with the Public Finance Act No 6 2001 (revised 2004) and the instructions issued by the Treasury in respect of the year under review.

TARISHI M. K
PERMANENT SECRETARY
DECLARATION OF THE HEAD OF FINANCE AND ACCOUNTING UNIT

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

It is the duty of a Professional Accountant to assist the Management to discharge the responsibility of preparing financial statement of the Ministry showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standard and Statutory financial reporting requirement. Full legal responsibility for the preparation of financial statement rests with management as under Management responsibility statement on page 11.

I Rose Gerald Waniha being the Head of Finance and Accounting in the Ministry of Education, Science and Technology hereby acknowledge my responsibility of ensuring that financial statement for the year ended 30th June 2016 have been prepared in compliance with applicable accounting standard and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of The Ministry of Education, Science and Technology as on date and that they have been prepared based on properly maintained financial records.

Signed by: [Signature]

Position: CHIEF ACCOUNTANT

NBAA Membership No. ACRA-1249

Date: 13-12-2016
COMMENTARY ON THE FINANCIAL STATEMENTS

1. INTRODUCTION

The report provides a review of the financial position of the SEDP II for the year 2015/16. The Ministry implemented the project basing on the action plan as agreed by the World and in accordance with the Medium Term Expenditure Framework (MTEF).

The action plan intended to increase the number of fully functional schools that are able to provide a better quality learning environment and ultimately help achieve the long-term program objective of improving student learning outcomes.

2. EXCHEQUER ISSUES

During the period under review, an implementation of activities was properly executed. The project was allocated TZS 13,151,213,750.00 from the World Bank. The whole amount was released from the World Bank through Ministry of Finance.

The Government of Tanzania, however, continued to contribute its part in support of Education the form of free education.

3. AUDITORS

By virtue of the provision of Article 143 of the Constitution of the United Republic of Tanzania, Schedule 2 Section II (B) (3) of the Financing Agreement for the implementation of Secondary Education Development Programme of 17 June 2010 and Section II of the Public Audit Act No 11 of 2008, the Controller and Auditor General is the statutory Auditor of the Secondary Education Development Programme.

ROSE G. WANIHA
CHIEF ACCOUNTANT

ROSE ACEN UPOR
NATIONAL PROJECT COORDINATOR

DATE 21/12/2016

DATE 13/12/16
## MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

SECONDARY EDUCATION DEVELOPMENT PROGRAMME PHASE II
STATEMENT OF RECEIPTS AND PAYMENTS

<table>
<thead>
<tr>
<th>RECEIPTS</th>
<th>NOTE</th>
<th>2015/2016</th>
<th>2014/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance b/f</td>
<td>7</td>
<td>1,241,578,142.99</td>
<td>330,611,992.29</td>
</tr>
<tr>
<td>GoI Contributions</td>
<td></td>
<td>0.00</td>
<td>19,876,864,000.00</td>
</tr>
<tr>
<td>IDA Credit - LGAs</td>
<td></td>
<td>0.00</td>
<td>67,825,584,000.00</td>
</tr>
<tr>
<td>IDA Credit-</td>
<td>9</td>
<td>13,151,213,750.00</td>
<td>14,932,810,100.00</td>
</tr>
<tr>
<td>TOTAL RECEIPTS</td>
<td></td>
<td>14,39,2791,892.99</td>
<td>102,965,870,092.29</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PAYMENTS</th>
<th></th>
<th>2015/2016</th>
<th>2014/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOEVT - DEPOSIT + DEV</td>
<td>8</td>
<td>9,065,262,249.71</td>
<td>10,891,941,574.00</td>
</tr>
<tr>
<td>LGAs - GOVT</td>
<td></td>
<td>0.00</td>
<td>19,876,864,000.00</td>
</tr>
<tr>
<td>LGAs - IDA</td>
<td></td>
<td>0.00</td>
<td>67,825,584,000.00</td>
</tr>
<tr>
<td>PO-RALG</td>
<td>10</td>
<td>3,330,273,750.00</td>
<td>3,129,902,375.30</td>
</tr>
<tr>
<td>NECTA</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>TOTAL PAYMENTS</td>
<td></td>
<td>12,395,535,999.71</td>
<td>101,724,291,949.30</td>
</tr>
</tbody>
</table>

| CLOSING BALANCE               |      | 1,997,255,893.28| 1,241,578,142.99|

ROSE G. WANIHA
CHIEF ACCOUNTANT

ROSE ACEN UPOR
NATIONAL PROJECT COORDINATOR

DATE 13/12/2016

DATE 13/12/16
# MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2016**

## SECONDARY EDUCATION DEVELOPMENT PROGRAMME PHASE II

### STATEMENT OF CASH FLOW

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2015/2016 TZS</th>
<th>2014/2015 TZS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash inflow from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RECEIPTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Got Contribution-Direct to LGAs</td>
<td>0.00</td>
<td>19,876,864,000.00</td>
</tr>
<tr>
<td>IDA Credit - LGAs</td>
<td>0.00</td>
<td>67,825,584,000.00</td>
</tr>
<tr>
<td>IDA Designated Account-Exchequer</td>
<td>9</td>
<td>13,151,213,750.00</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td><strong>13,151,213,750.00</strong></td>
<td><strong>102,635,258,100.00</strong></td>
</tr>
<tr>
<td>PAYMENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MOEVT - DEPOSIT + DEV</td>
<td>8</td>
<td>9,065,262,249.71</td>
</tr>
<tr>
<td>LGAs - GOVT</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>LGAs - IDA</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>PO-RALG</td>
<td>10</td>
<td>3,330,273,750.00</td>
</tr>
<tr>
<td>NECTA</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total Payments</strong></td>
<td><strong>12,395,535,999.71</strong></td>
<td><strong>101,724,291,949.30</strong></td>
</tr>
<tr>
<td>Net Cashflow from Operating Activities</td>
<td></td>
<td>755,677,750.29</td>
</tr>
<tr>
<td>Cashflow from Investing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cashflow from Investing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange gain/loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash flow from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase/(Decrease) in Cash</td>
<td></td>
<td>755,677,750.29</td>
</tr>
<tr>
<td>Cash at the beginning of the year</td>
<td></td>
<td>1,241,578,142.45</td>
</tr>
<tr>
<td>Cash at the end of the year</td>
<td></td>
<td>1,997,255,892.74</td>
</tr>
</tbody>
</table>

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ROSE G. WANIHA  
CHIEF ACCOUNTANT  
DATE 13/12/2016

ROSE ACEN UPOR  
NATIONAL PROJECT COORDINATOR  
DATE 13/12/16
NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the requirements of Public Finance Act No. 6 of 2001, and comply with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting.

The accounting policies have been applied consistently throughout the period.

2. REPORTING ENTITY

The financial statements are for the SEDP II. The financial statements encompass the reporting entity as specified in the PAD.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Project's financial statements requires management to make judgments, estimates and assumptions that affect the disclosed amounts of assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

Judgments

In the process of applying the Project's accounting policies, no judgments have been made by management, apart from those involving estimations, which has the most significant effect on the amounts disclosed in the financial statements:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the disclosed amounts of assets and liabilities
within the next financial year are liabilities regarding utilities such as telephone, water and electricity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These are the specific principles, bases, conventions, rules and practices adopted by the Ministry in preparing and presenting the financial statements.

(a) Reporting Period

The reporting period for these financial statements is the financial year of the Government, which runs from 1 July 2015 to the 30 June 2016.

The Budget forecast is the original forecast as amended by subsequent supplementary budgets for the year as appropriated by Parliament.

(b) Reporting currency and translation of foreign currencies

Functional and presentation currency

The functional and reporting currency is the Tanzanian Shilling, which is the legal tender of the Government of the United Republic of Tanzania. Items included in the financial statements are measured in the currency of the primary economic environment in which the entity operates.

Translation of transactions in foreign currency

Foreign currency transactions are translated into Tanzanian shillings using the exchange rates prevailing at the dates of the transactions. Foreign missions and entities that predominantly transact in foreign currencies translate transactions at average monthly exchange rates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.

(c) Cash and cash equivalent
Cash comprises cash on hand and demand deposits. Demand deposits consist of balances with banks. The Ministry has no cash equivalent.

For the purpose of cash flow statement, cash, comprise cash on hand, deposits money held with individual department within the Ministry

**Unspent cash balances**

In accordance with the requirement of the Public Finance Act No. 6 of 2001, unspent cash balances by government entities at the end of the financial year are returned to the Consolidated Fund in the course of the following financial year.

**(d) Employee benefits**

Employee benefits include salaries, pensions and other related-employment costs. Employee benefits are recognized when paid. The PCT is constituted by the members from the MOEST and PO-RALG who are paid their salaries and other fringe benefits from the Government of the United Republic of Tanzania.

SEDP Employee benefits include per diem and other related-employment

Benefit excluding sitting allowances. Employee benefits are recognized when paid.

**(e) Exchequer Issue**

These are moneys received from the Consolidated Fund upon the authority of a warrant under the hand of the Paymaster-General addressed to the Accountant-General.

**(f) External Assistance**

External assistance received by the Project in form of loans and grants. Grants are recognized as income when received.

**(g) Transfers**

These are funds received/ transferred from/to other Government entities, agencies or other third parties.

**(h) Expenses**
In general, expenditure is recognized when cash is paid.

(i) Comparatives

To ensure consistency with the current period, comparative figures have been restated where appropriate.

(j) Exchange Rates

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions.

(k) Event after the reporting date

The cash balances shown in the financial statements are transferred to Exchequer Account with Paymaster General in the Treasury.

5. RISK MANAGEMENT

The Project is subject to a number of financial risks which arise as a result of its debt portfolios, investment funds and transactions with foreign and domestic suppliers, and is responsible for ensuring appropriate risk management strategies and policies are in place within any mandate provided by legislation.

Liquidity risk

Financial management risks relate to the availability of adequate funding for the Project operations. The chief risk in this area is that demand for our services might put excessive pressure on our budget. Risks encompassing the entire scope of general financial management, Potential factors to consider include; Cash flow adequacy and management thereof; financial losses; Wasteful expenditure; Budget allocations; Financial statement integrity; Revenue collection; and Increasing operational expenditure.

Economic Environment Risk
Risks related to Project’s economic environment. Factors to consider include: Inflation and Foreign exchange fluctuations.

**Political environment Risk**

Risks emanating from political factors and decisions that have an impact on the Project’s mandate and operations, possible factors to consider include: political pressure; Local, Provincial and National elections; and Changes in office bearers.

**Human resources Risk**

Risks that relate to human resources of the Project, these risks can have an effect on the Project’s human capital with regard to: Integrity and honesty; Employee wellness; Employee relations; Retention.

**Procurement Risk**

Risks relating to the Ministry’s material resources, possible aspects to consider include: Availability of material; Costs and means of acquiring / procuring resources; and the wastage of material resources.

Controls in place are as Transparency method, identifying the needs, developing specifications, contract documents, negotiating the contract, management the contract, Evaluating offers, identifying the preferred supplier and selecting a procurement method e.g. NCB, ICB, single source.

**People Capability Risk**

Capability risks relate to the ability of our staff to deliver consistently high-quality services to all our clients.

**Mitigating**
To train accounting staff in IFRs disbursement procedures to gain skills and experience, continue to implement our leaders’ and Directors’ strategy for building capability.

NOTE NO 6: OPENING BALANCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance b/d</td>
<td>23,249,616.99</td>
</tr>
<tr>
<td>Receipts during the year</td>
<td>12,110,270,096.00</td>
</tr>
<tr>
<td>Funds available</td>
<td>12,133,519,716.99</td>
</tr>
<tr>
<td>Expenditure</td>
<td>10,891,941,574.00</td>
</tr>
<tr>
<td>BALANCE</td>
<td>1,241,578,142.99</td>
</tr>
</tbody>
</table>

NOTE NO 7: CLOSING BALANCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance b/d</td>
<td>1,241,578,142.99</td>
</tr>
<tr>
<td>Receipts during the year</td>
<td>9,820,940,000.00</td>
</tr>
<tr>
<td>Funds available</td>
<td>11,062,518,142.99</td>
</tr>
<tr>
<td>Expenditure</td>
<td>9,065,262,249.71</td>
</tr>
<tr>
<td>BALANCE</td>
<td>1,997,255,893.28</td>
</tr>
</tbody>
</table>

1. CLOSING BALANCES OF TZS 1,997,255,893.28 INCLUDES
   - TZS 755,677,750 the funds that remained while closing the financial year and transferred to PMG.

2. EXPENDITURE OF TZS 9,065,262,249.71 includes the following amount which has not been audited because the funds have not been paid to-date:
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

<table>
<thead>
<tr>
<th>PV NO</th>
<th>PAYEE</th>
<th>AMOUNT TZS</th>
</tr>
</thead>
<tbody>
<tr>
<td>046VC15002619</td>
<td>M5SOICOM &amp; GENERAL TRADING</td>
<td>522,000.00</td>
</tr>
<tr>
<td>046VC15002613</td>
<td>PS/ MOEST</td>
<td>748,766,300.00</td>
</tr>
<tr>
<td>046VC15002646</td>
<td>MS/ AZAM MEDIA LTD</td>
<td>471,000.00</td>
</tr>
<tr>
<td>046VC15002612</td>
<td>PS/ MOEST</td>
<td>130,000,000.00</td>
</tr>
<tr>
<td>046VC15002611</td>
<td>PS/ MOEST</td>
<td>600,000,000.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>1,479,759,300</td>
</tr>
</tbody>
</table>

3. INSTITUTIONS BALANCES

TANZANIA INSTITUTE OF EDUCATION - TIE

<table>
<thead>
<tr>
<th>Balance b/d</th>
<th>300,000,000.09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts during the year</td>
<td>1,450,000,000.00</td>
</tr>
<tr>
<td>Funds available</td>
<td>1,750,000,000.00</td>
</tr>
<tr>
<td>Expenditure</td>
<td>839,210,781.00</td>
</tr>
<tr>
<td>BALANCE</td>
<td>910,789,219.00</td>
</tr>
</tbody>
</table>

NATIONAL EXAMINATION COUNCIL OF TANZANIA

<table>
<thead>
<tr>
<th>Balance b/d</th>
<th>300,000,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts during the year</td>
<td>1,200,000,000.00</td>
</tr>
<tr>
<td>Funds available</td>
<td>1,500,000,000.00</td>
</tr>
<tr>
<td>Expenditure</td>
<td>149,341,405.90</td>
</tr>
<tr>
<td>BALANCE</td>
<td>1,350,658,595.00</td>
</tr>
</tbody>
</table>
AGENCY FOR THE DEVELOPMENT OF EDUCATION MANAGEMENT - ADEM

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance b/d</td>
<td>300,000,000.00</td>
</tr>
<tr>
<td>Receipts during the year</td>
<td>600,000,000.00</td>
</tr>
<tr>
<td>Funds available</td>
<td>900,000,000.00</td>
</tr>
<tr>
<td>Expenditure</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>BALANCE</strong></td>
<td><strong>900,000,000.00</strong></td>
</tr>
</tbody>
</table>

**NOTE 8. IDA FUNDS FUND SENT TO MOEVt AND PMO-RALG**

<table>
<thead>
<tr>
<th>DATE</th>
<th>EXCHEQUER NO</th>
<th>INSTITUTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-August-2015</td>
<td>Eb/AG/159/15/0183</td>
<td>MOEVt</td>
<td>4,500,000,000.00</td>
</tr>
<tr>
<td>31-August-2015</td>
<td>056/Eb/AG/159/0225</td>
<td>PO - RALG</td>
<td>3,330,273,750.00</td>
</tr>
<tr>
<td>16-February-2016</td>
<td>Eb/AG/159/15/961</td>
<td>MOEVt</td>
<td>5,320,540,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>13,151,213,750.00</strong></td>
</tr>
</tbody>
</table>

**09. PMO – CASH BALANCES AT 30TH JUNE 2016**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance b/d 01st July 2015</td>
<td>0.00</td>
</tr>
<tr>
<td>Receipts During the Year</td>
<td>3,330,273,750.00</td>
</tr>
<tr>
<td>Funds available</td>
<td>3,330,273,750.00</td>
</tr>
<tr>
<td>Expenditure</td>
<td>3,330,273,750.00</td>
</tr>
<tr>
<td><strong>Balance 30th June 2016</strong></td>
<td><strong>0.00</strong></td>
</tr>
</tbody>
</table>
10. OUTSTANDING LIABILITIES

The total claims from contractors claims in the various Councils is TZS 6,100,000,000, however the following is a list of various contractors owing the project from the Ministry of Education Science and Technology.

**MINISTRY OF EDUCATION**

<table>
<thead>
<tr>
<th>S/N</th>
<th>NAME</th>
<th>AMOUNT TZS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PAMELA MUTABAZI</td>
<td>34,834,000.00</td>
</tr>
<tr>
<td>2</td>
<td>PAMELA MUTABAZI</td>
<td>17,416,942.00</td>
</tr>
<tr>
<td>3</td>
<td>DR FELICIAN MUTASA</td>
<td>62,501,602.00</td>
</tr>
<tr>
<td>4</td>
<td>HYDROPLAN</td>
<td>827,393,643.72</td>
</tr>
<tr>
<td>5</td>
<td>qD CONSULT</td>
<td>689,555,420.00</td>
</tr>
<tr>
<td>6</td>
<td>ARQES AFRICA</td>
<td>854,269,404.29</td>
</tr>
<tr>
<td>7</td>
<td>SIMPLY COMPUTERS (T) LTD</td>
<td>21,800,983.31</td>
</tr>
<tr>
<td>8</td>
<td>CLIMATE CONSULT LIMITED</td>
<td>792,215,300.00</td>
</tr>
<tr>
<td>9</td>
<td>SKY ARCHITECT</td>
<td>847,240,000.00</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>4,147,227,295</strong></td>
</tr>
</tbody>
</table>

11. DESIGNATED ACCOUNT

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>Actual June 30th 2016 USD</th>
<th>Actual June 30th 2016 TSHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance</td>
<td>15,165,588.82</td>
<td>30,487,337,708.08</td>
</tr>
<tr>
<td>Receipt from IDA</td>
<td>3,861,446.41</td>
<td>12,345,679,416.88</td>
</tr>
<tr>
<td>Amount Disbursed</td>
<td>5,336,291.55</td>
<td>13,151,213,750.00</td>
</tr>
<tr>
<td>Closing Balance</td>
<td>13,690,743.68</td>
<td>29,681,803,374.96</td>
</tr>
</tbody>
</table>

**NOTE:**

Exchange rate Tshs 2,168.0198/US$ of 30 June 2016