THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS OF THE STRENGTHENING
PRIMARY HEALTH CARE FOR RESULTS PROGRAM (SPHCRP)
FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2018

Controller and Auditor General,
National Audit Office,
16 Samora Machel Avenue,
P.O. Box 9080,
11101 Dar es Salaam, Tanzania.
Tel: 255 (022) 2115157/8,
Fax: 255 (022) 2117527
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

December, 2018
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Abbreviations

CAG  Controller and Auditor General
ISSAIs  International Standards of Supreme Audit Institutions
IPSAS  International Public Sector Accounting Standards
PAA  Public Audit Act No.11 of 2008
PAR  Public Audit Regulation, 2009
MDAs  Ministries, Departments and Agencies
PAC  Public Accounts Committee
PFA  Public Finance Regulations,
PPA  Public Procurement Act, 2011
PPR  Public Procurement Regulations, 2013
SPHCRP  Strengthening Primary Health Care for Results Program
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.

1.2. Vision, Mission and Core Values

Vision
To be a highly regarded Institution that excels in Public Sector Auditing.

Mission
To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

Core Values
In providing quality services, NAO is guided by the following Core Values:
✓ Objectivity: We are an impartial public institution, offering audit services to our clients in unbiased manner.
✓ Excellence: We are professionals providing high quality audit services based on standards and best practices.
✓ Integrity: We observe and maintain high standards of ethical behavior, rule of law and a strong sense of purpose.
✓ People focus: We value, respect and recognize interest of our stakeholders.
✓ Innovation: We are a learning and creative public institution that promotes value added ideas within and outside the institution.
✓ Results Oriented: We are an organization that focuses on achievement based on performance targets.
✓ Team work Spirit: We work together as a team, interact professionally, share knowledge, ideas and experiences.

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

© This audit report is intended to be used by Government Authorities. However, upon receipt of the report by the Speaker and once tabled in Parliament, it becomes a public record and its distribution may not be limited.
1.3. 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.

1.4. Audit Scope
The audit was carried out in accordance with 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 the Strengthening Primary Health Care for Results Program.

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 Strengthening Primary Health Care for Results Program.

As an 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 management of the Strengthening Primary Health Care for Results Program.

1.5. 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 entity's 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 and directives issued by PAC to ensure that proper action has been taken in respect of all matters raised.
2.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Accounting Officer,
President’s Office Regional Administration and Local Government,
P. O. Box 1923; DODOMA.

Report on the Audit of the Financial Statements for the financial year ended 30\textsuperscript{th} June, 2018

Unqualified Opinion
I have audited the accompanying Financial Statements of the Strengthening Primary Health Care for Results Program (SPHCRP), which comprise the Statement of Financial Position as at 30\textsuperscript{th} June, 2018 and the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity, the Cash Flow Statement and the Statement of Comparison of Budget and Actual amounts for the year then ended, as well as the Notes to the Financial Statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the Financial Position of the Strengthening Primary Health Care for Results Program (SPHCRP) as at 30\textsuperscript{th} June, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual basis of accounting and in the manner required by the Public Finance Act, 2001 revised 2004.

Basis for Opinion
I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report. I am independent of the Strengthening Primary Health Care for Results Program (SPHCRP) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Tanzania, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Information Other than the Financial Statements and Auditor’s Report Thereon

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters to communicate in my report.

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 IPSASs, 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.

Auditor’s Responsibilities 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 auditor’s 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.

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 audited entity has complied
with the provisions of the Law and its Regulations.

Report on Other Legal and Regulatory Requirements
Compliance with the Public Procurement Act, 2011
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, Strengthening Primary Health Care for Results
Program (SPHCRP) 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.

Salhina M. Mkumba
Ag. CONTROLLER AND AUDITOR GENERAL

31st December, 2018

National Audit Office of Tanzania,
P.O. Box 9080,
11101 Dar es Salaam, Tanzania.
Tel: 255 (022) 2115157/8
Fax: 255 (022) 2117527
Email: ocag@nao.go.tz

Copy to: The Chief Secretary,
State House,
P.O. Box 9120,
1 Barack Obama Road,
11400 DAR ES SALAAM.
Permanent Secretary,
Ministry of Finance and Planning,
Treasury Square Building,
18 Jakaya Kikwete Road,
P.O. Box 2802,
DODOMA.

World Bank Representative,
50 Mirambo Street,
P.O. Box 2054,
DAR ES SALAAM.
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Introduction

1.0 Background:

The government of Tanzania in collaboration with the World Bank through International Development Association (IDA) has formulated a Strengthening Primary Health Care For Results Program (SPHCRP) that implemented by the Ministry of Health, Community Development, Gender, Elderly and Children (MoHCDEC) together with President's Office – Regional Administration and Local Government (PO-RALG).

1.2 Project Development Objective

Assist the Government of the United Republic of Tanzania in improving the quality of Primary Health Care (PHC) services nation-wide with a focus on Maternal, Neonatal and Child Health (MNCH) services across districts and enhancing the quality of health services being delivered

1.3 Project Descriptions.

National Key Result Areas (NKRAs)

Component 1 – Performance Management: To improve health workers' performance including: (i) a stepwise accreditation scheme for all PHC facilities in the country ("Star Rating" initiative) which has both nation-wide assessment and a subsequent facility improvement program (including incentives) to help facilities improve their performances and star ratings; (ii) implementation of the Decentralization by Devolution Policy by empowering Health Facilities to plan, budget and manage revenue in line with the Health-Cost Sharing Guidelines; (iii) performance contracts and targets at individual health worker levels; and (iv) social accountability mechanisms

Component 2 – Human Resources for Health: To improve the distribution of skilled PHC workers especially in Targeted Regions in Tanzania including: (i) increasing PHC employment permits for such regions; (ii) engaging the private sector to provide skilled HRH for public health facilities through PPPs; (iii) redistributing health care workers within regions; and (iv) optimizing the pool of new recruits through "bonding" policy or compulsory attachments

Component 3 – Health Commodities: To improve the availability of essential medicines in PHC facilities including: (i) introducing new governance and accountability mechanisms; (ii) developing new finance and business model for Medical Stores Department (MSD); (iii) engaging private sector in procurement and distribution, (iv) implementing quality improvement initiatives for inventory management; and (v) using innovative information and communication technology to report stock-outs.

Component 4 – Maternal, Neonatal and Child Health: To improve the coverage and quality of MNCH along the continuum of care, with Selected Regions of the
**DEFINITION OF TERMS AND ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>SPHCRP</td>
<td>Strengthening Primary Health Care For Results Program</td>
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<tr>
<td>BEmONC</td>
<td>Basic Emergency Obstetric and Neonatal Care</td>
</tr>
<tr>
<td>CEmONC</td>
<td>Comprehensive Emergency Obstetric and Neonatal Care</td>
</tr>
<tr>
<td>MOFP</td>
<td>Ministry of Finance &amp; Planning</td>
</tr>
<tr>
<td>GoT</td>
<td>Government of Tanzania</td>
</tr>
<tr>
<td>RHMT</td>
<td>Regional Health Management Team</td>
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<tr>
<td>RBF</td>
<td>Results Based Financing</td>
</tr>
<tr>
<td>PO-RALG</td>
<td>President's Office - Regional Administration and Local Government</td>
</tr>
<tr>
<td>MoHCDEC</td>
<td>Ministry of Health, Community Development, Gender, Elderly and Children</td>
</tr>
<tr>
<td>PHC</td>
<td>Primary Health Care</td>
</tr>
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<td>MNCH</td>
<td>Maternal, Neonatal and Child Health</td>
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<td>NKRAs</td>
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<td>SBUs</td>
<td>Strategic Business Units</td>
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<td>RS</td>
<td>Regional Secretariat</td>
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<tr>
<td>EIN</td>
<td>Exchequer Issue Notification</td>
</tr>
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<td>FY</td>
<td>Financial Year</td>
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<tr>
<td>QIP</td>
<td>Quality Implementation Plan</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>PAD</td>
<td>Project Appraisal Document</td>
</tr>
<tr>
<td>IPSAs</td>
<td>International Public Sector Accounting Standards</td>
</tr>
<tr>
<td>SWA\p</td>
<td>Sector – Wide Approach</td>
</tr>
<tr>
<td>TZS</td>
<td>Tanzanian Shillings</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
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country receiving priority focus, including: (i) ensuring dispensaries and health centers meet Basic Emergency Obstetric and Neonatal Care (BEmONC) requirements; (ii) expanding Comprehensive Emergency Obstetric and Neonatal Care (CEmONC) to selected hospitals and health centers; (iii) strengthening the corresponding satellite blood banks which serve facilities with CEmONC; and (iv) extending 6 MNCH services to communities through the use of community health workers (CHWs) and awareness campaigns.

1.4 Results Based Financing (RBF) scheme

The SPHCRP project was designed to operate in a five years consecutively upon the signing of the agreement in August 2015 – 2020. Depending on the agreement the PO RALG has a direct role to the component IV and shared role with MoHCDEC in component I, II & III since the project is implemented in a District that owned by PO RALG.

The GOT has developed a RBF scheme which will be used to pay facilities based on their performance which will be incentivized under DLI 3. This scheme provides quarterly incentive payment to PHC facilities according to their levels of achievement of a set of performance indicators which are independently verified. Phase 1 of the roll-out of this scheme aims to cover at least 7 regions by 2020. The scheme’s implementation and institutional arrangements will be mainstreamed into current government structures and are as follows:

- As parts of its regulatory mandate, MOHCDEC will be responsible for developing RBF related policies, guidelines and tools as well as providing clinical and technical oversight and supervision for RBF implementation. In the Department of Policy and Planning of MOHCDEC, a national RBF team has been established to oversee the implementation and roll out of the scheme on a day-to-day basis.

- The National Health Insurance Fund (NHIF) as the largest public health insurer in Tanzania will carry out the role of purchaser. The NHIF will enter into agreements with providers of health and/or management services, of a specified quality.

- In RBF regions, eligible participants include public facilities and select private facilities in areas where service gaps exist or with whom service agreements are already in place for select services. They also need to pass a minimum readiness threshold through a facility assessment. Council and regional health management teams as well as Medical Stores Department (MSD) and their Strategic Business Units (SBUs) will also be paid performance-based incentives.

- To ensure that payment will be based on accurate results, verification will be carried out prior to payment by a Regional Administrative Secretariat (RAS) identified team. This verification team will consist of representatives of RHMT, the regional NHIF office as well as civil society organizations to ensure transparency and prevent possible conflicts of interest. Once a year the Controller
Auditor General Office will counter-verify the verified results on a sample basis and penalize the verification team if deemed necessary.

- Performance-based payment will be made on a quarterly basis by the Ministry of Finance and Planning (the fund holder) directly into each participating entity’s bank account.

- The President’s Office - Regional Administration and Local Government (PO-RALG) will play a vital role as facilitator to ensure local government authorities function effectively and to provide assistance, guidance and supervision to health facilities, councils and regional secretariats.

1.5 Development Partners (Financers):
Word Bank finance this project. Funds for SPHCR are channeled through two different accounts managed by implementing partners. Two holding accounts are in BOT and others TZS account in a commercial bank. For the case of PO RALG TZS account is in CRDB – Dodoma branch to facilitate day to day operation of the project. Those two accounts are managed by the accounting officer of the PO RALG.

Word Bank deposit funds to USD holding account, the deposited amount transferred to Development revenue account of the Treasury and then transferred to PO-RALG through the exchequer system.

1.6 Approved Budget, Fund released, payments and balances
During the year under review, Opening balance 1st July, 2017 amounted to TZS 407,545,35. TZS 15,000,000,000.00 were approved and TZS 27,047,811,103 (ie 180%) were disbursed. Total Expenditure was TZS 26,967,508,407.59. Unspent balance for this financial year was TZS 53,859,239.38 of which Tzs 7,755,324.00 was surrendered to PMG. (Refer Note 7 on page 19)
UNITED REPUBLIC OF TANZANIA
PRESIDENT’S OFFICE – REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
STRENGTHENING PRIMARY HEALTH CARE FOR RESULT (SPHCR) FINANCIAL STATEMENTS FY 2017/18

1.7 Improvement and Achievements:
- Preparation of Project implementation report both financial and physical progress report for the year ending June 2018.
- Facilitated preparation of annual FY 2017/18 Income and expenditure statement for LGA’s and RS. The report is in place for preparation of IFR to be submitted to World Bank.
- Facilitate supportive supervision to Shinyanga, Mwanza, Pwani, Tabora, Simiyu and Kagera Regions.
- Coordination meeting at National Levels (steering committees and verification meeting at Regional levels have been conducted.
- Incentives for RS, RHMT and LGAs and follow up rehabilitation of Health Centers was done
- Prepare and submit financial request to Hazina in favor of the Shinyanga Rs, Mwanza Rs, Pwani Rs, Tabora, Geita, Kigoma, Kagera and Simiyu for 3rd Qtr based on the assessment result.
- Procurement of office furniture and laptops is on progress, funds are committed, payment will be done upon the delivery
- The office has been participated in different regular RBF coordination meetings and steering committee including preparation of the budget meetings

1.8 Challenges
- Insufficient fund for coordination of the SPHCRP activities; and
- Delay of funds disbursement to implement activities under Strengthening Primary health care for Result PO RALG component.
- Treasury unable to pay direct to facilities bank account

Way Forward
- PO-RALG will ensure effectively scoring of the agreed indicators at all level.
- Continue discussions and writing to MoFP to ensure timely and direct facility disbursement.
These financial statements have been prepared by the management of the PO RALG in accordance with the provisions of section 25 (4) of the Public Finance Act No 6 of 2001. 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 (IPSASs).

The management of the PO–RALG 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 and that they contain the receipt and use of all public financial resources by the PO-RALG.

To the best of my knowledge, the system 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 2017/2018 Financial year.

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

Mussa I. Iyombe
Accounting Officer

21/11/2018
DATE
3.0 STATEMENT OF DECARATION OF THE HEAD OF FINANCE FOR THE PERIOD ENDED
30TH JUNE, 2018

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

It is the duty of a Professional Accountant to assist the Management of PO-RALG to discharge
the responsibility of preparing the 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. Full legal responsibility for the
preparation of financial statements rests with the Management as per Statement of Management
Responsibility.

I, Melton E. Nyella being the Head of Finance/Accounting of the President’s Office – Regional
Administration and Local Government hereby acknowledge my responsibility of ensuring that
financial statements for the year ended 30th June, 2018 have been prepared in accordance with
applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of the SPHCRP
implemented by the President’s Office – Regional Administration and Local Government as on
that date and that they have been prepared based on properly maintained financial records.

Signed By: [Signature]
Position: [Position]
NBAA Membership No. NBAA/GA No: 1552
Date: [Date]
4.0 AUDITORS
The Controller and Auditor General (CAG) is the statutory auditor for the project pursuant to the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (Amended 2005), Section 9-12 of the Public Audit Act, 2008 and Public Finance Act No. 6 of 2001 (Amended 2004).
## 5.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

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<tr>
<th>NOTES</th>
<th>2017/18</th>
<th>2016/17</th>
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<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td>Tzs</td>
<td>Tzs</td>
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<tr>
<td>Current Assets</td>
<td>46,103,914.98</td>
<td>407,546.35</td>
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<tr>
<td>Cash and Cash Equivalent</td>
<td>4,705,300.00</td>
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<tr>
<td>Receivables and Prepayments</td>
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<tr>
<td>Total Current Assets</td>
<td>50,809,214.98</td>
<td>407,546.35</td>
</tr>
<tr>
<td><strong>Non Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Plant and Equipment</td>
<td>28,351,002.54</td>
<td></td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>28,351,002.54</td>
<td></td>
</tr>
<tr>
<td>Total Non Current Assets</td>
<td>79,160,217.52</td>
<td>407,546.35</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>1,500,000.00</td>
<td></td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>1,500,000.00</td>
<td></td>
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<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets/Equity</td>
<td>77,660,217.52</td>
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<tr>
<td>Capital contributed by Reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated Surplus/Deficit</td>
<td>79,160,217.52</td>
<td>407,546.35</td>
</tr>
</tbody>
</table>

**PREPARED BY:**
Mauma, James G.
PROJECT ACCOUNTANT
Date: 27/12/2018

**APPROVED BY:**
Melton E. Nyella
CHIEF ACCOUNTANT

**CERTIFIED BY:**
Dr. Athumani Pembe
PROGRAM COORDINATOR
Date: 27/12/2018
### 6.0 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2018

<table>
<thead>
<tr>
<th>Revenue</th>
<th>NOTES</th>
<th>2017/18</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received during the year</td>
<td>5</td>
<td>27,047,811,103.42</td>
<td>443,345,000.00</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
<td><strong>27,047,811,103.42</strong></td>
<td><strong>443,345,000.00</strong></td>
</tr>
<tr>
<td>Expenditures</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff allowances</td>
<td>6 (i)</td>
<td>342,293,052.83</td>
<td>348,417,000.00</td>
</tr>
<tr>
<td>Supplies and Consumables</td>
<td>6 (ii)</td>
<td>64,977,052.30</td>
<td>78,520,454.65</td>
</tr>
<tr>
<td>Indirect and Overheads</td>
<td>6 (iii)</td>
<td>412,324.89</td>
<td>16,000,000.00</td>
</tr>
<tr>
<td>Transfer to LGAs</td>
<td>6 (v)</td>
<td>26,558,362,188.37</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>9</td>
<td>1,463,789.20</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td></td>
<td><strong>26,967,508,407.59</strong></td>
<td><strong>442,937,454.65</strong></td>
</tr>
<tr>
<td>Surplus/ Deficit for the Period</td>
<td></td>
<td><strong>80,302,695.83</strong></td>
<td><strong>407,545.35</strong></td>
</tr>
</tbody>
</table>

**PREPARED BY:** Mauma, James G.  
**PROJECT ACCOUNTANT**  
Date: 27/12/2018

**APPROVED BY:** Melton E. Nyella  
**CHIEF ACCOUNTANT**  
Date: 27/12/2018

**CERTIFIED BY:** Dr. Athumani Pembe  
**PROGRAM COORDINATOR**  
Date: 27/12/2018
### 7.0 STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30TH JUNE 2018

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2016/17</th>
<th>TZS</th>
<th>TZS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revaluation Surplus</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Accumulated Surplus/Deficit</td>
<td>407,545.35</td>
<td>407,545.35</td>
<td>407,545.35</td>
<td>407,545.35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>407,545.35</td>
<td>407,545.35</td>
<td>407,545.35</td>
<td>407,545.35</td>
</tr>
<tr>
<td><strong>Net assets/Equity at 1 July 2017</strong></td>
<td>407,545.35</td>
<td>407,545.35</td>
<td>407,545.35</td>
<td>407,545.35</td>
</tr>
<tr>
<td>Restated balance</td>
<td>407,545.35</td>
<td>407,545.35</td>
<td>407,545.35</td>
<td>407,545.35</td>
</tr>
<tr>
<td><strong>Surplus/Deficit for the year</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Balance as at 30th June 2018</strong></td>
<td>80,710,241.18</td>
<td>80,710,241.18</td>
<td>80,710,241.18</td>
<td>80,710,241.18</td>
</tr>
</tbody>
</table>

**PREPARED BY:**

Maumna, James G.

PROJECT ACCOUNTANT

Date: 27/12/2018

**APPROVED BY:**

Melton E. Nyella

CHIEF ACCOUNTANT

Date: 27/12/2018

**CERTIFIED BY:**

Dr. Athumani Pembe

PROGRAM COORDINATOR

Date: 27/12/2018
### 8.0 CASH FLOW STATEMENT FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2018

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>2017/18</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipt</td>
<td>27,047,811,103.42</td>
<td>443,345,000.00</td>
</tr>
<tr>
<td>Fund Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td>342,293,052.83</td>
<td>348,417,000.00</td>
</tr>
<tr>
<td>Staff allowances</td>
<td>63,477,052.30</td>
<td>78,520,454.65</td>
</tr>
<tr>
<td>Supplies and Consumables</td>
<td>412,324.89</td>
<td>16,000,000.00</td>
</tr>
<tr>
<td>Indirect and Overheads</td>
<td>26,548,362.88</td>
<td></td>
</tr>
<tr>
<td>Transfer to LGAs</td>
<td>26,964,544,618.39</td>
<td>442,937,454.65</td>
</tr>
<tr>
<td><strong>Total payments</strong></td>
<td>83,266,485.03</td>
<td>407,545.35</td>
</tr>
<tr>
<td><strong>Net cash flow from Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of Assets(Equipment)</td>
<td>29,814,791.00</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow from investing activities</strong></td>
<td>29,814,791.00</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Increase/Decrease in cash and Cash Equivalent</strong></td>
<td>53,451,684.03</td>
<td>407,545.35</td>
</tr>
<tr>
<td>Less: Cash to be surrendered to Paymaster General</td>
<td>7,755,324.40</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and Cash equivalent at the beginning</strong></td>
<td>407,545.35</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and Cash equivalent at the end of the year</strong></td>
<td>46,103,914.98</td>
<td>407,545.35</td>
</tr>
</tbody>
</table>

**PREPARED BY:** Mauma, James G.  
**PROJECT ACCOUNTANT**  
**Date:** 27/12/2018

**CERTIFIED BY:** Dr. Athumani Pembe  
**CHIEF ACCOUNTANT**  
**PROGRAM COORDINATOR**  
**Date:** 27/12/2018
<table>
<thead>
<tr>
<th>Cash Inflows</th>
<th>Actual Amount (A)</th>
<th>Final Budget (B)</th>
<th>Original Budget (C)</th>
<th>Budget Difference (C-B)</th>
<th>Fund Difference (B-A)</th>
<th>TZS</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
<td>27,047,811,103.45</td>
<td>15,000,000,000.00</td>
<td>15,000,000,000.00</td>
<td>-</td>
<td>(12,047,811,103.45)</td>
<td></td>
<td>More fund for rehabilitations of Health Centres was received from Donors</td>
</tr>
<tr>
<td>Total Receipts</td>
<td>27,047,811,103.45</td>
<td>15,000,000,000.00</td>
<td>15,000,000,000.00</td>
<td>-</td>
<td>(12,047,811,103.45)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Outflows</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Allowances</td>
<td>342,293,052.83</td>
<td>542,293,052.83</td>
<td>542,293,052.83</td>
<td>-</td>
<td>200,000,000.00</td>
<td>200,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Supplies and Consumables</td>
<td>63,477,052.30</td>
<td>64,977,052.30</td>
<td>64,977,052.30</td>
<td>-</td>
<td>1,500,000.00</td>
<td>1,500,000.00</td>
<td></td>
</tr>
<tr>
<td>Indirect Overheads</td>
<td>412,324.89</td>
<td>260,412,324.89</td>
<td>260,412,324.89</td>
<td>-</td>
<td>105,502,778.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipments</td>
<td>29,814,791.00</td>
<td>132,317,569.98</td>
<td>132,317,569.98</td>
<td>-</td>
<td>(12,558,362,188.40)</td>
<td></td>
<td>All additional fund from Donors were transferred to LGAs for rehabilitations of Health Centres</td>
</tr>
<tr>
<td>Transfer to LGAs</td>
<td>26,558,362,188.40</td>
<td>14,000,000,000.00</td>
<td>14,000,000,000.00</td>
<td>(12,994,399,109.42)</td>
<td>53,451,694.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditure during the year</td>
<td>26,994,399,109.42</td>
<td>15,000,000,000.00</td>
<td>15,000,000,000.00</td>
<td>(11,994,399,109.42)</td>
<td>53,451,694.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td>53,451,694.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PREPARED BY: Mauma, James G.  
APPROVED BY: Melton R. Nyella  
CERTIFIED BY: Dr. Athuman Pembe

PROJECT ACCOUNTANT  
CHIEF ACCOUNTANT  
PROGRAM COORDINATOR
10.0 NOTES TO THE FINANCIAL STATEMENTS

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

Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

The Accounting policies have been applied consistently throughout the period.

STATEMENT OF COMPLIANCE
The Financial Statement of the SPHCRP have been prepared in accordance with International Public Sector Standards (IPSAS) and comply with the Public Finance Act 2001.

1.2 AUTHORIZATION DATE
The financial statement was authorized for issue/publication on 30th December, 2018.

1.3 REPORTING ENTITY
The financial statements are for the SPHCRP. The financial statements encompass the reporting entity as specified in the PAD.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
The accounting policies adopted are consistent with those of the previous Financial Year.

1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES & ASSUMPTION:

1.4.1 Judgments:
1.4.2 In the process of applying the project's financial statement 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.

1.4.2 Estimates and Assumptions:
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have 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.
2. 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 1st July, 2017 to the 30th June, 2018.

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 Shillings, 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 Transaction 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 transaction 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 of balances with banks. For the purposes of cash flow statement, cash, comprise cash in hand, deposits money held with individual project.

(d) Exchequer Issue:
These are moneys received from the consolidated fund upon the authority of warrant under the hand of the Paymaster-General addressed to the Accounting Officer. SPHCRP fund are transferred from MoFP to PO-RALG through Developments account.
(e) External Assistance:
External assistance received by the project in form of grants. Grants are recognized as revenue when received.

(f) Transfer:
These are the funds received/transferred from/to other Government entities, agencies or other third parties.

(g) Property, Plant and Equipment
The project has adopted the provision of Section 95 of IPSAS 17 Property, Plant and Equipment (PPE). The PPE is stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated on straight line method basis over the useful life of the asset. The annual rates of depreciation which are applied based on Government policy are as defined below:

<table>
<thead>
<tr>
<th>No.</th>
<th>Asset Category</th>
<th>Estimated Useful life Yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Plant and Machinery</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>Furniture and Fittings</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Office Equipment</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Motor vehicles light duty (Below 5 tons)</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Computer (Desk tops and laptops)</td>
<td>4</td>
</tr>
</tbody>
</table>

(h) Payments:
In general, payment is recognized when expenditure occurred.

(i) Comparatives:
To ensure consistency with the current period, figures have been restated where appropriate.

(j) Exchange Rates:
Foreign currency transactions are translated into Tanzania Shillings using the exchange rated prevailing at the dated of the transaction.
3. 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 risk related 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; Receipts collection, and increasing operational expenditure.

Economic Environment Risk:
Risks related to projects economic environment. Factors to consider include; Inflation and Foreign exchange fluctuations.

Political Environment Risk:
Risk emanating from political factors and decisions that have an impact on the project mandates and operations, possible factors to consider include: Political pressure; Local Provincial and National elections; and changes in the office bearers.

Human Resources Risk:
Risks that related to human resources of the project, these risks can have an effect on the projects human capital with regard to integrity and honesty; Employee wellness, employee relations, retention.

Procurement Risk:
Risks relating to the Ministry’s materials 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, negotiation the contract, management the contract. Evaluating offers identifying the preferred supplier and selecting a procurement method e.g. NCB, ICB, single sources.
People Capability Risk
Capability risk relate to the ability of our staffs to deliver consistently high-quality services to all clients.

Mitigating:
To train accounting staffs in IPSAs disbursement procedures to gain skills and experience, continue to implement our leaders' and Directors' strategy for building capability.
NOTE 4:
Opening balance:

<table>
<thead>
<tr>
<th>Descriptions</th>
<th>2017/2018 (TZS)</th>
<th>2016/2017 (TZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>407,545.35</td>
<td>0</td>
</tr>
</tbody>
</table>

NOTE 5:
Funds received:
Total fund received during this Financial Year was **TZS. 27,047,811,103.42** as follows;

(i) 03rd October, 2017 TZS. **443,345,000.00** was received via Exchequer Issue No.056/EB/AG/159/17/0862,

(ii) 05th January, 2018 TZS. **500,000,000.00** was received via Exchequer Issue No.056/EB/AG/159/17/0928,

(iii) 27th June, 2018 TZS. **26,104,466,103.42** was received via Exchequer Issue No.056/EB/AG/159/17/1838.

<table>
<thead>
<tr>
<th>Descriptions</th>
<th>2017/2018 (TZS)</th>
<th>2016/2017 (TZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Received</td>
<td>27,047,811,103.42</td>
<td>443,345,000.00</td>
</tr>
</tbody>
</table>

NOTE 6:
Expenditures:
Expenditures during the year 2017/2018 amounted to **TZS 26,967,508,407.59**

(i) Staff Allowances

- Meetings: 189,329,406.78
- Perdiem Domestic: 83,972,350.00
- Supervision: 68,991,296.05
- Total: 342,293,052.83

(ii) Supplies and Consumables

- Food & Refreshments: 28,172,542.38
- Office Consumables: 16,606,946.13
- Conference facility: 1,500,000.00
- Vehicle Maintenance: 18,697,563.79
- Total: 64,977,052.30

(iii) Indirect and Overheads

- Telephone, Postal & Internet: 412,324.89

(iv) Equipments
UNITED REPUBLIC OF TANZANIA  
PRESIDENT'S OFFICE – REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT  
STRENGTHENING PRIMARY HEALTH CARE FOR RESULTS (SPHCR) FINANCIAL STATEMENTS FY 2017/18

> Computer & Photocopy 14,405,501.00  
> Furnitures 15,409,290.00  
> 29,814,791.00

(v) Fund Transfers  
> Health Transfers to LGAs 26,558,362,188.49

<table>
<thead>
<tr>
<th>Descriptions</th>
<th>2017/2018 (TZS)</th>
<th>2016/2017 (TZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Allowances</td>
<td>342,293,052.83</td>
<td>348,417,000.00</td>
</tr>
<tr>
<td>Supplies and Consumables</td>
<td>64,977,052.30</td>
<td>78,520,454.65</td>
</tr>
<tr>
<td>Indirect and Overheads</td>
<td>412,324.89</td>
<td>16,000,000.00</td>
</tr>
<tr>
<td>Equipments</td>
<td>29,814,791.00</td>
<td>0</td>
</tr>
<tr>
<td>Fund Transfers</td>
<td>26,558,362,188.49</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>26,994,359,409.39</td>
<td>442,937,454.65</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2017/2018 (TZS)</th>
<th>2016/2017 (TZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalent</td>
<td>53,859,239.38</td>
<td>407,545.35</td>
</tr>
<tr>
<td>Cash Surrendered to Paymaster General</td>
<td>(7,755,324.40)</td>
<td>0</td>
</tr>
<tr>
<td>Closing balance</td>
<td>46,103,914.98</td>
<td>407,545.35</td>
</tr>
</tbody>
</table>

NOTE 8: Receivables and prepayment

<table>
<thead>
<tr>
<th>Description</th>
<th>2017/2018 (TZS)</th>
<th>2016/2017 (TZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unretired Imprest</td>
<td>4,705,300.00</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>4,705,300.00</td>
<td>0</td>
</tr>
</tbody>
</table>

Accumulated depreciation and Accumulated Impairment (Property, plant & Equipment)

<table>
<thead>
<tr>
<th>Description</th>
<th>Opening Bal. 01 July, 2017</th>
<th>Additional 2017/18</th>
<th>Total Asset 2017/18</th>
<th>Depreciation 2017/18</th>
<th>NBV as at 30 June, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Laptop</td>
<td>8,925,000.00</td>
<td>8,925,000.00</td>
<td>1,115,626.00</td>
<td>7,809,374.00</td>
<td></td>
</tr>
<tr>
<td>Cabinets</td>
<td>3,060,000.00</td>
<td>3,060,000.00</td>
<td>51,000.00</td>
<td>3,009,000.00</td>
<td></td>
</tr>
<tr>
<td>Tables</td>
<td>12,349,290.00</td>
<td>12,349,290.00</td>
<td>205,821.50</td>
<td>12,143,468.50</td>
<td></td>
</tr>
<tr>
<td>Doors</td>
<td>5,480,501.74</td>
<td>5,480,501.74</td>
<td>91,341.70</td>
<td>5,389,160.04</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.00</strong></td>
<td><strong>29,814,791.74</strong></td>
<td><strong>1,463,789.2</strong></td>
<td><strong>28,351,002.54</strong></td>
<td></td>
</tr>
</tbody>
</table>

## NOTE 10. Payables

<table>
<thead>
<tr>
<th>Descriptions</th>
<th>2017/2018 (TZS)</th>
<th>2016/2017 (TZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conference facility</td>
<td>1,500,000.00</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,500,000.00</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>