THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF ENERGY AND WATER UTILITIES REGULATORY AUTHORITY (EWURA) - ENERGY SECTOR CAPACITY BUILDING PROJECT (ESCBP) - PROJECT NUMBER 126875: CREDIT NUMBER 5217-TZ / CIDA (TRUST FUND) NUMBER 15902 FOR THE YEAR ENDED 30TH JUNE, 2019

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December, 2019

AR/ESCBP-EWURA/2019
## TABLE OF CONTENTS

1.0 GENERAL INFORMATION ........................................................................ iv

2.0 REPORT OF THE ENERGY SECTOR CAPACITY BUILDING PROJECT (ESCBP) FOR EWURA AS AN IMPLEMENTING AGENCY ................................................................. 1

5.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL .......... 1

6.0 SPECIAL PURPOSE FINANCIAL STATEMENTS ........................................... 13

7.0 NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS ......................... 14
DEFINITION OF TERMS AND ABBREVIATIONS

(i) Financial Statements: Means
   a. Statement of Receipt and Payments,
   b. Summary of significant accounting policies and other explanatory information.

(ii) Abbreviations

   BOT        Bank of Tanzania
   CIDA       Canadian International Development Agency
   ESCBP      Energy Sector Capacity Building Project
   EWURA      Energy and Water Utilities Regulatory Authority
   IDA        International Development Association
   GoT        Government of Tanzania
   MoE        Ministry of Energy
   MoFP       Ministry of Finance and Planning
   NBAA       National Board of Accountants and Auditors
   NEMC       National Environment Management Council
   OSHA       Occupation Safety and Health Authority
   PPP        Public Private Partnership
   TANESCO    Tanzania Electric Supply Company Limited
   TEITI      Tanzania Extractive Industries Transparency Initiative
   TPDC       Tanzania Petroleum Development Corporation
   USD        United States Dollar
   VETA       Vocational Education and Training Authority
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 behaviour, 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.
✓ Teamwork 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 Energy Sector Capacity Building Project (ESCBP)-EWURA. 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, 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 Energy Sector Capacity Building Project - EWURA.

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 Energy Sector Capacity Building Project - EWURA.

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 management of Energy Sector Capacity Building Project - EWURA.

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.
2.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

To: Chairman of the Board,
Energy and Water Utilities Regulatory Authority,
4th Floor, PSSSF House,
Makole Road,
P.O. Box 2857,
DODOMA.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF ENERGY SECTOR CAPACITY BUILDING PROJECT-PROJECT NO. 126875-TZ (ESCBP) FOR THE YEAR ENDED 30TH JUNE 2019

Introduction
I have audited the Special Purpose Statement financial of Energy Sector Capacity Building Project- EWURA Project No. 126875-TZ, which comprises the Statements of Cash Receipts and Payments for the year ended 30th June, 2019 and the notes to the Statement of Cash Receipts and Payments, including a summary of significant accounting policies set out from page 14 to 16.

Unqualified Opinion
In my opinion, the special purpose financial statements present fairly, in all material respects, the cash receipts and payments of Energy Sector Capacity Building Project- EWURA Project No. 126875-TZ (Credit Number 5217-TZ and Trust Fund Number 15902) for the year ended 30th June, 2019 in accordance with cash receipts and payments basis of accounting described in Note 7.4.

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 Energy Sector Capacity Building Project- EWURA Project No. 126875-TZ 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.

Emphasis of Matter - Basis of Accounting
Without qualifying my opinion, I draw the attention to the Note 7.4 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to provide information to IDA and CIDA Trust Fund. As result, the statements may not be suitable for other purpose. My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Statements
Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with cash receipts and disbursements basis of accounting described in Note 7.4; this includes determining that cash receipts and disbursements basis of accounting is an acceptable basis for preparation of the special purpose financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of special purpose
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 Special Purpose Financial Statements
My objectives are to obtain reasonable assurance about whether the special purpose 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(Revised 2016) 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.

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, Energy Sector Capacity Building Project- EWURA Project No. 126875-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 (Revised 2016).

Report on Other Legal and Regulatory Requirements
In addition to my opinion, I report on the following matters that:

- I was able to obtain all the information and explanations I considered necessary for the purposes of this audit;
- Adequate supporting documentation has been maintained in respect of all project transactions;
- All expenditures incurred are eligible under the Credit Agreement.
- Proper books of account have been kept and the financial statements are in agreement with the accounting records.

Charles E. Kicheke
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dodoma, Tanzania
30th December, 2019

Office of the Controller and Auditor General
3.0 REPORT OF THE ENERGY SECTOR CAPACITY BUILDING PROJECT (ESCBP) FOR EWURA AS AN IMPLEMENTING AGENCY FOR THE YEAR ENDED 30TH JUNE 2019

3.1 Introduction

The recent developments in upstream petroleum subsector, where international oil and gas exploration companies are exploring oil and gas in Tanzania, call for both, strategic planning and capacity building so as to strengthen the capacity of the Government of Tanzania (GoT) to develop its Natural Gas sub-sector and Public Private Partnerships (PPP) for the power generation sectors. The legal and regulatory framework governing the natural gas industry must be enhanced to ensure that environmental disasters are prevented and facilitate adoption of international best practices in resource management. Thus, Capacity building was needed so as to enable Tanzanians to run its natural gas sub-sector effectively and benefit the Nation appropriately.

The Government of Tanzania (GoT) through the Ministry of Finance and Planning (MoFP) and Ministry of Energy (MoE) approached the World Bank for financial assistance to implement the Energy Sector Capacity Building Project (ESCBP). Out of the total USD 35 million set aside by the World Bank for implementing ESCBP, USD 2.7 million is allocated to the Energy and Water Utilities Regulatory Authority (EWURA) whereby 62% of the total amount equivalent to USD 1.674 Million is credit from IDA and USD 1.026 million equivalent to 38% is grant from CIDA Trust Fund.

3.2 MAIN OBJECTIVES OF THE PROJECT

The Project Objective is mainly to strengthen the capacity of the Government of Tanzania to develop:

i. Its natural gas sub-sector; and

ii. Public Private Partnership (PPP) for the power generation sector.

To achieve these objectives, the project will finance five (5) main components as detailed hereunder as enshrined in the Financing Agreement Schedule 1;

Component A: Petroleum Policy and Legal Framework;

Component B: Strengthening Institutional Sector Management, Coordination and Governance;

Component C: Education & Skills Development;

Component D: Power Generation and Natural Gas PPP Projects Capacity Building and;

Component E: Project Coordination.
These components are implemented jointly with the Ministry of Energy with beneficiary institutions which include TPDC, TANESCO, NEMC, OSHA, TEITI and VETA. Implementation of these components will benefit Tanzanians both direct and indirect.

On 20\textsuperscript{th} January 2014, IDA declared it as an effective date for the project after the borrower/Government met all preconditions stipulated in the signed Financing Agreement. The project has an account at the Bank of Tanzania (BOT) Account Number 9931218481, which is operated by EWURA.

### 3.3 COMPOSITION OF PROJECT MANAGEMENT TEAM

All the Implementing Agencies were supposed to form a Project Management Team (PMT) which comprises of Project Coordinator, Project Procurement Specialist and Project Accountant together with Project Steering Committee. EWURA formed a PMT which comprises of the Project Coordinator who is responsible for the overall management of Project activities and compliance with its objectives, Project Accountant who is responsible for accounting, financial management and financial reporting; and the Project Procurement Specialist responsible for carrying out the procurement activities in compliance with the IDA procurement procedures.

The implementation of EWURA activities will be under the overall coordination of Director General assisted by Project Management Team Leader who will lead the team. Steering Committee members representing EWURA are the Director General and the Director of Natural Gas.

#### 3.3.1 PROJECT MANAGEMENT TEAM (PMT) COMPOSITION

<table>
<thead>
<tr>
<th>S/No</th>
<th>Name</th>
<th>Position</th>
<th>Qualifications</th>
<th>Nationality</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Thobias Rwelamila</td>
<td>Natural Gas Distribution Manager</td>
<td>Msc. (Engineering Management), MBA</td>
<td>Tanzanian</td>
<td>57</td>
</tr>
<tr>
<td>2.</td>
<td>Stella Kimario</td>
<td>Acting Manager Procurement Management</td>
<td>Msc. (Procurement and Supply Chain Management)</td>
<td>Tanzanian</td>
<td>35</td>
</tr>
<tr>
<td>3.</td>
<td>Genoveva Mponji</td>
<td>Principal Accountant - Revenue</td>
<td>Msc. (Accounting and Finance)</td>
<td>Tanzanian</td>
<td>46</td>
</tr>
</tbody>
</table>
3.3.2 PROJECT STEERING COMMITTEE

To facilitate coordination and communication between the agencies, the implementing agencies (IA) was overseen by a Steering Committee chaired by the Permanent Secretary of the Ministry of Energy and Minerals. Members of the Steering Committee included representatives of the four IAs and a maximum of two representatives from each Beneficiary Agency of the ESCAP and at least one representative from the Prime Minister’s Office.

The Steering Committee shall hold monthly meetings during the first year of implementation, and quarterly meetings thereafter. In the Steering Committee Meetings, EWURA was represented by the Director General and the Director of Natural Gas.

Table 2: Project Steering Committee members

<table>
<thead>
<tr>
<th>S/No</th>
<th>Name</th>
<th>Position</th>
<th>Qualifications</th>
<th>Nationality</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nzinyangwa Mchany</td>
<td>Acting Director General</td>
<td>Msc. (Economic Regulation and Competition), MBA</td>
<td>Tanzanian</td>
<td>56</td>
</tr>
<tr>
<td>2</td>
<td>Charles Omujuni</td>
<td>Director of Natural Gas</td>
<td>Msc. (Natural Gas Engineering)</td>
<td>Tanzanian</td>
<td>59</td>
</tr>
</tbody>
</table>

3.4 PROJECT FINANCING AND ITS COST

ESCBP is a Technical Assistance Credit to the Government of Tanzania and is implemented by EWURA and MoE as implementing agencies. The total financing of this project is USD 35 Million where by USD 1.1 Million was initially allocated to EWURA. That amount was revised to USD 2.7 Million after procurement processes to procure consultants at the initial approved budget failed. IDA financing for EWURA in this project is USD 1.674 Million equivalent to 62%.

The project is co-financed by a CIDA Trust Fund administered by IDA. CIDA financing proportionately support all project activities by 38% that is equivalent to USD 1,026,000.
### Table 3: Project Financing and Cost by Component

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Original Budget (USD)</th>
<th>Revised Project Cost (USD)</th>
<th>Actual Budget Amount Spent (USD)</th>
<th>Difference (Unspent Budget) (USD)</th>
<th>Percentage of Amount Spent as at 31 Dec 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Petroleum Policy and Legal Framework</td>
<td>200,000.00</td>
<td>1,000,000.00</td>
<td>497,652.56</td>
<td>502,347.44</td>
<td>49.77</td>
</tr>
<tr>
<td>B. Strengthening Institutional Sector Management, Coordination and Governance</td>
<td>700,000.00</td>
<td>1,500,000.00</td>
<td>999,544.47</td>
<td>500,455.53</td>
<td>66.64</td>
</tr>
<tr>
<td>E. Project Coordination</td>
<td>200,000.00</td>
<td>200,000.00</td>
<td>60,569.17</td>
<td>139,430.83</td>
<td>30.28</td>
</tr>
<tr>
<td><strong>Total Financing</strong></td>
<td><strong>1,100,000.00</strong></td>
<td><strong>2,700,000.00</strong></td>
<td><strong>1,557,766.20</strong></td>
<td><strong>1,142,233.80</strong></td>
<td><strong>57.70</strong></td>
</tr>
</tbody>
</table>

3.5 **PRINCIPAL ACTIVITIES**

ESCBP project has five components, each with multiple sub-components. The components support: (A) Petroleum Policy and Legal Framework, (B) Strengthening Institutional Sector Management, Coordination and Governance, (C) Education & Skills Development, (D) Large Power Generation and Natural Gas PPP Projects Capacity Building, and (E) Project Coordination.

Component A focuses on the GoT’s priority of implementing a comprehensive, clear and workable policy and regulatory framework to maximize value arising from natural gas development (financial, social, and environmental) in Tanzania. Component B aims at strengthening the capacity of the major institutions that deal with the oil and gas sub-sectors as well as the power generation sub-sector to allow them to execute their mandates in a way that is conducive to investments and ensures that all safeguards and safety standards are met to international standards. Component C focuses on enhancing technical skills in the sector through support to the Vocational Education Training Authority (VETA). Component D will increase the capacity of the GoT and its institutions to attract and develop power generation projects with private sector sponsors/financing. Finally, Component E will support Project coordination among the various implementing agencies. All components will be proportionally financed by the IDA Credit and the CIDA Trust Fund.

The principal activities of the ESCBP at EWURA are for Subcomponents in Component A, B and E as per project appraisal document schedule 1 indicates.
3.5.1 In component A, finances are in subcomponents A.2 (Legal and Regulatory Framework)

Activity number 3: Legal Support to EWURA's Natural Gas Division.

The expected outcome of this activity is that, the Consultant will develop several regulatory tools for natural gas mid and downstream and carrying out Training Need Assessments (TNA) for staff of the legal division. The activities to be financed under this part of the project include a contract for a Legal Advisor to EWURA's Natural Gas Division. The revised budget amount is USD 1.00 Million.

3.5.2 In component B, finances are in subcomponents B.2 (Enhancing Organizational Capacity)

Activity number 1:
Technical Advice, enhanced tariff modelling infrastructure and training for EWURA's Natural Gas Division; and

Activity number 2:
Technical Advice, enhanced tariff modelling infrastructure for EWURA's Electricity Division; However, the electricity division solicited funds from other sources to implement the same component, hence; this component was dropped from being funded by the ESCBP instead this activity was replaced with the carrying out of Cost of Service Study for TANESCO. Furthermore, this assignment is aimed at strengthening the capacity of EWURA and other key stakeholders including TANESCO, Ministry of Energy and Minerals (MEM), Ministry of Land Water Energy and Environment (MLWEE), Zanzibar Utilities Regulatory Authority (ZURA), Zanzibar Electricity Corporation (ZECO) and the Rural Energy Agency (REA) to adopt best regulatory practices in the determination of Revenue Requirement, cost allocation and tariff design, to achieve efficient, cost-reflective tariffs in Tanzania. The revised budget amount is USD 400,000.

In activity 1 Subcomponent B.2: Technical Advice, enhanced tariff modelling infrastructure and training for EWURA's Natural Gas Division.

The expected outcome of this activity is that the human capacity of EWURA's Natural Gas Division and tariff modelling capacity get strengthened and that “best practice” Transmission and Distribution (T&D) standards and Codes are established in the gas sector. The activities to be financed under this part of the project include a (goods, services and training) contract which has the following:

(a) A Technical Advisor to EWURA's Natural Gas Division to;

(i) Advise EWURA in development of gas quality, service standards and transmission and distribution codes, which subsequently will also be developed by the adviser, review EWURA's existing technical skills capacity to regulate the natural gas mid and downstream sector;

(ii) Based on the capacity assessment develop a training program on capacity enhancement;
(iii) Prepare and support the procurement process including technical design of a data simulation solution for gas transmission and distribution tariff models;
(b) Acquisition of data simulation software and hardware for a Gas Transmission and Distribution Tariff Model; and
(c) Training of staff (in-house training conducted by Technical Advisor) in gas quality management, standards, regulations, gas production, processing, utilization and transportation; and gas projects financial Modelling.

In Activity 2 Subcomponent B.2: Economic and Technical Advice, and enhanced tariff modeling infrastructure for EWURA’s Electricity Division.

The expected outcome of this activity was that, a technology based feed in tariff regulation is established, the revenue stream for Small Power Producers (SPP) Renewable technologies development is improved and EWURA’s tariff and financial modeling capacity are strengthened. However, the electricity division solicited funds from other sources to implement the same component, hence; this component was dropped from being funded by the ESCBP and was replaced by The Cost of Service Study (COSS) for TANESCO. The overall objective of The COSS for TANESCO is to assist EWURA to determine multi-year generation, transmission and distribution tariffs as well as wheeling charges for the system and rates for various customer categories. The tariffs should be cost reflective, equitable and send appropriate price signals to key players in the ESI and incentivize investments in the sector.

In Component E (Project Coordination), the project supports the Project Steering Committee as well as the Project Management Teams (PMT) of Implementing Agency (IA) which for this case is EWURA. It is intended to enhance the IA’s capacity for procurement and financial management, through the provision of technical advisory services, training, operating costs and acquisition of furniture and office equipment for Consultants’ office.

The revised budgets for procurement of the consultants are as follows;

Table 4: Revised Budget

<table>
<thead>
<tr>
<th>Component Number</th>
<th>Component Name</th>
<th>Budget USD</th>
<th>Revised Budget USD</th>
<th>Revised Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>A2</td>
<td>Legal and regulatory Framework</td>
<td>200,000.00</td>
<td>1,000,000.00</td>
<td></td>
</tr>
<tr>
<td>B2</td>
<td>Enhancing organizational Capacity</td>
<td>700,000.00</td>
<td>1,500,000.00</td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>Project Coordination</td>
<td>200,000.00</td>
<td>200,000.00</td>
<td></td>
</tr>
<tr>
<td>Total Amount</td>
<td></td>
<td>1,100,000.00</td>
<td>2,700,000.00</td>
<td></td>
</tr>
</tbody>
</table>
3.6 PROJECT MONITORING AND EVALUATION

The objective of this component was to assist EWURA in developing the required legal regulatory tools, service standards and guidelines, which will be necessary in supporting regulation of the natural gas sub-sector. The following draft regulations, rules and guidelines have been prepared:

- the petroleum (natural gas) (storage) rules, 2018;
- the petroleum (compressed natural gas) regulations, 2018;
- the petroleum (natural gas) (import, export and transit) regulations, 2018;
- natural gas public private partnership guidelines, 2018;
- the petroleum (natural gas) (records, reports, return and other information) regulations, 2018;
- the petroleum (natural gas) (regulatory accounting and reporting standards) rules, 2018;
- the petroleum (natural gas) (infrastructure inspection and monitoring) regulations, 2018;
- national (petroleum and gas) (information system) rules, 2018;
- natural gas service provider clients service charter guidelines, 2018; and
- petroleum local content guidelines, 2018

3.6.1 Economic and Technical advice, enhanced tariff modelling infrastructure and training for EWURA's Natural Gas division

The objective of this component was to assist EWURA to timely develop the required technical and economic regulatory tools based on the contents of the Petroleum Act, 2015 to support regulation of the natural gas sub-sector. The consultant also provided hands-on training to EWURA staff to develop the technical and economic regulatory tools and tariff determination models for processing, transportation, storage and distribution of natural gas consistent with the current regulatory framework and incompatible with Government objectives for the energy sector reform.

Draft standards and codes for natural gas transmission and distribution for mid and downstream activities have been prepared as follows:

- the health, safety and environmental manual;
- draft technical standards;
- draft natural gas codes;
- draft reporting guidelines;
- draft CNG standards and codes;
- the training needs reports;
- tariff calculation models;
• the server and software for receiving the regulatory information have been supplied; and
• four training workshops

3.6.2 Economic and Technical advice, enhanced tariff modelling infrastructure and training for EWURA's Electricity division
The component was replaced instead EWURA in collaboration with the Ministry of Energy carried out the Cost of Service Study for TANESCO which assists EWURA to determine generation, transmission and distribution tariff as well as wheeling charges for the system and rates for various customer categories.
4.0 STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE YEAR ENDED 30TH JUNE 2019

These project financial statements have been prepared by the management of the Energy and Water Utilities Regulatory Authority in accordance with the Project Agreement, Financing Agreement and the provisions of section 25(4) of the Public Finance Act, Cap 348 of 2008.

The Management of EWURA is responsible for establishing and maintaining a system of effective internal control designed to give reasonable assurance that the transactions recorded in the financial statements are within the statutory requirement and that they contain the receipts and use of resources by the Authority.

To the best of the management’s knowledge, the internal control system has operated adequately throughout the reporting period and the accounting and underlying records provide a reasonable basis for the preparation of the financial statements for the year ended 30th June 2019.

Management accepts responsibility for the integrity of the Financial Statements, the information they contain and their compliance with Project Agreement. Energy Sector Capacity Building Project of five years was closed on 31st December 2018 as specified in Finance Agreement and the Disbursement deadline date was 4 months after the Closing Date as stated in Disbursement letter as additional instructions.

Nzinyangwa E. Mchany
Acting Director General

Date

Thobias P. Rwelamila
Project Coordinator
The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance 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 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 acceptable and consistently applied accounting standards in a manner that adequately reflect its operation and financial condition as per Financing Agreement. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I, Genoveva Mponji, being the Project Accountant of Energy Sector Capacity Building Project at Energy and Water Utilities Regulatory Authority, hereby acknowledge my responsibility of ensuring that special purpose financial statements for the year ended 30th June, 2019 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 ESCBP receipt and payments for the year ended 30th June 2019 and that they have been prepared based on properly maintained financial records.

Signed by: ........................................
Position: ........................................

NBAA Membership No ACPA 1864
Date: 24/12/2019
6.0 SPECIAL PURPOSE FINANCIAL STATEMENTS

6.1 STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2019

<table>
<thead>
<tr>
<th></th>
<th>30.06.2019</th>
<th></th>
<th>30.06.2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AMOUNT (USD)</td>
<td>AMOUNT (TZS)</td>
<td>AMOUNT (USD)</td>
<td>AMOUNT (TZS)</td>
</tr>
<tr>
<td>RECEIPTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance</td>
<td>14,240.83</td>
<td>32,275,895.16</td>
<td>33,726.55</td>
<td>54,503,027.73</td>
</tr>
<tr>
<td>Receipts</td>
<td>10 1,460,494.20</td>
<td>3,382,541,079.56</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exchange Gain/(Loss)</td>
<td>-</td>
<td>16,664,973.64</td>
<td>-</td>
<td>22,129,067.43</td>
</tr>
<tr>
<td>Total Receipts</td>
<td>1,474,735.03</td>
<td>3,431,481,948.36</td>
<td>33,726.55</td>
<td>76,632,095.16</td>
</tr>
<tr>
<td>PAYMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultancy Services</td>
<td>12 1,474,735.03</td>
<td>3,431,481,948.36</td>
<td>19,485.72</td>
<td>44,356,200.00</td>
</tr>
<tr>
<td>Total Payments</td>
<td>1,474,735.03</td>
<td>3,431,481,948.36</td>
<td>19,485.72</td>
<td>44,356,200.00</td>
</tr>
<tr>
<td>Excess of Receipts</td>
<td>-</td>
<td>-</td>
<td>14,240.83</td>
<td>32,275,895.16</td>
</tr>
<tr>
<td>Over Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REPRESENTED BY:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Balances as at</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30th June, 2019</td>
<td>11</td>
<td>-</td>
<td>14,240.83</td>
<td>32,275,895.16</td>
</tr>
</tbody>
</table>

These Special Purpose Financial Statements were approved by the Board of Directors on 27th December 2019 and signed on its behalf by:

Nzinyangwa E. Mchany  
Acting Director General  
27/12/2019

Thobias P. Rwelamila  
Project Coordinator

Date
7.0 NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2019

7.1 General Information
The Government of Tanzania (GoT) through the Ministry of Finance (MoF) and Ministry of Energy (MoE) approached the World Bank for financial assistance to implement the Energy Sector Capacity Building Project (ESCBP). Initially, out of the total USD 35 million set aside by the World Bank for implementing ESCBP, USD 1.1 million was allocated to the Energy and Water Utilities Regulatory Authority (EWURA) where by 62% of that amount equivalent to USD 0.682 Million is credit from IDA and USD 0.418 million equivalent to 38% is grant from CIDA Trust Fund.

That allocation of USD 1.1 Million was reviewed and agreed by the World Bank on 19th April 2017 and extra allocation of USD 1.6 Million was provided to EWURA which makes the revised budget to be in total amount of USD 2.7 Million. Therefore, the availability of sufficient budget has enabled the procurement process to start again in order to obtain the consultants for the project after the earlier failed at the final stage due to budget constraints.

7.2 Project Objective
The objective of the project is mainly to strengthen the capacity of the Government of Tanzania to develop natural gas sub-sector; and facilitate the Public Private Partnership (PPP) for the power generation sector. The project has five (5) components, each with the multiple sub-components. The project was categorized in five components which supports (A) Petroleum Policy and Legal Framework, (B) Strengthening Institutional Sector Management, Coordination and Governance, (C) Education and Skills Development, (D) Large Power Generation and Natural gas PPP Projects Capacity Assistance, and (E) Project Coordination. The project components are implemented jointly with MoE and beneficiary institutions which are TPDC, TANESCO, NEMC, OSHA and TEITI. EWURA as Project Implementing Entity was assigned to carry out subcomponents A.2(c), B.2 (a) and E.2 of the project.

7.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The principal accounting policies adopted in the preparation of these financial statements are as set out below;

7.4 Basis of Preparation
The special purpose financial statements have been prepared on cash basis of accounting. Receipts are recorded when they are received in the Project’s Special Bank Account and payments are recorded when cash is paid to the supplier of goods or services.

7.5 Cash and Cash Equivalents
In this special purpose, financial statements, cash and cash equivalents include cash in hand and deposits held in banks.
7.6 Foreign Currency Translation

7.6.1 Function and presentation currency
Items included in the special purpose financial statements of the Project are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The statement of receipts and payments are presented both in Tanzania Shilling (TZS) and United States Dollar (USD) which are functional currencies and presentation currencies of the Project respectively.

7.6.2 Transactions and Balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities at the year-end expressed in foreign currencies are translated into functional currency using the exchange rates prevailing at the reporting date.

8.0 Closing Date
According to the Financing Agreement of ESCBP, the Project closing date was defined as December 31st, 2018 and Disbursement deadline as 4 months after closing date as specified in Disbursement Letter.

9.0 Contingent Liabilities
There were no contingent liabilities for the year 2018/2019.

10.0 Receipts
During the year 2018/19, the Project received USD 1,460,494.20 equivalent to TZS 3,382,541,079.56 for implementation of its activities, which is to pay for the consultant’s services (consultants’ contract amounts). These consultants reported at EWURA’s office in August 2018. Analyses of the amount received are as shown in the table 5 below;

Table 5: Receipt Analysis

<table>
<thead>
<tr>
<th>Details</th>
<th>2018/2019</th>
<th>2017/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (USD)</td>
<td>Amount (TZS)</td>
</tr>
<tr>
<td>IDA Credit Number 5217</td>
<td>905,506.40</td>
<td>2,097,175,460.06</td>
</tr>
<tr>
<td>CIDA Trust Fund Number 15902</td>
<td>554,987.80</td>
<td>1,285,365,619.50</td>
</tr>
<tr>
<td><strong>Total Receipt</strong></td>
<td><strong>1,460,494.20</strong></td>
<td><strong>3,382,541,079.56</strong></td>
</tr>
</tbody>
</table>
11.0 Bank Balance

Bank balance in Account no 9931218481 maintained at the Tanzania Central Bank (The Bank of Tanzania - BoT) as at 30th June 2019 had zero balance. There were no outstanding invoices, which were pending for payment.

Table 6: Bank balance details

<table>
<thead>
<tr>
<th>Details</th>
<th>2018/2019</th>
<th></th>
<th>2017/2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (USD)</td>
<td>Amount (TZS)</td>
<td>Amount (USD)</td>
<td>Amount (TZS)</td>
</tr>
<tr>
<td>Opening/Closing Balance</td>
<td>-</td>
<td>-</td>
<td>14,240.83</td>
<td>32,275,895.16</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>14,240.83</td>
<td>32,275,895.16</td>
</tr>
</tbody>
</table>

12.0 Payments

During the year 2018/19, the Project paid for consultant’s services (Provision of Legal Advisory Services to the Natural Gas Division and Provision of Technical and Economic Advisory Services to the Natural Gas Division) a total amount of USD 1,474,735.03 equivalent to TZS 3,431,481,948.36 Analysis of payments is as shown in the table 7 below;

Table 7: Payment analysis

<table>
<thead>
<tr>
<th>Details</th>
<th>2018/2019</th>
<th></th>
<th>2017/2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (USD)</td>
<td>Amount (TZS)</td>
<td>Amount (USD)</td>
<td>Amount (TZS)</td>
</tr>
<tr>
<td>Office Furniture</td>
<td>-</td>
<td>-</td>
<td>5,493.01</td>
<td>12,496,200.00</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>-</td>
<td>-</td>
<td>9,017.52</td>
<td>20,532,000.00</td>
</tr>
<tr>
<td>Computers</td>
<td>-</td>
<td>-</td>
<td>4,975.19</td>
<td>11,328,000.00</td>
</tr>
<tr>
<td>Provision of Legal Advisory Services to the Natural Gas Division</td>
<td>497,652.56</td>
<td>1,156,381,779.26</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision of Technical and Economic Advisory Services to the Natural Gas Division</td>
<td>977,082.47</td>
<td>2,275,100,169.10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Payments</td>
<td>1,474,735.03</td>
<td>3,431,481,948.36</td>
<td>19,485.72</td>
<td>44,356,200.00</td>
</tr>
</tbody>
</table>